



GOVERNMENT OF KARNATAKA

KARNATAKA FISCAL ECONOMY

A REVIEW 1992

Research & Statistics Wing
Finance Department
Karnataka Government Secretariat
Bangalore.

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PREFACE

"Karnataka's Fiscal Economy - A Review, 1992" is the first edition of this annual publication. It attempts to provide time-series data on various important facets of the fiscal economy of the State. At the same time it places the data relating to Karnataka in juxtaposition with that of other States and provides a brief analysis of the data.

The State Governments have been carrying out various responsibilities not only to bring about rapid economic development of the States but also to fulfil other objectives such as alleviation of poverty, Social Security and Welfare, provision of basic necessities like safe drinking water, Housing, Health, Education facilities etc. In order to carry out these responsibilities huge amounts are required to be mobilised and spent. Most of the State Governments are faced with the problem of shortage of funds because of the limited sources of Revenue which are available to the States. Thus prudent fiscal management has assumed much more importance particularly in the recent years. Therefore, a closer examination and analysis of the revenue raising and expenditure activities of the State Government has become all the more important. This publication attempts to do the same and tries to identify the strengths and weaknesses of the fiscal economy of the State.

The review has been prepared in the Research and Statistics Wing of the Finance Department by Shri Syed Thanvir Ahmed, Research Officer. He has been assisted by Smt.D. Pramila Kumari, Assistant Statistical Officer, Shri.HM Sureshwar, Assistant Statistical Officer and Shri.TL Krishnaiah, Assistant. Shri.NR Erakuppi and Smt.BR Mala Devi, Stenographers have also been associated with this project. The staff of the Computer Cell of the Finance Department and the Computer Wing of the Directorate of Economics and Statistics have helped in preparing the matter for the press.

The Research and Statistics Wing of the Finance Department plans to improve this publication in its future editions. Suggestions in this regard are most welcome.

Bangalore,
Dated: October 8, 1992

Secretary-II
Finance Department
Government of Karnataka
Bangalore

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CHAPTER I

INTRODUCTION

The quasi-federal structure given to us by the Constitution envisages distribution of the basic fiscal functions of taxing and spending between the Central and State Governments. The revenue from certain taxes is fully assigned to the Centre and so also the power to impose these taxes. Similarly, the revenue from, and the power to impose, certain taxes have been given exclusively to the States. In case of a few other taxes, the power to impose them lies with the Centre whereas the revenue from them is shared between the Centre and the States. Further, a few other taxes are imposed by the Centre but the entire proceeds go to the States. Provision has also been made to provide grants and loans to the States by the Central Government. Sharing of the proceeds from the various shareable taxes and the giving of grants under Article 275 of the Constitution by the Centre have both been subjected to the recommendations of the Finance Commission which is to be constituted at least once in every five years.

1.2 In any federal or quasi-federal set up there is bound to arise the problem of fiscal imbalance. There could be an imbalance between the revenue raising capacities of Governments and their revenue requirements. The revenue requirements of one Government may exceed its capacity to raise revenue whereas in case of another the revenue raising capacity may exceed its revenue requirements. This may be true if not in absolute but, at least in relative terms. This type of imbalance could be either between different levels of Government wherein it is called "vertical fiscal imbalance" or it could be between different Governments at the same level wherein it is called "horizontal fiscal imbalance". The Constitution of India seeks to overcome this problem through its provision for the setting up of the Finance Commission every five years which is expected to provide flexibility to the Centre-State financial relationship. However, in reality, resources transferred to the States through the Finance Commission constitute only a part of the total transfers from the Centre to the States. Huge amounts of funds are transferred both directly and through the Planning Commission.

1.3 Despite the recommendations of the successive Finance Commissions for larger and larger transfer of resources to the States from the Centre, many of the State Governments have been facing serious problems of resource crunch. While their expenditures have been increasing at a high rate, their revenues have not shown a corresponding high rate of increase. The reasons for this are many. What is disturbing is the fact that, of late, many State Governments have shown deficits in their revenue account which means that the amounts raised through borrowing etc. under the capital account which should have otherwise gone towards capital formation, have, at least partly, been utilised to fill the revenue deficit.

1.4 The problems faced by Karnataka are not entirely different from those of the other States. However, Karnataka has managed its finances more efficiently when compared to several other States. This review seeks to go into all aspects of the fiscal economy of Karnataka. It seeks to make a study of the fiscal performance of the State in comparison with the other States in order to highlight deficiencies, if any. But before these issues are taken up, it is necessary to throw some light, though very briefly, on some of the important aspects of Karnataka's economy and its performance in the recent past because these have an important bearing on the fiscal performance of the State.

1.5 Karnataka is a State which is known for its Gold, Sandalwood, Teakwood, Coffee and Silk, among other things. It is a State which embarked upon industrialisation well before many other States did. Though at present it is facing the problem of acute shortage of electric power, it was the State in which the first hydro-power station in the country was set up. It has the distinction of having electrified all its towns and villages. Karnataka accounts for more than 70 per cent of the total production of gold in the country and accounts for 55 to 60 per cent of raw silk production in the country. It is rich in iron ore accounting for more than 20% of the total iron ore reserves in the country and has the largest iron ore mining project at Kudremukh. It accounts for 47.4% of the total manganese ore reserves and 24.3% of the total lime stone reserves of the country apart from 7.1% of the Dolomite reserves of the country. It is a leading Coffee, Pepper, Arecanut producing State wherein cardamom is also grown. In the field of industries, Karnataka has a large share in the production of electric, electronic, engineering and telecommunication products, to name a few. For example, in electronics production, Karnataka is ranked first among the States accounting for more than 19 per cent of the total electronics production in the country.

1.6 There is no dearth of people with technical education. There are a large number of engineering and medical educational institutions apart from institutions for general education. This is reflected in its literacy rate which has been rising. The 1981 census had put the percentage of literacy in the State at 38.5. This was higher than the literacy rate for the country which was 36.2 per cent. As per the provisional 1991 census figures, the rate of literacy in Karnataka was 47.04 per cent as against the all India figure of 43.25 per cent (excluding Jammu and Kashmir). The percentage of literates to estimated population aged seven years and above had increased in Karnataka from 46.20% in 1981 to 55.98% in 1991. The All India figures for 1981 and 1991 were 43.56 per cent and 52.11 per cent respectively.

1.7 Karnataka had a total Railway route length of 3090 Kms in 1990-91 which comes to 16.11 Kms of railway route length per thousand sq. kms of area which is one of the lowest among the States. In 1989-90, the total road length in Karnataka was 1,28,882 kms which included 83,012 kms of surfaced roads (64.4 per cent). Thus the total road length per thousand sq. kms. of the area of the State works out to 671.96 kms. There were 9,665 Post Offices (21.56 per lakh population) and 3,34,700 telephones (746.81 per lakh population) during 1990-91.

1.8 More than sixteen per cent (30.74 lakh hectares) of the total geographical area of the State consists of forests and more than 56 per cent (107.08 lakh hectares) of the total geographical area constitutes the net sown area. Karnataka accounts for about four per cent of the total foodgrains production of our country. However, both in terms of per capita foodgrains production as well as compound annual growth rate of foodgrains production between 1969-70 and 1989-90, it is ranked among the lowest States. In fact, during this period the compound annual rate of growth of per capita foodgrains production was negative.

1.9 There were 7,768 factories in the State employing 7.78 lakh workers during 1990-91 in addition to 1,15,500 small scale units in which 8.08 lakh persons were employed.

1.10 The Net State Domestic Product (NSDP) at current prices increased from Rs.5,964.03 crores in 1980-81 to an anticipated Rs.24,368.03 crores in 1991-92 with the per capita income showing an increase from Rs.1,622.86 to Rs.5,322.10 during the same period. At 1980-81 constant prices, the NSDP and per capita income have increased from Rs.5,964.03 crores and Rs.1622.86 in 1980-81 to Rs.10,176.12 crores and Rs.2,222.52 (anticipated) in 1991-92 respectively. The real per capita income for the country as a whole in 1991-92 at 1980-81 prices was estimated by CMIE as Rs.2,240. At 1980-81 prices, while the share of primary sector has fallen from 43.3% in 1980-81 to 33.9% in 1990-91, whereas the shares of the secondary and the tertiary sectors have increased from 25.6% and 31.1% in 1980-81 respectively to 28% and 38.1% in 1990-91. Thus the secondary and the tertiary sectors together accounted for 66.1% of the NSDP in 1990-91 indicating that the State is fairly developed. This also indicates opportunities for larger tax collections particularly in case of indirect taxes. The average annual growth of Karnataka's GDP during the seventh plan is estimated to be 5.25%.

1.11 Karnataka with a population of 448.07 lakhs accounts for 5.3% of the country's population (8439 lakhs) and is ranked 8th among the States. The population of Karnataka is higher than that of countries like South Korea, Spain, Poland, South Africa, Canada, Sudan, Algeria, Yugoslavia etc. It is more than double the population of Iraq, Malaysia, Australia, Uganda, East Germany, Sri Lanka, Afghanistan and a host of other countries. The total area of Karnataka extends to 1.92 lakh sq. kms. which comes to 5.83% of the total area of the country (32.88 lakh sq. kms.) giving it the 8th place among States and union territories. In terms of density, with a density of 234 persons per sq. kms. it is a less thickly populated State when compared to many other States like Andhra Pradesh, Assam, Bihar, Goa, Haryana, Kerala, Maharashtra, Tamil Nadu, Uttar Pradesh, West Bengal etc. The density of population for the country as a whole was 267 persons per sq. kms. There were 27,024 inhabited villages and 250 towns and urban agglomerations in Karnataka spread over 20 districts, 175 taluks and 745 hoblies. The percentage of population below the poverty line in Karnataka came down from 50.8% in 1977-78 to 32.1% in 1987-88.

1.12 Thus it is evident that Karnataka is economically a fairly developed State in which considerable amount of industrial development has taken place. It has growing secondary and tertiary sectors. The CMIE has estimated the index of relative development of infrastructure for Karnataka for the year 1989-90 as 99 which is much below the indices of States like Punjab (214), Haryana (149), Kerala (140) and Tamil Nadu (139). Though it is not much lower than the All India Index of 100 it is ranked 10th among the major States in terms of relative development of infrastructure. All these factors have important implications for both revenue as well as expenditure exercises of the State Government.

CHAPTER II

OVERALL BUDGETARY POSITION

2.1 There has been a considerable increase both in the revenue as well as the expenditure of the State Government. The rate of growth of total expenditure has been lower than the rate of growth of total revenue during the last decade (Table 3). What is a matter of concern is the fact that for quite some time there has been a deficit in the State Government's revenue account (Table 1). While this has happened even in the past, for example, in 1961-62, 1962-63, 1965-66 and again between 1970-71 and 1972-73, the deficit in the revenue account used to be short-lived and a surplus appeared in the subsequent years. But since 1984-85 except during 1986-87 and 1991-92 (RE), the deficit in the revenue account has persisted leading to using up of the revenue raised through borrowing etc. under the capital account in order to cover this revenue deficit. In other words, in order to meet the current expenditure, capital receipts are being used. This means that a part of what should go towards productive investments and capital formation actually goes towards the current expenditure. However, it is heartening to note that as a percentage of capital receipts, the revenue deficit is quite small and efforts at reducing it during the last two years have succeeded in bringing it down considerably from Rs.146 crores in 1989-90 to Rs.78.91 crores in 1990-91 and in 1991-92 there is a surplus of Rs.21.16 crores (revised estimates). The Budget for 1992-93 estimates a revenue deficit of Rs.5.06 crores which may be covered by the additional resource mobilisation measures enunciated in the budget and there may be a surplus on the revenue account during 1992-93.

Table - 1

OVERALL BUDGETARY PICTURE

(Rs. in crores)

YEAR	Opening Balance	Revenue Account			Capital Account			Overall Surplus/Deficit	Closing Balance
		Receipts	Expenditure	Surplus/Deficit	Receipts	Expenditure	Surplus/Deficit		
1	2	3	4	5	6	7	8	9	10
1960-61	1.43	92.07	89.80	2.28	625.10	627.39	-2.29	-0.01	1.42
1961-62	1.42	91.02	95.69	-4.67	546.22	534.64	11.59	6.92	8.33
1962-63	8.33	91.81	93.90	-2.08	580.76	587.18	-6.43	-8.51	-0.17
1963-64	-0.18	102.09	98.79	3.30	610.22	609.02	1.20	4.50	4.32
1964-65	4.32	111.06	108.15	2.91	626.56	627.57	-1.01	1.90	6.22
1965-66	6.22	120.49	125.46	-4.98	637.87	638.78	-0.91	-5.89	0.33
1966-67	0.33	156.40	151.44	4.96	741.37	749.60	-8.24	-3.28	-2.95
1967-68	-2.95	170.99	157.52	13.47	659.89	669.32	-9.43	4.04	1.09
1968-69	1.09	223.91	212.29	11.62	791.96	799.13	-7.18	4.44	5.54
1969-70	5.54	234.72	214.54	20.18	842.96	867.28	-24.32	-4.13	1.40
1970-71	1.40	246.57	252.38	-5.81	451.18	439.10	12.08	6.26	7.66
1971-72	7.66	264.00	268.71	-4.71	489.51	486.97	2.54	-2.17	5.50
1972-73	5.50	317.43	326.59	-9.15	1347.54	1348.41	-0.86	-10.02	-4.52
1973-74	-4.15	368.60	359.83	8.77	1258.36	1256.92	1.44	10.21	6.05
1974-75	6.05	413.10	364.92	48.18	685.53	742.99	-57.46	-9.28	-3.23
1975-76	-3.23	514.12	428.59	85.54	819.58	910.59	-91.01	-5.47	-8.70
1976-77	-8.70	559.11	495.24	63.87	952.12	1016.80	-64.68	-0.81	-9.51
1977-78	-9.51	598.49	533.85	64.64	1150.54	1207.23	-56.69	7.95	-1.55
1978-79	-1.55	688.55	636.85	51.69	1288.88	1340.29	-51.40	0.29	-1.27
1979-80	-1.27	819.30	738.65	80.65	1497.10	1577.28	-80.17	0.47	-0.79
1980-81	-0.79	953.46	894.90	58.56	1760.07	1856.92	-96.85	-38.29	-39.08
1981-82	-39.08	1166.64	1002.36	164.28	1868.46	1993.24	-124.78	39.50	0.42
1982-83	2.22	1280.66	1238.77	41.90	2187.09	2274.95	-87.86	-45.96	-43.75
1983-84	-43.75	1489.46	1416.55	72.90	2835.06	2941.32	-106.27	-33.36	-77.11
1984-85	-77.11	1739.90	1883.52	-143.62	3578.88	3616.01	-37.13	-180.75	-257.86
1985-86	-257.86	2013.11	2097.85	-84.74	4439.85	4052.36	387.49	302.76	44.90
1986-87	44.85	2284.12	2204.73	79.39	3819.28	4015.09	-195.80	-116.41	-71.56
1987-88	-71.56	2556.89	2666.77	-109.89	5014.25	4857.51	156.73	46.84	-24.72
1988-89	-25.02	2963.57	3002.29	-38.72	5678.69	5628.49	50.20	11.48	-13.54
1989-90	-13.54	3336.48	3482.94	-146.46	6929.57	10239.96			

(Contd.)

Table - 1(Concluded)

YEAR	Opening Balance	Revenue Account			Capital Account			Overall surplus/ Deficit	Closing Balance
		Receipts	Expenditure	Surplus/ Deficit	Receipts	Expenditure	Surplus/ Deficit		
1	2	3	4	5	6	7	8	9	10
1990-91	-28.06	3892.18	3971.09	-78.91	7188.95	7078.67	110.28	31.37	3.31
1991-92 (RE)	3.31	4874.90	4853.74	21.16	8640.51	8723.83	-83.33	-62.17	-58.86
1992-93 (BE)	-58.86	5672.92	5677.98	-5.06	9226.45	9489.13	-262.68	-267.74	-326.60
Period		Compounded Annual growth rate [%]							
1960-61 to 70-71		10.35	10.89		-3.21	-3.51			
1970-71 to 80-81		14.48	13.49		14.58	15.51			
1980-81 to 90-91		15.10	16.07		15.11	14.32			
1970-71 to 90-91		14.79	14.77		14.85	14.91			
1960-61 to 90-91		13.29	13.46		8.48	8.41			

2.2 The reasons for such a deficit on the revenue account in the past are many. They may have originated either from the receipts side or the expenditure side or from both sides of the revenue account. An attempt at examining and highlighting the factors responsible for this deficit would be made subsequently while dealing with the different components of both revenue and expenditure under the revenue account separately. It may be noted that while the compound annual growth rate of revenue receipts was 14.48 per cent between 1970-71 and 1980-81, it was 15.10 per cent between 1980-81 and 1990-91. On the otherhand, the compound annual growth rate of revenue expenditure was 13.49 per cent between 1970-71 and 1980-81 and 16.07 per cent between 1980-81 and 1990-91. The rate of growth of revenue expenditure has exceeded the growth rate of revenue receipts during the last decade. In other words, revenue receipts have not been able to keep pace with the increases in revenue expenditure.

2.3 The compound annual rate of growth of revenue under the capital account (inclusive of ways and means advances) was 14.58 per cent between 1970-71 and 1980-81 and it was 15.11 per cent between 1980-81 and 1990-91. The compound annual rate of growth of capital expenditure (inclusive of ways and means advances) was 15.51 per cent between 1970-71 and 1980-81 and 14.32 per cent between 1980-81 and 1990-91.

Table - 2

AGGREGATE RECEIPTS/DISBURSEMENTS AND OVERALL SURPLUS (+) OR DEFICIT (-)

OF STATE GOVERNMENT: STATEWISE DETAILS

(Rs. in crores)

	State	1986-87 (Accounts)			1987-88(Accounts)		
		Aggre- gate Receipt	Aggre- gate Disbur- sements	Overall Surplus(+) Deficit (-)	Aggre- gate Receipt	Aggre- gate Disbur- sements	Overall Surplus(+) Deficit (-)
1.	Andhra Pradesh	3963.0	4069.6	-106.6	4401.5	4299.7	101.8
2.	Arunachal Pradesh	220.2	226.9	-6.7	294.9	337.4	-42.5
3.	Assam	1574.3	1636.8	-62.5	1766.2	1783.9	-17.7
4.	Bihar	3458.0	3359.9	98.1	3824.8	3914.1	-89.3
5.	Goa	258.3	254.1	4.2	342.6	240.3	102.3
6.	Gujarat	3390.1	3285.2	104.9	3963.5	4086.7	-123.2
7.	Haryana	1518.3	1521.8	-3.5	1658.2	1664.3	-6.1
8.	Himachal Pradesh	630.8	645.7	-14.9	822.3	807.6	14.7
9.	Jammu & Kashmir	1002.2	1001.2	1.0	1202.5	1248.0	-45.5
10.	Karnataka	2941.9	3058.3	-116.4	3521.6	3474.8	46.8
11.	Kerala	1990.7	2183.6	-192.9	2244.6	2246.2	-1.6
12.	Madhya Pradesh	3345.0	3401.5	-56.5	4088.3	3952.1	136.2
13.	Maharashtra	6492.0	6452.1	39.9	7005.9	6894.2	111.7
14.	Manipur	284.1	295.9	-11.8	308.8	311.1	-2.3
15.	Meghalaya	238.0	238.7	-0.7	279.2	274.0	5.2
16.	Mizoram	68.9	50.0	18.9	201.1	292.0	-90.9
17.	Nagaland	353.6	344.3	9.3	404.2	435.7	-31.5
18.	Orissa	1620.0	1731.3	-111.3	2003.9	1988.5	15.4
19.	Punjab	1789.5	1822.8	-33.3	2643.0	2614.6	28.4
20.	Rajasthan	2542.2	2565.1	-22.9	3196.7	3376.2	-179.5
21.	Sikkim	124.2	119.4	4.8	128.6	134.3	-5.7
22.	Tamil Nadu	3604.9	3610.4	-5.5	4129.0	4193.0	-64.0
23.	Tripura	314.6	308.5	6.1	372.9	394.6	-21.7
24.	Uttar Pradesh	6375.8	6490.2	-114.4	6846.3	6727.1	119.2
25.	West Bengal	3428.4	3522.4	-94.0	3935.0	3960.8	-25.8
Total →		51529.0	52195.7	-666.7	59585.6	59651.2	-65.6

(contd.)

Table - 2(Concluded)

AGGREGATE RECEIPTS/DISBURSEMENTS AND OVERALL SURPLUS (+) OR DEFICIT(-)

OF STATE GOVERNMENT: STATEWISE DETAILS

(Rs. in crores)

	State	1988 - 89 Accounts			1989-90 Accounts		
		Aggregate Receipt	Aggregate Disbursements	Overall Surplus(+) Deficit (-)	Aggregate Receipt	Aggregate Disbursements	Overall Surplus(+) Deficit (-)
1.	Andhra Pradesh	5279.7	5218.5	61.2	5698.4	5752.9	-54.5
2.	Arunachal Pradesh	342.8	328.0	14.8	369.8	404.2	-34.4
3.	Assam	1906.1	1883.8	22.3	2190.1	2288.1	-2288.1
4.	Bihar	4455.3	4461.5	-6.2	5219.8	5245.3	-25.5
5.	Goa	260.0	296.4	-36.4	338.2	329.3	8.9
6.	Gujarat	4493.2	4400.6	92.6	4929.9	4805.1	124.8
7.	Haryana	1890.1	1872.8	17.3	2043.2	2118.3	-75.1
8.	Himachal Pradesh	874.8	973.5	-98.7	911.6	984.6	-73.0
9.	Jammu & Kashmir	1404.4	1404.4	0.0	1611.4	1611.4	0.0
10.	Karnataka	3796.6	3785.1	11.5	4452.3	4426.2	26.1
11.	Kerala	2474.0	2475.0	-1.0	2864.5	2857.2	7.3
12.	Madhya Pradesh	4389.9	4646.8	-256.9	4988.1	4815.9	172.2
13.	Maharashtra	8232.8	8064.0	168.8	10012.9	9796.2	216.7
14.	Manipur	394.7	379.7	15.0	374.2	416.6	-42.4
15.	Meghalaya	336.8	315.8	21.0	349.2	353.9	4.7
16.	Mizoram	293.6	312.3	-18.7	414.2	308.0	106.2
17.	Nagaland	437.7	448.4	-10.7	473.7	514.8	-41.1
18.	Orissa	2326.2	2272.4	53.8	2335.6	2459.4	-123.8
19.	Punjab	2901.7	2670.4	231.3	2934.2	2915.3	18.9
20.	Rajasthan	3482.5	3409.4	73.1	3611.3	3573.5	37.8
21.	Sikkim	167.9	161.0	6.9	180.4	166.7	13.7
22.	Tamil Nadu	4547.3	4616.2	-68.9	5603.6	5666.2	-62.6
23.	Tripura	470.0	502.3	-32.3	601.7	526.4	75.3
24.	Uttar Pradesh	7904.4	7880.7	23.7	9339.4	9591.6	-252.2
25.	West Bengal	4411.3	4314.6	96.7	4800.8	4882.3	-81.5
	Total →	67473.4	67093.6	379.8	76648.5	76809.4	160.9

- Note: (1) Aggregate disbursements include remittances (Net)
(2) Figures for 1986-87 Account in respect of Bihar, J & K and Nagaland relate to revised Estimates.
(3) figures for 1987-88 Accounts in respect of Bihar and Nagaland and relate to revised Estimates.
(4) Figures for 1988-89 Accounts in respect of Arunachal Pradesh, Jammu & Kashmir, Manipur and Nagaland relate to revised Estimates.
(5) Figures for 1989-90 Accounts in respect of Bihar, J & K Nagaland relate to Revised Estimates

(Source : RBI April, 92)

2.4 When we look at the aggregate budgetary position of the other States between 1986-87 and 1989-90 we find that several States have been having overall deficits. While Kerala had deficit continuously between 1986-87 and 1988-89, most other States like Uttar Pradesh, Andhra Pradesh, Bihar, Punjab, Orissa, West Bengal etc. have had overall deficits for more than one year during this period. Karnataka had deficit only during the year 1986-87 and had surplus during the subsequent years. The extent of deficit of Karnataka (Rs.116.4 crores) during 1986-87 was 17.5 per cent of the total deficit of all States put together (Rs.666.7 crores). This may have been due to the severe drought conditions that prevailed in the State requiring the State Government to incur huge drought relief expenditure. It may be noted that 1986-87 was a year in which not only Karnataka but many other States incurred overall deficit in their budgets and during this year the total overall deficit of all States put together was extremely high at Rs.666.7 crores.

2.5 Between 1960-61 and 1970-71 there was a considerable change in the composition of the aggregate revenue expenditure as well as aggregate expenditure. In 1960-61 both the revenue receipts and revenue expenditure constituted less than 13 per cent each of the aggregate receipts and aggregate expenditure (inclusive of ways and means advances and unnetted public account). But in 1970-71, revenue receipts accounted for a little over 35 per cent of the aggregate receipts and revenue expenditure also accounted for more than 35 per cent of the aggregate expenditure. In 199-91 also, both revenue receipts and expenditure formed 35 per cent each of the aggregate revenue and aggregate expenditure respectively.

Table - 3

Receipts and Expenditures of Government of Karnataka
(Rs. in crores)

Year	Receipts					Expenditure				
	Revenue	% age to total	Capital	% age to total	Total	Revenue	% age to total	Capital	% age to total	Total
1	2	3	4	5	6	7	8	9	10	11
1960-61	92.08	67.56	44.21	32.44	136.30	79.54	72.23	30.58	27.77	110.12
1961-62	91.02	59.60	61.69	40.40	152.71	95.69	74.32	33.06	25.68	128.74
1962-63	91.81	67.90	43.40	32.10	135.21	93.90	74.71	31.79	25.29	125.69
1963-64	102.09	68.11	47.79	31.89	149.88	98.79	74.38	34.02	25.62	132.81
1964-65	111.06	65.53	58.43	34.47	169.49	108.15	78.94	28.85	21.06	137.00
1965-66	120.49	63.78	68.42	36.22	188.91	125.46	78.87	33.62	21.13	159.08
1966-67	156.40	59.28	107.44	40.72	263.84	151.44	79.83	38.25	20.17	189.70
1967-68	170.99	66.64	85.61	33.36	256.60	157.52	80.32	38.59	19.68	196.12
1968-69	223.91	65.02	120.48	34.98	344.39	212.29	78.27	58.94	21.73	271.23
1969-70	234.72	63.94	132.40	36.06	367.12	214.54	78.73	57.97	21.27	272.50
1970-71	246.57	67.91	116.53	32.09	363.10	252.38	82.78	52.51	17.22	304.89
1971-72	264.00	72.12	102.06	27.88	366.06	268.71	84.51	49.24	15.49	317.95
1972-73	317.43	59.91	212.37	40.09	529.80	325.57	104.15	-12.97	-4.15	312.60
1973-74	368.53	70.29	155.74	29.71	524.27	362.16	88.32	47.91	11.68	410.07
1974-75	413.10	79.28	107.97	20.72	521.07	364.92	86.10	58.92	13.90	423.84
1975-76	514.12	80.89	121.47	19.11	635.59	428.59	80.99	100.63	19.01	529.21
1976-77	559.12	79.06	148.08	20.94	707.20	495.24	86.45	77.60	13.55	572.84
1977-78	598.49	73.08	220.51	26.92	819.00	533.85	83.96	102.01	16.04	635.86
1978-79	688.55	76.07	216.62	23.93	905.17	636.85	82.50	135.09	17.50	771.94
1979-80	819.30	77.08	243.58	22.92	1062.88	738.65	81.49	167.80	18.51	906.45
1980-81	953.46	77.11	283.01	22.89	1236.47	894.90	83.90	171.68	16.10	1066.59
1981-82	1166.63	80.57	281.42	19.43	1448.05	1002.36	85.47	170.35	14.53	1172.70
1982-83	1280.66	76.86	385.48	23.14	1666.14	1238.77	86.80	188.44	13.20	1427.21
1983-84	1489.47	77.52	431.88	22.48	1921.35	1416.55	85.70	236.43	14.30	1652.98
1984-85	1737.90	75.08	576.77	24.92	2314.67	1883.52	88.13	253.77	11.87	2137.29
1985-86	2013.11	65.51	1059.76	34.49	3072.87	2097.85	88.29	278.22	11.71	2376.07
1986-87	2284.30	77.34	669.44	22.66	2953.74	2204.73	86.87	333.13	13.13	2537.86
1987-88	2557.52	73.50	921.94	26.50	3479.46	2666.77	91.63	243.61	8.37	2910.39
1988-89	2963.58	78.17	827.61	21.83	3791.19	3002.29	91.80	268.29	8.20	3270.58
1989-90	3336.48	75.34	1091.86	24.66	4428.33	3482.94	91.15	337.99	8.85	3820.93

TABLE - 3 (Concluded)

1	2	3	4	5	6	7	8	9	10	11	
1990-91	3892.18	77.69	1117.96	22.31	5010.14	3971.09	85.84	654.81	14.16	4625.89	
1991-92	4874.90	76.72	1479.03	23.28	6353.93	4853.74	90.38	516.68	9.62	5370.42	
1992-93	5672.92	81.39	1296.71	18.61	6969.63	5677.98	88.11	766.52	11.89	6444.50	
PERIOD			Compound Annual Growth Rate [%]								
1960-61 to 70-71	10.35		10.18		10.29	12.24		5.56		10.72	
1970-71 to 80-81	14.48		9.28		13.04	13.49		12.58		13.34	
1980-81 to 90-91	15.10		14.73		15.02	16.07		14.32		15.80	
1970-71 to 90-91	14.79		11.97		14.02	14.77		13.45		14.57	
1960-61 to 90-91	13.29		11.37		12.77	13.92		10.75		13.27	

Note:- Includes Loan Expenditure excluding Public Account & Contingency Fund.

2.6 When revenue receipts are compared with capital receipts Excluding ways and means advances and inclusive of only net public account, the composition of total receipts becomes totally different with the revenue receipts becoming the major component. The share of revenue receipts which constituted 67.56 per cent of the total receipts in 1960-61 increased to 67.91 per cent in 1970-71 and stood at 77.11 per cent in 1980-81. In 1990-91 it had further increased to 77.69 per cent. Excluding ways and means advances from RBI, a similar trend can be seen in case of revenue expenditure. It increased from 65.89 per cent of total expenditure in 1960-61 to 67.19 per cent in 1970-71 and to 70.30 per cent in 1980-81. It was as high as 79.77 per cent in 1990-91. This is because while both capital receipts as well as capital expenditure (both excluding ways and means advances from the RBI) did have a positive compound annual growth rate between 1960-61 and 1990-91, their rate of growth was lower than those of the revenue receipts and revenue expenditure during each of these decades.

2.7 Though the share of capital receipts (excluding ways and means advances from RBI) has fallen between 1960-61 and 1990-91, in absolute terms the capital receipts have shown an increase which is more than 25 times between 1960-61 and 1990-91, the compound annual growth rate being 11.32 per cent for this entire period. It should be noted that since a very large amount of the capital receipts consist of borrowings made from different sources, except recoveries of loans and advances (which formed about 33.96 per cent of the capital receipts during 1990-91), higher increase in capital receipts in the past would mean a higher liability to service these loans at present. This becomes all the more burdensome when the capital investments made by the Government do not bring sufficient returns at least to the extent of meeting the burden of servicing the loans. Hence, there is no merit in the argument that capital receipts should increase at a higher rate than the revenue receipts. Since revenue receipts do not carry any such burden of servicing for the future, it would be beneficial if revenue receipts increase at a higher rate. So that a substantially large surplus could be had on the revenue account. This surplus could be used to make capital investments. Capital expenditure (excluding ways and means advances from the RBI) has shown a similar trend of falling as a percentage of total expenditure. While revenue expenditure had a compound annual growth rate of 13.46 per cent between 1960-61 and 1990-91, the growth rate of capital expenditure was 10.80 per cent for the same period.

2.8 The tendency for revenue receipts and expenditure gaining relative importance over capital receipts and capital expenditure is bound to take place. Firstly because, initially the number of capital assets already created were very less. Hence, the cost of maintenance of these capital assets, which forms part of the revenue expenditure, was also less. As capital expenditure (investment) was made persistently for a number of years, capital assets came to be formed on a large scale. As a result, the revenue expenditure in the subsequent years had to increase at a much higher rate in order to maintain and productively utilise these assets. Secondly, over the years the Government introduced several schemes and programmes for the benefit of different sections/sectors of the community. This has also resulted in the increase in expenditure in the revenue account. Further, funds raised under the capital account in the form of loans also increase the revenue expenditure in the subsequent years because interest payments are met out of the revenue account.

2.9 On the receipts side, revenue receipts were quite low in early sixties because at that stage the economy of the State was less developed. Therefore, smaller production and smaller transactions would naturally result in smaller revenues to the Government, both tax as well as non-tax. Huge capital investments were made during the subsequent years both in the public and the private sector, new factories were established, infrastructure was built benefitting both the industrial and the agricultural sectors; production, sales and movement of men and material, all increased resulting in larger tax and non-tax revenues to the Exchequer.

2.10 A higher rate of growth of receipts and expenditure under the revenue account compared to those of the capital account between 1960-61 and 1990-91 has been mistakenly construed by a few people as an indication of lower rate of capital formation and infrastructural development in the State. This is not true since the compound annual rate of growth of both receipts as well as expenditure under the capital account has been considerably high, it indicates that there is no slowing down in the process of creation of capital assets as well as in the building of infrastructure. That the receipts and expenditure under the revenue account have had a relatively more rapid growth is for reasons already given. One should bear in mind that capital receipts and revenue expenditure have direct but lagged relationship so also capital expenditure and revenue receipts.

2.11 The total receipts (Revenue + Capital) excluding ways and means advances from the Reserve Bank of India and inclusive of only net public account had a compound annual rate of growth of 10.29% between 1960-61 and 1970-71, and between 1970-71 and 1980-81 the growth rate was 13.04 per cent. This rate of growth could be achieved because of the high rate of growth of both the revenue receipts as well as the capital receipts. The decade 1980-81 and 1990-91 saw an increase in the compound annual rate of growth of both the revenue as well as the capital receipts which were 15.10 per cent and 14.73 per cent respectively. The compound annual growth rate of the total receipts for this decade was 15.02 per cent. For the period 1960-61 to 1990-91 as a whole, the compound annual growth rate of revenue receipts was higher at 13.29 per cent as against the growth rate of capital receipts of 11.37 per cent and of the total receipts 12.77 per cent. Similarly, the total expenditure (Revenue + Capital -excluding ways and means advances and inclusive of only net capital account) had compound annual growth rates of 11.54 per cent, 12.98 and 14.61 per cent during the decades 1960-61 -1970-71, 1970-71 -1980-81 and 1980-81 -1990-91 respectively. The growth rate between 1960-61 and 1990-91 was 13.04 per cent. Between 1960-61 and 1990-91 revenue expenditure had a compound annual growth rate of 13.92 per cent and capital expenditure had a growth rate of 10.80 per cent.

2.12 The overall receipts of Karnataka at 13.89 per cent had a lower growth rate than many of the other States between 1975-76 to 1980-81 but were much more comparable at 17.18 per cent, with other States between 1980-81 and 1988-89 (RE). The growth rate of overall receipts between 1975-76 and 1980-81 was very high in case of Bihar at 19.34 per cent, Gujarat at 18.69 per cent, Orissa at 18.17 per cent and Tamil Nadu 17.08 per cent. On the other hand, during the same period it was very low in Maharashtra at 8.18 per cent, West Bengal at 11.39 per cent and Kerala at 11.90 per cent. Between 1980-81 and 1988-89 (RE), the growth of overall receipts was the highest in Punjab at 21.27 per cent followed by Haryana 18.85 per cent and Andhra Pradesh 18.31 per cent.

Table - 4

GROWTH OF OVERALL RECEIPTS OF MAJOR STATES
IN SELECTED PERIODS

(Percentage)

State	1975-76 to 1980-81	1975-76 to 1985-86	1980-81 to 1988-89 RE	1975-76 to 1988-89 RE
Andhra Pradesh	14.34	15.76	18.31	15.27
Bihar	19.34	16.87	14.72	15.26
Gujarat	18.69	16.21	17.88	16.70
Haryana	15.16	18.64	18.85	15.87
Karnataka	13.89	15.95	17.18	14.49
Kerala	11.90	15.64	17.98	14.14
Maharashtra	8.18	12.60	17.81	12.58
Madhya Pradesh	16.45	15.84	16.33	15.03
Orissa	18.17	14.61	16.12	15.57
Punjab	16.43	17.37	21.27	16.45
Rajasthan	14.59	15.99	19.22	15.84
Tamil Nadu	17.08	15.97	14.10	14.07
Uttar Pradesh	16.88	16.03	17.12	15.61
West Bengal	11.39	13.76	17.23	13.55
All States Average	14.96	15.62	17.44	15.03

Table - 5

COMPOSITION OF TOTAL RECEIPTS OF MAJOR STATES IN SELECTED YEARS

(Rs. in crores)

State	1975-76			1980-81			1985-86			1989-90 (Accounts) ²		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Andhra Pradesh	652.19 (80.02)	162.83 (19.98)	815.02	1264.54 (79.38)	328.48 (20.62)	1593.02	2773.20 (78.76)	748.09 (21.24)	3521.29	4476.89 (78.56)	1221.51 (21.44)	5698.40 (100.00)
Bihar	492.26 (70.17)	209.27 (29.83)	701.53	988.08 (58.17)	710.40 (41.83)	1698.48	2395.70 (71.83)	939.33 (28.17)	3335.03	3911.18 (74.93)	1308.99 (25.07)	5219.77
Gujarat	453.27 (79.09)	119.81 (20.91)	573.08	1024.98 (76.93)	325.00 (24.07)	1349.98	1902.48 (73.88)	672.74 (26.12)	2575.22	3601.24 (73.05)	1328.60 (26.95)	4929.84
Haryana	228.53 (80.23)	56.30 (19.77)	284.83	459.94 (79.74)	116.84 (20.26)	576.78	960.33 (74.21)	333.81 (25.79)	1294.14	1607.24 (78.66)	436.00 (21.34)	2043.24
Karnataka	514.12 (80.89)	121.46 (19.11)	635.58	953.46 (76.88)	286.69 (23.12)	1240.15	2013.11 (65.94)	1039.76 (34.06)	3052.87	3336.48 (74.94)	1115.84 (25.06)	4452.32
Kerala	351.55 (78.46)	96.49 (21.54)	448.04	640.38 (81.46)	145.78 (18.54)	786.16	1371.17 (71.57)	544.66 (28.43)	1915.83	2047.64 (71.48)	816.87 (28.52)	2864.51
Maharashtra	1402.34 (80.47)	340.27 (19.53)	1742.61	2038.06 (78.93)	544.10 (21.07)	2582.16	4174.15 (73.13)	1533.44 (26.87)	5707.59	7528.65 (75.19)	2484.29 (24.81)	10012.94
Madhya Pradesh	546.78 (78.03)	153.95 (21.97)	700.73	1133.94 (75.57)	366.56 (26.43)	1500.50	2173.49 (71.30)	875.00 (28.70)	3048.49	3876.78 (77.72)	1111.32 (22.28)	4988.10

Table - 5 (continued)

(Rs. in crores)

State	1975-76			1980-81			1985-86			1989-90 (Accounts)		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Orissa	277.46 (73.61)	99.49 (26.39)	376.95	621.33 (71.52)	247.40 (26.48)	868.73	940.84 (63.85)	532.75 (36.15)	1473.59	1740.72 (74.53)	594.93 (25.47)	2335.65
Punjab	304.41 (76.19)	95.14 (23.81)	399.55	567.66 (75.67)	182.47 (24.33)	750.13	1170.24 (60.56)	762.03 (39.44)	1932.27	1799.97 (61.34)	1134.23 (38.66)	2934.20
Rajasthan	394.92 (76.61)	101.16 (20.39)	496.08	752.84 (76.82)	227.18 (23.18)	980.02	1505.69 (68.88)	680.13 (31.12)	2185.82	2667.60 (73.87)	943.69 (26.13)	3611.29
Tamil Nadu	563.36 (73.05)	207.88 (26.95)	771.24	127.96 (75.43)	417.01 (24.57)	544.97	2638.32 (77.75)	755.04 (22.25)	3393.36	4251.57 (75.87)	1352.05 (24.13)	5603.62
Uttar Pradesh	951.06 (78.89)	254.50 (21.11)	1205.56	1898.73 (72.20)	730.91 (27.80)	2629.64	3876.84 (72.69)	1456.78 (27.31)	5333.62	6623.16 (70.92)	2716.19 (29.08)	9339.35
West Bengal	562.35 (66.84)	279.04 (33.16)	841.39	1091.70 (75.65)	351.31 (24.35)	1443.01	2343.22 (76.69)	712.15 (23.31)	3055.37	3494.07 (72.78)	1306.77 (27.22)	4800.84

Note: Figures in brackets indicate percentage.

