



“ Kerala Budget Watch is a civil society initiative to demystify the budget and bring it closer to the people. It aims to bring in more transparency and accountability in the system by deepening peoples' understanding of public finance. ”

Budget is the most important tool for financial management. Apart from being a statement of revenue and expenditure, it is a blueprint that looks ahead to work in support of public policy. While such conceptualisation of the budget remains fully accepted on academic platforms, one has to look into the effectiveness of the budget in delivering the objectives of governance. It is now fairly understood that in India as well as in its federal constituents, there is a continuous mismatch between proposals of the budget and delivery of the promises therein.



In 2016-17, the economy of the state of Kerala was adversely affected by a combination of natural and policy created factors. These varied from a medium term deceleration in growth to a decline in primary commodity prices. During this period, the government of Kerala announced the inauguration of four 'missions' to help build a new Kerala which emphasise sustainable development and people's participation in the following fields; **high quality school education, people-friendly health facilities, a green Kerala and secure housing and livelihoods.**



KERALA BUDGET 2017-18

Kerala Finance Minister presented the state budget for the fiscal year 2017-18 in the background of a controversy regarding the leakage of budget on social media. As usual, the budget consists of lot of promises such as providing internet connection to 20 lakh households to assurance of security for women etc. But the implementation of these promises is a questionable one. In order to overcome the effects of demonetization,

the Finance Minister introduced The Kerala Infrastructure Investment Fund Board (KIIFB), an extra-budgetary instrument for raising funds from open market.

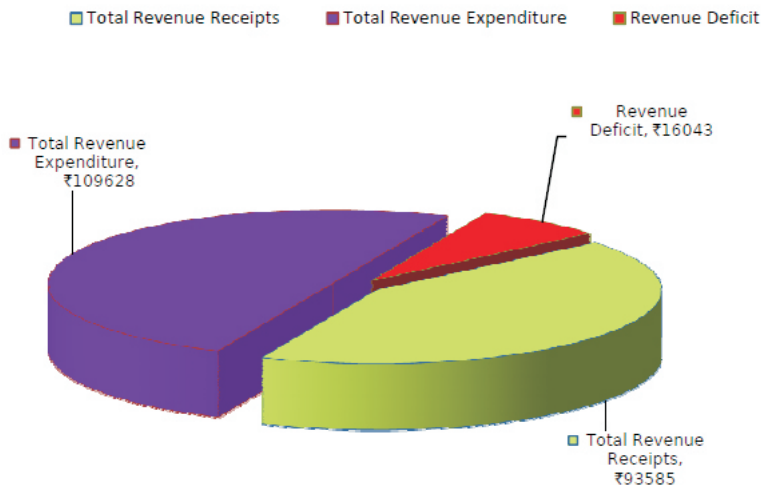
Gross State Domestic Product of Kerala for 2017-18 at current prices is estimated to be 7,47,945 Cr. This is 12.8 % higher than the revised estimate for 2016-17.

Revenue

The revenue of the state (2017-18) is estimated at 93585 Cr. out of which 16891.75 Cr. is the share of Central Taxes, 11243.71 crore is grant from the centre,

53411.49 Cr. is receipts from State Taxes and Duties and 12037.79 Cr. is State's own Non Tax Revenue.

REVENUE ACCOUNT OF THE STATE