2.13 The composition of the total receipts shows similarity with that of the other States. While the share of revenue receipts in Karnataka came down from 80.89 per cent in 1975-76 to 76.88 per cent in 1980-81 and again to 65.94 per cent in 1985-86, it went up sharply to reach 78.17 per cent in 1988-89. A similar trend is noticeable in case of other States. The share of revenue receipts of all States (all States average) declined from 76.74 per cent in 1975-76 to 75.26 per cent in 1980-81 and again to 71.87 per cent in 1985-86 but increased to reach the figure of 74.41 per cent in 1988-89 (RE).

2.14 While there has been a steady increase in revenue receipts as a percentage of the State Domestic Product (SDP), the capital receipts as a percentage of SDP have been more or less constant, generally ranging between 5 and 6 per cent. The revenue receipts which constituted 12.18 per cent of the SDP in 1960-61, increased to 18.25 per cent in 1990-91. The total receipts formed (excluding ways and means advances) 18.07 per cent of the SDP in 1960-61 and increased subsequently to reach 23.49 per cent of the SDP in 1990-91.

2.15 The total expenditure as a percentage of the SDP also showed a similar increase. It was 18.15 per cent in 1960-61 but increased to form 23.34 per cent of the SDP in 1990-91. Revenue Expenditure as proportion of SDP increased from 12.18 per cent to 18.62 per cent during the same period. On the other hand, capital expenditure actually fell as a percentage of SDP from 6.19 per cent to 4.72 per cent during the same period.

2.16 The increase in both the total revenue as well as the total expenditure as a proportion of SDP indicates that over the years the Government has expanded its activities and is utilising larger and larger resources available to the State. There can be no fixed limit to Government expenditure as a percentage of State Domestic Product. In the United States of America which may be said to be the most capitalist country in the world and where Public Sector certainly has a very limited role to play, the total public sector expenditure as a percentage of its GNP increased from just eight per cent in 1902 to 30.5 per cent in 1967 and was 34.4 per cent in 1984. The general Government expenditure as a per cent of GNP in 1984 in other capitalist countries was Japan 32.5, Germany 46.5, France 49.6, United Kingdom 46.2, Italy 57.2, Canada 47.2 and Sweden 65.0. Even in other developing countries, Government expenditure as a per cent of GDP was quite high. For example in 1990 in Pakistan it was 25.1, in Malaysia it was 29.7, Nepal 21.6, Indonesia 20.8 and Singapore it was 22.3 per cent of its GDP. Ours is a mixed economy where for many of their needs, people look towards the Government. It may be argued that the figures given above relate to expenditures of the National Government and thus they are strictly not comparable. But it must be remembered that the contention of Adolph Wagner, that the Public Sector, during the phase of industrialisation, grows at a faster rate than the rate at which the economy grows, holds good in case of the State Governments as well. Therefore, instead of trying to set any limits to public revenue or public expenditure, these two can be viewed in the light of Prof. RA Musgrave's concept of "Optimal Budget" as it is more relevant in the context of determining the size of the budget. However, in areas where the public interest is better served by private sector activity, public sector should be withdrawn.

2.17 The per capita total budgetary expenditure in Karnataka increased from Rs.196 in 1975-76 to Rs.975 in 1989-90 (Revised). The per capita total budgetary expenditure of all States taken together was Rs.958 in 1989-90. Among the major States only Punjab (Rs.1555), Haryana (Rs. 1336), Maharashtra (Rs.1284), Gujarat (Rs. 1177), and Kerala (Rs.1047) had a higher per capita state government expenditure than that of Karnataka.

CHAPTER III

RECEIPTS OF THE GOVERNMENT

Revenue Account:

3.1 As in the case of other States, Karnataka also depends overwhelmingly for its revenue on the revenue receipts. In 1960-61 they formed 67.56 percent of the total receipts (excluding ways and means advances and inclusive of net public account). The share of revenue receipts has increased since then and in 1992-93(BE) they constitute 81.39 percent of the total receipts-an increase from 77.69 percent of 1990-91. The compound annual rate of growth of revenue receipts (inclusive of grants from centre) has been 10.35 percent between 1960-61 and 1970-71. It was, 14.48 percent during the next decade. It was still higher at 15.10, percent between 1980-81 and 1990-91 despite the fact that the states economy went through a very severe drought for atleast three years during this decade. In contrast, the rate of growth of GDP during the same period(at current prices) has been 10.38 percent, 1-1.46 percent and 13.59 percent respectively. Thus revenue receipts have had a higher growth rate than the GDP at current prices. Thereby the total revenue receipts as a percentage of GDP increased from 12.18 percent in 1960-61 to 18.25 percent in 1990-91.

3.2 The rate of growth in the revenue receipts of the State generally has a more than proportionate direct (some times lagged) relationship with the growth of GDP. This is evident from the following trends in the growth of revenue receipts and growth of GDP over the last twelve years.

TABLE - 6

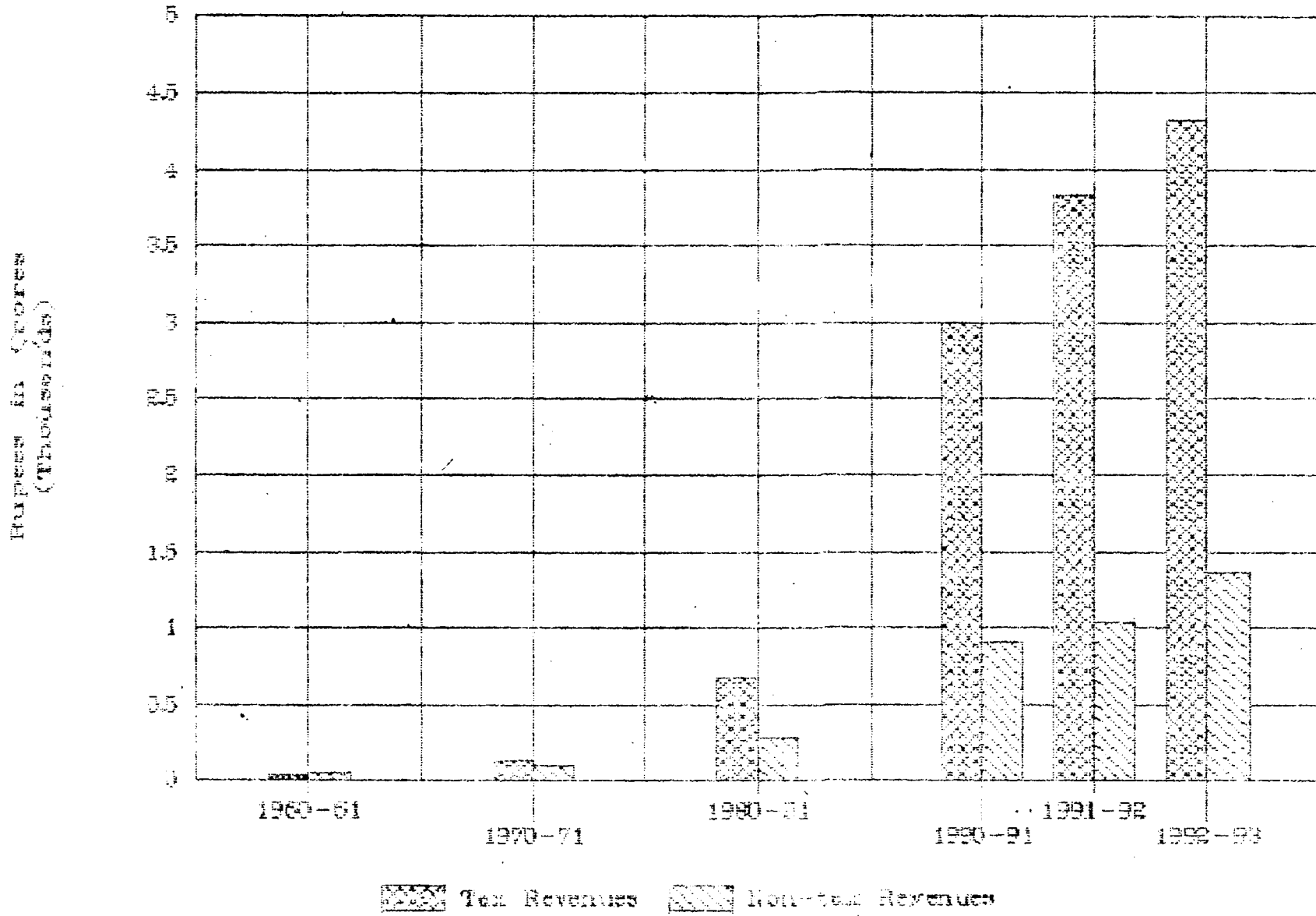
Growth of Net State Domestic Product (at current prices) and Revenue Receipts in Karnataka

Year	NSDP (Rs.in Crores)	% Growth over Previous Year	Total Revenue Receipts (Rs.in Crores)	% Growth Previous year
1	2	3	4	5
1980-81	5964.03	-	953.46	-
1981-82	6893.35	15.58	1166.63	22.35
1982-83	7684.46	11.48	1280.66	9.77
1983-84	9215.00	19.92	1489.47	16.30
1984-85	10392.36	12.78	1737.90	16.67
1985-86	10951.08	5.38	2103.11	15.83
1986-87	12562.66	14.71	2284.30	13.47
1987-88	14314.30	13.94	2557.52	11.96
1988-89	16973.68	18.58	2963.58	15.88
1989-90	19044.95	12.20	3337.08	12.60
1990-91	21328.29	11.99	3892.18	16.63
1991-92	24368.03*	14.25	4874.90(RE)	25.25

* anticipated estimates

3.3 It may be seen that the rate of growth in total revenue receipts moves in the same direction as the rate of growth of GDP. Higher the growth rate of GDP higher is the growth rate of total revenue receipts either of the same year or the subsequent year. Such a relationship is bound to be there because of the very structure of the revenue receipts. The tax revenue, in particular dominated by indirect taxes, is bound to vary in the same direction as the variation in GDP.

REVENUES OF KARNATAKA



3.4 The total revenue receipts consist of Tax revenue and non-tax revenue. Tax revenue include state's own tax revenue and share in central taxes. The non-tax revenues include receipts from departmental undertakings and irrigation projects, interest receipts, dividends and profits, receipts from mines, minerals, state lotteries, Guarantee Commission and other Non-tax revenues and grants from the centre, that is, statutory, plan and other grants.

TAX REVENUE:

3.5 In 1960-61 the share of tax revenue in the total revenue receipts (inclusive of grants-in-aid) was 35.80 percent and it increased to 56.56 percent in 1970-71. During 1980-81, the tax revenues accounted for as much as 70.52 percent of the total revenue receipts and in 1990-91 the share of tax revenue was 76.88 percent. As per the 1992-93 budget estimates, the share of tax revenue to total revenue receipts will be 76.11 percent. While the tax revenue had a compound annual growth rate of 15.59 percent, 17.03 percent and 16.10 percent during the decades 1960-71, 1970-81 and 1980-1991, the total revenue receipts had a growth rate of 10.42, 14.48 and 15.10 percent during the three decades in the same order. Thus tax revenue has had a higher growth rate than the total revenue receipts. The share of tax revenue, non-tax revenue and grants from centre over a period of time is given below:

TABLE - 7

Revenue Receipts
1960-61 to 1992-93

(Rs. in crores)

Year	State Own Taxes	% age to total Receipts	Share in Central Taxes	% age to total Receipts	Total Tax Revenue	% age to total Receipts	Grant from centre	% age to total Receipts	Other Non-Tax Revenue Receipts	% age to total Receipts	Total Non-Tax Revenue	% age to total	Total Revenue Receipts
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1960-61	24.42	26.70	8.33	9.11	32.75	35.80	6.12	6.69	52.60	57.51	58.72	64.20	91.47
1961-62	27.04	29.71	9.01	9.90	36.05	39.61	14.58	16.02	40.39	44.37	54.97	60.39	91.02
1962-63	32.19	35.06	11.35	12.36	43.54	47.42	14.62	15.92	33.65	36.65	48.27	52.58	91.81
1963-64	39.69	38.88	13.34	13.07	53.03	51.94	15.88	15.55	33.18	32.50	49.06	48.06	102.09
1964-65	42.56	38.32	13.14	11.83	55.70	50.15	17.30	15.58	38.06	34.27	55.36	49.85	111.06
1965-66	46.44	38.54	14.18	11.77	60.62	50.31	18.29	15.18	41.58	34.51	59.87	49.69	120.49
1966-67	53.01	33.89	19.04	12.17	72.05	46.07	31.85	20.36	52.50	33.57	84.35	53.93	156.40
1967-68	63.06	36.88	21.73	12.71	84.79	49.59	34.68	20.28	51.52	30.13	86.20	50.41	178.99
1968-69	78.34	34.99	25.41	11.35	103.75	46.34	39.51	17.65	80.65	36.02	120.16	53.66	223.91
1969-70	88.30	37.62	30.89	13.16	119.19	50.78	20.60	8.78	94.93	40.44	115.53	49.22	234.72
					0.00								
1970-71	101.75	41.27	37.72	15.30	139.47	56.56	21.76	8.83	85.34	34.61	107.10	43.44	246.57
1971-72	113.60	43.03	47.38	17.95	160.98	60.98	27.78	10.52	75.24	28.50	103.02	39.02	264.00
1972-73	132.64	41.79	53.44	16.84	186.08	58.62	36.46	11.49	94.89	29.89	131.35	41.38	317.43
1973-74	150.39	40.81	58.93	15.99	209.32	56.80	41.44	11.24	117.77	31.96	159.21	43.20	368.53
1974-75	198.58	48.07	66.56	16.11	265.14	64.18	22.59	5.47	125.37	30.35	147.96	35.82	413.10
1975-76	236.73	46.05	86.66	16.86	323.39	62.90	34.94	6.80	155.79	30.30	190.73	37.10	514.12
1976-77	269.26	48.16	91.55	16.37	360.81	64.53	43.25	7.74	155.06	27.73	198.31	35.47	559.12
1977-78	297.27	49.67	97.89	16.36	395.16	66.03	57.97	9.69	145.36	24.29	203.33	33.97	598.49
1978-79	334.01	48.51	106.30	15.44	440.31	63.95	65.06	9.45	183.18	26.60	248.24	36.05	688.55
1979-80	404.91	49.42	177.70	21.69	582.61	71.11	59.07	7.21	177.62	21.68	236.69	28.89	819.30

(Contd. .)

Table 7 (concluded)

(Rs. in crores)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
1980-81	474.70	49.79	197.71	20.74	672.41	70.52	79.28	8.31	201.77	21.16	281.05	29.48	953.46
1981-82	607.08	52.04	222.49	19.07	829.57	71.11	93.38	8.00	243.68	20.89	337.06	28.89	1166.63
1982-83	674.10	52.64	240.09	18.75	914.19	71.38	100.88	7.88	265.59	20.74	366.47	28.62	1280.66
1983-84	759.52	50.99	271.15	18.20	1030.67	69.20	142.42	9.56	316.38	21.24	458.80	30.80	1489.47
1984-85	909.39	52.33	296.89	17.08	1206.28	69.41	184.94	10.64	346.68	19.95	531.62	30.59	1737.90
1985-86	1075.57	53.43	355.99	17.68	1431.56	71.11	224.06	11.13	357.49	17.76	581.55	28.89	2013.11
1986-87	1205.98	52.79	403.73	17.67	1609.71	70.47	259.05	11.34	415.54	18.19	674.59	29.53	2284.30
1987-88	1414.66	55.31	451.11	17.64	1865.77	72.95	254.98	9.97	436.77	17.08	691.75	27.05	2557.52
1988-89	1698.78	57.32	498.68	16.83	2197.46	74.15	320.71	10.82	445.41	15.03	766.12	25.85	2963.58
1989-90	1932.24	57.91	632.90	18.97	2565.14	76.88	269.05	8.06	502.29	15.05	771.34	23.12	3336.48
1990-91	2332.12	59.92	660.35	16.97	2992.47	76.88	382.51	9.83	517.20	13.29	899.71	23.12	3892.18
1991-92	3055.36	62.68	782.08	16.04	3837.44	78.72	413.99	8.49	623.47	12.79	1037.46	21.28	4874.90
1992-93	3478.11	61.31	839.34	14.80	4317.45	76.11	637.96	11.25	717.50	12.65	1355.47	23.89	5672.92
PERIOD	Compound Annual Growth Rate [%]					Compound Annual Growth Rate [%]							
1960-61 to 70-71	15.34		16.30		15.59		13.52		4.96		6.19		10.42
1970-71 to 80-81	16.65		18.02		17.03		13.80		8.99		10.13		14.48
1980-81 to 90-91	17.26		12.82		16.10		17.04		9.87		12.34		15.10
1970-71 to 90-91	16.95		15.39		16.57		15.41		9.43		11.23		14.79
1960-61 to 90-91	16.41		15.69		16.24		14.78		7.92		9.52		13.32

TAX REVENUES OF KARNATAKA

Rupees in Crores
(ಶಿಖರಣಾಃ)

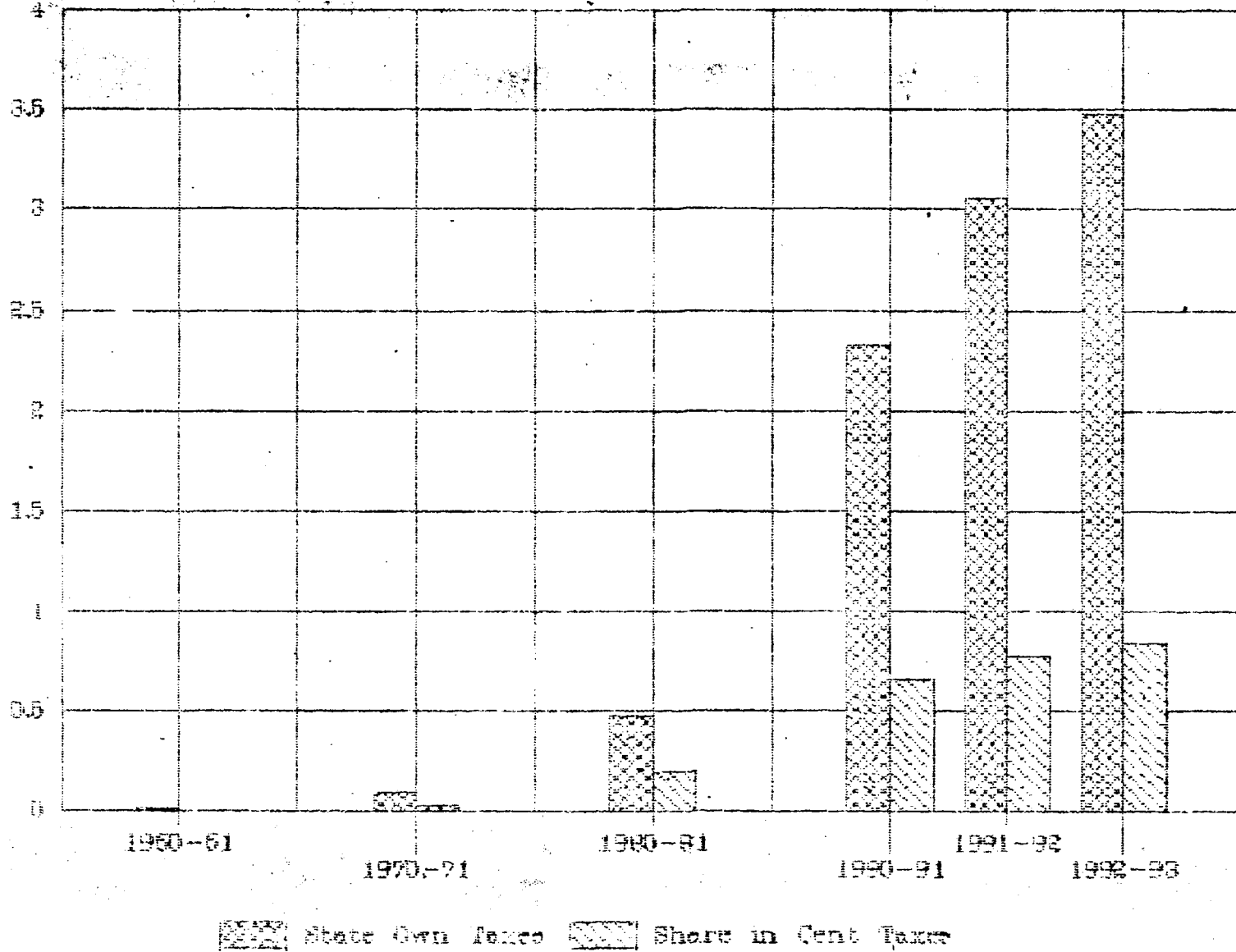


Table - 8

RELATIVE SHARE OF TAX REVENUE, NON-TAX REVENUE
GRANT -IN-AID OF MAJOR STATES IN SELECTED YEARS

(Rs. in Crores)

State	Tax Revenue		Non-Tax Revenue		Grants from Centre	
	1980-81	1988-89	1980-81	1988-89	1980-81	1988-89
Andhra Pradesh	877.83 (69.42)	2934.17 (63.57)	222.83 (17.62)	520.31 (12.16)	163.88 (12.96)	824.54 (19.27)
Bihar	700.39 (70.88)	2026.69 (58.10)	95.41 (9.66)	621.31 (17.81)	192.28 (19.46)	840.12 (24.09)
Gujarat	720.69 (70.31)	2268.82 (70.12)	185.56 (18.10)	393.97 (12.18)	118.74 (11.59)	572.90 (17.70)
Haryana	295.14 (64.14)	916.03 (63.57)	119.31 (25.94)	170.34 (11.82)	45.49 (9.89)	354.71 (24.61)
Karnataka	672.41 (87.11)	2197.46 (74.15)	201.77 (21.16)	320.70 (10.82)	79.28 (10.27)	445.41 (15.03)
Kerala	487.95 (76.20)	1502.27 (79.19)	100.05 (15.62)	213.43 (11.25)	52.38 (8.18)	181.36 (9.56)
Madhya Pradesh	688.76 (60.74)	2162.41 (62.29)	263.90 (23.27)	598.47 (17.23)	181.28 (15.99)	710.86 (20.48)
Maharashtra	1466.74 (71.97)	4555.90 (72.32)	437.34 (21.46)	597.10 (9.48)	133.98 (6.57)	1146.85 (18.20)
Orissa	292.06 (47.01)	871.44 (56.19)	134.03 (21.57)	486.23 (31.35)	195.24 (34.42)	193.26 (12.46)
Punjab	431.05 (75.93)	1211.69 (74.64)	92.56 (16.31)	191.82 (11.82)	44.05 (7.76)	219.89 (13.54)
Rajasthan	404.75 (53.76)	1348.10 (57.31)	198.36 (26.35)	641.93 (27.29)	149.74 (19.89)	362.15 (15.40)
Tamil Nadu	930.87 (72.73)	2717.13 (77.88)	232.57 (18.17)	437.13 (12.53)	116.52 (9.10)	334.58 (9.59)
Uttar Pradesh	1277.41 (67.22)	3831.83 (67.79)	242.96 (12.80)	1115.72 (19.74)	378.36 (19.92)	704.65 (12.47)
West Bengal	823.97 (75.48)	2489.25 (74.59)	155.37 (14.23)	657.66 (19.71)	112.36 (10.29)	190.51 (5.70)
All State Ave.	(67.60)		(18.73)		(13.67)	

3.6 The share of tax revenue in the total revenue receipts of Karnataka through a little lower than that of a few states such as Punjab, West Bengal, Tamil Nadu and Kerala, is much higher than most of the other States.

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3.7 The fact that the share of the state's own tax revenue in the total revenue receipts has increased from 26.70 percent in 1960-61 to 61.31 percent in 1992-93 clearly shows that in the field of mobilisation of resources through taxation the performance of the state has been very satisfactory. However, this does not mean that all the components of tax revenue have shown similar growth rate. A detailed analysis which follows shows that direct taxes which fall on the agricultural sector have not shown the desirable rate of growth and the contribution of these taxes to the total tax revenue has fallen considerably reducing these direct taxes to very minor sources of revenue.

3.8 It may be argued that even at the national level, the share of indirect taxes has been more than three fourths of the total central tax revenue. The centre has many direct taxes which are much more productive such as the corporation tax, income tax (shared with the States), wealth tax, capital gains tax etc. However, though the share of direct taxes to total central tax revenue has been very low, in absolute terms, the revenue from these taxes has increased quite substantially. But in case of the direct taxes of the states, there has not been a similar increase in absolute terms. This is taken up separately in the following pages.

3.9 The total tax revenue of the state increased from Rs.32.75 crores in 1960-61 to Rs.139.47 crores in 1970-71 and to Rs.672.41 crores in 1980-81. It further increased to Rs.2992.47 crores during 1990-91 and is estimated to be 4317.45 crores (BE) during 1992-93. As stated earlier the compound annual growth rate of tax revenue has been double the growth rate of non-tax revenue, for the period 1960-61 to 1990-91 as a whole. However, the difference in the growth rates of the tax and non-tax revenue has fallen over the years.

3.10 The total tax revenue consists of state's share in central taxes and state's own tax revenue. Both these components of tax revenue have shown high rate of increase. Between 1960-71, 1970-81 and 1980-91, the compound annual growth rate of state's own tax revenue was 15.34%, 16.65% and 17.26% respectively. On the other hand, share in the central taxes had increases of 16.30%, 18.02% and 12.82 percent respectively.

State's share in Central Taxes:-

3.11 State's share in Central taxes constituted 25.44 percent of the total tax revenue and 9.11 percent of the total revenue receipts of the state government in 1960-61. In 1970-71 it formed 27.05 percent of the total tax revenue and 15.30 percent of the total revenue receipts of the state. The share in central taxes constituted a much larger proportion of both the total tax revenue and the total revenue receipts in 1980-81 at 29.40 percent and 20.74 percent respectively. During 1990-91 the share in the Central taxes accounted for 22.07 percent of the total tax revenue and 16.97 percent of the total revenue of the state. Thus the trend has reversed and share in Central taxes form a smaller proportion of both the tax revenue as well as the total revenue receipts of the State (Table 7).

3.12 It may be noted that the share in Central taxes during the five year period covering the seventh finance commission report (1979-80 to 1983-84) taken together constituted 27.53 percent of the total tax revenue of the state but fell considerably as the percentage to the total tax revenue at 24.14 percent for the period covering the Eighth Finance Commission Report (1984-85 to 1988-89). During 1989-90 which was covered by the first Report of the Ninth Finance Commission, share in central taxes accounted for 24.67 percent of the total tax revenue. Share in Central taxes which formed 26.8 percent of total tax revenue of the state in 1975-76 fell to 24.67 percent in 1989-90. On the other hand, taking all the states together, their share in Central taxes formed 30.4 percent of the total tax revenue of all the states in 1975-76 and it increased to 33.7 percent of the total tax revenue of all the states in 1989-90. Some of the states whose share in Central taxes was very high as a proportion of their total tax revenue in 1989-90 were Assam 57.1 percent, Bihar 62.5 percent, Orissa 52.3 percent, Rajasthan 38.1 percent, Madhya Pradesh 39.1 percent, Uttar Pradesh 48.5 percent and West Bengal 32.1 percent.

3.13 The reasons for such a trend could be (1) with no change in the percentage share of our state in Central taxes, the rate of increase of state's own tax revenue may be higher than the rate of increase in Central taxes shared with the states and (2) the share of the state in Central taxes relative to other states has fallen. Income tax and the Union Excise duties are the two most important taxes imposed by the Centre which are shared with the State. We find that the successive Finance Commissions have recommended a smaller share for Karnataka in the proceeds from atleast one of these taxes. The share of Karnataka in the net proceeds from income tax was 5.440 percent with Sikkim and 5.442 percent without Sikkim and in the net proceeds of Union Excise Duties Karnataka's share was 4.877 percent excluding Sikkim and 4.876 percent including Sikkim, both as per the recommendations of the Seventh Finance Commission. The Eighth Finance Commission reduced the share of Karnataka in the net proceeds of Income Tax to 4.979 percent with Sikkim and 4.981 percent without Sikkim. The share of Karnataka in the net proceeds from Union Excise duties was raised to 5.077 percent (including Sikkim). Thus even though Karnataka's share in the net proceeds of Union Excise duties increased as per the recommendations of the Eighth Finance Commission the State's share in the net proceeds of Income Tax declined. Further, the total revenue from income tax and Union Excise duties collected by the Centre increased by 44.4 percent and 91.4 percent respectively in 1983-84 over those of 1978-79, (VII Finance Commission period). On the other hand, revenue from Karnataka's own taxes had a much higher increase in 1983-84, of 127.4 percent over the State's own tax revenue figure of 1978-79. Similarly total proceeds from Income Tax and Union Excise Duties collected by the Centre in 1988-89 were higher by 149.4 percent and 84.3 percent respectively over the proceeds collected during 1983-84. The revenue from state's own taxes in 1988-89 was higher by 123.7 percent over the 1983-84 figure. Therefore, both the factors, that is, a fall in the State's Share in case of Income Tax and a lower rate of increase of the Central taxes which are shared with the state relative to the rate of growth of state's own tax revenue-both these factors are responsible for the share in Central taxes not increasing as a percentage of the total tax revenue of our state unlike in case of other states where it has shown an increasing trend during the period covered by the seventh and the eighth finance commission reports.

3.14 Going into the components of the share in central taxes we find that the share of Income tax had fallen steadily with a small increase during 1989-90. Its contribution to total revenue from share in central taxes which was 53.66 percent in 1960-61 fell to 50.93 percent in 1970-71 and again to 27.59 percent in 1980-81. It increased to 30.75 percent in 1990-91. The Successive Finance Commissions have increased the share of the states in the net proceeds from Income tax. This along with the general increase in revenue from Income tax has resulted in an increase in revenue from share in income tax from Rs.4.47 crores in 1960-61 to Rs.203.06 crores in 1990-91, the compound annual growth rate being 15.70 percent between 1960-61 and 1970-71, 11.00 percent between 1970-71 and 1980-81 and 14.05 percent between 1980-81 and 1990-91. This shows that though income tax receipts have increased substantially, their growth has been less than the growth of other central taxes in which the state has a share bringing down the relative importance of Income tax receipts. For example share in Union Excise Duties which was about half of the revenue from share in income tax in 1960-61 was only a little less than double the revenue from share in income tax in 1990-91. Share in Union Excise duties had a compound annual growth rate of 19.92 percent between 1960-61 and 1970-71, 23.33 percent between 1970-71 and 1980-81 and 11.57 percent between 1980-81 and 1990-91. Revenue from share in Union Excise duties increased from Rs.2.40 crores in 1960-61 to Rs.14.76 crores in 1970-71. It then increased several times to reach the figure of Rs.120.19 crores in 1980-81. It was Rs.359.29 crores in 1990-91. Share in Excise duties which formed 28.81 percent of total revenue from share in Central taxes in 1960-61 increased to constitute as much as 54.41 percent of the total revenue from share in Central taxes in 1990-91.

Table - 9
Share in Central Taxes

(Rs. in crores)

Year	Income tax	% age to total Share of Cen. Taxes	Estate Duty	% age to total Share of Cen. Taxe	Union Excise Duties	% age to total Share of Cen. Taxes	Addl. Excise Duties	% age to total Share of Cen Taxes	Total Share of Central Taxes
1	2	3	4	5	6	7	8	9	10
1960-61	4.47	53.66	0.17	2.04	2.40	28.81	1.29	15.49	8.33
1961-62	4.79	53.16	0.23	2.55	2.64	29.30	1.35	14.98	9.01
1962-63	4.89	43.08	0.22	1.94	4.60	40.53	1.64	14.45	11.35
1963-64	6.19	46.40	0.23	1.72	5.37	40.25	1.55	11.62	13.34
1964-65	6.34	48.25	0.37	2.82	5.01	38.13	1.42	10.81	13.14
1965-66	6.32	44.57	0.38	2.68	6.52	45.98	0.96	6.77	14.18
1966-67	7.06	37.08	0.26	1.37	10.02	52.63	1.70	8.93	19.04
1967-68	9.00	41.42	0.73	3.36	11.03	50.76	0.97	4.46	21.73
1968-69	10.03	39.47	0.36	1.42	13.13	51.67	1.89	7.44	25.41
1969-70	15.74	50.96	0.40	1.29	12.35	39.98	2.40	7.77	30.89
1970-71	19.21	50.93	0.41	1.09	14.76	39.13	3.34	8.85	37.72
1971-72	24.62	51.96	0.45	0.95	16.99	35.86	5.32	11.23	47.38
1972-73	26.15	48.93	0.52	0.97	19.79	37.03	6.98	13.06	53.44
1973-74	28.25	47.94	0.54	0.92	21.33	36.20	8.81	14.95	58.93
1974-75	27.31	41.03	0.52	0.78	28.73	43.16	10.00	15.02	66.56
1975-76	39.13	45.15	0.46	0.53	35.19	40.61	11.88	13.71	86.66
1976-77	34.58	37.77	0.54	0.59	42.16	46.05	14.27	15.59	91.55
1977-78	36.18	36.96	0.52	0.53	44.24	45.19	16.95	17.32	97.89
1978-79	37.66	35.43	0.57	0.54	51.07	48.04	17.00	15.99	106.30
1979-80	47.07	26.49	0.83	0.47	109.31	61.51	20.49	11.53	177.70
1980-81	54.55	27.59	0.50	0.25	120.19	60.79	22.47	11.37	197.71
1981-82	55.40	24.90	0.83	0.37	138.63	62.31	27.63	12.42	222.49
1982-83	61.55	25.64	0.70	0.29	149.32	62.19	28.52	11.88	240.09
1983-84	63.76	23.51	0.43	0.16	168.73	62.23	38.23	14.10	271.15
1984-85	67.02	22.57	0.59	0.20	182.59	61.50	46.69	15.73	296.89
1985-86	91.95	25.83	0.55	0.15	212.47	59.68	51.02	14.33	355.99
1986-87	107.55	26.64	0.90	0.22	235.84	58.42	59.44	14.72	403.73
1987-88	128.38	28.46	1.20	0.27	254.90	56.51	66.63	14.77	451.11
1988-89	136.44	27.36	0.16	0.03	290.42	58.24	71.66	14.37	498.68
1989-90	194.63	30.75	0.00	0.00	350.56	55.39	87.71	13.86	632.90
1990-91	203.06	30.75	0.00	0.00	359.29	54.41	98.00	14.84	660.35
1991-92	251.65	32.18	0.00	0.00	417.83	53.43	112.60	14.40	782.08
1992-93	267.76	31.90	0.00	0.00	452.86	53.95	118.72	14.14	839.34
PERIOD					Compound Annual Growth Rate [%]				
1960-61 to 70-71	15.70		9.20		19.92		9.98		16.30
1970-71 to 80-81	11.00		2.00		23.33		21.00		18.02
1980-81 to 90-91	14.05				11.57		15.87		12.82
1970-71 to 90-91	12.51				17.31		18.41		15.39
1960-61 to 90-91	13.56				18.17		15.53		15.69

3.15 Share in Additional Excise duties as proportion of total share in Central taxes fell marginally from 15.49 percent in 1960-61 to 14.84 percent in 1990-91. Revenue from this source increased from Rs.1.29 crores to Rs.98.00 crores during the same period. Thus indirect taxes namely the Union Excise duties and the Additional Excise duties together account for 69.25 percent of the revenue from share in Central taxes. Estate duty which yielded very small amounts of revenue was abolished since 1989-90.

State's own taxes

3.16 Revenue from State's own taxes increased very substantially from Rs.24.42 crores in 1960-61 to Rs.101.75 crores in 1970-71. It further increased to Rs.474.70 crores in 1980-81 and stood at Rs.3478.11 crores during 1992-93. The compound annual growth rate of revenue from State's own taxes was 15.34%, 16.65% and 17.26 percent between 1960-61 and 1970-71 and 1980-81 and between 1980-81 and 1990-91 respectively which is much higher than the growth rate of total revenue receipts.

3.17 State's own taxes as a percentage of the State Domestic Product (SDP) of Karnataka have shown consistent and substantial increase. They formed just 3.25 percent of Karnataka's SDP in 1960-61 and increased to 5.05 percent in 1970-71. In 1980-81 the percentage stood at 7.96 and in 1990-91 it was as high as 10.93 percent. For 1991-92 it is estimated to be 12.54 percent. This shows that the state taxes have been quite buoyant and elastic. This is also evident when the rates of growth of State Domestic Product, the per capita income and the State's own tax revenue are compared.

Table-10

Growth of Revenue from State Taxes & NSDP

Year	State Domestic Product (at current prices) Rs. in crores.	Compound Annual growth rate (%) over the previous period	Per capita Income (at current prices)Rs.	Compound annual growth rate over the previous period (%).	Revenue from State's own taxes.Rs.Crs	Annual growth rate (%) over the previous Pd.
	1	2	3	4	5	6
1960-61	751	-	321	-	24.42	-
1970-71	2016	10.38	696	8.05	101.75	15.34
1980-81	5964	11.46	1623	8.84	474.70	16.65
1990-91	21328	13.59	4737	11.31	2332.12	17.26

3.18 It is evident that the growth in state's own tax revenue has been much more rapid than the growth in its SDP and per capita income. Between 1960-61 and 1970-71 and 1970-71 and 1980-81 for every one percent increase in state income there has been an increase of 1.5 percent in the state's own tax revenue but between 1980-81 and 1990-91 for every one percent increase in SDP there has been 1.3 percent increase in revenue from state's own taxes. Similarly, between 1960-61 and 1970-71 and between 1970-71 and 1980-81 for every one percent increase in state's per capita income, there was an increase of 1.9 percent in the revenue from state's own taxes. This was 1.5 percent between 1980-81 and 1990-91. The elasticity of tax effort has declined as in case of many other states for the period 1980-81 to 1986-87 as compared to the period 1970-71 to 1985-86.

TABLE 11
ELASTICITY OF TAX EFFORT OF STATES

Sl. No.	State	Elasticity	
		1970-71 to 1985-86	1980-81 to 1986-87
1	Andhra Pradesh	2.30	1.82
2	Assam	1.39	2.06
3	Gujarat	2.36	1.32
4	Haryana	1.91	1.46
5	Himachal Pradesh	--	1.74
6	Kerala	2.58	1.63
7	Manipur	--	2.89
8	Meghalaya	--	2.24
9	Uttar Pradesh	1.55	1.47
10	Karnataka	2.16	1.39

Note: Elasticity of tax effort. The rate of increase in tax receipts if the rate of increase in State income is 1 or Unity i.e.

$$\frac{(T_i - T_o) Y_o}{(Y_i - Y_o) T_o} \quad \text{OR} \quad \frac{T_i - T_o}{\frac{Y_i - Y_o}{Y_o} T_o}$$

Where T_i - Tax Receipts in the last year of the period
 T_o - Tax Receipts in the 1 Year of the period.
 Y_o - State Income (in current prices) of the 1 Year of the period and
 Y_i - State Income (in current prices) of the last year of the period.

Source: For States other than Karnataka, Kerala Budget in brief, 1991-92, Government of Kerala.

3.19 The percapita tax burden of state's own taxes in 1988-89 in Karnataka at Rs. 388 was quite high when compared to many other states like Uttar Pradesh, West Bengal, Andhra Pradesh, Kerala, Tamil Nadu, Madhya Pradesh, Rajasthan and a few others. The all India per capita revenue from state's own taxes was only Rs.281. Percapita Tax Revenue as a percent of percapita state income was the second highest in Karnataka at 10.8 percent next only to Kerala where it was 11.9 percent. The all India figure was again much lower at 7.3 percent. It may be noted that the percapita tax revenue as a percent of percapita state income in Karnataka was much higher than both the states with higher percapita state income than that of Karnataka like Maharastra, Gujarat, Punjab and Haryana as well as states with lower percapita state income than that of Karnataka that is states like Bihar, Uttar Pradesh, Rajastahn, Orissa and Assam.

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Table - 12

Tax Burden as Percent of State Income: 1988-89

State	Percapita State's own		Tax revenue as % of percapita State income
	Tax revenue (Rs.)	Non-tax revenue (Rs.)	
<u>Major States:</u>			
Kerala	364	62	11.9
Karnataka	388	102	10.8
Andhra Pradesh	342	133	10.7
Maharashtra	522	157	10.1
Tamil Nadu	363	61	10.1
Gujarat	471	144	9.9
Haryana	503	225	9.5
Punjab	537	113	8.6
West Bengal	272	30	7.9
Madhya Pradesh	216	115	7.9
Rajasthan	211	85	7.2
Uttar Pradesh	158	54	5.9
Orissa	146	64	5.6
Bihar	100	101	4.4
Assam	117	74	4.2
<u>Other States:</u>			
Jammu & Kashmir	192	139	8.2
Sikkim	267	572	7.7
Goa	474	410	7.6
Himachal Pradesh	241	138	6.7
Meghalaya	173	131	6.7
Nagaland	146	196	4.2
Tripura	73	63	3.4
Manipur	69	151	2.4
Arunachal Pradesh	30	364	0.7
Mizoram	22	128	*0.7
All States	281	96	7.3

Ranked by Col.3.

Source: Basic Statistics relating to Indian Economy, CMIE Col.2 September 1991.

3.20 The average and marginal propensity to tax in case of Karnataka as compared to that of other States is given below:

Table - 13

STATE-TAXES-PROPENSITY TO TAX-AVERAGE AND MARGINAL PROPENSITY TO TAX

Sl. No.	States	1981-82		1982-83		1983-84		1984-85		1985-86		1986-87	
		A.P.	M.P.	A.P.	M.P.	A.P.	M.P.	A.P.	M.P.	A.P.	M.P.	A.P.	M.P.
		1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	0.08	0.09	0.09	0.35	0.09	0.10	0.14	0.64	0.16	0.34	0.16	0.33
2	Assam	0.03	0.06	0.03	0.05	0.04	0.06	0.08	1.69	0.10	0.72	0.10	0.12
3	Gujarat	0.90	0.90	0.10	0.61	0.09	0.07	0.12	0.27	0.13	0.15	0.10	0.02
4	Haryana	0.09	0.14	0.09	0.10	0.08	0.05	0.11	0.12	0.11	0.10	0.11	0.23
5	Himachal Pradesh	-	-	-	-	-	-	-	-	-	-	0.15	0.22
6	Kerala	0.10	0.16	0.10	0.11	0.10	0.11	0.15	0.28	0.16	0.41	0.17	0.24
7	Manipur	-	-	-	-	-	-	-	-	-	-	0.18	0.43
8	Meghalaya	-	-	-	-	-	-	-	-	-	-	0.21	0.28

(Contd..)

Table - 13 (concluded)

Sl.No	States	1	2	3	4	5	6	7	8	9	10	11	12
9	Sikkim	-	-	-	-	-	-	-	-	-	-	0.18	0.28
10	Tamil Nadu	0.10	0.21	0.14	1.30	0.12	0.10	0.16	0.13	0.16	0.16	0.15	0.18
11	Uttar Pradesh	0.06	0.24	0.06	0.06	0.05	0.04	0.10	0.23	0.10	0.14	0.10	0.14
12	Karnataka	0.09	0.14	0.09	0.08	0.08	0.06	0.09	0.13	0.10	0.30	0.10	0.08

Note: A.P. Average Propensity=Tax/Income ratio T_i/Y_i
M.P. Marginal Propensity to tax incremental/tax/incremental income
ratio $(T_i - T_o) / (Y_i - Y_o)$ Where T_i - Tax rect. of the current yr.
 T_o - Tax rect. of the previous yr.
of the current yr.
 Y_i - State Income (in current
Prices) of the current year of the
previous year.

Source: Data for States other than Karnataka taken from Kerala
Budget in brief 91-92, Government of Kerala

3.21 It may be seen that both the Average propensity to tax (AP) as well as marginal propensity to tax (MP) in Karnataka have generally been slightly lower than those of many other states. While the AP after an initial fall has risen, the MP has shown a mixed trend. After having increased upto 1985-86, it fell during the next year quite substantially. Data for the later years shows that it has slightly increased.

3.22 The share of State's own tax revenue formed 26.70 percent of the total revenue receipts and 74.56 percent of total tax revenue of the state in 1960-61. In 1970-71 its share in the total revenue receipts and in the total tax revenue increased substantially to 41.27 percent and 72.95 percent respectively. The same trend has continued in the subsequent years. In 1980-81 revenue from states own taxes constituted 49.79 percent of total revenue receipts and 70.60 percent of the total tax revenue of the State and in 1990-91, it accounted for 59.92 (Table 7) percent of the total revenue receipts and 77.93 percent of the total tax revenue. Thus it is evident that the share of revenue from State's own taxes has increased as a percentage of the total tax revenue except between 1971 and 1981 when share in Central Taxes had a much higher compound annual growth rate. The share of revenue from State's own taxes in the total revenue receipts has increased not only because of the increase in revenue from these taxes, which has been there, but also because the growth of non-tax revenue has been very much lower.

Table - 14

STATE TAX REVENUES - 1960-61 TO 1992-93

(Rs. in crores)

Year	Agri Income Tax	Land Revenue	Stamps Regn. Fees	Pro. Tax	State Excise	Sales Tax	Taxes on M Veh.	Entry Tax	Enter- tainme Tax	Ele. Duty	Health Cess	Edn. Cess Tax	Bet. Tax	Forest Dev. Tax	Lux Tax	Other Recpts	Total (Sum of Col. 2 to 17)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1960-61	0.74	4.40	2.24		3.19	8.13	3.58		0.72	0.85			0.15			0.42	24.42
1961-62	0.60	4.51	2.42		2.88	9.45	4.59		0.82	1.48			0.19			0.10	27.04
1962-63	0.76	5.20	2.94		2.93	11.22	5.56		1.02	1.62			0.22			0.72	32.19
1963-64	0.38	8.24	3.44		3.52	13.52	7.20		1.20	1.77			0.26			0.16	39.69
1964-65	1.01	7.10	3.65		3.73	16.48	5.43		1.31	1.96			0.31			1.58	42.56
1965-66	1.58	5.57	4.39		4.04	19.54	5.70		1.52	2.17			0.36			1.57	46.44
1966-67	1.50	3.87	4.90		4.41	26.43	6.10		1.88	1.74			0.36			1.82	53.01
1967-68	1.82	7.41	5.53		7.11	28.25	6.89		2.10	1.38			0.51			2.06	63.06
1968-69	1.64	7.09	5.65		13.11	34.20	7.71		2.42	3.72			0.64			2.16	78.34
1969-70	1.59	5.14	6.11		17.97	40.51	8.29		3.04	2.47			0.91			2.27	88.30
1970-71	1.57	4.72	6.81		19.72	48.87	9.46		3.14	3.95			1.15			2.36	101.75
1971-72	1.99	4.60	7.64		23.55	51.59	10.20		3.76	6.25			1.29			2.73	113.60
1972-73	2.08	5.42	9.01		29.68	58.01	11.17		4.52	6.24	1.15	0.48	1.37			3.51	132.64
1973-74	1.43	5.27	7.52		37.64	68.22	12.02		5.18	5.98	1.06	0.37	1.90			3.80	150.39
1974-75	1.61	6.95	12.85		47.54	93.64	12.66		7.61	4.91	1.37	0.87	2.28			6.29	198.58
1975-76	3.02	7.09	10.79		52.01	117.87	15.63		8.71	6.97	2.18	0.93	2.84	0.13		8.56	236.73
1976-77	4.30	4.25	10.78	3.43	52.27	137.30	24.92		11.98	9.09	2.71	1.77	2.61	1.25		2.60	269.26
1977-78	7.82	4.94	14.95	4.34	56.24	151.10	29.82		12.96	6.16	2.94	1.69	2.69	1.37		0.25	297.27
1978-79	14.37	6.96	17.91	4.82	62.60	164.49	29.48		14.31	8.16	3.84	2.10	3.16	1.56		0.25	334.01
1979-80	15.60	6.92	22.15	5.89	73.84	199.78	44.46		16.14	9.28	3.74	2.37	2.83	1.69	0.09	0.13	404.91
1980-81	11.28	6.47	29.08	7.40	93.70	237.36	47.38		18.25	9.55	4.51	3.16	4.14	2.04	0.22	0.16	474.70
1981-82	9.08	8.80	29.32	9.72	117.74	318.86	55.12	5.19	20.59	16.37	4.59	3.72	4.63	3.13	0.35	-0.13	607.08
1982-83	6.87	7.31	32.65	12.56	131.69	344.78	59.16	11.10	24.71	26.42	5.20	3.32	4.51	3.37	0.45		674.10
1983-84	9.67	8.60	39.97	5.68	154.67	399.30	67.84	11.16	26.80	23.14	1.61	1.63	4.95	3.92	0.58		759.52
1984-85	7.12	7.30	46.81	5.55	180.62	484.58	79.91	17.24	28.50	39.14	0.48	0.20	6.27	4.41	0.72	0.55	909.39
1985-86	6.90	7.85	51.33	6.92	188.56	596.09	97.16	25.69	31.21	47.85	1.56	2.14	5.79	4.75	1.76	0.01	1075.57
1986-87	8.71	10.66	51.32	8.76	206.75	647.00	134.82	32.02	33.25	47.97	1.50	0.68	5.48	3.97	3.10	-0.01	1205.98
1987-88	11.42	17.31	85.53	12.37	243.67	776.09	138.72	41.47	37.47	32.00	2.30	0.80	8.50	4.49	2.52		1414.66
1988-89	10.46	18.41	107.09	15.32	256.53	987.24	158.24	47.41	37.08	42.61	2.68	0.39	8.58	3.72	3.03	-0.01	1698.78
1989-90	15.52	15.16	126.49	23.97	327.57	1081.21	157.95	56.91	40.77	65.08	0.79	0.46	8.79	6.15	5.42		1932.24

Table - 14(Concluded)

(Rs. in crores)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
1990-91	7.23	15.36	144.28	40.23	429.69	1316.92	192.43	65.49	42.01	52.72	2.12	0.46	11.60	5.13	6.46		2332.12	
1991-92	13.00	20.00	210.00	63.00	530.00	1764.00	215.00	90.00	49.00	70.81	2.75	1.50	9.00	5.30	12.00		3055.36	
1992-93	13.00	20.00	275.00	71.00	573.00	2033.00	224.00	103.00	56.00	75.96	2.75	1.50	11.00	5.90	13.00		3478.11	
PERIOD	Compound Annual Growth Rate [%]								Compound Annual Growth Rate [%]									
1960-61 to 70-71	7.81	0.70	11.76		19.98	19.65	10.20		15.87	16.61			22.59				18.84	15.34
1970-71 to 80-81	21.80	3.20	15.62		16.86	17.12	17.48		19.24	9.23			13.67				-23.60	16.65
1980-81 to 90-91	-4.35	9.03	17.37	18.45	16.45	18.69	15.04		8.69	18.63	-7.25	-17.46	10.85	9.65	40.21			17.26
1970-71 to 90-91	7.93	6.08	16.49		16.66	17.90	16.26		13.85	13.83			12.25					16.95
1960-61 to 90-91	7.89	4.25	14.89		17.75	18.48	14.20		14.52	14.75			15.60					16.41

3.23 Just as in case of the Centre, Karnataka also depends very heavily upon Indirect Taxes for its revenue. In fact this dependence is much more. In 1960-61 direct taxes contributed as much as 30.22 percent to the total revenue from State's own taxes. The share of direct taxes fell consistently to reach 8.88 percent during 1990-91. They were estimated to yield 10.90 percent of State's tax revenue during 1992-93 (excluding the ARM measures envisaged in the budget). This is because the growth of direct taxes has been much lower than the growth of indirect taxes. Agricultural Income Tax for instance, had a slower compound annual growth rate (7.81%) between 1960-61 and 1970-71. It had very high compound annual growth rate between 1970-71 and 1980-81 (21.80%) but had a negative growth rate during the next decade 1980-81 to 1990-91 (-4.35%). Similarly, Land Revenue had compound annual growth rates of just 0.70 percent between 1960-61 and 1970-71, 3.20 percent between 1970-71 and 1980-81 and 9.03 percent between 1980-81 and 1990-91. Stamps and Registrations too had a lower rate of compound annual growth rate as compared to the growth of State's own tax revenue between 1960-61 and 1970-71 at 11.76 percent and also between 1970-71 and 1980-81 at 15.62 percent. It had a higher rate of growth between 1980-81 and 1990-91 at 17.37 percent.

3.24 It may be noted that the percentage share of Agricultural Income Tax and Land Revenue in the total revenue from State's own taxes was 3.03 percent and 18.02 percent respectively during 1960-61. Thus these two taxes which fall on the Agricultural sector, together contributed as much as 21.05 percent to the total revenue from State's own taxes. Their share has gradually fallen over the years. In 1970-71 the share of Agricultural Income Tax and Land Revenue was 1.54 percent and 4.64 percent respectively. That is, together their share fell from 21.05 percent in 1960-61 to just 6.18 percent in 1970-71. In 1980-81 their share was 2.37 percent and 1.36 percent respectively. The revenue from these two taxes put together constituted only 3.73 percent of the total revenue from State's own taxes. The same trend continues in 1990-91 the share of these taxes was just 0.31 percent and 0.66 percent respectively. Thus these two together contributed a negligible 0.97 percent to the State's own tax revenue as against 21.05 percent in 1960-61.

3.25 The contribution of Agricultural Income Tax and Land Revenue has declined and has been subsequently low not only in our State but also in many other States. In fact many States have not imposed Agricultural Income Tax. Even in Karnataka it is restricted only to plantation crops like Coffee, Cardamom etc. While there was no Agricultural Income Tax even in States like Punjab and Haryana where the green revolution has brought a lot of prosperity to the Agricultural sector, the contribution of land revenue has been extremely low just 0.09 percent of total revenue from State's own taxes in Haryana in 1988-89 and 0.31 percent in Punjab. West Bengal is the State where the contribution of Land Revenue is the highest at 16.5 percent followed by Assam where it is 12.1 percent and Orissa and Rajasthan where it was 6.8 and 3.2 percent respectively. The per hectare Land Revenue collection in Karnataka in 1988-89 at Rs.14.75 was less than the All India Figure of Rs.38.25. In fact West Bengal collected ten times more Land Revenue than Karnataka and the per hectare Land revenue collected in West Bengal was Rs.488.95 in 1988-89.

Table - 15

Taxes on Agricultural Sector* 1965-66 to 1988-89.

(Rs. in lakhs)

States	1965-66	1970-71	1975-76	1980-81	1985-86	1988-89
West Bengal	810 (6.8)	512 (4.0)	1337 (4.8)	972 (1.9)	14515 (12.9)	28567 (16.5)
Assam	833 (27.1)	912 (32.4)	2011 (33.9)	1849 (28.1)	6483 (27.6)	3365 (12.1)
Orissa	294 (9.0)	175 (5.3)	852 (12.5)	647 (4.9)	1592 (5.6)	3634 (6.8)
Rajasthan	700 (14.6)	1072 (17.7)	1586 (12.1)	966 (4.2)	1562 (2.8)	2848 (3.2)
Kerala	492 (9.8)	443 (6.5)	1073 (6.7)	1450 (4.3)	2666 (3.6)	2542 (2.4)
Bihar	1227 (14.8)	924 (11.7)	2411 (12.9)	1338 (4.8)	2784 (4.8)	1857 (2.2)
Madhya Pradesh	700 (10.3)	730 (8.4)	2514 (10.9)	964 (2.5)	1955 (2.4)	2404 (1.8)
Uttar Pradesh	2442 (18.4)	2694 (17.6)	5832 (14.8)	3848 (6.0)	2791 (2.2)	3577 (1.7)
Karnataka	715 (11.8)	627 (6.2)	1011 (4.3)	1775 (3.7)	1475 (1.4)	2887 (1.7)
Andhra Pradesh	1412 (15.5)	2118 (15.6)	5188 (15.9)	3623 (6.2)	2123 (1.5)	4153 (1.6)
Gujarat	732 (10.9)	899 (8.3)	867 (3.7)	1292 (2.4)	1725 (1.6)	2562 (1.4)
Maharashtra	583 (3.8)	1437 (5.6)	3463 (5.9)	3400 (3.0)	3746 (1.6)	4616 (1.2)
Tamil Nadu	799 (7.7)	629 (4.2)	1627 (5.1)	409 (0.6)	3578 (2.3)	2184 (1.1)

(Contd..)

Table - 15(Concluded)
(Rs. in crores)

States	1965-66	1970-71	1975-76	1980-81	1985-86	1988-89
Punjab	398 (5.6)	171 (2.0)	1980 (1.5)	242 (0.7)	323 (0.5)	321 (0.3)
Haryana	-	199 (4.5)	774 (6.6)	510 (2.2)	379 (0.8)	73 (0.1)
All States	12181 (10.9)	13629 (8.9)	32835 (9.3)	23448 (3.5)	47971 (3.3)	65869 (2.9)

Notes : * Includes land revenue and agricultural income tax, surcharge on cash crops and cess & purchase tax on sugarcane wherever levied.
Figures within brackets show percentage to total tax revenue of the States.

Ranked by percentage to total tax revenue of the State in 1988-89.

Source : Basic Statistics relating to the Indian Economy, CMIE September 1991.

3.26 The question of taxing agricultural sector has been a contentious issue. However, the following facts need to be stressed (i) Despite various measures taken by the government, the large scale inequalities in the distribution of land still remain. As per the 1985-86 Agricultural Census conducted in our State, just 11.6 percent of the land holders owning land holdings of the size 4 hectares and above own between them as much as 44.1 percent of the total land area. On the other hand, land holders with land holdings of less than 2 hectares in size constitute 62.7 percent of the total land holders but own between them only 23.2 percent of the total area of land. Thus there is a small percentage of large farmers who account for a major part of income and wealth generated in the agricultural sector and they are by no means poor; (ii) A huge portion of expenditure of the State and Central Governments goes towards agricultural development and towards subsidies of various kinds. A study conducted by Dr. Ved P Gandhi as early as in 1968-69 showed that the total tax incidence on the agricultural sector was Rs.907 crores and that on the non-agricultural sector was Rs.2693 crores. According to the report of the Commission on Taxation of Agricultural Income and Wealth 1972, known as the Prof. KN Raj Committee, as a proportion of the total tax revenue of the State Governments, both Land Revenue and Agricultural Income Tax fell from 25.9 percent and 2 percent respectively during I plan period to 4.6 percent and 0.7 percent respectively during 1977-78. Quite contrary to contribution of the agricultural sector to the tax revenue, a large proportion of the expenditure of the Central and the State Governments goes towards the agricultural sector either in the form of direct investment in Agriculture and Irrigation or in the form of subsidies and concessions. This is contrary to what happened in many of the developed countries including Japan, in their early stages of Economic Development wherein agricultural sector contributed substantially to the disproportionately larger investments made in the non agricultural sectors,

(iii) Due to inequalities in the distribution of land it is generally the large and rich farmers who get the benefits of the government expenditure on agriculture as also of the subsidies provided by the government. A farmer with a bigger land holding will be using larger quantity of fertilisers and water, both of which are subsidised by the government. The small farmer, on the other hand, may not have the capacity to buy fertilisers and better seeds,

(iv) Despite the integration of agricultural and non-agricultural income for the purpose of fixing the rate of Income Tax of individuals who have income from both agricultural and non-agricultural sectors, agriculture still provides opportunities for tax evasion.

3.27 For reasons such as those mentioned above, there is a sufficient justification in the view held by the Raj Committee that similar incomes should be taxed similarly irrespective of their source.

3.28 Thus indirect taxes providing 91.12 percent of the State's own tax revenue are the important taxes for the State. Indirect taxes fall upon all sections of the population including the poorer sections. According to the Indirect Taxation Enquiry Committee (LK Jha Committee) Report 1976, the percentage of indirect taxes to total expenditure for the expenditure group with a per capita monthly expenditure of Rs. 0 to 15 was 2.96 percent (2.91% for Rural People and 3.63% for Urban People). For the per capita monthly expenditure group of Rs.100/-and above, the percentage of indirect taxes to their total expenditure was 21.96 (16.17% in rural areas and 30.19 in urban areas). It is evident that indirect taxes fall more heavily on the richer people and upon the urban people. This does not ensure the progressiveness of the tax structure because despite the money burden of the taxes being lesser on the poorer sections of the society, the real burden may be higher than in case of the rich due to the higher marginal utility of money in case of the poor.

This makes it more desirable to impose direct taxes in the agricultural sector in such a way that only the rich in this sector are made to pay. The Agricultural Holdings Tax recommended by the Raj Committee deserves serious consideration. Returning to the indirect taxes, the most important indirect taxes from the point of view of revenue are the Sales Tax, the State Excise Duties and the Taxes on Motor Vehicles. These three put together provided 83.14 percent of the total revenue from State's own taxes in 1990-91. In 1960-61 these three taxes put together accounted for 61.0 percent of the total revenue from State's own taxes.

3.29 Among these taxes the tax with highest compound annual growth rate between 1960-61 and 1990-91 of 18.48 percent was the Sales Tax. The revenue from Sales Tax increased from a mere Rs.8.13 crores in 1960-61 to Rs.48.87 crores in 1970-71 and to Rs.237.36 crores in 1980-81. In 1990-91 revenue from sales tax was Rs.1316.92 crores. In 1960-61 it constituted 33.3 percent of State's own tax revenue. In 1990-91 its share had increased to 56.47 percent. Thus Sales Tax accounts for more than half of the total revenue from state taxes. The compound annual growth rate of sales tax was 18.48% for the period 1960-61 1990-91. It should be noted that this high rate of growth has been over the base year figure which was in itself quite sizable and constituted a sizeable portion of the total tax revenue unlike other taxes. The rate of growth of Sales Tax Revenue much above the rate of growth of the SDP indicates its buoyancy and elasticity. The share of sales tax in total revenue from state taxes of other states has been similar. During 1989-90 sales tax accounted for as much as 67.55 percent and 69.62 percent of the State's own tax revenue of Tamil Nadu and Bihar respectively. It was 72.66 percent in Gujarat, 63.01 percent in case of Kerala and 62.44 percent in Maharashtra.

Table - 16

DETAILS OF STATES OWN TAX REVENUE OF INDIVIDUAL STATES 1989-90 (RE)

(Rs. in crores)

Sl. No.	States	Agricultural Income Tax.	Professional Tax.	Stamps & Regn.	Land Revenue	Urban Immovable Tax.	Sales Tax.	State Excise
1.	Gujarat	-	38.34 (1.80)	95.00 (4.45)	28.00 (1.31)	0.20 (0.01)	1550.00 (72.66)	12.12 (0.57)
2.	Haryana	-	-	91.75 (10.01)	1.02 (0.12)	-	419.86 (45.82)	237.41 (25.90)
3.	Karnataka	13.00 (0.64)	20.00 (1.04)	132.00 (6.84)	16.00 (0.83)	-	1084.00 (56.20)	335.00 (17.37)
4.	Maharashtra	0.01	160.00 (3.66)	260.00 (5.96)	67.55 (1.55)	-	2726.00 (62.44)	460.41 (10.55)
5.	Punjab	-	-	93.52 (8.26)	3.24 (0.29)	-	520.00 (45.90)	350.00 (30.90)
6.	West Bengal	8.50 (0.42)	73.26 (3.60)	105.02 (5.15)	338.71 (16.63)	0.93 (0.04)	1125.44 (55.23)	127.04 (6.23)
7.	Andhra Pradesh	-	22.00 (0.94)	117.38 (5.04)	26.00 (1.12)	1.68 (0.07)	1230.00 52.8	637.20 (27.35)
8.	Bihar	-	0.01	62.00 (6.70)	15.00 (1.62)	-	643.85 (69.62)	95.00 (10.27)
9.	Kerala	16.96 (1.40)	-	105.00 (8.71)	19.72 (1.64)	6.00 (0.50)	759.00 (63.01)	176.30 (14.64)
10.	Madhya Pradesh	-	20.25 (1.27)	99.70 (6.25)	19.31 (1.21)	0.08 (0.01)	726.34 (45.57)	44.10 (15.31)
11.	Orissa	-	-	27.02 (5.16)	41.34 (7.90)	-	293.99 (56.20)	34.00 (6.50)
12.	Rajasthan	-	-	62.00 (5.93)	32.22 (3.08)	9.05 (0.87)	575.00 (54.97)	210.00 (20.08)
13.	Tamil Nadu	10.53 (0.43)	-	207.09 (8.47)	18.50 (0.76)	1.68 (0.07)	1652.00 (67.55)	282.00 (11.53)
14.	Uttar Pradesh	-	0.00	282.06 (12.28)	30.00 (1.31)	0.01	1222.75 (53.25)	437.99 (19.08)

(Contd. .)

Table - 16 (concluded)

(Rs. crores)

Sl. No.	Taxes on Vehicles	Taxes on goods passengers	Electricity Duty.	Entertainment Tax.	Other taxes & Duties.	Total
1.	85.00 (3.98)	99.16 (4.65)	162.16 (7.62)	35.00 (1.64)	28.00 (1.31)	2133.29 (100.00)
2.	20.94 (2.28)	103.93 (11.34)	29.00 (3.16)	7.32 (0.80)	5.40 (0.59)	916.63 (100.00)
3.	147.00 (7.62)	54.00 (2.80)	65.68 (3.42)	39 (2.02)	23.00 (1.19)	1928.68 (100.00)
4.	186.81 (4.28)	123.59 (2.83)	229.08 (5.25)	66.78 (1.62)	85.61 (1.96)	4365.84 (100.00)
5.	32.04 (2.82)	66.00 (5.82)	61.82 (5.46)	-	6.20 (0.55)	1132.82 (100.00)
6.	55.00 (2.70)	155.90 (5.69)	35.85 (1.76)	38.49 (1.89)	13.42 (0.66)	2037.56 (100.00)
7.	178.50 (7.66)	8.00 (0.34)	35.82 (1.54)	48.00 (2.06)	25.06 (1.08)	2329.64 (100.00)
8.	75.00 (8.11)	-	19.14 (2.07)	12.90 (1.39)	1.91 (0.22)	924.81 (100.00)
9.	75.93 (6.30)	0.02	44.41 (3.69)	0.01	1.28 0.11	1204.63 (100.00)
10.	87.34 (5.48)	149.88 (9.40)	227.44 (14.27)	19.37 (1.22)	0.22 (0.01)	1594.03 (100.00)
11.	46.17 (8.84)	-	74.61 (14.26)	-	5.97 (1.14)	523.10 (100.00)
12.	101.40 (9.00)	1.25 (0.12)	42.06 (4.02)	13.01 (1.24)	-	1045.99 (100.00)
13.	186.98 (7.65)	-	5.75 (0.24)	68.02 (2.78)	12.98 (0.52)	2445.53 (100.00)
14.	79.44 (3.46)	136.01 (5.92)	47.19 (2.06)	60.43 (2.63)	0.13 (0.01)	2296.06 (100.00)

Source R. B. I April 1991 (Supplement).

3.30 In 1988-89 there were 178918 tax paying dealers in the state spread over different turnover groups. Tax paid by each turnover group shows that the contribution to sales tax of 98514 dealers coming under turnover groups of less than Rs.2 lakhs constituting 55.0 percent of the total number of dealers was a mere Rs.13.2 crores which comes to just 1.5 percent of the total sales tax collections of 1988-89. When the next turnover group is added the number of dealers in the turnover group of less than Rs.5 Lakhs increase to 135517 constituting 75.7 percent of total number of dealers. The tax collected from them amounts to Rs.59.6 crores which is only 6.2 percent of the total tax collected. Thus more than two thirds of the dealers pay just 6.2 percent of the total sales tax. Even if the next turnover group is added dealers with less than Rs.10 lakhs turnover numbering 153722 constituting as much as 85.9 % of the total number of dealers paid a total sales tax of Rs.101.9 crores which forms just 10.5 percent of the total sales tax collections. An overwhelmingly large contribution was made by the turnover group with turnover of above Rs.100 lakhs. These dealers numbering 1967 formed 1.1 percent of the total number of dealers and the tax collected from them at Rs.653.7 crores amounted to as much as 66.6 percent of the total sales tax realised.

3.31 The other indirect tax which brings a very large revenue to the state government is the State Excise. Revenue from State Excise at Rs.3.19 crores constituted 13.06 percent of revenue from State's own taxes in 1960-61. It increased to Rs.19.72 crores in 1970-71 constituting 19.38 percent of the revenue from State's own taxes. In 1980-81 State Excise accounted for 19.74 percent of the revenue from the state taxes, revenue from State Excise being Rs.93.70 crores. Though in absolute terms revenue from State Excise increased enormously to reach Rs.429.69 crores in 1990-91, as a proportion of state's own tax revenue it fell to form 18.42 percent. State Excise is estimated to yield Rs.573.00 crores during 1992-93 (BE)(excluding ARM measures) which would come to 16.47 percent of the State's own tax revenue. Between 1960-61 to 1970-71, the compound annual growth rate of state excise revenue was one of the highest at 19.98 percent which was higher than the growth rate of total state's own tax revenue (15.34 percent). However, between 1970-71 and 1980-81 and between 1980-81 and 1990-91, its growth rate, though quite high by itself at 16.86 percent and 16.45 percent respectively, was below the growth rate of the state's own tax revenue period which was 16.65 percent and 17.26 percent respectively during the same period. During 1989-90, State Excise accounted for as much as 30.90 percent of the total revenue from state's own taxes in Punjab. In case of Andhra Pradesh it was 27.35 percent and in case of Haryana it was 25.90 percent. On the other hand, in Gujarat revenue from State Excise amounted to just 0.57 percent of the State's own tax revenue. Similarly, in Orissa it formed 6.50 percent and in West Bengal it formed 6.23 percent of the revenue from the state taxes.

3.32 Even though Beer forms a major proportion of production as well as consumption of Excisable articles (31 percent of consumption and 53.6 percent of total production in 1989-90), revenue from Beer has been extremely low at just 3.21 percent of the total revenue from State Excise in 1989-90. The other forms of liquor which together accounted for 46.33 percent of the total liquor production and 68.98 percent of the total consumption in 1989-90, accounted for the rest of the revenue collections from this tax in the state. With a large number of pubs coming up selling beer, the revenue from state excise can be increase by ensuring that the revenue from state excise can be increased substantially if the tax on Beer is increased. Revenue from Excise duty can also be increased by ensuring that the revenue is not held up through stay orders issued by the courts.

3.33 Motor vehicles tax is another important source of tax revenue to the Government. In 1960-61, revenue from taxes on Motor vehicles amounted to only Rs.3.58 crores constituting 14.66 percent of the total revenue from state taxes. It steadily increased to reach Rs.9.46 crores in 1970-71 but as proportion to total revenue from state's own taxes fell to 9.30 percent. The compound annual growth rate between 1960-61 and 1970-71 being 10.20 percent which was the lowest among all state taxes except the growth rates of Agricultural income tax and land revenue. There was a spurt in the revenue from the taxes on motor vehicles in 1976-77. The revenue from this tax had a growth rate of 17.48 percent between 1970-71 and 1980-81 which was higher than the growth rate of total revenue from state taxes. Thus in 1980-81 revenue from these taxes amounted to Rs.47.38 crores forming 9.98 percent of the total revenue from state taxes. The introduction of the lifetime tax on two wheelers was one of the factors responsible for another spurt in revenue from these taxes. From Rs.97.16 crores in 1985-86 it increased to Rs.134.82 crores in 1986-87. In 1990-91 the revenue from these taxes reached the figure of Rs.192.43 crores constituting 8.25 percent of the total revenue from the state taxes. The compound annual growth rate of these taxes between 1980-81 and 1990-91 was 15.04 per cent. This fall in the growth rate of revenue from Motor vehicles taxes has to be seen in relation to the number of Motor vehicles registered in Karnataka. The total number of vehicles in Karnataka has increased from just 0.39 lakhs in 1960-61 to 1.23 lakhs in 1970-71. It further increased to 4.0 lakhs in 1980-81 and to 14.32 lakhs in 1990-91. Thus between 1980-81 and 1990-91 there has been an increase of the order of 10.32 lakh vehicles in Karnataka an increase of 258 percent during this decade. As against this, the increase in revenue from taxes on Motor vehicles was by 306 percent during the same period. The per vehicle tax burden has also increased from Rs.1183.6 in 1980-81 to Rs.1343.25 in 1990-91, an absolute increase of 13.49 percent over the per vehicle tax burden of 1980-81. However, if price rise is accounted for then the per vehicle burden in real terms has actually fallen considerably because the various price indices have doubled during this period. This perhaps explains why there has been a fall in the relative share of these taxes in the total revenue from state taxes. The other indirect taxes such as sales tax and Excise duties seem to be more responsive to price increase that is to say they are more price elastic. To establish this fact however, a separate study will have to be taken up going into the details of increase in prices of each of the commodities coming under each of these taxes, the increase in the rates of taxes and other related variables.

3.34. There are several other minor indirect taxes such as Entry tax, Entertainment tax, Electricity duty, Health Cess, Education Cess, Betting tax, Forest Development tax, Luxury tax, etc. Entry tax among them has been providing sizeable revenue. In 1981-82 when it was introduced, its contribution to the State Exchequer was just Rs.5.19 crores. It increased to Rs.65.49 crores in 1990-91. With a large increase in the number of commodities subjected to Entry tax in the 1992-93 budget, revenue from it is estimated to be Rs. 103 crores forming a little less than 3 percent of the total revenue from state taxes.

Additional Resource Mobilisation (ARM)

3.35 The 1992-93 budget made a total ARM effort amounting to Rs.269.94 crores (Rs.244.89 crores being net ARM). The budget seeks to raise additional revenue of Rs.78.80 crores from sales tax (Rs.53.80 crores net), Rs.113.00 crores (Gross as well as Net) from Entry tax, Rs.0.90 crores (Rs.0.80 crores net) from professional tax, Rs.22.74 crores (Gross as well as net) from taxes on motor vehicles and Rs.24.50 crores (Gross as well as net) from State Excise. Thus the ARM measures relating to tax revenue amount to Rs.239.94 crores (Rs.214.84 crores net). Rs.30.00 crores are sought to be raised through Disinvestment from Public Sector Undertakings.

Non-tax Revenue:

3.36 The total non-tax revenues consist of state's own non-tax revenue and grants from the centre. State's own non-tax revenue consists of interest receipts, dividends and profits and non-tax receipts from general, Social and Economic Services. Grants from the Centre consist of plan grants, statutory grants and grants in lieu of tax on railway passenger fare etc.

3.37 Even though as a proportion of total revenue, the importance of non-tax revenue has declined over the years, it is still an important source of revenue to the Government. The total non-tax revenues at Rs.58.72 crores constituted as much as 64.20 percent of the total revenue receipts in 1960-61. During the decade 1960-61 to 1970-71, non-tax revenues had a relatively very low compound annual growth rate of 6.19 percent and they increased to Rs.107.10 crores in 1970-71. Their share in total revenue receipts declined to 43.44 percent. During the next decade, their growth rate was slightly higher at 10.13 percent taking their contribution to total revenue receipts to Rs.281.05 crores in 1980-81. However, since tax revenue had a much higher growth rate of 17.03 percent, the share of non-tax revenue to the total revenue receipts declined further to 29.48 percent. In 1990-91 receipts from total non-tax revenue amounted to Rs.89971 crores forming 23.12 percent of the total revenue receipts. Between 1980-81 and 1990-91 these receipts had a compound annual growth rate of 12.34 percent.

3.38 A closer examination of the components of the total non-tax revenue reveals that state's own non-tax revenue is responsible for the fall in the share of total non-tax revenue as a proportion of Total Revenue Receipts. State's own non-tax revenue at Rs.52.60 crores accounted for as much as 89.58 percent of the total non-tax Revenue and 57.51 percent of the total revenue receipts in 1960-61. Grants from the Centre (Rs.6.12 Crores) accounted for only 10.42 percent of the total non-tax revenue and 6.69 percent of the total revenue receipts. The share of grants from Centre increased to Rs.21.76 crores constituting 20.32 percent of the total non-tax revenue of the State in 1970-71. State's own non-tax revenue increased to Rs.85.34 crores but fell as a percentage of both total non-tax revenue (79.68 percent) as well as total revenue receipts (34.61 percent). The same trend is to be seen in the next two decades and in 1990-91, Grants from the Centre had increased to Rs.382.51 crores which amounted to 42.51 percent of the total non-tax revenue and 9.83 percent of the total revenue receipts. State's own non-tax revenue at Rs.517.20 crores fell further as a proportion of total non-tax revenue (57.49 percent) and as well as a proportion of total revenue receipts (13.29 percent). The compound annual rate of growth of grants from the Centre which was a little less than 14 percent during each of the first two decades (1960-61 to 1970-71 and 1970-71 to 1980-81) increased to 17.04 percent between 1980-81 and 1990-91. The growth rate of state's own non-tax revenue was 4.96 percent and 8.99 percent during the first two decades and was 9.87 percent between 1980-81 and 1990-91 (Table 17). The contribution of various components of non-tax revenue receipts in other major states is given in table 21.

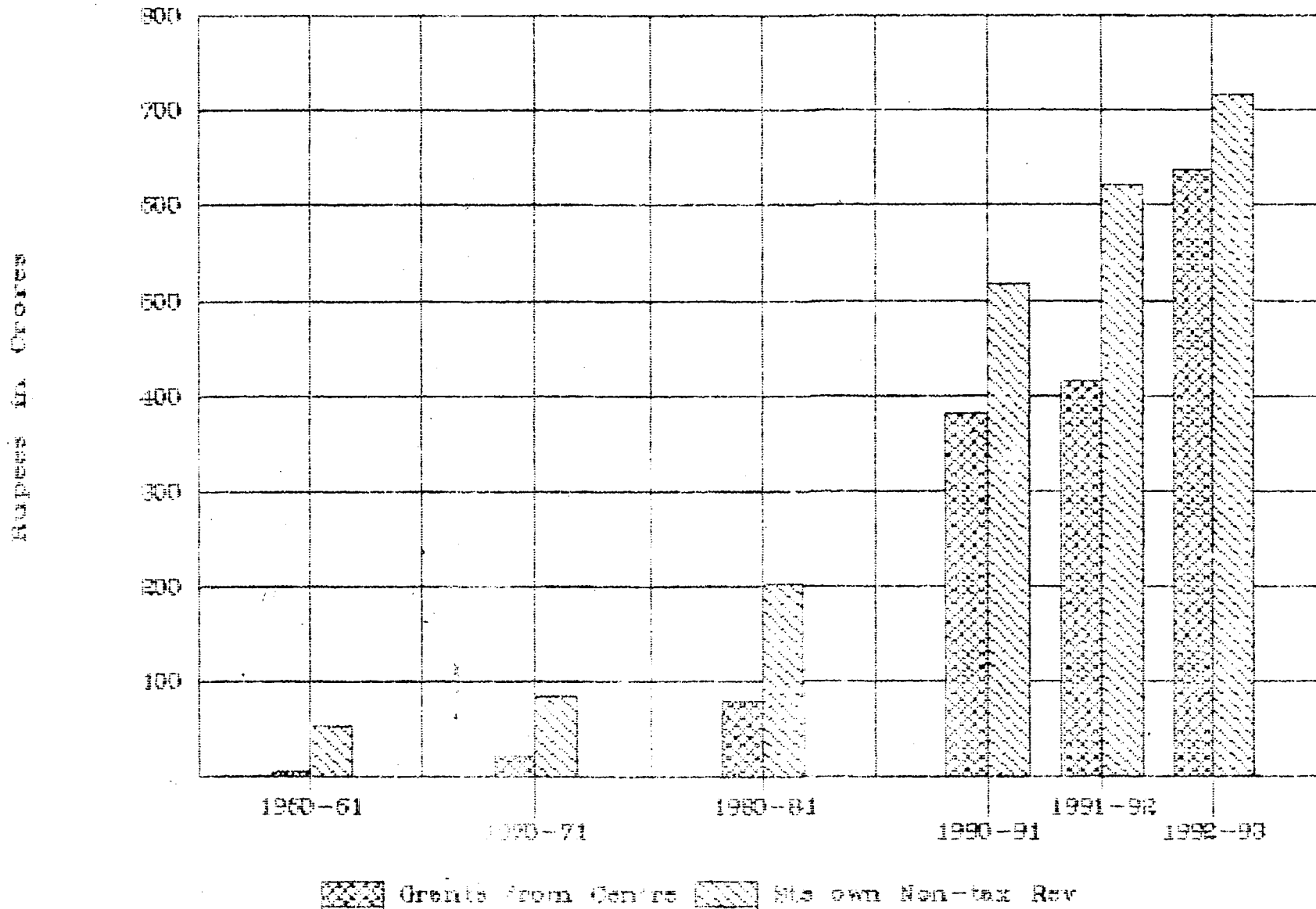
TABLE - 17

Non-tax Revenues
1960-61 to 1992-93

(Rs. in crores)

Year	Grant from Centre	% age to total Non-Tax Revenue	State's own Non-Tax Revenues	% age to total Non-tax Revenues	Total Non-Tax Revenue
1	2	3	4	5	6
1960-61	6.12	10.42	52.60	89.58	58.72
1961-62	14.58	26.52	40.39	73.48	54.97
1962-63	14.62	30.29	33.65	69.71	48.27
1963-64	15.88	32.37	33.18	67.63	49.06
1964-65	17.30	31.25	38.06	68.75	55.36
1965-66	18.29	30.55	41.58	69.45	59.87
1966-67	31.85	37.76	52.50	62.24	84.35
1967-68	34.68	40.23	51.52	59.77	86.20
1968-69	39.51	32.88	80.65	67.12	120.16
1969-70	20.60	17.83	94.93	82.17	115.53
1970-71	21.76	20.32	85.34	79.68	107.10
1971-72	27.78	26.97	75.24	73.03	103.02
1972-73	36.46	27.76	94.89	72.24	131.35
1973-74	41.44	26.03	117.77	73.97	159.21
1974-75	22.59	15.27	125.37	84.73	147.96
1975-76	34.94	18.32	155.79	81.68	190.73
1976-77	43.25	21.81	155.06	78.19	198.31
1977-78	57.97	28.51	145.36	71.49	203.33
1978-79	65.06	26.21	183.18	73.79	248.24
1979-80	59.07	24.96	177.62	75.04	236.69
1980-81	79.28	28.21	201.77	71.79	281.05
1981-82	93.38	27.70	243.68	72.30	337.06
1982-83	100.88	27.53	265.59	72.47	366.47
1983-84	142.42	31.04	316.38	68.96	458.80
1984-85	184.94	34.79	346.68	65.21	531.62
1985-86	224.06	38.53	357.49	61.47	581.55
1986-87	259.05	38.40	415.54	61.60	674.59
1987-88	254.98	36.86	436.77	63.14	691.75
1988-89	320.71	41.86	445.41	58.14	766.12
1989-90	269.05	34.88	502.29	65.12	771.34
1990-91	382.51	42.51	517.20	57.49	899.71
1991-92	413.99	39.90	623.47	60.10	1037.46
1992-93	637.96	47.07	717.50	52.93	1355.47
PERIOD	Compound Annual Growth Rate [%]				
1960-61 to 70-71	13.52		4.96		6.19
1970-71 to 80-81	13.80		8.99		10.13
1980-81 to 90-91	17.04		9.87		12.34
1970-71 to 90-91	15.41		9.43		11.23
1960-61 to 90-91	14.78		7.92		9.52

NON-TAX REVENUES OF KARNATAKA



3.39 Among the constituents of state's own non-tax revenue, the largest contributors are interest receipts and non-tax revenue from Economic Services. Interest receipts amounting to Rs.6.39 crores formed just 12.15 percent of state's own non-tax revenue in 1960-61. They grew at the rate of 12.79 percent between 1960-61 and 1990-91 to reach the figure of Rs.236.49 crores which formed as much as 45.73 percent of the state's own non-tax revenue receipts. The rate of growth of interest receipts was higher than that of state's own non-tax revenue which was 7.92 percent during the same period. As pointed out earlier if interest receipts from irrigation works (Commercial) which formed as much as 56.58% of the total interest receipts are excluded the contribution of interest receipts to the State's own non-tax revenue gets reduced to Rs.103.25 Crores in 1990-91, bringing down the total non-tax revenue to Rs.766.47 crores and the share of interest receipts in this total of non-tax revenue gets reduced to a mere 13.47%. Similar would be the case during the previous years. While the non-tax revenue from General services as percentage of total state's own non-tax revenue increased from 6.29 percent (Rs.3.31 crores) in 1960-61 to 10.56 percent (Rs.54.62 crores) in 1990-91, the non-tax revenue from social services and Economic Services fell as a percentage of State's own non-tax revenue during the same period from 8.31 percent (Rs.4.37 crores) to 5.68 percent (Rs.29.37 crores) and from 72.97 percent (Rs.38.38 crores) to 37.49 percent (Rs.193.90 crores) respectively. The compound annual rates of growth of General Services, Social Services and Economic Services between 1960-61 and 1990-91 were 9.80 percent, 6.56 percent and 5.55 percent respectively.

Table - 18

STATE'S OWN NON-TAX REVENUES

Rs. Crores.

Year	Interest Receipts	Dividend and profits	Total of Interest & Dividends (Col 2+3)	Other Non-Tax Revenues				Total State's own Non-Tax Revenues (Col 4+8)
				Gen. Ser	Soc. Ser	Eco. Ser	Total (Col 5+6+7)	
1	2	3	4	5	6	7	8	9
1960-61	6.39	0.15	6.54	3.31	4.37	38.38	46.06	52.60
1961-62	6.06	0.18	6.24	2.49	2.01	29.65	34.15	40.39
1962-63	5.90	0.25	6.15	2.66	3.28	21.56	27.50	33.65
1963-64	6.87	0.35	7.22	3.29	3.22	19.45	25.96	33.18
1964-65	8.73	0.36	9.09	3.05	3.95	21.97	28.97	38.06
1965-66	9.80	0.48	10.28	3.27	3.27	24.76	31.30	41.58
1966-67	11.11	0.21	11.32	3.16	3.13	34.89	41.18	52.50
1967-68	10.94	0.42	11.36	5.16	4.28	30.72	40.16	51.52
1968-69	28.40	0.54	28.94	3.86	4.83	43.02	51.71	80.65
1969-70	33.40	0.51	33.91	8.86	5.08	47.08	61.02	94.93
1970-71	21.69	0.47	22.16	12.63	6.35	44.20	63.18	85.34
1971-72	20.23	0.67	20.90	10.44	6.96	36.94	54.34	75.24
1972-73	27.65	0.68	28.33	13.22	6.00	47.34	66.56	94.89
1973-74	49.60	0.72	50.32	9.14	7.61	50.70	67.45	117.77
1974-75	38.94	0.60	39.54	10.30	8.07	67.46	85.83	125.37
1975-76	38.83	0.68	39.51	33.15	8.76	74.37	116.28	155.79
1976-77	63.41	2.17	65.58	14.93	10.21	64.34	89.48	155.06
1977-78	51.47	2.81	54.28	13.70	10.53	66.85	91.08	145.36
1978-79	66.94	2.44	69.38	18.18	10.90	84.72	113.80	183.18
1979-80	63.61	2.27	65.88	17.31	12.77	81.66	111.74	177.62
1980-81	87.85	1.77	89.62	19.05	12.29	80.81	112.15	201.77
1981-82	92.90	1.61	94.51	30.44	15.92	102.81	149.17	243.68
1982-83	108.94	1.70	110.64	35.34	20.98	98.63	154.95	265.59
1983-84	121.74	2.41	124.15	36.48	18.77	136.98	192.23	316.38
1984-85	141.82	1.27	143.09	50.68	16.97	135.94	203.59	346.68
1985-86	145.39	0.97	146.36	41.74	22.80	146.59	211.13	357.49
1986-87	172.37	0.91	173.28	56.14	25.83	160.29	242.26	415.54
1987-88	188.94	0.89	189.83	35.34	22.37	189.23	246.94	436.77
1988-89	205.82	1.32	207.14	43.07	33.16	162.04	238.27	445.41
1989-90	246.78	2.29	249.07	48.17	28.54	176.51	253.22	502.29
1990-91	236.49	2.81	239.31	54.62	29.37	193.90	277.89	517.20
1991-92	299.06	4.00	303.06	59.94	39.22	221.25	320.41	623.47
1992-93	342.80	4.05	346.85	67.92	39.35	263.38	370.65	717.50
PERIOD	Compound Annual Growth Rate [%]							
1960-61 to 70-71	13.00	12.10	12.92	14.33	3.81	1.42	3.21	4.96
1970-71 to 80-81	15.01	14.18	15.00	4.20	6.82	6.22	5.91	8.99
1980-81 to 90-91	10.41	4.75	10.32	11.11	3.10	9.15	9.50	9.87
1970-71 to 90-91	12.69	9.36	12.63	7.60	7.96	7.67	7.69	9.43
1960-61 to 90-91	12.79	10.27	12.75	9.80	6.56	5.55	6.17	7.92

3.40 The total investment made in the 61 Public Sector Enterprises (PSU's) was Rs.4114 crores as at the end of March 1990. The share of the Government of Karnataka in the form of share capital and loans was Rs.2172.93 crores. In terms of investment in PSU's Karnataka is one of the states with largest investments. These huge investments were expected to bring atleast the minimum returns which would cover the cost of capital investment made. The Government makes investments in these PSU's and other projects such as the irrigation projects etc. largely by raising loans. These undertakings and projects should earn sufficient amounts not only to cover their cost of operations/maintenance but also to cover the debt servicing and repayment expenditure. Several Finance Commissions have stressed this aspect. However, PSU's have instead been earning losses. One of the reasons for the deficit in the revenue account of the State Government is this because debt servicing forms part of revenue expenditure whereas receipts from many of these undertakings is negative. Similar is the case with Irrigation Projects. The PSU's in Karnataka have been incurring losses over the years (overall). In 1989-90 they had incurred overall loss of Rs.111.89 crores. The following table gives the trend in Profits/Losses for the years 1983-84 to 1989-90:

TABLE - 19
Profit/Loss earned by Public Sector
Enterprises (PSE's) in Karnataka

Year	Profit		Loss		Total Profits/loss	
	No.of PSE's	Amount	No.of PSE's	Amount	No.of PSE's	Amount
1983-84	23	42.50	31	54.07	54	-11.57
1984-85	27	37.71	26	68.22	53	-30.51
1985-86	29	44.03	26	88.97	55	-44.97
1986-87	29	20.17	26	125.85	55	-105.68
1987-88	26	24.82	32	160.31	58	-135.49
1988-89	27	31.96	33	161.20	60	-129.24
1989-90	27	36.14	32	148.03	59	-111.89

Note: 1) Two Enterprises, though incorporated long ago have not started their activities, hence, excluded.
2) The V.I.S.L. - included upto 1988-89 and excluded in 1989-90.

Source: 10th Annual Report of the Karnataka State Bureau of Public Enterprises, 1989-90.

3.41 Thus it could be seen that a huge amount of loss exceeding Rs.100 crores is being incurred by these enterprises. Even if they had, on an average, earned a minimum of 5 percent returns/profits on the total investment made in them, the profits would amount to Rs.205.70 crores. A 5 percent return on the State Government's share would mean Rs.108.60 crores revenue to the Government. Both the Eighth and Ninth Finance Commissions envisaged that promotional Public Sector Undertakings need not earn profits but should not incur losses, but Financial undertakings should earn revenues at the rate of 3% and Commercial Undertakings should earn returns at the rate of 5%. The Ninth Finance Commission envisaged KEB to get returns of 3% in 1990-91 plus 1 percent higher every succeeding year. The KSRTC was expected to get returns at the rate of 1% in 1990-91 and 2 and 3 percent respectively during 1991-92 and 1992-93. Five enterprises namely the KEB, KSRTC, KS&DL, KSIC and Food and Civil Supplies together accounted for more than 93 percent of the total losses of all enterprises in 1989-90 (Rs.137.75 crores). The KEB alone accounted for 53.80 percent of the total losses (Rs.79.64 crores) and KSRTC accounted for another 25.47 percent (Rs.37.70 crores) of the total losses of all enterprises. Thus these two together (KEB & KSRTC) accounted for almost 80 percent of the total losses. With this background, they are unlikely to earn profits as envisaged by the Ninth Finance Commission during the subsequent years. The KEB accounts for 22.39 percent of the total investments in PSE's and 27.69 percent of Government's share in PSE's and the KSRTC accounts for 6.84 percent of the total investments in PSE's and 6.51 percent of government's share in PSE's. However, there was more than 30 percent fall in losses incurred by KSRTC over the loss of the previous year. In case of KEB the losses had an increase of 87.74 percent in 1989-90 over the loss incurred during the previous year.

3.42 Therefore, the contribution towards the state's own non-tax revenue is limited to dividends and profits earned by 27 profit making enterprises. The result is that dividends and profits instead of being any important source of increasing revenue to the state, have remained totally unimportant. In 1960-61, non-tax revenue from Dividends and Profits was Rs.0.15 crores or Rs.0.28 percent of state's own total non-tax revenue. In 1990-91 it increased to Rs.2.81 crores forming 0.54 percent of state's own total non-tax revenue. The compound annual growth rate of revenue from dividends and profits was just 4.75 percent between 1980-81 and 1990-91. The contribution of this source to the state's own total non-tax revenue should have been atleast almost 40 times more even at a rate of return of 5 percent over the government's share in their (PSU's) investments. The reasons for the shortfall are analysed while comparing the actual receipts vis-a-vis the Ninth Finance Commission estimates in a seperate chapter which follows.

Table - 20

RECEIPTS FROM DEPARTMENTAL UNDERTAKINGS STATE'S OWN [NON-TAX REVENUES]

Rs. Crores

Year	Forest & Wild Life	Irrig. Proje. Commi.	Indust. Receipts		Milk Sup. sect.	Total (2to6)	Irriga-tion Pro Non Com-mercial	Departmental Commercial U. Takings	
			Gen.	LM Con Ind				Public Sector & Other Under Takings	
1	2	3	4	5	6	7	8	9	10
1960-61	7.62	0.80	1.09	16.06		25.57	0.04	3.13	
1961-62	8.05	0.57	0.49	16.70		25.81	0.05	3.11	
1962-63	8.79	0.52	0.41	9.94		19.66	0.05	3.21	
1963-64	9.34	0.47	0.60	7.40		17.81	0.05	4.48	
1964-65	9.84	0.58	0.65	8.66		19.73	0.02	5.52	
1965-66	10.08	0.45	0.62	9.29		20.44	0.01	6.45	
1966-67	10.96	0.39	0.79	9.91		22.05	0.03	7.26	
1967-68	11.67	0.32	0.95	8.63		21.57	0.03	7.62	
1968-69	13.35	1.09	1.59	8.45		24.48	0.15	23.63	
1969-70	14.02	1.49	1.59	9.78	1.68	28.56	0.10	28.48	
1970-71	14.66	1.31	1.06	10.17	2.45	29.65	0.13	17.12	
1971-72	15.40	0.55		10.74	3.13	29.82	0.07	13.65	
1972-73	20.85	0.87		13.26	4.26	39.24	0.07	27.65	
1973-74	21.64	1.63		15.26	4.79	43.32	0.14	49.60	
1974-75	27.82	3.49		17.89	5.97	55.17	0.03	38.94	
1975-76	29.29	6.24	0.28	19.19	5.89	60.89	0.38	21.78	10.82
1976-77	29.05	2.95	0.27	16.39	2.44	51.10	1.10	24.04	17.88
1977-78	29.92	3.42	0.12	17.08	3.03	53.57	0.69	27.97	20.77
1978-79	30.86	5.52	0.23	26.19	3.15	65.95	1.23	32.46	30.64
1979-80	33.55	4.58	0.72	19.94	3.14	61.93	1.93	38.59	20.31
1980-81	35.74	2.47	1.50	12.25	3.86	55.82	1.47	44.32	39.90
1981-82	47.03	7.55	0.30	7.88	4.34	67.10	0.77	49.84	37.21
1982-83	44.47	3.85	0.18	1.34	5.28	55.12	0.40	56.18	45.73
1983-84	53.39	6.67	0.18	2.81	5.80	68.85	0.67	63.38	54.93
1984-85	55.74	5.43	0.20	2.19	5.88	69.44	0.49	71.40	67.18
1985-86	56.45	4.32	0.16	2.56		63.49	0.47	80.31	59.96
1986-87	53.13	8.04	0.20	2.92		64.29	0.05	90.13	76.36
1987-88	52.51	21.90	0.11	5.14		79.66	0.56	99.18	83.66
1988-89	46.40	1.49	0.02	4.32		52.23	12.82	108.24	89.46
1989-90	51.57	2.36	0.06	6.09		60.08	13.78	119.54	119.36
1990-91	58.18	1.74	0.02	8.52		68.45	15.16	133.82	92.08
1991-92	59.22	20.17	0.04	10.49		89.92	10.83	150.49	127.95
1992-93	94.22	24.00	0.04	14.76		133.02		170.56	165.32
PERIOD									
1960-61 to 70-71	6.76	5.06	-0.28	-4.47		1.49	12.51	18.52	
1970-71 to 80-81	9.32	6.55	3.53	1.88	4.65	6.53	27.45	9.98	
1980-81 to 90-91	4.99	-3.46	-34.44	-3.57		2.06	26.28	11.68	8.72
1970-71 to 90-91	7.13	1.42	-17.61	-0.88		4.27	26.86	10.83	
1960-61 to 90-91	7.01	2.62	-12.20	-2.09		3.34	21.88	13.34	

TABLE - 20 (continued)

RECEIPTS FROM DEPARTMENTAL UNDERTAKINGS STATE'S OWN [NON-TAX REVENUES]
Rs. Crores

Year	Interest Receipts					Dividend & profit				
	Coop. Society	Local Bodies	Loans & Advance	Inv cas balance	Other Receipt	Total (Col 9 to 15)	Govt Coml & Ind Und	other Coml & Ind Und	Coop. Societ	Misc int or Deb & oth
1	11	12	13	14	15	16	17	18	19	20
1960-61	0.06	1.73	0.01	1.32	0.14	6.39	0.15			
1961-62		2.26		0.60	0.09	6.06	0.18			
1962-63		2.01		0.75	-0.07	5.90	0.25			
1963-64		2.16		0.25	-0.02	6.87	0.21	0.07	0.06	0.01
1964-65		2.75		0.42	0.04	8.73	0.32		0.04	
1965-66		3.00		0.37	-0.02	9.80	0.26	0.10	0.07	0.05
1966-67		3.91		-0.11	0.05	11.11	0.04	0.08	0.05	0.04
1967-68		2.97		0.30	0.05	10.94	0.08	0.10	0.17	0.07
1968-69		4.17		0.44	0.16	28.40	0.14	0.10	0.22	0.08
1969-70		3.98		0.78	0.16	33.40	0.13	0.11	0.17	0.10
1970-71		2.42		0.50	1.65	21.69	0.13	0.09	0.16	0.09
1971-72		4.63		0.04	1.91	20.23	0.21	0.13	0.19	0.14
1972-73						27.65	0.20	0.15	0.21	0.12
1973-74						49.60	0.25	0.10	0.20	0.17
1974-75						38.94	0.18	0.14	0.28	
1975-76	0.20	0.20		0.63	5.20	38.83	0.24	0.08	0.36	
1976-77	0.37	0.25		1.67	19.19	63.40	0.79	0.11	0.38	0.90
1977-78	0.25	0.31		0.33	1.85	51.48	1.03	0.14	0.40	1.23
1978-79	0.33	0.81		1.04	1.66	66.94	0.93	0.10	0.28	1.13
1979-80	0.37	1.10		0.82	1.42	63.61	0.84	0.12	0.36	3.95
1980-81	0.39	0.96		0.61	1.67	87.85	0.29	0.12	0.46	0.90
1981-82	0.35	2.57		0.59	2.34	92.90	0.31	0.14	0.29	0.87
1982-83	0.32	0.85		2.52	3.34	108.94	0.35	0.26	0.36	0.73
1983-84	0.59	0.38		0.61	1.85	121.74	0.02	0.92	1.33	0.14
1984-85	0.49	0.16		0.85	1.74	141.82	0.64	0.20	0.43	
1985-86	0.53	0.01		3.03	1.55	145.39	0.37	0.25	0.35	
1986-87	0.90			2.16	2.82	172.37	0.40	0.22	0.29	
1987-88	0.52			2.27	3.31	188.94	0.44	0.14	0.28	0.03
1988-89	0.73	0.12		0.69	6.59	205.83	0.87	0.11	0.33	
1989-90	1.29	0.28		2.57	3.74	246.78	1.04	0.98	0.27	0.00
1990-91	0.74	0.14		6.23	3.48	236.49	2.40	0.20	0.21	0.00
1991-92	0.87	0.12		14.50	5.13	299.06	3.15	0.30	0.50	0.05
1992-93	0.81	0.27		1.00	4.85	342.80	3.20	0.30	0.50	0.05
PERIOD	Compound Annual Growth Rate [%]									
1960-61 to 70-71		3.41		-9.25	27.98	13.00	-1.42			
1970-71 to 80-81		-8.83		2.01	0.12	15.01	8.35	2.92	11.14	25.89
1980-81 to 90-91	6.68	-17.77		26.16	7.63	10.41	23.54	5.17	-7.38	-56.88
1970-71 to 90-91		-13.42		13.44	3.81	12.69	15.70	4.04	1.46	-26.32
1960-61 to 90-91	8.76	-8.13		5.31	11.31	12.79	9.69			

TABLE - 20 (Concluded)

RECEIPTS FROM DEPARTMENTAL UNDERTAKINGS STATE'S OWN [NON-TAX REVENUES]

Rs. Crores

Year	Total (Col 17 to 20)	Mines & Mineral	State Lotte- ries	Guara- -ntee Comm	Other non-tax rev			Total (Col 25 +26+27)	Grand Total (col 7+8+21+22 +23+24+28)	Grants in Aid from GOI	Total Non-tax Revenues (Cols 29+30)
					Gen. Ser.	Soc. & Com Ser	Eco. Ser.				
1	21	22	23	24	25	26	27	28	29	30	31
1960-61	0.15	0.77			3.31	4.37	12.00	19.68	52.60	6.12	58.72
1961-62	0.18	0.74			2.49	2.01	3.05	7.55	40.39	14.58	54.97
1962-63	0.25	0.73			2.66	3.28	1.12	7.06	33.65	14.62	48.27
1963-64	0.35				3.29	3.22	1.59	8.10	33.18	15.88	49.06
1964-65	0.36				3.05	3.95	2.22	9.22	38.06	17.25	55.31
1965-66	0.48	0.98			3.27	3.27	3.33	9.87	41.58	18.25	59.83
1966-67	0.21	1.02			3.16	3.13	11.79	18.08	52.50	31.85	84.35
1967-68	0.42	0.86			5.16	4.28	8.26	17.70	51.52	34.66	86.18
1968-69	0.54	0.99			3.86	4.83	17.40	26.09	80.65	39.49	120.14
1969-70	0.51	1.55	2.07		6.79	5.03	16.87	28.74	94.93	20.56	115.49
1970-71	0.47	2.09	6.86		5.77	6.35	12.33	24.45	85.34	21.74	107.08
1971-72	0.67	1.90	5.58		4.86	6.96	5.15	16.97	75.24	27.76	103.00
1972-73	0.68	3.61	2.97		10.25	6.00	4.42	20.67	94.89	36.46	131.35
1973-74	0.72	2.16	2.17		6.97	7.61	5.08	19.66	117.77	41.44	159.21
1974-75	0.60	1.92	1.93		8.37	8.07	10.34	26.78	125.37	22.59	147.96
1975-76	0.68	2.07	2.71	0.20	30.24	8.76	11.03	50.03	155.79	34.94	190.73
1976-77	2.18	2.41	2.94	0.31	11.68	10.21	9.73	31.62	155.06	43.25	198.31
1977-78	2.00	3.45	3.60	0.29	9.81	10.53	9.14	29.48	145.36	57.97	203.33
1978-79	2.44	4.26	3.85	0.52	13.81	10.90	13.28	37.99	183.18	65.06	248.24
1979-80	2.27	4.88	4.29	0.38	12.64	12.77	12.92	38.33	177.62	59.07	236.69
1980-81	1.77	5.12	4.85	0.59	13.61	12.29	18.40	44.30	201.77	79.28	281.05
1981-82	1.61	7.05	4.41	0.48	25.55	15.92	27.89	69.36	243.68	93.38	337.06
1982-83	1.70	7.95	4.98	0.54	29.82	20.99	35.16	85.96	265.59	100.88	366.47
1983-84	2.41	9.26	5.33	1.35	29.80	18.77	58.20	106.77	316.38	142.42	458.80
1984-85	1.27	12.71	6.13	1.45	43.10	16.97	53.30	113.37	346.68	184.94	531.62
1985-86	0.97	14.16	6.47	1.52	33.75	22.80	68.47	125.02	357.49	224.06	581.55
1986-87	0.91	12.50	7.85	1.52	46.77	25.83	83.45	156.05	415.54	259.05	674.59
1987-88	0.89	14.06	10.77	0.97	23.60	22.37	94.95	140.92	436.77	254.98	691.75
1988-89	1.31	12.79	12.80	0.95	29.32	33.16	84.20	146.68	445.41	320.71	766.12
1989-90	2.29	14.39	17.67	1.32	29.18	28.54	88.26	145.98	502.29	269.05	771.34
1990-91	2.81	17.28	11.28	1.95	41.40	29.37	93.02	163.78	517.20	382.51	899.71
1991-92	4.00	18.50	18.00	2.00	39.94	39.22	102.01	181.16	623.47	413.99	1037.46
1992-93	4.05	30.00	22.00	2.20	43.72	39.35	100.36	183.43	717.50	637.96	1355.47
PERIOD											
1960-61 to 70-71	12.10	10.50			5.71	3.81	0.27	2.19	4.96	13.51	6.19
1970-71 to 80-81	14.18	9.37	-3.41		8.96	6.82	4.09	6.12	8.99	13.81	10.13
1980-81 to 90-91	4.75	12.93	8.81	12.68	11.77	9.10	17.59	13.97	9.87	17.04	12.34
1970-71 to 90-91	9.36	11.14	2.52		10.35	7.96	10.63	9.98	9.43	15.42	11.23
1960-61 to 90-91	10.27	10.93			8.79	6.55	7.06	7.32	7.92	14.78	9.52

3.43 With the share of State's own non-tax revenue to the total non-tax revenue falling from 89.58 percent in 1960-61 to 57.49 percent in 1990-91, grants from the Centre have become increasingly important. Grants from the Centre amounted to only Rs. 6.12 Crores or 10.42 percent of total non-tax revenue in 1960-61. They increased to Rs. 382.51 Crores constituting as much as 42.51 percent of the total non-tax revenue of the State in 1990-91. In 1992-93 grants from the Centre are estimated to increase further to Rs. 637.96 Crores (BE) which would come to 47.07 percent of the total non-tax revenue. The contribution of various Constituents of non-tax revenue in other states is given below:

TABLE - 21
1989-90 Accounts

(Rs. in crores)

Sl. No.	State	Interest Receipts	Dividends & Profits	General Services	Social Services	Fiscal Services	Economic Services
1.	Andhra Pradesh	392.56	1.48	42.19	42.69	-	236.62
2.	Assam	2.90	0.04	11.32	6.43	-	196.18
3.	Bihar	6.25	0.05	38.84	23.37	-	909.18
4.	Gujarat	472.01	5.84	36.35	41.07	-	256.83
5.	Haryana	114.18	0.60	121.96	20.94	-	188.25
6.	Jammu & Kashmir*	32.40	0.16	6.26	2.56	-	45.26
7.	Karnataka	246.78	2.29	48.17	28.54	-	176.51
8.	Kerala	17.94	1.78	63.96	30.31	-	60.45
9.	Madhya Pradesh	50.89	0.74	30.99	31.83	-	588.70
10.	Maharashtra	554.17	7.14	200.10	92.12	0.01	716.67
11.	Orissa	6.01	0.22	20.14	18.01	-	154.26
12.	Punjab	74.01	0.87	38.33	24.51	0.12	105.31
13.	Rajasthan	121.74	0.47	118.71	108.57	-	120.79
14.	Tamilnadu	87.85	1.26	71.67	63.28	0.07	168.87
15.	Uttar Pradesh	281.68	1.09	193.26	89.47	0.02	258.04
16.	West Bengal	52.43	1.25	41.71	37.35	1.21	78.98

(Contd..)

TABLE - 21

Details of Non-Tax Revenue of Individual States (Revenue Account)
1989-90 Accounts(Concluded)

(Rs. in crores)

Sl. No.	State	Grants from the Centre						Total
		State Plan Schemes	Central Plan Schemes	C. S. S	Non-plan Grants			
					Statutory Grants	Grants for Relief on a/c N. C.	Others	
1.	Andhra Pradesh	137.20	55.58	166.42	82.04	-	34.14	9021.80
2.	Assam	256.47	27.90	50.62	161.22	18.27	19.05	8839.79
3.	Bihar	211.97	3.58	158.01	72.88	16.87	1.08	9087.31
4.	Gujarat	95.07	-	104.51	0.10	-	1.04	8310.34
5.	Haryana	31.80	-	-	1.52	-	3.09	7534.65
6.	Jammu & Kashmir	158.51	-	64.67	193.86	-	64.36	7570.12
7.	Karnataka	79.56	35.57	115.87	6.18	-	31.87	7752.53
8.	Kerala	72.54	13.55	65.29	9.14	21.17	3.11	7435.04
9.	Madhya Pradesh	188.17	77.49	155.52	36.54	-	14.23	7732.55
10.	Maharashtra	144.64	53.20	237.88	55.83	16.97	96.39	7634.31
11.	Orissa	121.28	41.42	94.25	58.66	-	129.04	6508.75
12.	Punjab	16.86	22.52	49.40	3.68	11.50	17.71	6431.78
13.	Rajasthan	163.66	85.64	149.27	57.87	-	25.38	6670.45
14.	Tamilnadu	176.52	57.87	199.21	6.68	-	62.00	6702.45
15.	Uttara Pradesh	502.48	127.61	299.76	53.46	-	66.70	7359.46
16.	West Bengal	145.69	20.91	122.51	71.65	-	20.67	6917.33

3.44 Among the grants from Centre, Plan grants constitute little less than 90 percent of the total grants. The share of statutory grants is very low. It is less than 5 percent even in previous years. Even in absolute terms all other states have received larger statutory grants than Karnataka. Similar is the case with plan and other grants. This is one of the reasons as to why the percentage share of Karnataka in the transfers from the centre to the states has fallen over the years. The Ninth Finance Commission has not recommended any grants-in-aid under article 275 of Constitution to Karnataka. Thus, only plan grants and Grants-in-lieu of Tax on Railway Passenger Fare will be available to the state during 1990-95.

3.45 It is evident that the assumption of the NFC that PSE's will bring returns and the failure of these PSE's in earning the returns as envisaged by NFC has adversely affected the non-tax revenue receipts of Karnataka. On the one hand, State's own non-tax revenue receipts have not been upto the expected level due to losses incurred by PSE's instead of profits as envisaged by NFC. On the other hand, based on the presumption that these PSE's would earn profits and would increase the total non-tax revenue as well as total revenue receipts, the NFC found huge surplus on our revenue account and, thereby did not recommend any grants-in-aid. In both ways Karnataka has suffered.

TABLE-22

RELATIVE SHARES OF THE STATES IN THE AWARDS OF THE SUCCESSIVE

FINANCE COMMISSIONS

(Percentage)

State	Second F.C	Third F.C	Fourth F.C	Fifth F.C	Sixth F.C	Seventh F.C	Eighth F.C	Ninth F.C
Andhra Pradesh	8.5	9.3	8.1	7.9	8.08	7.30	7.34	6.84
Bihar	9.0	7.8	6.8	9.5	8.79	10.67	10.70	10.54
Gujarat	3.4	6.4	4.2	4.2	3.83	4.62	3.77	3.50
Haryana	-	-	-	1.3	1.26	1.48	1.11	1.13
Karnataka	7.0	6.1	7.4	4.6	5.99	4.82	4.38	3.88
Kerala	3.6	5.2	6.5	4.5	5.00	3.70	3.27	3.25
Madhya Pradesh	6.8	6.6	5.6	6.4	5.66	7.66	7.50	7.40
Maharashtra	10.4	9.1	9.0	8.9	7.40	8.23	6.68	5.85
Orissa	4.5	7.7	8.0	5.8	6.01	4.72	4.84	5.21
Punjab	4.9	4.5	2.0	2.0	1.76	2.01	1.64	1.58
Rajasthan	4.5	5.3	4.5	5.1	5.87	4.33	4.25	6.16
Tamil Nadu	6.9	6.9	7.1	6.4	5.60	7.21	6.25	5.85
Uttar Pradesh	13.5	11.2	12.9	14.5	14.05	15.91	15.47	16.46
West Bengal	9.8	7.1	6.8	8.6	8.56	7.66	8.74	6.99

3.50 Even when other transfers such as plan transfers is taken into consideration Karnataka's share in per capita terms has been quite less when compared to the "All-States" per capita transfers as could be seen from the following table.

Table - 23

ANNUAL AVERAGE PER CAPITA TRANSFERS DURING FIFTH
SIXTH, SEVENTH PLAN

(Rupees)

	Karnataka			All States		
	V	VI	VII	V	VI	VII
Statutory Transfers	27.8	64.3	108.7	40.2	72.9	135.2
Plan Transfers	31.0	54.4	94.6	37.5	78.2	143.1
Non-Plan, Non-Statutory Transfers.	6.1	20.0	65.6	15.7	34.0	71.0
Aggregate Transfers	64.9	138.7	268.9	93.4	185.1	349.2

- Notes: 1. Statutory transfers are those covered by awards of Finance Commissions.
2. Plan transfers include grants & loans for State Plan, Central Plan and Centrally Sponsored Schemes.
3. Non-Plan, Non-Statutory transfers include all other grants & loans.
4. The figures pertaining to 'All States' have been taken from K.K.George, Kerala Fiscal Crisis: A Diagnosis, Economic & Political Weekly, September 15, 1990.

3.46 The following table brings out the fact that Karnataka's share in the awards of the Finance Commissions has fallen over a period of time. As per the recommendations of the Ninth Finance Commission, it is only 3.83 percent of the total award to all states.

3.47 Even when other transfers such as plan transfers is taken into consideration Karnataka's share in per capita terms has been quite less when compared to the All-States per capita transfers as could be seen from the following table.

CHAPTER IV

CAPITAL RECEIPTS

4.1 The total capital receipts, that is receipts inclusive of ways and means advances and unnetted public accounts form a major portion of the total receipts of the Government of Karnataka. In 1960-61 these receipts amounted to Rs.625.10 crores. Though the figure for 1969-70 was much higher (Rs.842.96 crores) it fell during 1970-71 to Rs.451.18 crores. By 1980-81 it had increased substantially and it was Rs.1760.07 crores. The total capital receipts stood at Rs.7188.95 crores in 1990-91 and in 1992-93 they are estimated to be Rs.9226.45 crores(BE).

4.2 However, when capital receipts excluding ways and means advances and inclusive of net public accounts are taken into consideration, they are much smaller. The total such receipts amounted to only Rs.44.21 crores in 1960-61. They had a compound annual growth rate of 10.18 percent between 1960-61 and 1970-71 and increased to Rs.116.62 crores in 1970-71. During the next decade they had a smaller annual growth rate of 9.41 percent and in 1980-81 these receipts stood at Rs.289.69 crores. The compound annual growth rate was much higher at 14.58 percent between 1980-81 and 1990-91 taking the total receipts to Rs.1117.96 crores during 1990-91. They are estimated to increase to Rs.1296.71 crores during 1992-93 (BE).

4.3 Leaving out ways and means advances, the largest contributors to the capital account have been loans from the centre, Market Loans, contingency fund and Public account and recovery of loans and advances. Loans from the Centre at Rs.15.98 crores formed 36.16 percent of the total capital receipts in 1960-61. They increased by 14.70 percent annually during the next decade to reach the figure of Rs.62.99 crores in 1970-71 forming 54.01 percent of the total capital receipts. The compound rate of growth of loans from the Centre fell during the next decade to 6.43 percent taking the figure for 1980-81 to Rs.117.50 crores. The slower growth rate of loans and advances from the Centre brought down the share of this source to the total capital receipts to 40.98 percent in 1980-81. With a growth rate of 14.62 percent between 1980-81 and 1990-91, receipts from these loans increased to Rs.459.70 crores forming 41.12 percent of the total capital receipts.

TABLE - 24

Internal Debt, Miscellaneous Capital Receipts, Inter State Statement
& Apprn to CG Fund of GOVERNMENT OF KARNATAKA, 1960-61 to 1992-93

Rs. Crores

Year	Market Loans	LIC Loans	NABARD Loans	GIC Loans	NCDC Loans	Other Loans	Loans from Centre	Recovery of Loans & Adv.	Cont fund & Publi Account	Misc. Capital Receipts	Inter State Settlement	Appropriation to CG Fund	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1960-61	4.38	NA	NA	NA	NA	1.01	15.98	3.64	19.02		0.18		44.21
1961-62	7.54	NA	NA	NA	NA	1.27	25.84	4.26	20.95		1.83		61.69
1962-63	6.78	NA	NA	NA	NA	0.83	27.88	3.85	3.52		0.54		43.40
1963-64	0.09	NA	NA	NA	NA	2.24	32.96	3.31	8.25		0.94		47.79
1964-65	7.08	NA	NA	NA	NA	2.89	34.10	3.64	10.72		0.00		58.43
1965-66	5.43	NA	NA	NA	NA	5.78	41.79	7.20	8.15		0.07		68.42
1966-67	4.21	NA	NA	NA	NA	3.17	57.62	10.88	31.54		0.02		107.44
1967-68	6.57	NA	NA	NA	NA	2.12	51.25	13.91	11.75		0.01		85.61
1968-69	6.73	NA	NA	NA	NA	1.67	60.70	26.82	24.56		0.00		120.48
1969-70	11.11	NA	NA	NA	NA	3.29	64.06	24.25	29.69		0.00		132.40
1970-71	11.60	NA	NA	NA	NA	3.75	62.99	14.98	23.20		0.01		116.53
1971-72	11.02	NA	NA	NA	NA	3.36	65.69	14.58	7.41				102.06
1972-73	15.68	1.10	1.72	NA	NA	1.27	138.75	14.43	39.42		0.00		212.37
1973-74	9.12	1.10	0.70	NA	NA	0.75	88.66	21.31	34.10				155.74
1974-75	25.34	2.70	0.26	NA	0.94	0.01	42.70	18.12	17.90		0.00		107.97
1975-76	18.01	0.80	1.04	NA	-	3.21	57.30	22.40	18.70		0.01		121.47
1976-77	18.76	1.19	2.40	NA	1.28	7.50	67.93	21.30	27.72		0.00		148.08
1977-78	17.06	2.76	1.58	NA	3.21	16.00	116.09	19.06	44.75		0.00		220.51
1978-79	17.44	1.20	0.86	NA	2.42	-	110.30	27.91	41.48		0.01	15.00	216.62
1979-80	18.71	-	1.17	NA	5.53	0.01	114.14	20.06	83.96				243.58
1980-81	20.70	8.66	0.42	3.80	0.25	-	117.50	20.01	111.35	0.32			283.01
1981-82	27.23	0.70	-	-1.25	7.04	-	133.30	56.61	57.79				281.42
1982-83	28.60	3.53	0.77	-	-	6.38	148.42	75.29	122.39	0.10			385.48
1983-84	31.58	-0.32	0.24	-	-	17.72	178.28	61.81	142.59				431.88
1984-85	78.42	13.28	0.27	-	-	-0.75	251.76	56.62	177.10		0.07		576.77
1985-86	73.23	4.10	0.44	1.20	5.03	-	579.26	78.75	297.75			20.00	1059.76
1986-87	87.19	0.09	4.48	-	3.78	-	362.49	91.10	111.39	8.94	-0.01		669.44
1987-88	101.37	9.59	1.17	3.15	3.36	-	312.89	169.15	321.19	0.01	0.07		921.94
1988-89	131.37	-	0.48	-	5.87	0.10	365.30	115.20	209.28	0.00			827.61
1989-90	141.42	5.45	0.71	7.86	4.42		563.57	224.09	153.24	-8.90			1091.86

(Contd. .)

TABLE - 24(Concluded)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
1990-91	137.09	7.67			4.44		459.70	373.01	136.04				1117.96
1991-92	156.99	9.49	0.30	4.01	10.38	0.01	518.97	118.90	659.96	0.02			1479.03
1992-93	176.97	14.11	0.32	4.88	10.13	0.01	812.77	91.12	186.32	0.08			1296.71
PERIOD				Compound Annual Growth Rate [%]									
1960-61 to 70-71	10.23					14.02	14.70	15.20	2.01		-26.90		10.18
1970-71 to 80-81	5.96						6.43	2.94	16.98				9.28
1980-81 to 90-91	20.81	-1.21			33.34		14.62	33.98	2.02				14.73
1970-71 to 90-91	13.14						10.45	17.44	9.25				11.97
1960-61 to 90-91	12.16						11.85	16.69	6.78				11.37

Note: NA = Not Available

4.4 Recovery of loans and advances at Rs.373.01 crores accounted for 33.36 percent of the total capital receipts in 1990-91. In 1960-61 these receipts stood at Rs.3.64 crores or just 8.23 percent of capital receipts. In 1970-71 they had increased to Rs.14.98 crores accounting for 12.85 percent of capital receipts. The subsequent growth of this source of capital receipts was quite low because of which their receipts increased to Rs.20.01 crores only in 1980-81 and their share in capital receipts declined to 6.98 percent. However, during the next decade the compound annual growth rate of recovery of loans and advances was as high as 33.98 percent taking their receipts to Rs.373.01 crores in 1990-91 which amounts to an increase in their share in capital receipts from 6.98 percent in 1980-81 to 33.37 percent in 1990-91.

4.5 Contingency Fund and net public account contributing Rs.19.02 crores accounted for as much as 43.02 percent of the receipts under the capital account in 1960-61. But during the next decade with a low annual rate of growth of 2.05 percent these receipts increased marginally to Rs.23.29 crores in 1970-71 which formed only 19.97 percent of the capital receipts. With a 16.94 percent compound annual growth rate during the next decade, receipts of contingency fund and net public account increased to Rs.111.35 crores or 38.84 percent of the capital receipts in 1980-81. However, these receipts again had a low annual growth rate of 2.02% between 1980-81 and 1990-91 and they stood at Rs.136.04 crores in 1990-91. The share of these receipts in the total capital receipts in 1990-91 was only 12.17 percent.

4.6 Market loans have been another important source of capital receipts to the state. However, in matters relating to raising market loans, the state Governments enjoy only restricted freedom. The State had raised market loans amounting to Rs.4.38 crores or 9.91 percent of capital receipts in 1960-61. Market loans increased to Rs.11.60 crores or 9.95 percent of the capital receipts in 1970-71. Subsequently for quite sometime they had a much smaller growth rate and they stood at Rs.20.70 crores in 1980-81 which amounts to only 7.22 percent of the capital receipts. They increased more rapidly during the next decade with an annual growth rate of 20.82 percent and reached the figure of Rs.137.09 crores in 1990-91. The share of market loans in the total capital receipts in 1990-91 stood at 12.26 percent, much higher than the 1980-81 figure. Loans from LIC, NABARD, GIC, NCDC, etc. inter-state settlements, Appropriation of Contingency fund and miscellaneous capital receipts form the other components of the capital receipts. In 1990-91 all these put together formed a little over one percent of the capital receipts.

TABLE - 25

Capital Receipts of Individual States 1989-90

(Rs. in crores)

Sl. No.	State	Market Loans	LIC Loans	Loans from S.B.I.	Loans from NACF	Loans from NCDC	Others	Loans from Ctl. Govt.	Recovery of Loans & Advances	Contingent fund & Public Fund	Total
1.	Andhra Pradesh	245.62 (20.11)	15.23 (1.25)	- -	- -	6.26 (0.52)	5.79 (0.47)	625.83 (51.23)	63.05 (5.16)	259.73 (21.26)	1221.51 (100.00)
2.	Assam	30.48 (4.63)	0.32 (0.05)	- -	- -	- -	6.79 (1.03)	569.56 (86.56)	5.65 (0.86)	45.20 (6.87)	658.00 (100.00)
3.	Bihar	266.54 (20.37)	1.34 (0.10)	- -	1.10 (0.08)	1.87 (0.14)	1.93 (0.15)	828.98 (63.35)	32.26 (2.47)	174.57 (13.34)	1308.59 (100.00)
4.	Gujarat	99.59 (7.50)	6.81 (0.51)	- -	2.02 (0.15)	3.14 (0.24)	1.64 (0.12)	800.26 (60.23)	79.44 (5.98)	335.70 (25.27)	1328.60 (100.00)
5.	Haryana	41.61 (9.54)	10.14 (2.33)	20.68 (4.74)	2.65 (0.61)	6.30 (1.44)	3.33 (0.76)	222.01 (50.93)	24.63 (5.65)	104.65 (24.00)	436.00 (100.00)
6.	Jammu & Kashmir	26.54 (4.06)	6.75 (1.03)	101.17 (15.48)	0.58 (0.09)	- -	6.19 (0.96)	510.96 (78.20)	4.45 (0.68)	-3.24 (-0.50)	653.40 (100.00)
7.	Karnataka	141.42 (12.67)	5.45 (0.49)	- -	0.71 (0.06)	4.42 (0.40)	7.86 (0.70)	563.57 (50.52)	224.09 (20.08)	168.32 (15.08)	1115.84 (100.00)
8.	Kerala	158.81 (19.44)	10.62 (1.30)	- -	1.02 (0.12)	62.21 (7.62)	4.44 (0.54)	349.31 (42.76)	18.81 (2.30)	211.65 (25.92)	816.87 (100.00)
9.	Madhya Pradesh	137.55 (12.38)	4.64 (0.42)	- -	1.06 (0.10)	9.23 (0.82)	2.17 (0.20)	525.16 (47.25)	19.65 (1.77)	411.86 (37.06)	1111.32 (100.00)
10.	Maharashtra	116.91 (4.71)	- -	0.10 -	- -	15.52 (0.62)	6.10 (0.25)	1094.88 (44.07)	75.00 (3.02)	1175.78 (47.33)	2484.29 (100.00)
11.	Orissa	154.08 (25.90)	8.54 (1.44)	- -	4.17 (0.70)	2.64 (0.44)	- -	355.31 (59.72)	17.15 (2.88)	53.04 (8.92)	594.93 (100.00)
12.	Punjab	43.43 (3.83)	3.90 (0.34)	- -	0.87 (0.08)	9.84 (0.87)	- -	909.96 (80.22)	43.66 (3.85)	122.57 (10.81)	1134.23 (100.00)

(Contd.)

Table - 25 (concluded)

(Rs.in crores)

Sl. No.	State	Market Loans	LIC Loans	Loans from S.B.I.	Loans from NACF	Loans from NCDC	Others	Loans from Ctl. Govt.	Recovery of Loans & Advances	Contingent fund & Public Fund	Total
13.	Rajasthan	166.29 (17.62)	6.40 (0.68)	- -	1.43 (0.15)	10.52 (1.11)	1.47 (0.16)	476.18 (50.46)	55.80 (5.91)	225.60 (23.91)	943.69 (100.00)
14.	Tamil Nadu	200.45 (14.83)	12.31 (0.91)	- -	0.99 (0.07)	- -	23.68 (1.75)	525.52 (38.87)	258.25 (19.10)	330.85 (24.47)	1352.05 (100.00)
15.	Uttara Pradesh	462.62 (17.03)	- -	-1.25 (-0.05)	- -	4.65 (0.17)	24.25 (0.89)	1565.48 (57.64)	36.06 (1.33)	624.38 (22.99)	2716.19 (100.00)
16.	West Bengal	180.83 (13.83)	11.26 (0.86)	- -	- -	10.78 (0.83)	3.61 (0.28)	866.04 (66.27)	48.27 (3.69)	185.98 (14.24)	1306.77 (100.00)

Source : R.B.I. Bulletin April 1992.

7 The above figures relating to the various components of capital receipts for 1989-90 for various states show that loans from the Central Government formed the most important source of capital receipts in case of all the states. In case of Jammu and Kashmir, Assam and Punjab they formed more than 75 percent of the capital receipts. In case of Bihar and West Bengal, they accounted for 63.35 percent and 66.27 percent of the capital receipts. On the other hand, loans from the Centre accounted for 38.87 percent, 42.76 percent and 44.07 percent of the capital receipts in case of Tamil Nadu, Kerala and Maharashtra respectively.

Table - 26

Loans and Advances from the Centre

(Rs. in crores)

Sl. No.	State	1988-89 Accounts				Total
		Non-Plan	State Plan Scheme	Central Plan Scheme	Centrally Sponsored Schemes	
1.	Gujarat	521.15 (69.18)	229.71 (30.49)	-	2.44 (0.33)	753.30 (100.00)
2.	Haryana	182.44 (77.27)	48.14 (20.39)	-	5.52 (2.34)	236.10 (100.00)
3.	Karnataka	197.48 (54.06)	161.56 (44.23)	1.44 (0.39)	4.82 (1.32)	365.30 (100.00)
4.	Maharashtra	653.68 (71.41)	256.62 (28.03)	0.25 (0.03)	4.87 (0.53)	915.42 (100.00)
5.	West Bengal	493.50 (70.17)	200.72 (28.54)	0.01	9.10 (1.29)	703.33 (100.00)
6.	Punjab	260.68 (25.03)	775.83 (74.49)	1.09 (0.10)	3.94 (0.38)	1041.54 (100.00)
7.	Andhra Pradesh	195.86 (38.54)	281.06 (55.31)	19.19 (3.78)	12.04 (2.37)	508.15 (100.00)
8.	Bihar	279.49 (40.56)	401.57 (58.30)	6.85 (0.98)	1.17 (0.16)	689.08 (100.00)
9.	Kerala	115.83 (40.14)	167.30 (57.97)	2.51 (0.87)	2.96 (1.03)	288.60 (100.00)
10.	Madhya Pradesh	195.96 (38.51)	300.03 (58.96)	8.14 (1.60)	4.72 (0.93)	508.85 (100.00)
11.	Orissa	90.83 (27.10)	231.83 (69.17)	0.61 (0.18)	11.89 (3.55)	335.16 (100.00)
12.	Rajasthan	273.46 (43.17)	355.62 (56.14)	0.19 (0.03)	44.55 (0.66)	673.82 (100.00)
13.	Tamil Nadu	130.26 (32.50)	264.43 (65.99)	1.40 (0.35)	4.64 (1.16)	400.73 (100.00)
14.	Uttar Pradesh	729.04 (54.55)	589.04 (44.07)	0.12 (0.01)	18.37 (1.37)	1336.57 (100.00)
15.	Jammu & Kashmir	103.32 (25.25)	305.86 (74.75)	-	-	409.18 (100.00)
16.	Assam	86.62 (18.75)	349.58 (75.68)	21.01 (4.55)	4.72 (1.02)	461.93 (100.00)

Table - 26 (concluded)

Sl. No.	State	1989-90 Accounts				Total
		Non-Plan	State Plan Scheme	Central Plan Scheme	Centrally Sponsored Schemes.	
1.	Gujarat	593.16 (74.12)	204.39 (25.54)	-	2.71 (0.34)	800.26 (100.00)
2.	Haryana	173.62 (78.20)	44.87 (20.21)	0.24 (0.11)	3.28 (1.48)	222.01 (100.00)
3.	Karnataka	391.10 (69.40)	165.69 (29.40)	3.18 (0.56)	3.60 (0.64)	563.57 (100.00)
4.	Maharashtra	818.15 (74.73)	268.95 (24.56)	7.78 (0.71)	-	1094.88 (100.00)
5.	West Bengal	650.94 (75.16)	203.87 (23.54)	0.04 (-)	11.19 (1.30)	866.04 (100.00)
6.	Punjab	320.64 (35.24)	585.55 (64.35)	0.50 (0.05)	3.27 (0.36)	909.96 (100.00)
7.	Andhra Pradesh	318.19 (50.84)	292.04 (46.66)	12.09 (1.94)	3.51 (0.56)	625.83 (100.00)
8.	Bihar	386.60 (46.64)	434.01 (52.35)	1.50 (0.18)	6.87 (0.83)	828.98 (100.00)
9.	Kerala	149.00 (46.96)	161.74 (50.97)	2.43 (0.77)	4.14 (1.30)	317.31 (100.00)
10.	Madhya Pradesh	206.44 (40.07)	297.28 (57.71)	0.63 (0.12)	10.81 (2.10)	515.16 (100.00)
11.	Orissa	151.69 (42.54)	203.96 (57.20)	0.13 (0.04)	0.81 (0.22)	356.59 (100.00)
12.	Rajasthan	228.50 (47.99)	217.17 (45.60)	17.95 (3.77)	12.56 (2.64)	476.18 (100.00)
13.	Tamil Nadu	217.64 (41.41)	301.74 (57.42)	1.38 (0.26)	4.76 (0.91)	525.52 (100.00)
14.	Uttar Pradesh	853.62 (54.53)	699.84 (44.70)	0.17 (0.01)	11.85 (0.76)	1565.48 (100.00)
15.	Jammu & Kashmir	116.10 (22.72)	394.86 (77.28)	-	-	510.96 (100.00)
16.	Assam	167.08 (28.33)	380.29 (66.77)	19.95 (3.50)	2.24 (0.40)	569.56 (100.00)

4.8 Loans and advances from the Centre consist of non-plan loans and Plan loans. Plan loans are made up of loans for state plan schemes, Central Plan Schemes and Centrally Sponsored Schemes. Non-Plan loans form a very major part of the loans from the Centre in most states. In 1989-90, Non-plan loans accounted for as much as 78.20 percent of the total loans from the Centre (excluding ways and means advances) in case of Haryana. The share of non-plan loans was similarly high in case of Maharashtra 74.73 percent, West Bengal 75.16 percent, Gujarat 74.12 percent, Uttar Pradesh 54.53 percent and Karnataka 69.40 percent. The share of non plan loans was low in Assam (29.38 percent), Jammu and Kashmir (22.72 percent), Madhya Pradesh (40.07 percent) and Punjab (35.24 percent). In case of Jammu and Kashmir and Assam Plan loans particularly loans for State plan schemes are surprisingly quite high despite the fact that in case of these States grants and loans for Plan purposes are given in the ratio of 90:10 as against 30:70 in case of other States. The share of loans for State Plan Schemes in the total loans from Centre is also high in case of States like Punjab (64.35 percent), Orissa (57.20 percent) and Tamil Nadu (57.42 percent). In case of Gujarat, Karnataka, Haryana, Maharashtra and West Bengal, it is less than 30 percent because in thier case share of Non-plan loans is very high.

4.9 In 1990-91, out of the total loans and advances from the Centre to Karnataka of Rs.459.70 crores, the share of non-plan loans was 59.05 percent, that of loans for state plan schemes was 39.73 percent.

Table - 27

LOANS & ADVANCES FROM CENTRAL GOVERNMENT
1960 - 1993

(Rs. in crores)

Year	Non-Plan loans	State* Plan Schemes	Central Plan Schemes	Centrally Sponsored Schemes	Total
1	2	3	4	5	6
1960-61	NA	NA	NA	NA	15.98
1961-62	NA	NA	NA	NA	25.84
1962-63	NA	NA	NA	NA	27.88
1963-64	NA	NA	NA	NA	32.96
1964-65	NA	NA	NA	NA	34.10
1965-66	NA	NA	NA	NA	41.79
1966-67	NA	NA	NA	NA	57.62
1967-68	NA	NA	NA	NA	51.25
1968-69	NA	NA	NA	NA	60.70
1969-70	NA	NA	NA	NA	64.06
1970-71	NA	NA	NA	NA	62.99
1971-72	NA	NA	NA	NA	65.69
1972-73	NA	NA	NA	NA	138.75
1973-74	60.88	24.82	1.80	1.16	88.66
1974-75	16.22	24.72	1.12	0.64	42.70
1975-76	19.30	33.73	2.22	2.05	57.30
1976-77	22.84	41.72	1.68	1.69	67.93
1977-78	18.36	61.61	32.51	3.61	116.09
1978-79	18.22	68.63	21.27	2.18	110.30
1979-80	30.71	68.35	13.72	1.36	114.14
1980-81	38.57	72.34	4.45	2.14	117.50
1981-82	48.73	77.19	5.07	2.31	133.30
1982-83	67.16	78.00	1.04	2.22	148.42
1983-84	89.53	84.42	0.13	4.20	178.28
1984-85	113.12	128.08	6.20	4.36	251.76
1985-86	401.29	166.64	7.33	4.00	579.26
1986-87	189.09	164.08	6.52	2.80	362.49
1987-88	161.97	141.90	4.43	4.59	312.89
1988-89	197.48	161.56	1.44	4.82	365.30
1989-90	391.10	165.69	3.18	3.60	563.57
1990-91	271.43	182.63	0.15	5.49	459.70
1991-92	246.35	267.05	0.15	5.42	518.97
1992-93	376.40	429.67		6.70	812.77
PERIOD		Compound Annual Growth Rate [%]			
1960-61 to 70-71					14.70
1970-71 to 80-81					6.43
1980-81 to 90-91	21.55	9.70	-28.57	9.88	14.62
1970-71 to 90-91					10.45
1960-61 to 90-91					11.85

Note:- NA = Not Available

4.10 Contingency Fund and Public Account was also an important component of capital receipts in case of most states. It formed 47.33 percent of the capital receipts in case of Maharashtra, 37.06 percent, 25.92 percent and 25.27 percent of the capital receipts in case of Madhya Pradesh, Kerala and Gujarat respectively. In case of Jammu and Kashmir these receipts were negative and in case of Assam it formed 6.87 percent of the capital receipts.

4.11 The other major component of the capital receipts is the market loans. They accounted for over 20 percent of the capital receipts in case of Andhra Pradesh, Bihar and Orissa. In case of Karnataka, Kerala, Tamil Nadu, Uttar Pradesh, West Bengal, Rajasthan and Madhya Pradesh they accounted for more than 10 percent of the capital receipts. The market loans constituted less than 5 percent of the capital receipts in case of Assam, Jammu and Kashmir and Punjab.

4.12 Total capital receipts of Karnataka as a percentage of SDP (at current prices) works out to 5.24 percent in 1990-91. The per capita capital receipts in 1990-91 stood at RS.249.51. As a percentage of per capita SDP at current prices, the per capita capital receipts in 1990-91 were 5.27 percent.

Outstanding Debt:

4.13 The total outstanding debt of the various State Governments and details relating to the components of this debt are shown in the table below:

Table - 28

STATE-WISE COMPOSITION OF OUTSTANDING DEBT

(Rs.in crores)

State	As at the end of 1989 (Accounts)			
	Internal Debt	Loans & Advance from Central Govt.	Provident Funds etc.	Total Debt
1. Andhra Pradesh	1259 (25.8)	3165 (64.8)	463 (9.4)	4887 (100.0)
2. Arunachal Pradesh	7 (3.0)	215 (93.1)	9 (3.9)	231 (100.0)
3. Assam	362 (11.4)	2685 (84.7)	123 (3.9)	3170 (100.0)
4. Bihar	988 (14.5)	4454 (65.5)	1360 (20.0)	6802 (100.0)
5. Goa	9 (1.6)	543 (94.9)	20 (3.5)	572 (100.0)
6. Gujarat	580 (12.8)	3519 (77.8)	425 (9.4)	4524 (100.0)
7. Haryana	343 (16.9)	1217 (60.0)	469 (23.1)	2029 (100.0)
8. Himachal Pradesh	87 (10.6)	513 (62.7)	218 (26.7)	818 (100.0)
9. Jammu & Kashmir	215 (8.4)	2114 (82.1)	245 (9.5)	2574 (100.0)
10. Karnataka	912 (26.7)	2100 (61.4)	407 (11.9)	3419 (100.0)
11. Kerala	718 (24.6)	1495 (51.2)	705 (24.2)	2918 (100.0)
12. Madhya Pradesh	579 (11.4)	3012 (59.3)	1489 (29.3)	5080 (100.0)
13. Maharashtra	689 (9.3)	5938 (79.6)	829 (11.1)	7456 (100.0)
14. Manipur	82 (29.1)	146 (52.0)	53 (18.9)	281 (100.0)
15. Meghalaya	41 (26.1)	97 (61.8)	19 (12.1)	157 (100.0)
16. Mizoram	8 (4.5)	164 (91.6)	7 (3.9)	179 (100.0)
17. Nagaland	115 (39.7)	115 (39.7)	60 (20.6)	290 (100.0)
18. Orissa	766 (22.7)	2000 (59.3)	607 (18.0)	3373 (100.0)
19. Punjab	344 (7.5)	3783 (82.1)	480 (10.4)	4607 (100.0)

(Contd.)

Table - 28 (concluded)

(Rs. in crores)

State	As at the end of 1989 (Accounts)			
	Internal Debt	Loans & Advance from Central Govt.	Provident Funds etc.	Total Debt
20. Rajasthan	979 (21.0)	3021 (64.6)	673 (14.4)	4673 (100.0)
21. Sikkim	23 (28.8)	47 (58.8)	10 (12.4)	80 (100.0)
22. Tamilnadu	1035 (26.6)	2442 (62.7)	418 (10.7)	3895 (100.0)
23. Tripura	99 (33.7)	139 (47.3)	56 (19.0)	294 (100.0)
24. Uttar Pradesh	2376 (22.9)	7027 (67.8)	967 (9.3)	10370 (100.0)
25. West Bengal	820 (14.9)	4341 (78.9)	344 (6.2)	5505 (100.0)
Total	13,436 (17.2)	54,292 (69.4)	10,456 (13.4)	78,184 (100.00)

Note : Figures in brackets indicate percentages to total outstanding debt of respective state Governments.
Source: Report on Currency & Finance - 1989-90.

4.14 The above statement again shows the overwhelming dependence of the states on the centre for loans and advances. The following statement gives the percapita debt outstanding of the different states :-

Table - 29
PER CAPITA DEBT OUTSTANDING

(in Rs.)

	State	1984 Accounts	1985 Accounts	1986 Accounts	1987 Accounts	1988 Accounts	1989 Revised Estimate	1990 Budget Estimate
1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	447	511	594	661	750	840	932
2.	Assam	615	734	924	1020	1169	1300	1444
3.	Bihar	459	498	588	640	736	805	896
4.	Gujarat	537	623	726	841	1030	1178	1324
5.	Haryana	739	835	971	1067	1190	1344	1473
6.	Himachal Pradesh	760	840	1015	1146	1428	1663	1879
7.	Jammu & Kashmir	1723	2055	2165	4064	3186	3719	4078
8.	Karnataka	418	473	601	679	771	850	951
9.	Kerala	590	676	799	873	994	1111	1243
10.	Madhya Pradesh	453	491	566	627	719	827	915
11.	Maharashtra	528	611	718	821	927	1043	1163
12.	Manipur	1173	1169	1306	1265	1422	1612	1678
13.	Meghalaya	567	653	669	756	849	963	1060
14.	Nagaland	1925	1722	1800	2240	2530	2728	2897
15.	Orissa	629	694	796	872	1006	1138	1303
16.	Punjab	815	980	1335	1487	1970	2375	2743
17.	Rajasthan	656	716	789	862	1020	1149	1256
18.	Sikkim	575	725	900	1225	1500	1902	2116

(Contd.)

Table - 29 (concluded)

	State	1984 Accounts	1985 Accounts	1986 Accounts	1987 Accounts	1988 Accounts	1989 Revised Estimate	1990 Budget Estimate
1	2	3	4	5	6	7	8	9
9.	Tamilnadu	403	443	480	539	642	702	783
10.	Tripura	613	696	778	833	1013	1229	1444
11.	Uttar Pradesh	416	499	588	637	727	844	1021
12.	West Bengal	617	659	720	773	833	912	1038
13.	Mizoram	-	-	-	1800	2016	2431	2851
14.	Arunachal Pradesh	-	-	-	1750	2360	2416	2494
15.	Goa	-	-	-	2315	6468	3853	4311
	All India →	517	585	682	789	884	999	1131

Debt - Internal Debt+ Loans and Advances from Central Government +
Provident Fund etc

Source : Kerala Budget in Brief 1991-92, Government of Kerala.

4.15 It may be seen that between 1984 and 1990 (BE), the per capita Debt outstanding of Karnataka has more than doubled from Rs.418 in 1984 to Rs.951 in 1990. In 1984, Karnataka was third among the states with lowest per capita debt outstanding. Tamil Nadu (Rs.403) and UP (Rs.416) were the only two states with a lower per capita debt burden. Jammu and Kashmir (Rs.1723) Manipur (Rs.1173) and Nagaland (Rs.1925) were the states with the highest per capita debt burden. Six years later in 1990 (BE) Karnataka was still one of the states with the lowest per capita debt burden. Andhra Pradesh (Rs.932), Bihar (Rs.896), Madhya Pradesh (Rs.915) and Tamil Nadu (Rs.783) were the only states which had a lower per capita debt burden than Karnataka. Goa (Rs.4311), Jammu and Kashmir (Rs.4078), Nagaland (Rs.2897), Punjab (Rs.2743), Mizoram (Rs.2851) and Arunachal Pradesh (Rs.2494) were the states with a very high per capita debt burden. The population of these states is an important factor determining the per capita debt burden. Uttar Pradesh for example, had the largest amount of debt outstanding in 1989 but had one of the lowest per capita debt outstanding due to its large population, similarly in case of Bihar and Madhya Pradesh.

CHAPTER V

PUBLIC EXPENDITURE

5.1 It has already been pointed out that the Public Expenditure of the State Government has increased substantially over the last three decades. The total expenditure (Revenue and Capital + Loan accounts, excluding contingency fund and public accounts and ways and means advances) stood at Rs.126.07 crores in 1960-61. Its compound annual growth rate was 11.54 percent between 1960-61 and 1970-71, 12.98 percent between 1970-71 and 1980-81 and 14.61 percent between 1980-81 and 1990-91. The total expenditure figure for 1990-91 was Rs.4978.77 crores which means it had increased by more than 39 times over the 1960-61 figure. While between 1960-61 and 1990-91, the State Domestic Product at current prices had a compound annual growth rate of 11.80 percent, the growth rate of total public expenditure was 13.04 percent. As a percentage of State Domestic Product at current prices, the total public expenditure increased from 16.79% in 1960-61 to 23.34% in 1990-91.

5.2 The per capita public expenditure increased from Rs.53.00 in 1960-61 to Rs.1111 in 1990-91. On the other hand, the per capita State Domestic Product at current prices increased from Rs.321.00 in 1960-61 to Rs.4737 in 1990-91. As a percentage of Per capita SDP, the Per Capita Public Expenditure increased from 16.51 percent in 1960-61 to 23.45 percent in 1990-91.

Table - 30

.Public Expenditure and State Domestic Product

	Unit	1960-61	1970-71	1980-81	1990-91
1	2	3	4	5	6
State Domestic Product (at current prices (SDP))	Rs. Crores	751.00	2016.00	5964.00	21328.00
Per capita S.D.P.	Rs.	321.00	696.00	1623.00	4737.00
Total Public Expenditure	Rs. Crores	126.07	375.63	1272.96	4978.77
Per Capita Public Expenditure	Rs.	53.00	128.00	343.00	1111.00
Public Expenditure as % of S.D.P.	%	16.79	18.63	21.34	23.34
Per Capita Public Expenditure as % of Per Capita S.D.P.	%	16.51	18.39	21.13	23.45

Note: Total Public Expenditure consists of Revenue+Capital+Loan Expenditure excluding ways and means advances, Public Account and Contingency Fund Expenditure.

REVENUE EXPENDITURE

5.3 Revenue Expenditure forms a overwhelmingly major part of the public expenditure. In 1960-61 Revenue expenditure accounted for 63.09 percent of the total expenditure. Its share gradually increased to 79.76 percent of the total expenditure in 1990-91. The reasons for this are many and will be taken up separately in the following pages. However, what it means is that an ever increasing and a disproportionately large part of the public expenditure goes towards current expenditure or on going expenditure under the revenue account which does not by itself build up capital assets for the economy unlike capital expenditure which goes towards creation of capital assets. The issues relating to the increasing public expenditure as well as increasing share of revenue expenditure have already been briefly dealt with (see Chapter-2 overall budgetary position). Here an attempt will be made to identify the items of expenditure which are responsible for this type of increase.

Table - 31

Receipts and Expenditures of Government of Karnataka
(Rs.in crores)

Year	Receipts					Expenditure				
	Revenue	% age to total	Capital	% age to total	Total	Revenue	% age to total	Capital	% age to total	Total
1	2	3	4	5	6	7	8	9	10	11
1960-61	92.08	67.56	44.21	32.44	136.30	79.54	72.23	30.58	27.77	110.12
1961-62	91.02	59.60	61.69	40.40	152.71	95.69	74.32	33.06	25.68	128.74
1962-63	91.81	67.90	43.40	32.10	135.21	93.90	74.71	31.79	25.29	125.69
1963-64	102.09	68.11	47.79	31.89	149.88	98.79	74.38	34.02	25.62	132.81
1964-65	111.06	65.53	58.43	34.47	169.49	108.15	78.94	28.85	21.06	137.00
1965-66	120.49	63.78	68.42	36.22	188.91	125.46	78.87	33.62	21.13	159.08
1966-67	156.40	59.28	107.44	40.72	263.84	151.44	79.83	38.25	20.17	189.70
1967-68	170.99	66.64	85.61	33.36	256.60	157.52	80.32	38.59	19.68	196.12
1968-69	223.91	65.02	120.48	34.98	344.39	212.29	78.27	58.94	21.73	271.23
1969-70	234.72	63.94	132.40	36.06	367.12	214.54	78.73	57.97	21.27	272.50
1970-71	246.57	67.91	116.53	32.09	363.10	252.38	82.78	52.51	17.22	304.89
1971-72	264.00	72.12	102.06	27.88	366.06	268.71	84.51	49.24	15.49	317.95
1972-73	317.43	59.91	212.37	40.09	529.80	325.57	104.15	-12.97	-4.15	312.60
1973-74	368.53	70.29	155.74	29.71	524.27	362.16	88.32	47.91	11.68	410.07
1974-75	413.10	79.28	107.97	20.72	521.07	364.92	86.10	58.92	13.90	423.84
1975-76	514.12	80.89	121.47	19.11	635.59	428.59	80.99	100.63	19.01	529.21
1976-77	559.12	79.06	148.08	20.94	707.20	495.24	86.45	77.60	13.55	572.84
1977-78	598.49	73.08	220.51	26.92	819.00	533.85	83.96	102.01	16.04	635.86
1978-79	688.55	76.07	216.62	23.93	905.17	636.85	82.50	135.09	17.50	771.94
1979-80	819.30	77.08	243.58	22.92	1062.88	738.65	81.49	167.80	18.51	906.45
1980-81	953.46	77.11	283.01	22.89	1236.47	894.90	83.90	171.68	16.10	1066.59
1981-82	1166.63	80.57	281.42	19.43	1448.05	1002.36	85.47	170.35	14.53	1172.70
1982-83	1280.66	76.86	385.48	23.14	1666.14	1238.77	86.80	188.44	13.20	1427.21
1983-84	1489.47	77.52	431.88	22.48	1921.35	1416.55	85.70	236.43	14.30	1652.98
1984-85	1737.90	75.08	576.77	24.92	2314.67	1883.52	88.13	253.77	11.87	2137.29
1985-86	2013.11	65.51	1059.76	34.49	3072.87	2097.85	88.29	278.22	11.71	2376.07
1986-87	2284.30	77.34	669.44	22.66	2953.74	2204.73	86.87	333.13	13.13	2537.86
1987-88	2557.52	73.50	921.94	26.50	3479.46	2666.77	91.63	243.61	8.37	2910.39
1988-89	2963.58	78.17	827.61	21.83	3791.19	3002.29	91.80	268.29	8.20	3270.58
1989-90	3336.48	75.34	1091.86	24.66	4428.33	3482.94	91.15	337.99	8.85	3820.93

(contd..)

Table - 31 (concluded)

1	2	3	4	5	6	7	8	9	10	11	
1990-91	3892.18	77.69	1117.96	22.31	5010.14	3971.09	85.84	654.81	14.16	4625.89	
1991-92	4874.90	76.72	1479.03	23.28	6353.93	4853.74	90.38	516.68	9.62	5370.42	
1992-93	5672.92	81.39	1296.71	18.61	6969.63	5677.98	88.11	766.52	11.89	6444.50	
PERIOD			Compound Annual Growth Rate [%]								
1960-61 to 70-71	10.35		10.18		10.29	12.24		5.56		10.72	
1970-71 to 80-81	14.48		9.28		13.04	13.49		12.58		13.34	
1980-81 to 90-91	15.10		14.73		15.02	16.07		14.32		15.80	
1970-71 to 90-91	14.79		11.97		14.02	14.77		13.45		14.57	
1960-61 to 90-91	13.29		11.37		12.77	13.92		10.75		13.27	

Note:- Includes Loans Expenditure excluding Public Account & Contingency fund and ways and means advance

5.4 Revenue Expenditure has had a steady growth over the last three decades. Between 1960-61 and 1970-71 it had a compound annual growth rate of 12.24 percent. During the next two decades it had growth rates of 13.49% and 16.07 per cent respectively. Between 1960-61 and 1990-91 its growth rate was 13.92 per cent as against the growth rate of 10.30% of the Capital Expenditure during the same period.

5.5 A major portion of the revenue expenditure has been non-plan expenditure. Though plan revenue expenditure has increased from 17.89% of the total revenue expenditure in 1960-61 to 22.50% in 1990-91, it is still the Non-plan expenditure which dominates. A very major part of the revenue expenditure has been the developmental expenditure, though when compared to 1960-61 expenditure figures, it has fallen as a percentage of the total revenue expenditure. The Developmental revenue expenditure accounted for 75.47% of the total revenue expenditure in 1960-61 and in 1990-91 it was 67.95% of the total revenue expenditure.

5.6 The modern Governments have taken upon themselves many responsibilities which were never discharged by the Governments in 18th or even the 19th centuries. The Russian revolution of 1917 and the growing influence of socialism had, on the one hand, greatly increased the importance of public sector. Governments thereafter started cornering an ever increasing share of the scarce resources. On the other hand, the deficiencies in the capitalist system as was given to the Western economies by the classical economists, came to be recognised and the Governments took upon themselves to remove the deficiencies/shortcomings in the capitalist system being followed by them. The great depression of the 1930s led to the emergence of Keynesian Economics which came to be adopted in many countries. This again meant a larger role for the State in the economic activity of a country.

5.7 This is the general historical background to the increasing role of the State and thereby to the increase in public expenditure throughout the world. In our country the dawn of independence led to embarking upon planned economic development through a mixed economic system in which the commanding heights of the economy were to be under the control of the public sector bringing about rapid economic development. This necessitated the mobilisation of huge resources and the investment of these resources in the public sector. The objectives of removing poverty, creating employment opportunities, apart from providing infrastructure, education, health and other facilities and the need to embark upon Schemes/Programmes required to bring about development of Agriculture, Industries and other sectors of the economy in a manner which would reduce regional disparities -all these meant huge investments under the capital account. At the same time the provision of the administrative machinery to enable the achievement of these objectives on the one hand and maintenance of capital assets etc., already created on the other, brought about a consistent increase in the revenue expenditure. The Servicing of loans taken by the Government in order to make capital investment meant a huge burden in the subsequent years on the revenue account. Added to this, persistent inflation has necessitated higher revenue expenditure over the years. These are broadly the main reasons for the increase in public expenditure in our State but they are by no means exhaustive.

5.8 Every Government when it sets out to allocate its scarce resources, faces the problem of satisfying the demands from various Sections/Sectors of the economy, each of which is important in its own way. What has been the relative share of the various sectors/heads and how the composition of revenue expenditure has changed needs to be looked into more closely. An attempt has been made here to compare expenditures incurred under important heads of expenditure over a period of years.

Table - 32

Revenue Expenditure 1960-61 - 1990-91

(Rs. in crores)

Sl. No.	Category/Head of Expenditure	1960-61	1970-71	1980-81	1990-91
1	2	3	4	5	6
1.	General Services	28.62	97.58	253.56	1174.60
a)	Organs of state	1.28	3.70	11.05	44.87
i)	Parliament/State/UT - Legislature	0.19	0.34	1.40	5.56
ii)	President/Vice president, Governor, Administrator of UTs	0.14	0.25	0.20	0.58
iii)	Council of Ministers	0.04	0.32	0.61	1.95
iv)	Administration of Justice	0.85	2.07	7.80	33.61
v)	Elections	0.05	0.72	1.04	3.17
b)	Fiscal Service	5.73	6.63	25.74	85.62
i)	Collection of land Revenue	3.65	3.12	11.40	35.85
ii)	State Excise duties	0.23	1.40	6.46	10.84
iii)	Sales Tax	0.26	0.98	3.35	19.03
iv)	Taxes on Vehicles	0.33	0.27	1.29	6.72
v)	Other Taxes	1.26	0.86	2.94	9.44
vi)	Other Fiscal Services			0.30	3.74
c)	Interest payment & servicing of debt.	4.35	40.87	110.28	481.41
d)	Administrative services	17.26	46.38	106.49	562.70
i)	Secretariat-General Services	0.84	2.41	2.27	9.42
ii)	District Administration	1.44	2.67	6.67	26.59
iii)	Treasury Accounts	**	**	2.45	10.21
iv)	Police	3.58	9.06	34.05	146.61
v)	Jails	0.37	0.82	1.59	5.96
vi)	Stationery & Printing	0.56	1.36	3.74	14.24
vii)	Public Works	7.88	16.53	4.53	56.88
viii)	Others (include Pension)-n	2.59	13.53	51.19	292.79
D)	Grant-in-aid & Contributions to Local bodies & Panchayat Raj	0.62	6.94	34.24	98.27
	<u>Social Services</u>	19.13	78.89	324.69	1538.91
1 ✓	Elementary Education	1.10	27.09	93.49	407.58
2 ✓	Secondary Education	1.44	10.48	41.69	221.50
3 ✓	University & other higher Education	1.15	4.81	23.39	111.83
4 ✓	Other expenditure on Education	0.31	10.09	2.62	17.61
5 ✓	Technical Education	**	1.31	5.35	22.26
6.	Sports and Youth Welfare	**	**	2.76	11.39
7.	Art and Culture	0.02	0.02	2.52	9.92
8.	Medical and Public Health	4.64	15.94	41.69	204.74
9.	Family Welfare	**	**	8.25	38.27
10.	Water Supply and Sanitation	0.30(a)	**	20.49	60.86

Contd.

Table - 32 (contd.)

(Rs. in crores)

1	2	3	4	5	6
11.	Housing	0.22	**	5.47	24.43
12.	Urban Development	**	0.12	3.84	17.95
13.	Social Security & Welfare	**	0.14	25.28	116.01
14.	Labour, Employment and Training	0.28	1.17	13.54	19.74
15.	Welfare of SC, ST-OBCs	**	2.25	20.66	136.00
16.	Other Social Services	0.88	5.47	13.10	116.55
17.	Secretariat Social Services	**		0.55	2.77
	<u>Economic Services</u>	<u>31.08</u>	<u>67.16</u>	<u>282.41</u>	<u>1159.30</u>
1.	Agricultural Allied activities	6.23(a)	23.67	85.98	282.43
a.	Crop Husbandry	**	**	**	67.24
b.	Soil & Water Conservation	**	**	4.17	29.93
c.	Animal Husbandry	0.85	2.13	9.29	36.28
d.	Dairy Development	**	2.70	6.12	3.18
e.	Fisheries	0.20	0.59	1.72	8.78
f.	Forestry & Wild life	2.96	7.42	21.73	79.28
g.	Food Storage & Warehousing	**	**	0.02	4.89
h.	Others	1.69	7.79	34.51	30.66
	Co-operation	0.53	3.04	8.42	22.19
2.	Rural Development	2.78(a)	5.84(a)	37.38	251.00
a.	Special programmes for Rural Development	**	**	4.72(b)	32.71
b.	Rural Employment	**	**	**	106.18
c.	Land Refoms	**	**	0.16	2.43
d.	Other Programmes	**	**	32.50(a)	109.68
3.	Special Area Programme	**	**	7.35	9.47
4.	Irrigation and flood control	3.79	17.67	70.94	233.31

(Contd.)

Table - 32 (concluded)

1	2	3	4	5	6
a.	Major & Medium irrigation	**	**	52.99	168.76
b.	Command Area Development	3.62	**	**	25.23
c.	Flood Control & Drainage	**	**	0.14	0.09
d.	Minor Irrigation	0.17(a)	**	17.18	39.23
5.	Energy	**	5.57	0.43	64.34
a.	Power	**	5.57	0.43	64.34
b.	Non-Conventional sources of energy	**	**	**	2.59
6.	Industry & Minerals	17.84	13.88	99.81	184.68
a.	Village & Small Industries	0.51	0.75	14.20	72.95
b.	Industries	**	12.56	24.97	109.94
c.	Non-ferrous Mixing and Metallurgical industries	17.33	0.57	**	1.79
d.	Other outlays on Industries and Minerals	**	**	0.64(d)	**
7.	Transport	0.18	**	31.48	100.84
a.	Ports and light houses	0.04	0.12	0.47	1.32
b.	Civil Aviation	**	**	0.12	0.22
c.	Roads & Bridges	**	**	29.97	98.75
d.	Road Transport Services	**	**	0.62	0.09
e.	Inland Water Transport	**	**	0.30	0.46
f.	Other Expenditure on Transport and Communication	0.14(a)	**	**	**
8.	Science, Technology & Environment	0.11	0.47	0.22	0.84
9.	General Economic Services	**	**	8.82	32.39
a.	Secretariat Economic Services	**	**	1.19	5.69
b.	Tourism	**	0.02	0.41	1.39
c.	Census Survey & Statistics	0.09	0.28	2.33	7.84
d.	Civil Supplies	**	**	0.15	0.44
e.	Other General Economic Services	0.06	**	4.74	17.03
①	Total Revenue Expenditure (excluding capital expenditure within the revenue account.)	79.45	250.57	894.90	3971.08

- Note:
1. Not available separately/included under some other head.
 2. (a) Expenditure incurred under Community Development programmes and Development Programme is also included.
 3. (b) Indicates expenditure incurred as part of Community Development Programme.
 4. (d) Refers to expenditure on mines and minerals.
n = Includes pensions and miscellaneous general services.

5.9 Before we embark upon an analysis of the data presented above a few points of clarification should necessarily be given. First of all, it has not been easy to cull out the data particularly for the minor heads for the earlier years. Over the years the very classification of expenditure under various heads has undergone a change. Minor heads of expenditure placed under a particular major head at present find a place under some other major head altogether in the financial documents of the sixties and seventies. Efforts have been made to go into the detailed breakups of the different constituents of the various major heads and to cull out data in such a way that the data for 1960-61, 1970-71 and 1980-81 is provided as per the latest classification of the expenditure under different heads which is being followed at present. Hence, total expenditure for a particular sector or head, say, social services or agriculture and allied for 1960-61 as given in the above statement may not tally with the expenditure figure given against this sector and head in the published financial documents of 1960s'. This is true in case of many other heads of expenditure. This exercise undertaken by us was necessary to provide data which would help in a meaningful comparison of expenditure incurred under different heads over a period of years.

5.10 The second clarification which needs to be made is that the total revenue expenditure figures given in this statement are purely revenue expenditure figures. They do not consist the capital expenditure incurred under or within the revenue account. Hence, the total here may not tally with the figure for total revenue expenditure given in other statements/tables provided in this publication and in earlier publications.

5.11 The statement given above brings out the fact as to how certain sectors or items of expenditure have gained increasing importance over the years. This is reflected not only in the fact that expenditure on certain heads has increased considerably but also that certain items of expenditure which were not mentioned separately even under classification of expenditure into minor heads have now become important to find a place either as minor heads or as major heads of expenditure.

5.12 While comparing the expenditure figures of one period with that of the other and figures of expenditure of one head with that of the other, it should be borne in mind that the present level of revenue expenditure on a particular item, in many cases, depends to some extent, upon the capital expenditure already incurred on the same item some time ago. For example revenue expenditure on irrigation or power at present is related to capital expenditure already incurred previously on construction of dams etc. Revenue expenditure on education is to some extent related to capital expenditure incurred in the past on construction and starting of new schools, colleges, etc., hitherto non-existent. Similarly, revenue expenditure on interest payments is related to the borrowings made in the past in order to meet capital expenditure needs.

5.13 The socio-economic objectives of the Government's policies are reflected to some extent in the data provided in table-32. It can be seen that the share of social services has gradually increased from 24.08 percent of the total revenue expenditure in 1960-61 to as much as 38.75 percent in 1990-91. In fact the largest chunk of revenue expenditure goes to this sector. Expenditure on General services has fallen as a percentage of total revenue expenditure from 36.02 percent in 1960-61 to 29.58 percent in 1990-91 and the expenditure on Economic Services has also declined from 39.12 percent of the total revenue expenditure in 1960-61 to 29.19 percent in 1990-91. This shows that larger resources are increasingly being directed towards social services which consist of expenditure on Health, Family Welfare, Education, Housing, Social Security and Welfare, Welfare of SCs, STs and other Backward Classes, etc.

5.14 Among the various components of the revenue expenditure on General Services, the share of organs of State and Administrative Services in the total revenue expenditure has gradually fallen. However expenditure on Administrative Services which also includes expenditure on pensions, etc., and also expenditure on Police, Jails, Public works etc., has increased as a percentage of total revenue expenditure between 1980-81 and 1990-91. The expenditure on fiscal services as a percentage of total revenue expenditure fell considerably between 1960-61 and 1970-71 from 7.21% to 2.64% and has fallen further between 1980-81 and 1990-91 from 2.88% to 2.16% of the total revenue expenditure.

5.15 It should be noted here that the expenditure on collection of land revenue forms as much as 41.87 percent of the total revenue expenditure on fiscal services. Taxes which are substantially much more productive in terms of tax receipts such as Sales Tax and Excise duties have a very much smaller share in the expenditure on Fiscal Services. Expenditure on collection of State Excise duties and Sales Tax account for only 12.66 percent and 22.23 percent of the expenditure on fiscal services respectively. On the other hand, receipts from land revenue have been very low and have recently shown a negative growth rate. In 1960-61, receipts from Land Revenue constituted as much as 18.02 percent of total States' own tax revenue and the expenditure incurred on its collection constituted 63.70 percent of the revenue expenditure on fiscal services. In 1990-91 receipts from land revenue constituted just 0.66 percent of the total State's own tax revenue while expenditure incurred on collecting land revenue formed 41.87 percent of the revenue expenditure on fiscal services. In fact the cost of collecting this tax was more than double the receipts from it in 1990-91. It should be noted that the Government machinery involved in the collection of land revenue, performs many other functions such as maintenance of land records, etc., and land revenue collection has become only a small part of its total work. Therefore, the entire expenditure incurred on this machinery cannot be considered as expenditure on Land Revenue Collection. However, the structure of land revenue in the State requires closer examination. It should take into account several factors such as the productivity/quality of land, irrigation facilities available, if any, the subsidy provided in the supply of fertilisers, electricity and irrigation, size of holding and the seasonal conditions. Huge investments made by the Government in agriculture, irrigation and other related sectors have resulted in increased production and productivity in agriculture. For example, the crop productivity or yield rates in Karnataka for some important crops have increased considerably as shown below:

Table-33

CROP PRODUCTIVITY/YIELD RATES

Sl. No.	Crop	Unit	1960-61	1970-71	1980-81	1990-91 (P)
1	Rice	Kg/Ha	1382	1798	2134	2303
2	Jowar	"	411	740	797	652
3	Ragi	"	794	891	1059	1041
4	Gram	"	388	491	472	311
5	Tur	"	330	528	392	411
6	Groundnut	"	518	799	639	730
7	Cotton	"	95	95	106	196
8	Sugarcane	MT/Ha	77	81	83	80

Source: Socio-Economic Indicators 1960-91, Directorate of Economics & Statistics, Bangalore

Note: P = Provisional

5.16 The State Domestic product from primary sector at constant 1980-81 prices has increased from Rs.1788 crores in 1960-61 to Rs.3248 crores in 1990-91. The increase in production, productivity and incomes in the agricultural sector should, atleast partially, be reflected in the revenue to the State from this sector. A revision of land revenue upwards seems necessary.

5.17 The expenditure on collection of State Excise, Sales Tax and taxes on Vehicles, as a percentage of total tax receipts from State Excise, Sales Tax and Taxes on Vehicles in 1990-91 was 2.52 percent, 1.45 percent and 3.49 percent respectively. As against these, the cost of collection of Land Revenue exceeded the receipts from Land Revenue by 133.43 percent.

5.18 Expenditure incurred on interest payments and servicing of loans has increased by more than 100 times between 1960-61 and 1990-91. In 1960-61, it formed 5.48 percent of the total revenue expenditure and in 1990-91, it increased to 12.12 percent of the total revenue expenditure. Eventhough between 1980-81 and 1990-91 there is a more than fourfold increase in this expenditure, as a percentage of total revenue expenditure it has actually fallen marginally from the 1980-81 figure of 12.32 percent. As a percentage of total revenue receipts, expenditure on interest payments and debt servicing was 12.37 percent in 1990-91. During the same year, the Per capita expenditure on interest payments and debt servicing was Rs.107.46. In 1960-61, it was just Rs.1.84. It may be noted that this increase in per capita burden of interest payments and debt servicing has occurred despite the fact that the population of the State has had high rate of decadal growth of above 20 percent during each decade between 1960-61 and 1990-91. Increased borrowing over the years is responsible for this present increased burden. However, it would be less burden-some if the investments made out of these past borrowings had brought sufficient returns to meet these obligations. Further, the need to borrow would have been lower if these investments had brought sufficient returns so that a surplus could be generated in the revenue account and this surplus could be used for further investments instead of borrowing in order to invest.

Table - 34

PER CAPITA BURDEN OF INTEREST PAYMENTS AND DEBT SERVICING

Sl. No.	Unit	1960-61	1970-71	1980-81	1990-91
1	Rs. Crores	4.35	40.87	110.28	481.41
2	Rs.	1.84	13.95	29.73	107.46*
3	Percentage	4.72	16.58	11.57	12.37
4	Percentage	0.57	2.00	1.83	2.27*

Note: *Based upon Provisional 1991 Population Census

5.19 The expenditure on Administrative Services including Expenditure on Pensions, etc., did rise between 1980-81 and 1990-91 as a percentage of total expenditure. However, compared to the figures relating to 1960-61 and 1970-71 it was lower in 1990-91 as a percentage of total revenue expenditure. Considering the fact that it covers expenditure on heads such as District Administration, Treasury & Accounts, Jails, Police, Public Works, Pensions, etc., the expenditure on Administrative Services (including that on pensions) at 14.17 per cent of the total revenue expenditure was well within the generally acceptable limits. Expenditure on Police has remained at less than 4 per cent of the total revenue expenditure except in 1960-61 when it was around 4.5 per cent.

5.20 As already stated expenditure on Social services has shown a steady increase accounting for as much as 38.75 per cent of the total revenue expenditure. Within Social Services, the expenditure on Education has the largest share. The total expenditure on Education formed 16.10 per cent of the total revenue expenditure in 1960-61. In 1990-91, it accounted for 19.66 per cent or almost one fifth of the total revenue expenditure. A major part of this goes towards grants given to private Educational Institutions. The assistance given to non-government institutions in 1990-91 is given below:-

Table-35

ASSISTANCE TO NON-GOVERNMENT EDUCATIONAL INSTITUTIONS
1990-91

Sl No	Category	Assistance* Rs. Crores	as % of Total Expenditure on concerned category mentioned in Column-2	as % of total Expenditure on Education
1	2	3	4	5
1	Elementary Education	14.34	3.52	1.84
2	Secondary Education	36.67	16.56	4.70
3	University & Other Higher Education	55.82	49.92	7.15
4	Technical Education	9.62	43.22	1.23
5	Adult Education	0.39	4.14	0.05
	Total	116.84	-	14.96

Note: *Excludes assistance given to local bodies, corporations and universities

5.21 The above table shows that a large part of expenditure on Education goes towards assistance to nongovernment institutions particularly in case of institutions imparting education at higher levels and technical education institutions. Almost 3% of total revenue expenditure goes to these institutions as assistance. Many of these private institutions have been functioning for more than a decade and most of them collect heavy donations from the Students. It is debatable whether assistance to such educational institutions should be continued beyond a certain initial period.

5.22 Elementary Education accounts for a bulk of the revenue expenditure on Education. It accounted for 52.20% of the total expenditure on Education and 10.26% of the total revenue expenditure in 1990-91. Thus Elementary Education has been given a very high priority. Secondary Education gets the largest chunk of expenditure on Education after Elementary Education. It accounted for 28.37% of the total expenditure on Education and 4.66% of the total revenue expenditure. Thus, Elementary and Secondary Education together cornered as much as 80.57 per cent of the total revenue expenditure on Education and 15.84% of the total revenue expenditure in 1990-91. University and other higher Education accounted for 14.32% of the revenue expenditure on Education and 2.82% of the total revenue expenditure. The expenditure on Technical Education has been relatively very less forming just 2.85% of the revenue expenditure on education and 0.56% of the total revenue expenditure in 1990-91.

5.23 Medical and Public Health accounted for only 5.16% of the total revenue expenditure. Considering the fact that medical and health facilities are required to be provided to such a large population spread over 27024 inhabited villages and 250 Towns and Urban agglomerations, this expenditure of Rs.204.74 Crores in 1990-91 was quite low. Similarly, the expenditure on Family Welfare at Rs.38.27 Crores in 1990-91 was very low forming just 0.96 percent of the total revenue expenditure.

5.24 The Government's commitment towards the Welfare and Security of Weaker Sections and Schedule Castes, Scheduled Tribes and other Backward Classes is evident from the increasing expenditure being incurred on social security and welfare and welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes. In 1990-91, the former accounted for 2.92 percent of the total revenue expenditure and the later accounted for 3.42 percent of the total revenue expenditure.

5.25 The share of Economic Services in the total revenue Expenditure has varied between 39.12 percent in 1960-61 to 29.19 percent in 1990-91. Economic Services are very important in bringing about rapid economic development. Sectors such as Agriculture and Allied, Industry and Mines, Irrigation and Flood Control, Power, Transport, etc., are included under economic services, all of which are very crucial in determining the rate of development. However, capital expenditure incurred on these sectors has a lot of importance and to a large extent determines the revenue expenditure on these sectors for the subsequent periods.

5.26 Agriculture and Allied had the largest shares of expenditure within this sector. Its share in the total revenue expenditure eventhough fell from 9.61% in 1980-81 to 7.11 in 1990-91, it was still quite substantial. Within this sector, the expenditure on Animal Husbandry, Dairy Development and Fisheries was quite low. Expenditure on Forestry and Wildlife was 2.00% of the total revenue expenditure in 1990-91. Expenditure on Food, Storage and Warehousing was also quite low at 0.12 percent of the total revenue expenditure. The capital outlay on all these heads is also not very large.

5.27 The activities allied to agriculture such as Fisheries, Dairying, Livestock Farming, Forestry, etc., are extremely important in terms of providing gainful employment to the landless labourers and small and marginal farmers. They generate substantial income and help in alleviating poverty. Their importance in reducing the burden of workers on the limited agricultural land and in reducing migration to urban areas has been recognised. The report of the National Commission on Agriculture, 1976 is only one among the many reports/studies and works of various organisations and scholars which have laid emphasis on this aspect. Thus, there is a case for further increase in outlay on these heads of expenditure in the future.

5.28 Rural Development is receiving a lot more attention in terms of public expenditure. With programmes such as Integrated Rural Development Programme (IRDP), Jawahar Rozgar Yojana, etc., replacing several other earlier programmes, expenditure incurred on Rural Development Programmes has also increased. In 1980-81 expenditure on rural development amounted to 4.81% of the total revenue expenditure. It had increased to 6.32 percent in 1990-91. Rural Employment Programme accounted for more than 42 percent of the total expenditure on rural development in 1990-91.

5.29 The revenue expenditure on irrigation and flood control has increased enormously from a mere Rs.3.79 Crores in 1960-61 to Rs.233.31 Crores in 1990-91. Though in absolute terms expenditure under this head increased substantially between 1980-81 and 1990-91, as a percentage of total revenue expenditure, it fell from 7.93% in 1980-81 to 5.88% in 1990-91. However, substantially large amounts have been spent on these heads under the capital account which is more important because capital expenditure is expected to result in the creation of more irrigation potential. Major irrigation accounted for 72.33 percent of the revenue expenditure on irrigation and flood control and 4.25 percent of the total revenue expenditure in 1990-91. Minor Irrigation got less than 17 per cent of the expenditure on Irrigation and Flood Control and less than one per cent of total revenue expenditure.

5.30 Revenue expenditure on Power was quite low at 1.62 percent of the total revenue expenditure in 1990-91.

5.31 Expenditure on Industry and Minerals under the revenue account was very high at 22.45 percent in 1960-61. It fell subsequently and stood at 4.65 percent of the total revenue expenditure in 1990-91. The share of Village and Small Industries was 39.50% and that of Industries was 59.53% of the expenditure on Industry and Minerals in 1990-91.

5.32 Transport Sector accounted for 2.54 percent of total revenue expenditure in 1990-91 almost the entire amount (98%) going towards roads and bridges.

5.33 Expenditure on Science, Technology and Environment, Tourism and Census, Surveys and Statistics has been extremely low.

CHAPTER-VI

CAPITAL EXPENDITURE, DEVELOPMENTAL, NON-DEVELOPMENTAL
PLAN AND NON-PLAN EXPENDITURE

6.1 Capital expenditure by its very nature is important for any State from the long term point of view. It leads to creation of assets and capital formation which accelerate and sustain economic development. Capital expenditure in Karnataka has shown a steady increase over the years. Leaving out the capital expenditure incurred under the Revenue account and the loan expenditure, the capital expenditure in the State had a compound annual growth rate of 10.75% between 1960-61 and 1990-91. It increased from Rs.30.58 crores in 1960-61 to Rs.654.81 crores in 1990-91 and Rs 766.52 crores (BE) in 1992-93. Compared to the Revenue account it had a lower rate of growth which has brought down the share of capital expenditure in the total expenditure (excluding loan expenditure, ways and means advances, public account, Contingency Fund and Capital Expenditure made within the revenue account) from 27.77% in 1960-61 to 14.16% in 1990-91 and 11.89% in 1992-93.

6.2 However, when the capital expenditure incurred within the Revenue account and expenditure incurred under the loan account (excluding ways and means advances, public account and contingency fund are added to the capital expenditure, the picture is slightly different. These disbursements (Rs.46.57 crores) together formed 36.93% of the total expenditure in 1960-61. In 1990-91 they had fallen (Rs.1007.65 crores) to 20.24% of the total expenditure. Thus only one fifth of total expenditure goes towards capital expenditure. This again reflects the fact that revenue expenditure has grown very much enormously, the reasons for which have already been discussed.

6.3 The breakups for total disbursements (capital expenditure + Loan expenditure) show that, expenditure on Public Works/Civil Works has fallen. It formed 18.87% of the total disbursements in 1960-61 but in 1990-91 it formed only 1.13% of the total disbursements. Expenditure on education remained at less than one percent throughout this period and that on Medical, Public Health and Family Welfare which was less than one percent in 1960-61 increased to 2.2% of the total. Housing accounted for Zero capital/loan disbursements in 1960-61 but in 1990-91 the disbursements on Housing amounted to 1.23%. It is interesting to note that the total capital plus loan disbursements on Agriculture and allied (including rural development programme) fell as a percentage of total disbursements from 8.59% in 1960-61 to 3.90% in 1990-91. However, disbursements on irrigation and flood control which have a great impact upon agricultural development increased substantially and formed 26.25% of the total in 1990-91 as against 19.8% in 1960-61.

6.4 On the other hand, disbursements on Industry and minerals which formed 6.36% of the total in 1960-61 fell to 4.45% of the total in 1990-91. At the same time the importance being given to power projects is evident from the fact that disbursements under this head which formed 17.48% of the total in 1960-61 increased to form as much as 36.31% of the total in 1990-91.

Table - 36

Capital Expenditure and Loan Disbursements

(Rs. in crores)

	1960-61		1970-71		1980-81		1990-91	
	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account
C.O. Public Works/ Civil Works.	8.79	-	9.18	-	8.97	-	11.39	-
C.O. on other ADMN. Services	0.23	-	2.76	-	-	-	-	-
Commutation of Pension	0.04	-	0.30	-	-	-	-	-
Primary Education	-	-	-	-	0.27	-	0.01	-
Secondary Education	-	-	-	-	0.14	-	0.37	-
Pre University	-	-	-	-	0.07	-	-	-
University and other higher education	-	-	-	-	0.29	0.37	0.51	-
Technical Education	-	-	-	-	0.10	-	0.13	-
Sports and Youth Welfare	-	-	-	-	0.19	0.02	-	-
Other expenditure	0.01	-	-	-	0.06	-	0.70	-
Loans for Educational purposes, Sports, Art & Culture	-	-	-	0.31	-	-	-	0.18
Capital outlay on Medical & P.H.	0.11	-	0.94	-	0.92	4.84	1.60	15.61
Other Systems of Medicine	-	-	-	-	0.04	-	0.07	-
C.O. on Family Welfare	-	-	-	-	-	-	4.89	-
C.O. on Housing	-	-	-	1.12	2.36	6.38	3.64	8.71
Other Housing Scheme	-	-	-	-	-	-	**	-
C.O. on Urban Development	-	-	-	-	0.03	0.10	neg	1.86
C.O. on Information & Publicity	-	-	-	-	0.01	-	0.25	-
C.O. on Welfare of SC, ST & other Obcs.	-	-	-	-	0.57	-	4.05	0.01

Contd...

Table - 36 (contd.)

	1960-61		1970-71		1980-81		1990-91	
	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account
C.O. on Social Security & Welfare					0.01	0.03	0.98	0.17
C.O. on other Social & Community Services	-	-	-	-	0.11	-	0.40	-
Investment in General Financial and Trading	-	-	-	-	Neg	-	-	-
Land Ceilings and compensation to land holders	0.47	-	0.15	-	1.56	-	-	-
<u>AGRICULTURE AND ALLIED ACTIVITIES</u>								
C.O. on Agriculture	-	2.69	-	4.97	0.28	5.94	0.52	8.75
C.O. on food storage & Warehousing	-	-	-	-	(-)0.87	-	0.12	-
C.O. on Animal Husbandry	-	-	-	-	0.03	-	0.05	-
C.O. on Dairy Development	-	-	-	-	1.52	1.00	-	3.00
C.O. on Fisheries	-	-	-	-	1.10	0.11	1.07	1.03
C.O. on Forestry & Wild Life	-	-	0.12	-	0.33	-	0.68	-
C.O. on Co-operation	-	-	-	1.09	9.79	12.05	10.50	7.33
Investment in Agricultural Financial Institute	-	-	-	-	-	-	0.19	4.10
C.O. on other rural Development programme	-	1.31	-	0.01	-	0.78	1.18	-
Loans for other Agricultural Programmes	-	-	-	-	-	-	-	0.10
Total Agriculture and allied	-	4.00	0.12	6.07	12.18	19.88	14.95	24.31

(Contd.)

Table - 36 (contd..)

	1960-61		1970-71		1980-81		1990-91	
	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account
C.O. on Industry and Minerals	-	-	-	-	-	-	-	-
C.O. on village and Small Industries	-	-	-	-	-	1.10	9.98	2.45
C.O. on Machinery and Engineering	-	-	-	-	-	0.08	-	0.42
C.O. on Petroleum Chemical & Fertilizer	-	-	-	-	-	0.20	-	1.02
C.O. on Telecommunication & Electronics	-	-	-	-	-	-	0.50	0.20
C.O. on Consumer Industries	-	-	-	-	-	11.82	11.82	11.28
C.O. on Mining metallurgical Industries	-	-	-	-	-	1.46	-	-
Investment in Industrial in. Institution	-	-	-	-	-	-	-	-
C.O. on other Industries & Minerals	2.96	-	9.71	0.69	-	2.12	5.40	11.89
Total Industries & Minerals	2.96	-	9.71	0.69	-	2.12	2.16	17.71
<u>IRRIGATION/FLOOD CONTROL AND ENERGY</u>								
C.O. on major and Medium irrigation	8.60	-	81.96	-	-	-	242.52	-
C.O. on minor irrigation	0.62	-	-	-	14.21	3.00	20.17	-
C.O. on Flood control	**	-	-	-	-	-	1.80	-
C.O. on Power Projects	8.14	-	4.66	-	-	65.38	508.50	121.84
Flood Control Energy	17.36	-	36.62	-	-	65.38	244.01	121.84
Soil and Water Conservation	-	-	-	-	-	-	-	0.92

(Contd..)

Table - 36 (contd..)

	1960-61		1970-71		1980-81		1990-91	
	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account
C.O. on posts, light houses & shipping	-	0.45	0.30	-	2.90	0.19	2.05	-
C.O. on Civil Aviation	-	-	-	-	-	-	0.01	-
C.O. on Road and Bridges	-	-	-	-	10.61	-	37.24	-
C.O. on Road and Water Transport	-	-	-	-	5.20	-	-	-
Road Transport Services	1.13	-	-	-	5.19	-	37.74	-
Water Transport	-	-	-	-	0.01	-	-	-
C.O. on Tourism	-	-	-	-	-	-	0.54	-
C O on other Transport & Communication	-	-	-	-	19.10	-	-	-
C.O. on other General Economic Services	-	-	-	-	-	0.08	2.87	0.12
Loans to Government Sergants	-	0.35	-	1.85	-	12.06	-	3.64
Loans to Panchayatraj Institutions	-	-	-	-	-	-	-	-
Loans to Statutory Boards and Corporations	0.07	-	6.46	-	-	-	-	-
Loans to Municipal Corpo- rations & Municipalities	0.77	-	0.88	-	-	-	-	-
Loans to Warehousing and marketing	-	-	0.03	-	-	-	-	-
Miscellaneous loans	4.25	-	0.22	-	-	4.09	-	2.66
Total Capital accounts	30.64	-	54.50	-	171.68	-	654.81	-
Internal Debt	-	0.37	-	7.51	-	11.18	-	9.36
Loans from GOI	-	4.61	-	44.53	-	46.00	-	145.73
Interslate Settlement	-	1.06	-	1.06	-	1.00	-	0.04

(Contd..)

Table - 36 (concluded)

	1960-61		1970-71		1980-81		1990-91	
	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account	Capital expn.	Loan Account
Appropriation to C.G. Fund	-	-	-	-	-	15.00	-	-
Total Loan account disbursements	-	15.93	-	-	-	-	-	352.87
Total consolidated Fund capital & Loan account disbursements	-	46.57	-	125.23	-	378.03	-	1007.68

Note : (1) Total capital expenditure includes capital expenditure incurred under the revenue account.

(2) Please refer to clarifications given to table 32 (para 5.9 & 5.10). Those clarifications generally hold good in case of this table also.

Developmental and Non- Developmental expenditure:

6.5 The distinction between Developmental and non Developmental Expenditure does not find universal acceptability. In fact no clear cut distinction between the two can be made. The expenditure incurred on providing Health, Education, Sanitation etc., is as important as the expenditure incurred on Agriculture or Industry. Because a healthier and a better educated population contributes substantially to rapid economic development. Economic development cannot take place without this. However, since such a distinction has come to be made it could be analyzed. The growth of these two components of public expenditure is given in the following table.

6.6 The total Developmental expenditure (Excluding Grant in Aid) increased substantially from Rs.81.82 crores in 1960-61 forming 74.69% of the total expenditure (excluding grant-in-aid, Loan and Public Account expenditure and ways and means advances) to Rs.3341.64 crores in 1990-91 forming 73.81 percent of the total expenditure. Thus it is evident that a Major portion of the total expenditure goes towards Developmental activities. The Developmental expenditure under the Revenue Account at Rs. 60.03 crores in 1960-61 formed 75.5% of the total Revenue expenditure including grant in Aid. In 1991 it had increased to Rs. 2698.2 crores which amounted to 67.9% of the total revenue expenditure. Compound annual growth rate of the developmental revenue expenditure between 1960-61 and 1990-91 was 13.52% as against 14.75% of the Non-Developmental revenue expenditure. The rate of growth of both the Developmental as well as Non-Developmental revenue expenditure was the highest during the decade 1980-81 to 1990-91 at 16.11% and 16.50% respectively. Developmental expenditure under the capital account had a much slower growth rate of 11.95% between 1960-61 and 1990-91. The developmental expenditure under the capital account at Rs.21.79 crores formed 71.26% of the total capital expenditure in 1960-61. In 1990-91 at Rs.643.42 crores it formed as much as 98.26% of the total capital expenditure (excluding loan, public account expenditure and ways and means advances).

Table - 37

Expenditure of Government of Karnataka (Contd)

Rs. Crores

YEAR	Revenue Expenditure											
	Dev			Non-dev			Grant-in-Aid			Total Rev A/c		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1960-61	13.89	46.14	60.03	0.23	18.70	18.93	0.11	0.47	0.58	14.23	65.32	79.54
1961-62	9.10	62.92	72.02	0.17	22.70	22.87		0.80	0.80	9.27	86.42	95.69
1962-63	10.35	58.03	68.38	0.32	21.66	21.98	0.29	3.25	3.53	10.96	82.94	93.90
1963-64	11.90	58.69	70.59	0.27	24.22	24.49	0.08	3.64	3.72	12.25	86.54	98.79
1964-65	12.82	64.30	77.12	0.28	27.12	27.40	0.09	3.55	3.64	13.19	94.97	108.15
1965-66	18.75	70.71	89.46	0.39	31.78	32.17	0.19	3.65	3.84	19.33	106.13	125.46
1966-67	14.82	85.36	100.18	0.37	47.05	47.42		3.84	3.84	15.19	136.25	151.44
1967-68	18.28	89.43	107.70	0.49	45.44	45.93		3.89	3.89	18.76	138.76	157.52
1968-69	23.04	129.35	152.39	0.60	54.74	55.34		4.56	4.56	23.64	188.65	212.29
1969-70	19.96	123.22	143.18	0.35	64.69	65.04		6.32	6.32	20.31	194.23	214.54
1970-71	21.55	153.68	175.22	0.38	69.85	70.23		6.93	6.93	21.93	230.46	252.38
1971-72	29.04	164.46	193.49	0.40	67.35	67.75		7.46	7.46	29.44	239.27	268.71
1972-73	33.28	205.65	238.93	0.48	78.13	78.62		8.03	8.03	33.76	291.81	325.57
1973-74	35.94	214.89	250.82	0.60	102.79	103.40		7.94	7.94	36.54	325.62	362.16
1974-75	38.73	212.72	251.45	0.03	106.34	106.37		7.10	7.10	38.76	326.16	364.92
1975-76	54.76	243.17	297.93	0.57	122.77	123.34		7.31	7.31	55.33	373.25	428.59
1976-77	83.82	268.08	351.90	0.08	134.58	134.67		8.68	8.68	83.90	411.34	495.24
1977-78	84.15	290.51	374.66	0.06	150.44	150.50		8.69	8.69	84.21	449.64	533.85
1978-79	113.46	330.67	444.13	0.09	183.46	183.55		9.17	9.17	113.55	523.30	636.85
1979-80	121.83	393.56	515.38	0.07	189.43	189.50		33.76	33.76	121.90	616.75	738.65
1980-81	154.32	451.30	605.62	0.08	254.96	255.04		34.24	34.24	154.41	740.50	894.90
1981-82	193.06	495.95	689.01	0.16	275.07	275.23		38.11	38.11	193.23	809.13	1002.36
1982-83	253.67	601.94	855.61	0.16	343.97	344.13		39.03	39.03	253.83	984.94	1238.77
1983-84	317.80	641.59	959.39	0.82	409.81	410.63		46.54	46.54	318.62	1097.94	1416.55
1984-85	433.31	788.72	1222.03	0.80	597.22	598.02		63.47	63.47	434.11	1449.41	1883.52
1985-86	467.88	932.01	1399.89	0.60	646.51	647.11		50.85	50.85	468.48	1629.37	2097.85
1986-87	498.73	1070.94	1567.67	0.26	676.59	676.85		60.20	60.20	497.00	1707.73	2204.73
1987-88	629.37	1238.97	1868.35	1.55	735.30	736.84		61.59	61.59	630.92	2035.86	2666.77
1988-89	633.85	1419.72	2053.57	3.40	865.50	868.90		79.82	79.82	637.25	2365.04	3002.29
1989-90	643.58	1714.39	2357.97	4.05	1037.06	1041.11		83.86	83.86	647.63	2835.30	3482.94

Table - 37 (contd. .)

(Rs. in crores)

YEAR	Revenue Expenditure											
	Dev			Non-dev			Grant-in-Aid			Total Rev A/c		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1990-91	888.56	1809.66	2698.22	4.89	1169.70	1174.59		98.27	98.27	893.45	3077.63	3971.09
1991-92	1174.99	2185.11	3360.10	4.90	1374.57	1379.47		114.17	114.17	1179.89	3673.85	4853.74
(RE)												
1992-93	1525.02	2392.09	3917.11	5.91	1629.48	1635.39		125.47	125.47			
(BE)												
Period				Compounded Annual Growth Rate (%)								
1960-61 to 70-71	4.49	12.78	11.31	5.11	14.09	14.01		30.75	28.05	4.42	13.44	12.24
1970-71 to 80-81	21.76	11.37	13.20	-14.05	13.82	13.77		17.32	17.32	21.55	12.38	13.49
1980-81 to 90-91	19.13	14.90	16.11	50.21	16.46	16.50		11.12	11.12	19.19	15.31	16.07
1970-71 to 90-91	20.44	13.12	14.65	13.63	15.13	15.12		14.18	14.18	20.37	13.84	14.77
1960-61 to 90-91	14.87	13.01	13.52	10.71	14.78	14.75		19.46	18.63	14.80	13.70	13.92

Note:- Totals may not tally due to rounding off of figures.

(Contd. .)

Table - 37

Expenditure of Government of Karnataka (Contd)

(Rs. in crores)

YEAR	Capital Expenditure								
	Dev			Non-dev			Total Cap A/c		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1960-61	21.37	0.42	21.79	7.03	1.76	8.79	28.40	2.18	30.58
1961-62	21.08	2.03	23.12	7.37	2.57	9.94	28.45	4.60	33.06
1962-63	24.07	-0.23	23.84	6.33	1.62	7.95	30.40	1.39	31.79
1963-64	25.88	0.88	26.77	5.50	1.75	7.25	31.39	2.63	34.02
1964-65	16.40	5.51	21.91	5.05	1.88	6.93	21.46	7.39	28.85
1965-66	22.97	3.15	26.11	5.77	1.73	7.50	28.74	4.88	33.62
1966-67	26.87	3.51	30.38	5.33	2.55	7.88	32.20	6.05	38.25
1967-68	34.28	-3.30	30.98	4.56	3.05	7.61	38.85	-0.25	38.59
1968-69	34.50	17.04	51.54	5.42	1.98	7.40	39.92	19.02	58.94
1969-70	55.04	-4.03	51.01	5.14	1.82	6.96	60.18	-2.21	57.97
1970-71	42.61	1.64	44.25	5.91	2.36	8.26	48.51	4.00	52.51
1971-72	28.19	16.96	45.15	2.61	1.48	4.09	30.80	18.44	49.24
1972-73	-73.32	55.84	-17.49	3.32	1.19	4.51	-70.00	57.03	-12.97
1973-74	31.66	12.32	43.98	3.00	0.93	3.93	34.66	13.25	47.91
1974-75	48.18	10.44	58.61	0.00	0.31	0.31	48.18	10.74	58.92
1975-76	67.57	32.12	99.69	0.02	0.92	0.94	67.59	33.04	100.63
1976-77	57.11	19.23	76.34	0.12	1.15	1.27	57.23	20.37	77.60
1977-78	79.06	21.48	100.54	0.19	1.28	1.47	79.26	22.75	102.01
1978-79	103.97	29.07	133.04	0.22	1.83	2.04	104.19	30.90	135.09
1979-80	126.75	38.41	165.16	0.33	2.31	2.64	127.08	40.72	167.80
1980-81	134.26	28.45	162.72	0.66	8.30	8.97	134.93	36.76	171.68
1981-82	139.28	27.81	167.10	0.74	2.51	3.25	140.03	30.32	170.35
1982-83	146.04	38.36	184.40	1.23	2.82	4.05	147.27	41.17	188.44
1983-84	192.13	39.35	231.47	0.91	4.05	4.96	193.04	43.39	236.43
1984-85	184.82	63.21	248.02	0.90	4.84	5.74	185.72	68.05	253.77
1985-86	200.83	70.19	271.02	7.20		7.20	208.03	70.19	278.22
1986-87	246.16	77.31	323.47	9.66		9.66	255.82	77.31	333.13
1987-88	185.83	51.78	237.60	6.01		6.01	191.84	51.78	243.61
1988-89	201.13	59.13	260.26	8.03		8.03	209.16	59.13	268.29
1989-90	247.54	80.20	327.74	10.25		10.25	257.79	80.20	337.99

Table - 37 (contd. .)

YEAR	Capital Expenditure								
	Dev			Non-dev			Total Cap A/c		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1990-91	552.43	90.99	643.42	11.39		11.39	563.82	90.99	654.81
1991-92 (RE)	367.49	135.98	503.46	13.22		13.22	380.71	135.98	516.68
1992-93 (BE)	535.14	211.05	746.20	20.32		20.32	555.46	211.05	766.52
Period	Compounded Annual Growth Rate (%)								
1960-61 to 70-71	7.15	14.51	7.34	-1.73	2.98	-0.61	5.50	6.25	5.56
1970-71 to 80-81	12.16	33.04	13.91	-19.65	13.42	0.82	10.77	24.85	12.58
1980-81 to 90-91	15.19	12.33	14.74	32.91		2.42	15.37	9.49	14.32
1970-71 to 90-91	13.67	22.25	14.32	3.34		1.62	13.05	16.91	13.45
1960-61 to 90-91	11.45	19.61	11.95	1.62		0.87	10.47	13.24	10.75

Source:- Finance Accounts except for the years
1961-62, 1988-89, 1990-91, 1991-92 & 1992-93

Note:- Total may not tally due to rounding of figures.

Table - 37

Expenditure of Government of Karnataka

Rs. Crores

YEAR	Grand Total											
	Dev			Non-dev			Grant-in-Aid			Total		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1960-61	35.26	46.57	81.82	7.26	20.46	27.72	0.11	0.47	0.58	42.63	67.50	110.12
1961-62	30.18	64.95	95.13	7.54	25.27	32.81		0.80	0.80	37.72	91.02	128.74
1962-63	34.42	57.80	92.23	6.65	23.28	29.93	0.29	3.25	3.53	41.36	84.33	125.69
1963-64	37.78	59.57	97.35	5.77	25.96	31.74	0.08	3.64	3.72	43.64	89.18	132.81
1964-65	29.22	69.81	99.03	5.33	29.00	34.33	0.09	3.55	3.64	34.64	102.35	137.00
1965-66	41.72	73.86	115.57	6.17	33.50	39.67	0.19	3.65	3.84	48.07	111.01	159.08
1966-67	41.69	88.87	130.56	5.70	49.60	55.30		3.84	3.84	47.40	142.30	189.70
1967-68	52.56	86.12	138.68	5.05	48.49	53.54		3.89	3.89	57.61	138.51	196.12
1968-69	57.54	146.39	203.93	6.02	56.72	62.74		4.56	4.56	63.56	207.67	271.23
1969-70	75.00	119.19	194.18	5.49	66.51	72.00		6.32	6.32	80.49	192.02	272.50
1970-71	64.16	155.31	219.47	6.29	72.21	78.49		6.93	6.93	70.44	234.45	304.89
1971-72	57.22	181.42	238.65	3.01	68.83	71.85		7.46	7.46	60.24	257.71	317.95
1972-73	-40.04	261.49	221.44	3.80	79.33	83.13		8.03	8.03	-36.24	348.84	312.60
1973-74	67.60	227.21	294.81	3.60	103.72	107.33		7.94	7.94	71.20	338.87	410.07
1974-75	86.91	223.15	310.06	0.03	106.65	106.68		7.10	7.10	86.94	336.90	423.84
1975-76	122.33	275.29	397.63	0.59	123.69	124.28		7.31	7.31	122.92	406.29	529.21
1976-77	140.93	287.31	428.24	0.21	135.73	135.93		8.68	8.68	141.14	431.71	572.84
1977-78	163.21	311.99	475.20	0.25	151.72	151.97		8.69	8.69	163.46	472.40	635.86
1978-79	217.43	359.74	577.17	0.31	185.28	185.60		9.17	9.17	217.74	554.20	771.94
1979-80	248.58	431.97	680.55	0.40	191.74	192.14		33.76	33.76	248.98	657.47	906.45
1980-81	288.59	479.75	768.34	0.75	263.26	264.01		34.24	34.24	289.33	777.26	1066.59
1981-82	332.34	523.77	856.11	0.91	277.57	278.48		38.11	38.11	333.25	839.45	1172.70
1982-83	399.71	640.30	1040.00	1.39	346.79	348.18		39.03	39.03	401.09	1026.11	1427.21
1983-84	509.93	680.93	1190.86	1.73	413.86	415.58		46.54	46.54	511.65	1141.33	1652.98
1984-85	618.13	851.93	1470.05	1.70	602.06	603.76		63.47	63.47	619.83	1517.45	2137.29
1985-86	668.71	1002.20	1670.91	7.80	646.51	654.31		50.85	50.85	676.50	1699.57	2376.07
1986-87	742.89	1148.25	1891.14	9.92	576.59	586.51		60.20	60.20	752.82	1783.04	2536.00
1987-88	815.20	1290.75	2105.95	7.56	735.30	742.86		61.59	61.59	822.76	2087.63	2910.39
1988-89	834.98	1478.85	2313.83	11.43	865.50	876.93		79.82	79.82	846.41	2424.17	3270.58
1989-90	891.13	1794.59	2685.72	14.30	1037.06	1051.35		83.86	83.86	905.43	2915.50	3820.93

(Contd. .)

Table - 37(Concluded)

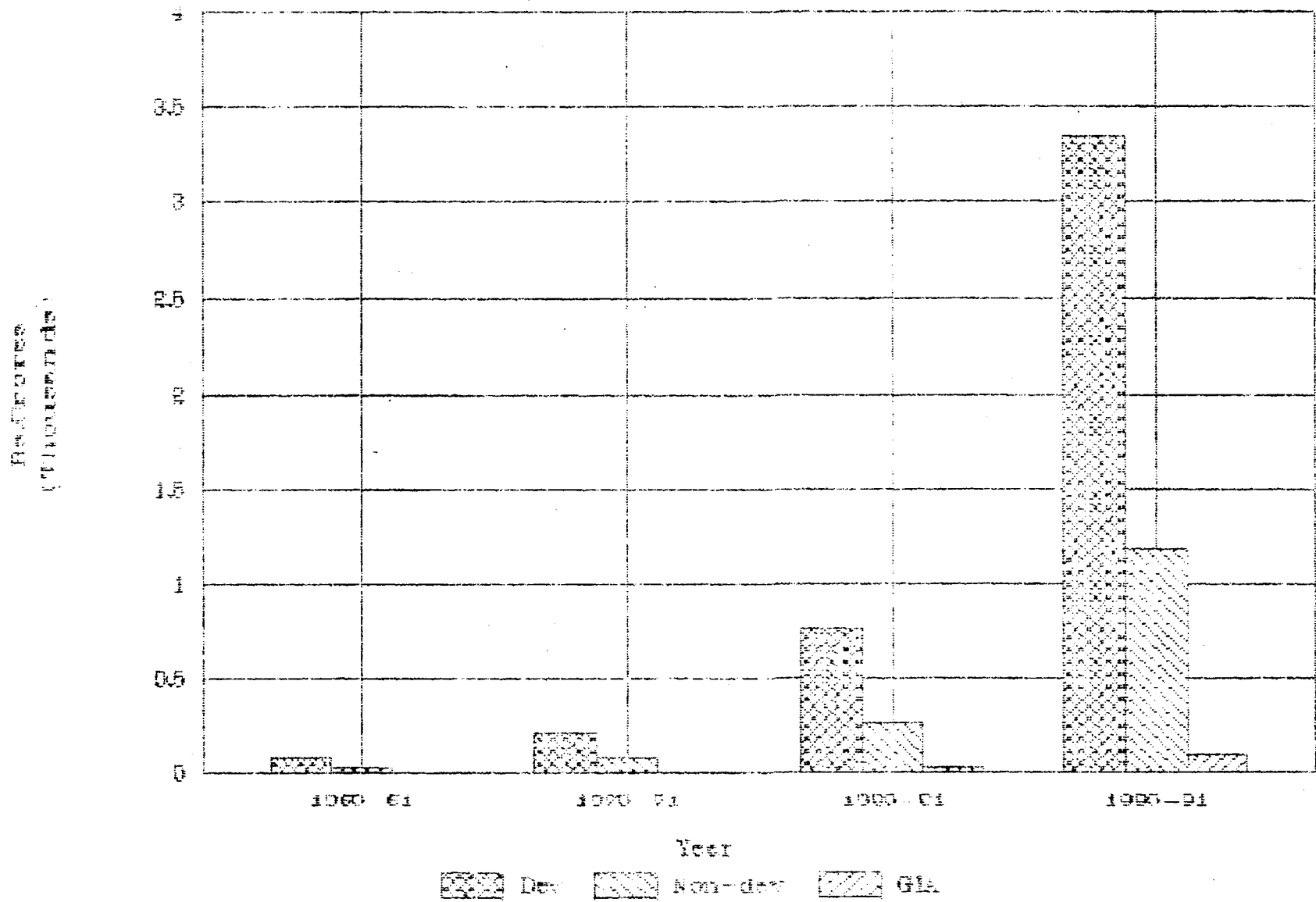
YEAR	Grand Total											
	Dev			Non-dev			Grant-in-Aid			Total		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
1990-91	1440.99	1900.65	3341.64	16.28	1169.70	1185.98		98.27	98.27	1457.27	3168.62	4625.89
1991-92 (RE)	1542.47	2321.09	3863.56	18.12	1374.57	1392.69		114.17	114.17	1560.59	3809.83	5370.42
1992-93 (BE)	2060.17	2603.15	4663.31	26.23	1629.48	1655.71		125.47	125.47	2086.40	4358.10	6444.50
Period				Compounded Annual Growth Rate (%)								
1960-61 to 70-71	6.17	12.80	10.37	-1.43	13.44	10.97		30.75	28.05	5.15	13.26	10.72
1970-71 to 80-81	16.23	11.94	13.35	-19.20	13.81	12.90		17.32	17.32	15.17	12.73	13.34
1980-81 to 90-91	17.45	14.76	15.84	36.11	16.08	16.21		11.12	11.12	17.55	15.09	15.80
1970-71 to 90-91	16.83	13.34	14.59	4.87	14.94	14.54		14.18	14.18	16.36	13.90	14.57
1960-61 to 90-91	13.17	13.16	13.16	2.73	14.44	13.34		19.46	18.63	12.49	13.69	13.27

Source:- Finance Accounts except for the years 1961-62, 1988-89, 1989-90, 1990-91, 1991-92 & 1992-93.

- Note:-
1. Excludes Loan expenditure, Public Account & Ways and Means advances
 2. Totals do not tally due to rounding off of figures.

Expenditure of Karnataka

Development, Non-development & GIA



6.7. In terms of per capita Developmental expenditure Karnataka was the State with the fifth highest per capita Developmental expenditure in 1989-90 among the major States. The per capita developmental expenditure had increased from Rs.141 in 1975-76 to Rs.668 in 1989-90. Punjab, Haryana, Maharashtra and Gujarat were the states which had incurred higher per capita Developmental expenditure in 1989-90 among the major states. Uttar Pradesh with Rs.491 and Bihar with Rs.406 were the states with lowest per capita developmental expenditure. In case of non-developmental expenditure, Karnataka stood 7th with a per capita non developmental expenditure of Rs. 237 in 1989-90. It was Rs.39 in 1975-76 . Punjab, Haryana, Maharashtra, Kerala, Gujarat and Tamilnadu were the states having a higher per capita non-developmental expenditure. West Bengal, Madhya Pradesh and Bihar were among the States having the lowest per capita non-developmental expenditure.

Table - 38

Per Capital Development, Non-Development and Total Budgetry Expenditure of State Governments: 1975-76 and 1989-90 (Revised) (Revenue and Capital Accounts Combined)

State	Per capita expenditure (Rs.)					
	Development		Non-development		Total	
	1975-76	1989-90	1975-76	1989-90	1975-76	1989-90
<u>Major States</u>						
Punjab	199	1, 071	53	403	277	1, 555
Haryana	184	942	52	332	267	1, 336
Maharashtra	157	921	70	318	243	1, 284
Gujarat	126	851	39	269	193	1, 177
Karnataka	141	668	39	237	196	975
Kerala	139	665	44	307	198	1, 047
Andhra Pradesh	118	662	32	218	162	929
Tamil Nadu	115	661	39	246	172	958
Orissa	108	613	38	210	157	889
Assam	91	601	36	227	141	934
West Bengal	99	548	36	197	174	808
Rajasthan	116	541	40	235	167	835
Madhya Pradesh	101	537	28	195	141	777
Uttar Pradesh	87	491	27	202	128	733
Bihar	72	406	36	175	108	619
<u>Other States</u>						
Sikkim	535	3, 727		702	605	4, 511
Mizoram		3, 474		1, 195		5, 081
Arunachal Pradesh		3, 380		932		4, 645
Nagaland	647	3, 154	29	1, 341	972	4, 880
Manipur	251	1, 860	72	553	378	2, 525
Goa		1, 853		593		2, 737
Meghalaya	214	1, 662	79	554	321	2, 279
Tripura	193	1, 581	49	499	243	2, 176
Himachal Pradesh	198	1, 478	74	502	283	2, 041
Jammu & Kashmir	332	1, 466	84	571	419	2, 207
All-States	115	659	38	244	171	958

Totals may not tally due to rounding off - 1989-90.

Ranked by per capita development expenditure in 1989-90.

Source: Basic Statistics Relating to the Indian Economy, September 1991. Centre for Monitoring Indian Economy.

PLAN AND NON-PLAN EXPENDITURE

6.8 Even though as a percentage of total expenditure plan expenditure has fallen from 38.71% in 1960-61 to 31.50% in 1990-91, it has increased considerably as a percentage of the total when compared to 23.1% of 1970-71 and 27.13% of 1980-81. Plan expenditure has increased from Rs.42.63 crores in 1960-61 to Rs.1457.27 crores in 1990-91 having a compound annual growth rate of 12.49%. During the decade 1980-81 to 1990-91 plan expenditure had the highest growth rate of 17.55% as against the growth rate of 15.80% of the total expenditure. However, non-plan expenditure had a higher growth rate of 13.69% between 1960-61 and 1990-91.

6.9. The reasons for the higher rate of growth of non-plan expenditure are not far to seek. Huge plan expenditure themselves bring about an increase in non-plan expenditure in the subsequent years. The capital assets created from the plan schemes/projects require to be maintained which results in higher non-plan expenditure in subsequent years when these plan schemes/projects are transferred to the non-plan category.

6.10. The plan expenditure under the revenue account formed 33.38% of the total plan expenditure in 1960-61 (inclusive of Grant in Aid). The plan revenue expenditure under the revenue account constituted 61.31% of the total plan expenditure in 1990-91. Thus it is evident that a very major portion of the plan expenditure is being met at present under the revenue account. It is therefore necessary to examine whether it is still appropriate for the planning commission to give plan assistance in the ratio of 30% as grant and 70% as loan. When this ratio was evolved the revenue component of the plan expenditure may have been around 30% of the total which has more than doubled as a percentage of the total over the years. This aspect requires a closer examination in the context of the recent emphasis on the reduction of the Fiscal deficit. Since a major part of the plan expenditure is met under the revenue account, any attempt to reduce borrowing may result in reduction in the capital part of the plan outlay.

6.11. Karnataka is ranked 10th in terms of the per capita plan expenditure in 1989-90. The per capita plan expenditure of the State was Rs.261 in 1989-90 as against the all states' per capita plan expenditure of Rs.196. Punjab again had the highest per capita plan expenditure whereas Tamilnadu and Bihar had the lowest among the major states. In 1975-76 Karnataka had the 5th highest per capita plan expenditure. The per capita non-plan expenditure of the State increased from Rs 144 in 1975-76 to Rs 714 in 1989-90. In case of per capita non-plan expenditure also Punjab tops the list followed by Maharashtra and Bihar again is the State with the lowest per capita non-plan expenditure.

Functional Classification of Expenditure:

Table - 39

Per Capita Plan, Non-plan and Total Expenditure of
State Government 1975-76 and 1989-90 (Revised)
(Revenue and Capital Accounts Combined)

Rs. crores						Per capita (Rs.)						
Plan expenditure		Non-plan expenditure		Total expenditure			Plan expenditure		Non-plan expenditure		Total expenditure	
1975-76	1989-90	1975-76	1989-90	1975-76	1989-90		1975-76	1989-90	1975-76	1989-90	1975-76	1989-90
						Major States						
136 (32.6)	979.7 (32.2)	282 (67.4)	2,067.2 (67.8)	418	3,046.8 (100.0)	Punjab	90	500	187	1,055	277	1,555
100 (32.7)	716.9 (33.1)	205 (67.3)	1,446.7 (66.9)	305	2,163.6 (100.0)	Haryana	87	443	180	893	267	1,338
84 (22.2)	1,163.9 (43.3)	295 (77.8)	1,521.3 (56.7)	379	2,685.2 (100.0)	Orissa	35	377	123	492	157	869
309 (22.7)	2,635.3 (27.7)	1,054 (77.3)	6,895.4 (72.3)	1363	9,530.7 (100.0)	Maharastra	55	355	188	929	243	1,284
62 (25.9)	838.3 (36.6)	178 (74.1)	1,449.6 (63.4)	240	2,287.9 (100.0)	Assam	37	342	105	592	141	934
174 (30.0)	1,366.6 (28.7)	407 (70.0)	3,387.2 (71.3)	582	4,753.8 (100.0)	Gujarat	58	338	135	838	193	1,177
209 (31.2)	1,823.0 (37.2)	461 (68.8)	3,079.1 (62.8)	670	4,902.1 (100.0)	Madhya Pradesh	45	389	99	488	141	777
180 (21.1)	1,710.9 (32.7)	675 (78.9)	3,523.7 (67.3)	856	5,234.6 (100.0)	West Bengal	18	264	137	544	174	808
173 (26.7)	1,164.2 (28.8)	474 (73.3)	3,184.5 (73.2)	646	4,348.8 (100.0)	Karnataka	52	261	144	714	196	975
139 (27.7)	1096.1 (30.2)	362 (72.3)	2,534.8 (69.8)	501	3,631.0 (100.0)	Rajasthan	47	252	122	583	167	835
88 (19.0)	728.4 (23.4)	373 (81.0)	2,380.9 (76.6)	461	3,109.3 (100.0)	Kerala	38	245	160	802	198	1,047

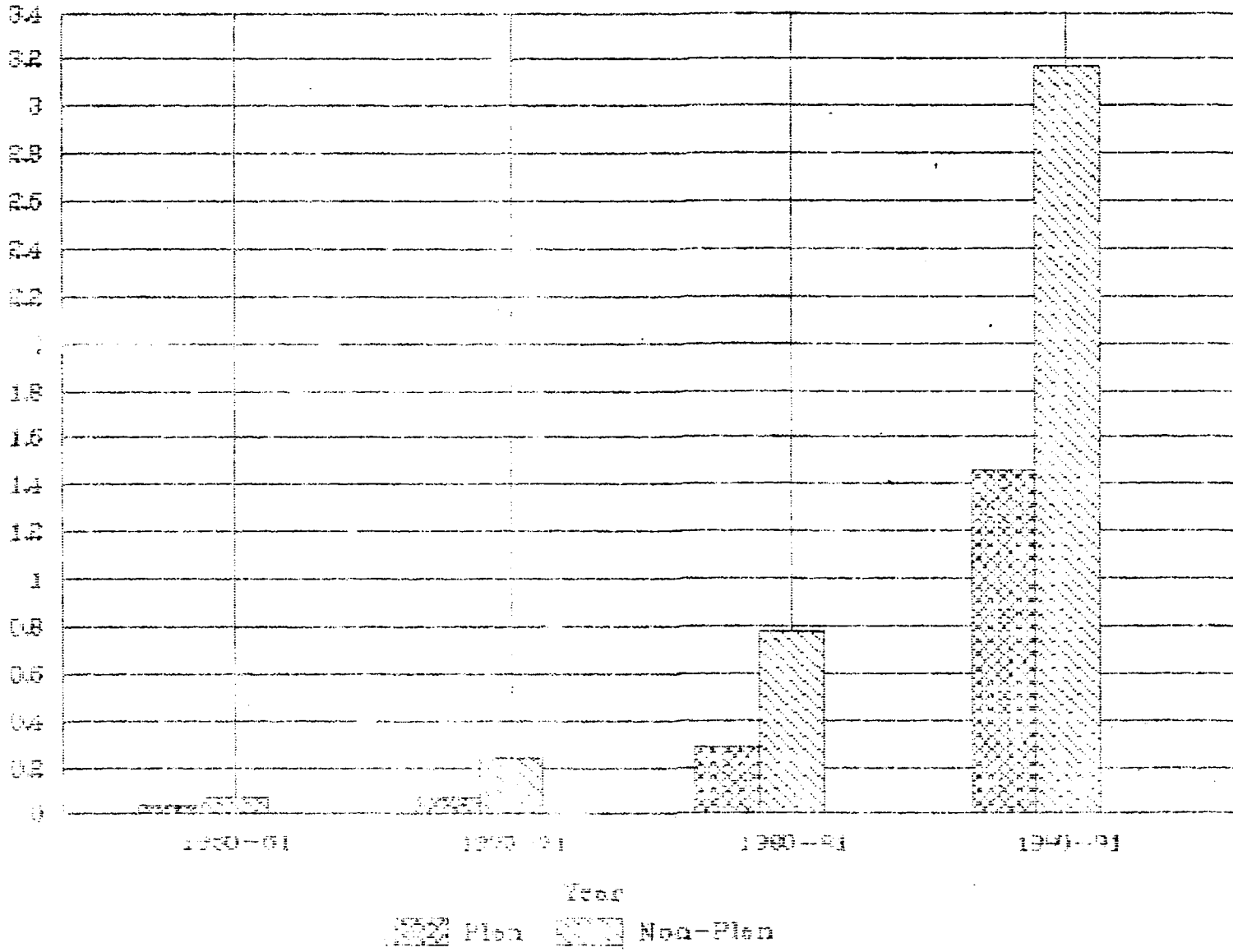
(Contd..)

Table 39(Concluded)

Rs. crores						Per capita (Rs.)						
Plan expenditure		Non-plan expenditure		Total expenditure			Plan expenditure		Non-plan expenditure		Total expenditure	
1975-76	1989-90	1975-76	1989-90	1975-76	1989-90		1975-76	1989-90	1975-76	1989-90	1975-76	1989-90
218 (27.8)	1,502.5 (25.6)	565 (72.2)	4,367.8 (74.4)	783	5,870.4 (100.0)	Andhra Pradesh	45	238	117	691	162	929
432 (34.2)	3,105.1 (31.7)	832 (65.8)	6,694.8 (68.3)	1264	9,799.9 (100.0)	Uttar Pradesh	44	232	84	501	128	733
151 (19.7)	1,165.8 (21.8)	617 (80.3)	4,172.3 (78.2)	768	5,338.0 (100.0)	Tamil Nadu	34	209	138	749	172	968
188 (27.1)	1,588.8 (30.3)	504 (72.9)	3,656.6 (69.7)	692	5,245.3 (100.0)	Bihar	30	188	80	432	108	619
7 (61.7)	97.4 (54.0)	5 (38.3)	83.0 (46.0)	12	180.4 (100.0)	Other States Sikkim	374	2,435	232	2,076	605	4,511
.....	155.9 (43.8)	.....	199.8 (56.2)	.....	355.7 (100.0)	Mizoram	.....	2,228	.....	2,854	.....	5,081
.....	162.8 (43.8)	.....	209.0 (56.2)	.....	371.6 (100.0)	Arunachal Pradesh	.....	2,033	.....	2,612	.....	4,645
17 (29.2)	180.3 (35.0)	41 (70.8)	334.5 (65.0)	58	514.8 (100.0)	Nagaland	284	1,639	688	3,041	972	4,680
19 (39.5)	184.4 (43.0)	30 (60.5)	244.9 (57.0)	49	429.3 (100.0)	Manipur	149	1,085	228	1,441	378	2,525
69 (31.6)	702.5 (43.6)	149 (68.4)	908.8 (56.4)	218	1,611.4 (100.0)	Jammu & Kashmir	130	962	281	1,245	419	2,207
15 (38.2)	157.6 (40.7)	24 (61.8)	229.8 (59.3)	39	387.4 (100.0)	Meghalaya	123	927	199	1,352	321	2,279
.....	129.6 (33.8)	.....	253.5 (66.2)	.....	383.1 (100.0)	Goa	.....	926	.....	1,811	.....	2,737
15 (34.4)	225.6 (41.5)	29 (65.6)	318.5 (58.5)	44	544.1 (100.0)	Tripura	83	903	159	1,274	243	2,176
38 (34.5)	408.4 (40.0)	72 (65.5)	612.2 (80.0)	110	1020.6 (100.0)	Himachal Pradesh	98	817	185	1,224	283	2,041
2,823 (27.0)	23987.4 (30.9)	7,635 (73.0)	53758.5 (69.1)	10,457	77745.9 (100.0)	All-States	46	296	125	663	[D]	958

EXPENDITURE OF KARNATAKA

Plan, Non-plan



6.12. Out of the total expenditure in 1990-91 (Revenue + Capital account excluding grants in aid, loan account and public account) the expenditure on Economic Services formed 38.59% which was marginally lower than the 40.21 percentage share in total expenditure incurred on Economic services during 1974-75. The second largest percentage share goes to Social and Community Services which formed 33.6% in 1990-91. An increase of 0.7% over 1974-75 percentage share. General services accounted for 25.64% in 1990-91 as against 25.17% in 1974-75. This shows that Social and community Services and Economic Services together accounted for 72.24% of the total expenditure in 1990-91. Thus a very major part (almost 3/4th of the Government expenditure) is of Developmental expenditure in nature.

6.13. If the expenditure under the revenue account alone is taken into consideration, it is found that Social Services accounted for as much as 38.75% of the revenue expenditure in 1990-91. While economic services and general services accounted for 29.19% and 29.58% respectively. On the other hand, capital expenditure outside the revenue account almost entirely goes towards economic services (95.57% of the total capital expenditure). Social Services and General Services account for just 2.69% and 1.74% respectively.

TABLE-40

Functional Classification of Expenditure in Karnataka:
(Revenue + Capital)

Rs. in Crores

Year	General Services	Social Services	Economic Services
1974-75	106.68 (25.17)	139.64 (32.95)	170.42 (40.21)
1990-91	1185.98 (25.64)	1556.52 (33.65)	1785.12 (38.59)

Note: (1) Figures in brackets indicate percentage to total expenditure (Revenue + Capital account).

(2) Percentages do not add to 100 because grants in aid and contributions under revenue account are excluded.

6.14. The following table shows that 23.68% of the total expenditure incurred during 1989-90 went towards 'Government Consumption Expenditure'. As much as 55.41% of the total expenditure went towards current transfers which also include interest and subsidy. 10.81% went towards financial investments and loans to the rest of the economy and only 9.43% went towards gross capital formation with acquisition of fixed assets accounting for just 0.17%. Thus Government consumption expenditure and current transfers account for a very major part of Government expenditure.

TABLE - 41

Total Expenditure of Karnataka (Budget) 1991-92

(Rs. Crores)

	1989-90 (Accounts)	1990-91 (R.E.)	1991-92 (B.E.)	Percent variation in 1991 - 92 over 1990-91
1. Final outlays	1282.32	1602.51	1965.80	22.67
(a) Government Consumption expenditure	913.80	1162.25	1416.74	21.90
(b) Gross capital formation	364.02	439.56	533.89	21.46
(c) Acquisition of fixed assets	4.50	0.70	15.17	-
2. Transfer Payments to the rest of the economy.	2159.45	2508.79	2859.77	14.00
(a) Current Transfers*	2138.22	2480.05	2819.93	13.70
(b) Capital trans- fers.	21.23	28.74	39.84	38.62
3. Financial invest- ments and loans to the rest of the economy.	417.18	641.23	493.79	(-)23.00
4. Total Expenditure	3858.95	4752.53	5319.36	11.93

Note: *Current transfers include interest and subsidy also

R.E.:Revised Estimates B.E. : Budget Estimates.

Source: Report on an Economic-cum-Purpose classification of the Karnataka Government Budget 1991-92, Directorate of Economics and Statistics.

6.15 Out of the total value of assets created amounting to Rs.358.54 crores during 1989-90, the values of assets created by departmental commercial undertakings amounted to Rs.265.93 crores or 74.17% of the total value of assets created and 75.05% of the total gross capital formation taking place during the year. The rest of the value of the assets created was by Government Administration.

TABLE - 42

Capital Formation by the Government, Karnataka

(Rs. Crores)

Sl. No.	Items	1989-90 (Accounts)	1990-91 (R.E.)	1991-92 (R.E.)	Percentage Variation in 1991-92 over 1990-91
1.	Value of assets created	358.54	439.44	533.74	21.46
	a) By Departmental Commercial under takings	265.93	306.81	375.42	22.36
	b) By Government administration	92.61	132.63	158.32	19.37
2.	Change in Stock in (a) & (b) above	5.48	0.12	0.15	25.00
	Total : Gross Capital Formation	364.02	439.56	533.89	21.46

R.E. : Revised Estimates

B.E. : Budget Estimates

Sources : Report on an Economic-cum-Purpose classification of the
Karnataka Government Budget 1991-92.
Directorate of Economics & Statistics.

6.16 The fact that Government participation on economic and other activities as well has increased over the years is evident from the fact that the total Government expenditure as a proportion of the State Domestic Product has almost doubled between 1974 -75 and 1989 -90 in case of out State. In 1974 -75 it formed 16.20% of the SDP whereas it was 32.23 of the SDP in 1989 -90. Similar increases are found in case of all the States. In fact Government expenditure as a percentage of SDP in Karnataka was very high, next only to Orissa and Andhra Pradesh in 1989 -90.

Table - 43

Proportion of total Government Expenditure in the State
Domestic Product

(Percentage)

State	1974-75	1978-79	1980-81	1985-86	1989-90
Andhra Pradesh	12.78	22.62	22.33	26.50	32.68
Bihar	12.70	18.08	27.42	23.42	29.84
Gujarat	18.08	17.7	21.68	23.51	29.31
Haryana	17.74	20.26	20.19	23.93	28.81
Karnataka	16.20	23.02	24.37	31.20	32.23
Kerala	18.05	22.76	24.40	33.27	29.03
Madhya Pradesh	14.36	22.55	25.97	25.61	23.19
Maharashtra	14.67	19.54	18.70	23.39	22.26
Orissa	17.80	27.28	28.32	24.95	46.20
Punjab	14.81	15.86	18.74	23.37	22.21
Rajasthan	16.37	21.74	27.09	27.36	30.01
Tamil Nadu	18.76	21.31	26.43	26.05	23.56
Uttar Pradesh	15.95	19.70	19.12	21.82	29.90
West Bengal	11.68	18.27	17.46	18.35	19.16

6.17. This tendency of the Government expenditure to increase is quite in line with the Wagner's Law of increasing State activities. In any State which has taken upon itself the responsibilities of not only bringing about balanced and a rapid economic development but also those of establishing a socialistic pattern of society and reducing poverty etc., there is bound to be such an increase in expenditure. In addition to these objectives the Government has been spending increasing amounts on Education, Health and Housing. Even though the new economic policy enunciated at the national level aims at reducing the interference and participation of the Government in various Economic activities, the activities of the State Government, may not get reduced unless conscious efforts are made by the State Government.

Plan Outlays.

6.18. There has been considerable increase in the plan outlay of the State from an outlay of just Rs.94 Crores during the first five year plan. It increased to an enormous amount of Rs. 3500 Crores during the seventh plan. Maharashtra and Uttar Pradesh continued to be the States with the largest plan outlay and Kerala and Assam are the States with the lowest outlay among the major States.

Table - 44

Plan Outlays: First Plan to Seventh Plan

(Rs. crores)

	First Plan: 1951-56	Second Plan: 1956-61	Third Plan: 1961-66	Annual Plan: 1966-69	Fourth Plan: 1969-74	Fifth Plan: 1974-79	1979-80	Sixth Plan: 1980-85	Seventh Plan: 1985-90
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Major States									
Maharashtra	125	214	434	389	1,005	2,348	763	6,175	10,500
Uttar Pradesh	166	228	560	451	1,163	2,446	690	5,850	10,147
Madhya Pradesh	94	146	288	167	476	1,380	455	3,800	7,900
Gujarat	99	147	238	208	545	1,186	392	3,680	6,000
Tamil Nadu	85	186	342	266	552	1,122	307	3,150	5,750
Andhra Pradesh	107	181	345	236	426	1,333	421	3,100	5,200
Bihar	102	177	332	217	479	1,296	357	3,225	5,100
West Bengal	154	156	300	161	364	1,247	450	3,500	4,125
Karnataka	94	139	251	192	374	998	299	2,265	3,500
Punjab	163	151	254	122	428	1,013	260	1,957	3,285
Rajasthan	66	100	211	137	309	709	275	2,025	3,000
Haryana	(a)	(a)	(a)	85	358	601	227	1,800	2,900
Orissa	85	89	224	123	249	585	191	1,500	2,700
Kerala	44	79	182	145	333	569	170	1,550	2,100
Assam	28	63	132	87	198	474	155	1,115	2,100
Other States									
Jammu & Kashmir	13	27	61	59	162	363	118	900	1,400
Himachal Pradesh	5	17	34	40	113	239	73	560	1,050
Tripura	2	9	16	11	35	70	28	245	440
Meghalaya	(a)	(a)	(a)	(a)	36	89	33	235	440
Manipur	1	6	13	7	31	93	31	240	430
Nagaland	(a)	(a)	11	16	38	83	26	210	400
Sikkim	(a)	(a)	(a)	(a)	(a)	40	18	122	230
Total	1,433	2,115	4,227	3,119	7,674	18,284	5,739	47,204	80,698

Note: (a) Was not a State during this period

Ranked by last column.

Source: Basic Statistics Relating to the Indian Economy, September 1991. Centre for Monitoring Indian Economy.

6.19. Although Karnataka had the 9th position among the major States in terms of highest plan outlay for the 7th plan, it was pushed to the 11th place in terms of per capita 7th plan outlay. It may be noted that Karnataka had the fifth largest per capita plan outlay during the First plan. Maharashtra and Uttar Pradesh which are the States having the largest plan outlay find the 4th and the 10th place in terms of per capita 7th Plan outlay. Haryana and Punjab occupy the first two places among the major states and West Bengal and Bihar find themselves at the bottom.

TABLE - 45

Per Capita Plan Outlays : First Plan to Seventh Plan

(Rupees)

State	First Plan: 1951-56	Second Plan: 1956-61	Third Plan: 1961-66	Annual Plans: 1966-69	Fourth Plan: 1969-74	Fifth Plan: 1974-79	1979-80	Sixth Plan: 1980-85	Seventh Plan: 1985-90
	1	2	3	4	5	6	7	8	9
Major States									
Haryana	*	*	*	91	358	481	176	13.4	1871
Punjab	175	146	212	90	316	531	155	11.8	1685
Gujarat	58	76	108	84	204	376	115	10.4	1485
Maharashtra	37	57	103	83	199	372	121	9.1	1434
Madhya Pradesh	34	48	84	44	114	254	87	6.7	1146
Tamilnadu	28	57	98	71	134	201	63	6.1	1063
Orissa	56	54	120	60	113	207	72	5.9	897
Assam	29	57	103	61	136	190	78	5.3	850
Andhra Pradesh	33	52	91	58	98	236	79	5.7	841
Uttar Pradesh	25	32	72	53	132	237	62	5.5	803
Karnataka	46	62	100	70	128	276	81	5.4	799
Kerala	31	49	101	73	156	224	67	5.7	727
Rajasthan	39	53	97	56	120	237	80	5.8	718
West Bengal	54	48	80	39	82	200	82	6.6	653
Bihar	25	40	67	40	85	155	51	4.2	626
Other States									
Sikkim	*	*	*	*	*	1163@	596	30.0	5750
Nagaland	*	*	280	400	747	1359	326	26.5	4000
Meghalaya	*	*	*	*	358	705	254	16.9	2750
Manipur	17	86	100	72	290	646	221	16.0	2529
Himachal Pradesh	21	64	127	119	328	467	170	12.4	2100
Jammu & Kashmir	39	77	166	152	351	603	197	14.9	1918
Tripura	21	94	156	82	223	320	133	11.4	1760
All States	38	51	92	61	142	262	85	6.0	1028

Note : * Was not a State during this period

@ Relates to period 1976-78

Sources : Basic Statistics Relating to the Indian Economy. September 1991.
Centre for Monitoring Indian Economy.

6.20. Another important aspect which has to be noted is that the share of Karnataka in the total plan outlays of all the States has had a consistent fall from 6.6% during the first two five year plans, to 5.5% during the 6th plan and just 4.6% during the seventh plan. During the first plan the largest share of the total plan outlay of the States was bagged by Uttar Pradesh and Punjab followed by West Bengal. In fact these 3 States together accounted for more than 1\3rd of the total outlay of the states although they accounted for only 27.6 percent of the total population of the States in 1951 (excluding population of union territories). During the 7th plan however the share of both Punjab as well as West Bengal comes down very considerably whereas that of Maharastra continues to remain the highest. Maharastra also has an equal share as that of Uttar Pradesh.

SECTOR WISE ALLOCATION

6.21 The Sector wise allocation of the 7th Plan outlay 1985-90 is given below :

in table 47

TABLE - 46

Plan Outlays : Share of Different States in Total Plan Outlay

(Percentage)

State	First Plan: 1951-56	Second Plan: 1956-61	Third Plan: 1961-66	Annual Plans: 1966-69	Fourth Plan: 1969-74	Fifth Plan: 1974-79	Annual Plan: 1979-80	Sixth Plan: 1980-85	Seventh Plan: 1985-90
I General Category									
A Developed States									
1. Gujarat	6.9	7.0	5.6	6.7	7.1	7.0	7.4	8.0	7.7
2. Haryana	@	@	@	2.7	4.7	3.4	3.3	3.2	3.7
3. Karnataka	6.6	6.6	5.9	6.2	4.9	5.3	5.2	5.5	4.6
4. Maharashtra	8.7	10.1	10.3	12.5	13.1	13.4	13.3	13.5	13.4
5. Punjab	11.4	7.1	6.0	3.9	5.6	4.8	4.4	3.9	4.2
6. West Bengal	10.7	7.4	7.1	5.2	4.7	6.3	6.2	5.0	5.3
Total - A	44.3	38.2	34.9	37.1	40.05	40.2	39.8	39.1	38.9
B Backward States									
7. Andhra Pradesh	7.5	8.6	8.2	7.6	5.6	7.4	7.3	6.6	6.7
8. Bihar	7.1	8.4	7.9	7.0	6.2	6.1	5.2	6.1	6.5
9. Kerala	3.1	3.7	4.3	4.6	4.3	3.4	3.7	3.4	2.7
10. Madhya Pradesh	6.6	6.9	6.8	5.4	6.2	7.1	8.4	8.0	9.0
11. Orissa	5.9	4.2	5.3	3.9	3.2	3.3	3.2	3.2	3.5
12. Rajasthan	4.6	4.7	5.0	4.4	4.0	4.5	4.7	4.4	3.8
13. Tamil Nadu	5.9	5.8	8.1	8.5	7.2	5.8	6.0	7.4	7.4
14. Uttar Pradesh	11.6	10.8	13.2	14.5	15.2	14.8	13.5	13.5	13.4
Total - B	52.3	56.1	58.8	55.9	52.0	52.4	52.0	52.6	52.8
Total A+B (I)	19.6	94.2	93.7	92.9	92.0	92.6	91.8	91.7	91.7
II Special Category									
15. Assam	2.0	3.0	3.1	2.8	2.6	2.2	2.6	2.6	2.7
16. Himachal Pradesh	0.3	0.8	0.8	1.3	1.5	1.2	1.3	1.4	1.3
17. Jammu & Kashmir	0.9	1.3	1.4	1.9	2.1	1.9	2.0	1.9	1.8
18. Manipur	0.1	0.3	0.3	0.2	0.4	0.5	0.5	0.5	0.6
19. Meghalaya	@	@	@	@	0.5	0.5	0.5	0.5	0.6
20. Nagaland	@	@	0.3	0.5	0.5	0.5	0.5	0.5	0.5
21. Sikkim	@	@	@	@	@	0.2	0.3	0.3	0.3
22. Tripura	0.1	0.4	0.4	0.4	0.5	0.4	0.5	0.6	0.6
Total - II	3.4	5.8	6.3	7.1	8.0	7.4	8.2	8.3	8.3
Total - All States →	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

@ was not a State during this period

Sources : Worked out in the Plan Finance and Resources Division, Planning Department.

6.22. The sectoral allocation of the 7th plan of the State shows that Social Services has been given Top-priority. It corners as much as 24.34% of the total outlay. However, when agriculture, rural development and Irrigation and flood control are taken together, their total share in the plan outlay constitutes 34.54%. Irrigation and flood control itself accounts for more than 1\5th of the outlay. Energy is the other sector which is given priority with a total outlay of 22.89%. Industry and Minerals and transport both get a little over 7% of the total outlay. The Sectoral allocation of other States is given in Table 47.

6.23. A comparison of the sectoral allocation of Karnataka with the all States' allocation doesnot show much divergence, except in case of energy, Industry and Minerals and Social Services. Karnataka's plan allocation on Energy forms 22.89% of the total 7th plan outlay whereas that of all States taken together was higher at 29.18%. It may be observed that Punjab, Madhya Pradesh, Haryana and Tamilnadu had allocated to energy sector as much as 49.91%, 38.0%, 34.92% and 34.96% of their allocation to Industry and Minerals at 7.06% was much more than the all States' percentage of 4.85%. Similarly, Karnataka's allocation to Social Services was also higher than that of all State's percentage allocation. The highest percentage allocation to Social Services among the major States was made by Tamilnadu, which was as much as 36.05% and the lowest percentage allocation to Social services was made by Orissa which formed 14.33% of its total outlay.

Sectorwise Allocation for Seventh Plan 1985-90

(Rs. in crores)

Sl. No.	State	Agriculture	*Rural Development	Special Area Program	Irrigation & Flood Control	Energy	Industry & Minerals	Transport	Communication Information & Broadcasting	Science & Technology	Social Service	Others	Total
I	General Category												
	A Developed States												
	1. Gujarat	386.40	135.49	-	1676.31	1447.50	259.67	377.40	16.07	8.00	1432.39	260.77	6000.00
	2. Haryana	277.34	47.52	15.10	594.61	1012.75	56.55	201.32	4.80	17.34	549.71	122.96	2900.00
	3. Karnataka	300.00	184.00	-	725.00	801.00	247.00	250.00	7.00	4.00	852.00	130.00	3500.00
	4. Maharashtra	655.61	680.49	320.49	1890.61	3053.04	365.00	779.69	7.60	4.00	2656.47	87.00	10500.00
	5. Punjab	325.98	65.99	21.10	370.00	1639.60	123.31	184.20	3.25	5.00	520.56	26.01	3285.00
	6. West Bengal	345.00	334.75	69.00	400.00	1249.25	316.00	217.30	5.80	6.60	950.65	230.65	4125.00
	Total - A	2290.33	1448.24	425.69	5656.53	9203.14	1367.53	2009.91	44.52	44.94	6961.78	857.39	30310.00
	B Backward States												
	7. Andhra Pradesh	278.80	272.00	-	1488.10	1105.90	312.90	272.70	12.60	10.30	1385.90	60.80	5200.00
	8. Bihar	278.15	458.05	4.50	1724.00	1083.00	216.60	403.10	2.00	4.60	861.85	64.15	5100.00
	9. Kerala	316.75	124.50	5.50	384.00	398.80	208.00	182.50	4.50	21.40	406.75	47.30	2100.00
	10. Madhya Pradesh	434.43	305.87	-	1976.48	2660.00	165.04	353.38	3.24	23.34	1070.61	7.61	7000.00
	11. Orissa	239.55	202.65	-	696.00	788.50	140.35	193.50	3.00	4.00	386.80	45.65	2700.00
	12. Rajasthan	180.86	146.77	-	797.15	879.72	190.69	139.84	1.60	8.40	630.06	24.91	3000.00
	13. Tamil Nadu	422.10	288.20	-	330.00	2010.00	285.00	282.00	3.00	8.70	2072.65	48.35	5750.00
	14. Uttar Pradesh	786.96	604.25	26.00	2200.00	3403.00	600.53	1077.99	12.50	15.00	1678.33	42.44	10447.00
	Total - B	2937.60	2402.29	36.00	9595.73	12328.92	2119.11	2905.01	42.44	95.74	8492.95	341.21	41297.00
	Total A+B (I)	5227.93	3850.53	461.69	15252.26	21532.06	3486.64	4914.92	86.96	140.68	15454.73	1198.60	71607.00

(Contd..)

TABLE - 47(Contd. .)

Sl No.	State	Agriculture	Rural Development	Special Area Program	Irrigation & Flood Control	Energy	Industry & Minerals	Transport	Communication Information & Broadcasting	Science & Technology	Social Service	Others	Total
II	Special Category												
	15. Assam	305.75	128.50	10.10	334.00	486.50	103.10	166.20	2.50	5.00	498.25	60.10	2100.00
	16. Himachal Pradesh	231.62	36.54	-	74.50	263.61	26.57	172.50	1.00	1.25	213.64	28.77	1050.00
	17. Jammu & Kashmir	156.25	42.12	95.90	120.36	279.32	72.75	160.70	2.03	2.00	449.07	19.50	1400.00
	18. Manipur	56.60	19.35	-	78.00	36.42	24.30	72.50	1.00	2.50	120.87	18.46	430.00
	19. Meghalaya	74.95	12.08	10.00	11.60	71.50	19.35	83.50	0.60	1.70	122.12	32.60	440.00
	20. Nagaland	73.00	19.80	8.00	15.00	33.80	28.20	102.50	3.50	0.85	100.20	15.15	400.00
	21. Sikkim	48.50	3.97	-	16.05	34.94	8.72	46.68	0.47	0.80	62.96	6.91	230.00
	22. Tripura	73.80	29.95	-	48.00	48.00	16.25	53.00	1.27	2.50	161.04	6.19	440.00
	Total - II	1020.47	292.31	124.00	697.51	1254.09	299.24	857.58	12.37	16.60	1728.15	187.68	6490.00
	Total - All States →	6248.4	4142.8	585.69	15949.77	22786.2	3785.88	5772.50	99.33	157.28	17182.88	1386.28	78097.00

* Subsequent increase of Rs. 75 Crores is not accounted for.

TABLE - 47

Sectorwise Allocation for Seventh Plan 1985-90

(Percentage)

Sl. No.	State	Agriculture	Rural Development	Special Area Program	Irrigation & Flood Control	Energy	Industry & Minerals	Transport	Communication Information & Broadcasting	Science & Technology	Social Service	Others	Total
I	General Category												
	A Developed States												
	1. Gujarat	6.44	2.26	0.00	27.94	24.13	4.33	6.29	0.27	0.13	23.87	4.35	100.00
	2. Haryana	9.56	1.64	0.52	20.50	34.92	1.95	6.94	0.17	0.60	18.96	4.24	100.00
	3. Karnataka	8.57	5.26	0.00	20.71	22.89	7.06	7.14	0.20	0.11	24.34	3.71	100.00
	4. Maharashtra	6.24	6.48	3.05	18.01	29.08	3.48	7.43	0.07	0.04	25.30	0.83	100.00
	5. Punjab	9.92	2.01	0.64	11.26	49.91	3.75	5.61	0.10	0.15	15.85	0.79	100.00
	6. West Bengal	8.36	8.12	1.67	9.70	30.28	7.66	5.27	0.14	0.16	23.05	5.59	100.00
	Total - A	7.56	4.78	4.40	18.66	30.36	4.51	6.63	0.15	0.15	22.97	2.83	100.00
	B Backward States												
	7. Andhra Pradesh	5.36	5.23	0.00	28.62	21.27	6.02	5.24	0.24	0.20	26.65	1.17	100.00
	8. Bihar	5.45	8.98	0.09	33.80	21.24	4.25	7.90	0.04	0.09	16.90	1.26	100.00
	9. Kerala	15.08	5.93	0.26	18.29	18.99	9.90	8.69	0.21	1.02	19.37	2.25	100.00
	10. Madhya Pradesh	6.21	4.37	0.00	28.24	38.00	2.36	5.05	0.05	0.33	15.29	0.11	100.00
	11. Orissa	8.87	7.51	0.00	25.78	29.20	5.20	7.17	0.11	0.15	14.33	1.69	100.00
	12. Rajasthan	6.03	4.89	0.00	26.57	29.32	6.36	4.66	0.05	0.28	21.00	0.83	100.00
	13. Tamil Nadu	7.34	5.01	0.00	5.74	34.96	4.96	4.90	0.05	0.15	36.05	0.84	100.00
	14. Uttar Pradesh	7.53	5.78	0.25	21.06	32.57	5.75	10.32	0.12	0.14	16.07	0.41	100.00
	Total - B	7.11	5.82	0.09	23.24	29.85	5.13	7.03	0.10	0.23	20.57	0.83	100.00
	Total A+B (I)	7.30	0.38	0.64	21.30	30.07	4.87	6.86	0.12	0.20	21.58	1.67	100.00

Table - 47 (concluded)

Sl. No.	State	Agriculture	Rural Development	Special Area Program	Irrigation & Flood Control	Energy	Industry & Minerals	Transport	Communication Information & Broadcasting	Science & Technology	Social Service	Others	Total
II	Special Category												
	15. Assam	14.56	6.12	0.48	15.90	23.17	4.91	7.91	0.12	0.24	23.73	2.86	100.00
	16. Himachal Pradesh	22.06	3.48	0.00	7.10	25.11	2.53	16.43	0.10	0.12	20.35	2.74	100.00
	17. Jammu & Kashmir	11.16	3.01	6.85	8.60	19.95	5.20	11.48	0.15	0.14	32.08	1.39	100.00
	18. Manipur	13.16	4.50	0.00	18.14	8.47	5.65	16.86	0.23	0.58	28.11	4.29	100.00
	19. Meghalaya	17.03	2.75	2.27	2.64	16.25	4.40	18.98	0.14	0.39	27.75	7.41	100.00
	20. Nagaland	18.25	4.95	2.00	3.75	8.45	7.05	25.63	0.88	0.21	25.05	3.79	100.00
	21. Sikkim	21.09	1.73	0.00	6.98	15.19	3.79	20.30	0.20	0.35	27.37	3.00	100.00
	22. Tripura	16.77	6.81	0.00	10.91	10.91	3.69	12.05	0.29	0.57	36.60	1.41	100.00
	Total - II	15.72	4.50	1.91	10.75	19.32	4.61	13.21	0.19	0.26	26.63	2.89	100.00
	Total - All States →	8.00	5.30	0.75	20.42	29.18	4.85	7.39	0.13	0.20	22.60	1.78	100.00

Source : Interstate Economic Indicators - issued by Plan Finance and Resource Division, Planning Department, May 90.

Chapter VII

Receipts and Expenditure Vis-a-Vis NFC estimates.

7.1. The Ninth Finance Commission made normative estimates of receipts and expenditure of each State government and on the basis of this estimate it made its recommendations particularly those relating to grants-in aid under Article 275 of the constitution. Though the period covered by NFC (1990-95) is yet to be completed, we have data relating to revenue expenditure for the first three years. However, the figures for 1991-92 are revised figures and for 1992-93 we only have budget estimates which may not reflect exactly the correct picture. In case of certain items of receipts and expenditure, the data is not available at all for several reasons. However, an attempt is made to compare the revenue and expenditure figures of the state with the figures given by the NFC.

Tax Receipts:

7.2. To start with, the receipts from various taxes are taken. It is found that our performance in case of tax revenue has been satisfactory as could be seen from the following statement.

Table-48

Revenue from different State Taxes vis-a-vis Normative Estimates made by N.F.C.

		(Rs.in lakhs)							
		1989-90		1990-91		1991-92		1992-93	
Sl No	Tax	Actu-als	NFC Est.	Actu-als	NFC Est.	Act-als (RE)	NFC Est.	Actu-als (BE)	NFC Est
1	Sales Tax	108121 (1.5)	106551	131692 (10.7)	118920	176400 (33.0)	132612	203300 (37.6)	147'65
2	State Excise Duty	32757 (1.2)	32368	42969 (14.5)	37543	53000 (21.8)	43508	57300 (13.7)	50381
3	Motor Vehicles & Passenger goods Taxes*	21485 (10.4)	19459	25792 (16.1)	22224	30500 (20.3)	25360	32700 (13.1)	28915
4	Stamps & Registration	12649 (1.6)	12451	14428 (7.9)	13375	21000 (46.3)	14355	27500 (78.6)	15395

Sl No	Tax	1989-90		1990-91		1991-92		1992-93	
		Actuals	NFC Est.	Actuals	NFC Est.	Actuals (RE)	NFC Est.	Actuals (BE)	NFC Est.
5	Entertainment Tax	4077 (-13.9)	4736	4201 (-22.9)	5447	4900 (-21.7)	6260	5600 (-22.1)	7188
6	Agri. & Land Revenue	3069 (-2.8)	3157	2258 (-24.6)	2993	3300 (+16.2)	2836	3300 (22.8)	2688
7	All Taxes	193223 (5.7)	182846	233212 (13.8)	204959	305536 (33.0)	229745	347811 (35.1)	257530

Note: 1. Figures in bracket indicate the percentage excess/deficit of actual receipt over the NFC Estimate

2. *includes Entry Tax

7.3 The actual collection of all taxes taken together exceeds the estimates of NFC quite substantially during 1989-90. It exceeded the NFC Estimates by 5.7 percent during 1989-90 and in 1990-91, it exceeded the NFC Estimate by as much as 13.8 percent. If the revised estimates for 1991-92 are realized the total tax revenue would exceed the NFC estimate by a huge 33.0 percent. The 1992-93 budget estimates put the excess of tax revenue over NFC estimates at 35.1 percent.

7.4 Individually, receipts from all taxes except Entertainment tax and Agriculture and Land Revenue have substantially been higher than the NFC estimates. The receipts from Sales Tax, State Excise Duties and Motor Vehicles and Passenger goods Taxes have been particularly satisfactory. The exemption from Entertainment Tax given to Kannada Films to one of the reasons for smaller collection of this tax. The matters relating to Agricultural taxation have been discussed elsewhere in this review.

Non-Tax Receipts:-

7.5 Receipts from non-tax revenue sources do not show a similar trend. Many of the receipts fall short of the NFC estimates. Based on its estimates the NFC found Karnataka to have a net non-plan Revenue surplus and thus did not recommend for any grants-in-aid. The estimates of non-tax revenue made by NFC were on a higher side because of the assumptions made by NFC such as a certain minimum returns from Public Sector enterprises, certain net receipts from major and medium irrigation projects etc. The estimates made by the NFC overlook certain constraints under which these enterprises are working and under which some of the projects/schemes are being implemented by the State. These have been briefly taken up in the following paragraphs.

I-Dividends from State Government's Investment in Public enterprises

7.6 The Eighth as well as the Ninth Finance Commission categorised the state enterprises (PSE's) into (a) Promotional Enterprises (b) Financial Enterprises and (c) Commercial Enterprises. The rate of return expected from these enterprises was zero percent, 3 percent and 5 percent respectively. Based on these rates of return it worked out the dividends for 1990-91 and for the five year period 1990-95.

7.7 The latest annual report (tenth) of the Karnataka State Bureau of Public Enterprises provides data only upto 1989-90. Therefore the data for the first three years of the period covered by NFC is not available for comparison. But the general picture emerging from past trend indicates the actual receipts from PSE's to be much lower than the NFC estimates and in some cases the receipts may be negative. Dividends and profits from Government Commercial and industrial undertakings were only Rs. 2.4 Crores in 1990-91. They were Rs. 3.15 Crores in 1991-92 (RE) and are estimated to be Rs. 3.20 Crores (BE) during 1992-93. Dividends and profits to the Government from other commercial and industrial undertakings in which the State Government has a share amounted to Rs.0.20 Crores in 1990-91 and Rs.0.30 Crores (RE) in 1991-92 and are estimated to remain at Rs.0.30 crores during 1992-93(BE). These figures show that for the huge investments which it has made, the returns are extremely low.

7.8 The NFC envisages that the KSRTC should earn profit and gradually increase the profits from an estimated Rs.1.26 Crores in 1990-91 to Rs.8.20 Crores in 1994-95. As pointed out earlier it has assumed a 3 percent return on state government's investment in Public Sector Financial enterprises, a 5 percent return from commercial enterprises and a zero percent return from promotional enterprises.

7.9 The KSRTC, in reality incurred a loss of Rs.37.70 Crores in 1989-90 which forms 25.47 percent of the total losses incurred by all the PSE's. Its accumulated losses in 1988-89 amounted to Rs.54.00 crores. There is little indication that it will reach the break even point and earn profits subsequently in the near future. It should be noted here that as per the data given by the NFC itself, the Physical performance in terms of staff-bus ratio or fleet utilisation or Kms. run per litre of HSD etc., of KSRTC is comparable even with those of profit making state road transport corporations of other states. It is only its financial performance which requires improvement. The fact cannot be ignored that it is not easy for the KSRTC to increase its fares to meet the cost escalation because of public resentment. The KSRTC is bound by certain norms as far as emoluments to its staff and service conditions are concerned. For example, it pays much higher salary to its drivers, conductors etc., than the private operators. Further it is forced to provide concessions to certain categories of passengers. These are the constraints which the NFC seems not to have given much importance. However, there is certainly room for improvement in the financial performance of the KSRTC which it has to take up without any loss of time. The per effective Kms. loss in case of KSRTC at 6 paise in 1987-88 was one of the lowest among the loss making State Road Transport Corporations. It was as high as 553 paise in case of Calcutta STC and 215 paise in case of BEST. Only a few STCs such as that of Andhra Pradesh(APSRTC) earned profits during this year.

Returns from Major and Medium Irrigation:-

7.10 A study entitled "Public Investment in Irrigation" was done in 1987 by the Special Studies Division of the Planning Department on the lines of an earlier study done by Dr.D.M.Nanjundappa. It found that the water rate formed just 3.0 percent of the net income from Kharif Paddy in Karnataka. Irrigation charges even in case of a highly remunerative commercial crop like Sugarcane, formed just 4.8 percent of the net income. Working out the operational costs and the returns from irrigation, the study revealed that a minimum increase of 55 percent in the water rates was necessary just to meet the operational expenses. It recommended average irrigation charges of Rs.83 per acre in order to get returns sufficient to cover operational and maintenance costs. In order to get one, three and six percent returns, it recommended average Irrigation Charges of Rs.117/-, Rs.184/-and Rs.285/-per acre respectively. With increase in the operational and maintenance costs subsequent to this recommendation, the irrigation charges to be imposed will have to be much higher if the irrigation schemes have to bring some net revenue to the government. The present rate of irrigation charges which were revised effective from 1.1.1989 are low compared to the above recommended rates except in case of Sugarcane, in case of which it is Rs.400 per acre. In case of Paddy it is Rs.100/-per acre. The water rate is Rs.35/-in case of Jowar, Maize, Ragi and pulses and Rs.60/in case of Groundnut, Sunflower and Cotton. It can thus be seen that the rates of irrigation charges are low even though they have been revised in 1988-89. Keeping in view the cost escalation caused by inflation, it is necessary to revise them upwards at regular intervals. One can even think of some sort of "Index Binding" so that these charges move up proportionately with the price level. Unlike what is demanded by many experts, these rates are not applicable to land irrigated by Minor Irrigation Schemes.

7.11 The data relating to returns from Major and Medium Irrigation Schemes vis-a-vis the estimates of NFC alongwith estimated and actual expenditure on these schemes is given below:

Table-49

Returns from Major and Medium Irrigation Schemes:-

(Rs.in lakhs)

Actual/Estimated	Year		
	1990-91	1991-92	1992-93
1>Returns estimated by NFC	1466	1880	2343
2.Actual/estimated Receipts	1689	2000(RE)	3100(BE)

7.12 The returns from major and medium irrigation schemes exceed the returns worked out by the Ninth Finance Commission(NFC)). However, the NFC had also estimated what it terms as the "total working expenses." If this term "total working expenses" is taken to mean the total revenue expenditure in major and medium irrigation schemes, then the actual revenue expenditure exceeds the expenditure figures worked out by the NFC and the negative net receipts from these schemes are larger as shown below:

Table-50

(Rs.in lakhs)

Expenditure/Receipts	Year		
	1990-91	1991-92	1992-93
I. Estimates made by NFC			
(1) Total Working Expenses	1487	1905	2366
(2) Receipts from Major and Medium Irrigation	1466	1880	2343
(3) Net Receipt (2-1)	(-)21	(-)25	(-)23

Expenditure/Receipts	Year		
	1990-91	1991-92	1992-93
II. Actual/Estimated Receipts/Expenditure			
(a) Revenue Expenditure on Major & Medium Irrigation	16876	18554(RE)	20604(BE)
(b) Receipts from Major & Medium Irrigation	1689	3100(RE)	2400(BE)
(c) Net Receipts(b-a)	(-)15187	(-)15454	(-)18204
(d) Interest Receipts on Irrigation Works (Commercial)	13324	15007(RE)	17005(BE)
(e) Total Receipts	15013	18107	19405
(f) Total Net Receipts (e-a)	(-)1863	(-)447	(-)1199

7.13 The negative net receipts get substantially reduced when interest receipts from these schemes are added to the revenue receipts. However, they still exceed the negative net receipts estimates of the NFC by a substantial amount. The NFC as well as the Eighth Finance Commission consider it necessary that the major and medium irrigation schemes should bring an amount of revenue to the government which would at least be equal to the maintenance costs. For this to be achieved on the one hand the expenditure on these schemes will have to be cut down quite substantially and on the other, receipts should be made to increase by revising, if necessary, the irrigation rates.

Karnataka Electricity Board and Karnataka Power Corporation.

7.14 The PSE in which the state government has the second largest share capital is the Karnataka Power Corporation(KPC). The state government's share capital investment amounted to Rs. 56.00 Crores as at the end of 1989-90. Similarly, the state government's investment in Karnataka Electricity Board(KEB) in the form of loans was Rs.601.81 Crores at the end of 1989-90. KPC made a net profit of Rs.8.30 Crores which forms less than one percent of the total investment in KPC(Rs.1382.06 Crores). It had no accumulated losses. On the other hand, the KEB was the largest loss making PSE incurring a loss of Rs.79.64 Crores in 1989-90. Its total accumulated losses amounted to Rs.372.72 Crores.

7.15 There are certain factors which are responsible for the losses incurred by the KEB which require closer examination. Firstly, KEB loses a lot of revenue due to Transmission and Distribution losses (T & D). The T & D losses have been 20 percent and above of the electricity available every year over the last decade. In 1989-90 they formed 20 percent of the electricity available. Though this is a little lower than the All-India average of 23.0 percent (for utilities only), it is still very much higher than what is permissible on technical grounds. Losses due to technical reasons need not exceed 8 to 10 percent. Theft of power is a possible reason for the higher T & D losses which needs to be checked if KEB wants to earn profits. In Haryana, Uttar Pradesh and Orissa the T & D losses are the highest among major states at 29.2%, 26.1% and 24.0% respectively. Among the major states, T & D losses are lowest in Tamil Nadu, Punjab and Maharashtra at 18.5%, 19.0% and 17.6% respectively. It should be noted that since Karnataka depends very largely on Hydro power generation (almost 85 percent of installed capacity being Hydro), plant load factor (PLF) and thereby power generation depends upon the rainfall. The PLF for both the Hydro and Thermal Power was between 32 and 45 percent between 1986-87 and 1989-90. In 1990-91 it had reached 51.4 percent. In case of thermal plants, Karnataka stands first among the States with a PLF of 76.9 percent in 1989-90 as against the national average for all electricity boards of 53.0 percent.

7.16 A very important factor affecting the earnings of KHB is the subsidy in power tariff provided to certain category of consumers. According to CMIE, the average cost of generation and supply of electricity excluding the state electricity duty in Karnataka was 77.74 paise per KWH in 1988-89. On the other hand, the average rate of realisation was 64.50 paise in case of electricity supplied to the Domestic Sector, 11.55 paise in case of electricity supplied to Agricultural Sector and 100.50 paise in case of electricity supplied to the Industrial Sector. Thus the extent of subsidy per KWH was 13.2 paise in case of domestic sector and 66.19 paise per KWH in case of Agricultural Sector. It was only the industrial sector which was paying 22.76 paise per KWH more than the average cost of generation and supply. Agricultural sector was paying just 14.79 percent of the average cost of generation and supply and the Domestic Sector was paying 82.97 percent of the average cost. It may be noted that the consumption of electricity by industries amounts to only 45.61 percent of the total consumption. Irrigation pumpsets account for 29.55 percent of the total consumption and domestic lighting and AEH account for 14.63 percent. Thus more than 44 percent of the total consumption is highly subsidised. This is however not peculiar to Karnataka. The extent of subsidy is much higher in case of many other states.

Table - 51

Power: Average Cost of Generation & Supply and Average Rate of Realisation in Major States 1988-89.

(Paise/KWH)

State	Average cost of generation & supply *	Average rate of realisation		
		Domestic	Agriculture	Industry
Andhra Pradesh	61.44	56.67	4.50	108.12
Bihar	103.90	63.33	9.41	131.02
Gujarath	105.40	66.56	20.82	116.25
Haryana	88.36	59.00	28.01	115.36
Himachal Pradesh	117.28	45.40	20.00	70.59
Karnataka	77.74	64.50	11.55	100.50
Kerala	61.29	47.66	22.04	48.47
Madhya Pradesh	81.84	49.00	24.61	101.32
Maharashtra	91.11	43.50 @	9.00	112.54
Orissa	72.43	89.33	22.05	62.47
Punjab	84.45	60.33	9.18	62.84
Rajasthan	88.50	58.22 \$	29.48	90.99
Tamilnadu	90.01	56.67	11.20	88.36
Uttarpradesh	101.34	75.00	22.67	108.16
West Bengal	122.14	57.00	26.86	91.08
Assam	224.76	65.00	30.00	82.78
Meghalaya	85.42	50.00	22.06	54.84
Total	91.04	53.93 \$	15.70	97.85
Consumption of Power(%) during 1988-89		15	24	48

* Without State Electricity Duty.

@ For Bombay and Pune. 42.50 for other areas.

\$ Relates to 1987-88.

SOURCE: Basic Statistics relating to India Economy Vol.2-States, September 1991(CMIE).

7.17 The Rural Electrification is also another factor which has increased the average cost of supply of electricity. While there is no dispute regarding the absolute necessity of providing all the villages with electricity, this is indicated here only to bring out the fact that several social obligations which bring down profit earning capability of the KEB should be recognised as a reality.

7.18 Therefore, for the KEB to earn profits and to contribute positively to the state exchequer, it should (i) improve upon its operational efficiency, (ii) Check loopholes in order to eliminate pilferage and (iii) reduce the extent of subsidy given to various classes of consumers. The first two measures would, among other things, help in reducing the T & D losses. The third measure will augment earnings of the KEB.

Surplus or Deficit on Revenue Account

Table - 52

Surplus or Deficit on Revenue Account: (Before Finance Commission Transfers)

(Rs. in Crores)

?	1990-91		1991-92		1992-93	
	As per		As per		As per	
	NFC	Actual	NFC	RE	NFC	BE
I Revenue Receipts						
i. Tax Revenue (State's own)	2047.30	2332.12	2294.92	3055.36	2572.48	3478.11
ii. Non-Tax Revenue (State's own)	450.50	517.20	491.03	623.47	531.93	717.50
iii. Non-Plan Grants	27.82	43.51	29.77	51.06	31.85	53.80
iv. Total	2525.62	2892.83	2815.72	3729.89	3136.26	4249.41
II. Non-Plan Revenue Expenditure	2521.76	3077.63	2738.28	3673.85	2975.90	4147.05
III Surplus/Deficit	+3.86	-184.40	+77.44	+56.04	+160.36	+102.36

7.19 The above statement shows that the normative estimates of both revenue as well as expenditure made by the NFC are off the mark atleast for the year 1990-91. The performance of Karnataka with regard to tax revenue in the light of the NFC estimates is very much satisfactory. The actual state's own tax revenue exceeds the NFC estimates during 1990-91 by as much as 13.91 percent (Rs.284.82crores). During the subsequent two years also a similar trend is estimated. During 1991-92 the states's own tax revenue

is estimated to exceed the NFC estimates by 33.14 percent(RE) and during 1992-93 it is estimated to exceed by 35.20 percent(BE). The non-plan grants also exceed the NFC estimates. However, the non-tax revenue fell short of the NFC estimates during 1990-91. The actual non-tax revenue fell short of the NFC estimates by 14.81 percent(Rs.66.70 crores). But during 1991-92(RE) and 1992-93(BE) it is estimated to exceed the NFC estimates by 26.97 percent (Rs.132.44 crores) and 34.89 percent (Rs.185.57 crores) respectively. It is heartening to note that this has been possible despite the failure of PSEs, the major and medium irrigation schemes etc., to earn profits as envisaged by the NFC. If these enterprises and schemes had contributed positively to the state exchequer the state government could be in a much better financial position.

7.20 The total State's own revenue receipts exceeded the NFC estimates by 14.54 percent (Rs.367.21 crores) during 1990-91. During 1991-92(RE) and 1992-93(BE) they are estimated to exceed the NFC estimates by 32.47 percent (Rs.914.17 crores) and 35.49 percent (Rs.1113.15 crores). Therefore, the performance of the state government in the matters of resource mobilisation has been better than what was required by NFC. Since, the NFC had estimated a surplus (before Finance Commission transfers) on the revenue account of the state with its lower estimates of state's own revenue receipts, the state should have had an actual surplus on its revenue account far in excess of the NFC estimates. However, this has not happened. While there was a huge deficit of Rs.184.80 crores during 1990-91, the surplus during the subsequent two years are less than the NFC estimates. The reason is not far to seek. The normative estimates of non-plan revenue expenditure of the state government made by the NFC turned out to be much lower than the actual expenditure incurred by the state government.

7.21 The actual non-plan revenue expenditure exceeded the NFC estimates by 22.04 percent(Rs.555.87 crores) during 1990-91. They are estimated to exceed the NFC estimates during 1991-92 and 1992-93 by 34.17 percent(Rs.935.57 crores) and 39.35 percent (Rs.1171.15 crores) respectively. This has resulted in the non-plan revenue account showing a large deficit of Rs.184.80 crores in 1990-91 as against a surplus of Rs.3.86 crores estimated by the NFC. However during the subsequent two years there is a surplus despite this underestimation of non-plan revenue expenditure only because the state has done well to mobilise more revenue than what was estimated by the NFC.

7.22 The Ninth Finance Commission based its decision regarding grants-in-aid of revenue under Article 275 on its above estimates of surplus in our non-plan revenue account and hence did not recommend any grants-in-aid at all to Karnataka. Karnataka was among the only four states who were denied grants-in-aid by the NFC. The other three being Gujarat, Haryana and Maharashtra. It is therefore necessary to compare the actual with normative estimates of non-plan revenue expenditure of our state in case of important categories of expenditure.

TABLE - 53

NFC Projected vis-a-vis actual Non-Plan Revenue Expenditure
on selected categories

(Rs. in crores)

Sl. No.	Expenditure Category	1989-90		1990-91		1991-92		1992-93	
		NFC Estimates	Actuals	NFC Estimates	Actuals	NFC Estimates	R E	NFC Estimates	B E
1.	Organs of State	5.36	5.16	5.61	8.09	5.87	10.75	6.14	12.03
2.	Administrative Services	46.10	43.82	50.49	47.32	55.29	52.16	60.57	65.19
3.	Administration of Justice	26.83	31.60	28.59	33.61	30.47	42.73	32.47	47.89
4.	Fiscal Services	70.71	84.33	75.00	85.40	79.55	103.03	84.38	124.24
5.	Police	138.79	141.58	151.19	146.61	164.70	159.18	179.42	230.60
6.	Jails	6.42	5.01	7.20	5.95	8.08	6.93	9.07	7.96
7.	Fire Protection & Control	3.90	3.46	4.16	3.80	4.45	8.47	4.76	9.81
8.	Other Administrative Services	33.65	54.96	35.35	40.27	37.13	55.30	39.01	76.00
9.	General Administrative Services	331.75	369.92	357.60	371.05	385.57	438.55	415.82	573.72
10.	Primary Education	309.03	350.41	327.52	374.23	347.12	412.72	367.89	478.47
11.	Secondary Education	165.69	183.76	182.43	196.40	200.85	251.08	221.14	301.14
12.	Higher Education	113.24	96.35	119.36	101.13	125.81	143.89	132.61	139.72
13.	Other Expenditure on Education	12.16	24.41	13.40	28.13	14.76	24.75	16.27	29.22
14.	Medical, F. W. & Public Health (Excluding Water Supply)	183.17	148.42	198.90	167.93	215.98	213.30	234.53	250.41
15.	Other Social Services	7.37	224.80	7.21	368.88	7.05	578.03	6.90	320.36
16.	Social Services	821.75	1028.15	882.09	1172.23	947.18	1445.85	1017.44	1519.32
17.	Agricultural Food Co-op Crop Devt.	133.54	205.63	143.47	169.67	154.14	225.62	165.60	312.99
18.	Animal Husbandry	24.11	23.73	26.17	25.97	28.40	29.85	30.82	32.85
19.	Industry & Minerals	24.40	173.03	25.82	140.58	22.27	88.58	28.81	103.57
20.	Economic Services	300.38	686.23	322.02	637.41	345.24	739.25	370.14	871.77

Note:

(a) Under Organs of State, the major heads of expenditure include:

2011. Parliament/State/Union Legislatures.

2012. President, Vice-President/Governor/Administrators of union Territories.

2013. Council of Ministers.

(b) Under Administrative Services:

2051. Public Service Commission.

2052. Secretariat - General Services.

2053. District Administration.

2054. Treasury and Accounts Administration.

3606. Aids, Materials and Equipment

(c) Under Other Administrative Services:

2057. Supply and Disposal.

2058. Stationery and Printing.

2070. Other Administrative Services.

2075. Miscellaneous General Services - Other Expenditure.

(d) Agriculture and Allied Activities includes:

2425. Co-operation

2401. Agriculture (Crop Husbandry)

2402. Soil and Water Conservation

2251. Area Development

2405. Fisheries

2406. Forestry and Wildlife

2408. Food

2415. Agricultural Research

2435. Other Agricultural Programmes

2515. Other Rural Development Programmes

(e) Under Economic Services, items of Expenditure excluded are:

i. Minor Irrigation

ii. Water and Power Development

iii. Multi-purpose River Projects

iv. Irrigation, Drainage, Flood Control Projects

v. Power Projects

vi. Civil Aviation and Raods and Bridges

- (f) General Administration Services is only the total of items 1 to 8 and does not give figures for the actual total expenditure on genral services.
- (g) Other Social Services exclude Primary Education, Secondary Education, Higher Education, other expenditure on Education, Medical, Family Welfare, and Public Health excluding water supply from the total of Social Services in Vol.III, IV and V. In case of NFC it is not stated. Thus the huge difference. In case of Social Services it is the total of Vol. III, IV and V.
- (h) Economic Services is the total expenditure on Economic Services Vol. VI, VII and VIII.

7.23 The major problem in making a comparative analysis of actual non-plan revenue expenditure on various categories of expenditure vis-a-vis the NFC's normative estimates is that in case of few categories, the NFC report is very vague as to which expenditure head is included under each of these expenditure categories. For example, it is not described as to what are the heads included under "Other Social Services." Items 10 to 14 in the above table are parts of the expenditure category "Social Services." Therefore, when these items are stated separately and are followed by the category "Other Social Services" one presumes that all other expenditure under "Social Services" except those mentioned in items 10 to 14 should be included in "Other Social Services" category. This is what we have done in giving the actual or RE or BE figures. However, the NFC has not done it as is evident from the fact that when items 10 to 15 are added, we get a figure different from what is mentioned at item 16. Thus there is a huge difference between our figures and the NFC figures as far as item 15 is concerned. Similarly, certain important heads of expenditure have been either left out or have not been mentioned specifically in the report (Para Nos. B5.20 to B5.39 pages 115 and 116 of the NFC's Second Report). An example of this is the expenditure category entitled "Agriculture, Food, Co-operation, Community Development, etc." Here important items such as Forestry and Wildlife, Agricultural Research and "Other Agricultural Programmes" are not specifically mentioned. The question is whether they are covered under "etc.," or not. Substantial amount of expenditure is being incurred by the state governments on these heads and they cannot be just left out. It is also not mentioned as to what all is to be included under "Community Development." We have only included Rural Development under it. Further Dairy Development is neither included under Agriculture and its allied nor under Animal Husbandry.

7.24 In spite of the above difficulties, an attempt has been made to give a comparative picture of the actual expenditure incurred under various expenditure categories vis-a-vis NFC estimates. The actual expenditure has been much higher than the NFC projections in case of most of the expenditure categories. In case of Administrative Services, Police, Fire Protection and Control, Higher Education, Medical, Family Welfare and Public Health and Animal Husbandry, the expenditure has been less than the NFC estimates during the first two years (1989-90 and 1990-91). It is less than the NFC estimates during all the four years only in case of Jails. However, in most of these cases the difference between actual and NFC projections is not very substantial.

7.25 Expenditure under all other categories has exceeded the NFC projections. In some cases the difference between the two has been very substantial. Though expenditure on some of the constituents of General Administrative Services has been less than the NFC projections, the total expenditure on General Administrative Services has exceeded the NFC projections. Interestingly the state seems to have spent much more than the NFC projections in case of Primary and Secondary Education and has spent less than the NFC projections in case of Higher Education during the first two years. The figures for "Other Social Services" are incomparable. There may be some difference in the definition of this category for such a huge difference in expenditure figures to arise.

7.26 Karnataka's commitment towards the upliftment and welfare of the poor, the backward and the weaker sections of the population is very much evident from the fact that the total expenditure on "Social Services" is substantially higher than the NFC estimates. It exceeded the NFC estimates by 25.12% during 1989-90, by 32.89% during 1990-91 and by 52.65% (FF) during 1991-92. However, there should be a mechanism to review usefulness of each of the schemes in the light of the objectives with which the schemes have been started. Those schemes which are not very useful in terms of objectives and in terms of cost-benefit analysis should either be modified or should be weeded out.

7.27 Another category of expenditure in which there is a wide variation between the actual and the NFC estimates is "the Industry and Minerals." There is no difference in the heads of expenditure included by the NFC and by us. Still the NFC projections fall short of actuals by as much as 609% during 1989-90, 444.46% during 1990-91, 297.75% during 1991-92 and 259.49% during 1992-93. It is evident that the NFC estimates are very much wide off the mark. Similar variation is evident in case of expenditure on Economic Services even though many important items such as Irrigation, Energy, Civil Aviation, Roads and Bridges have been left out from the State's data also, as has been done by the NFC. The NFC estimates are less than half of the actual expenditure.

7.28 The result of this underestimation by the NFC is quite evident. This type of underestimation has put Karnataka in a totally disadvantageous position. Based on these "underestimations" the NFC worked out as stated earlier the total non-plan revenue expenditure and held, that Karnataka would have a surplus in its non-plan revenue account even before devolution from the Centre (as shown in Table-52 earlier). The result was that it recommended that Karnataka should have no share in the grants-in-aid of revenue given on the recommendations of the Finance Commissions under Article 275. The methodology followed in making these estimations have to be re-examined and thoroughly revised in order to ensure, that the estimates of non-plan revenue expenditure are more realistic. If the NFC's estimates of non-plan revenue expenditure were closer to the actuals then Karnataka would have been rewarded for its good performance in the field of resource mobilisation. With the NFC's original normative estimates of state's own revenue receipts, the NFC would have found Karnataka to have a deficit in its non-plan revenue account, if its expenditure estimates were closer to the actuals. In the absence of such a thing happening, Karnataka seems to have been punished for its good resource mobilisation effort only because the NFC's normative estimates of non-plan revenue expenditure were "underestimates" to say the least.

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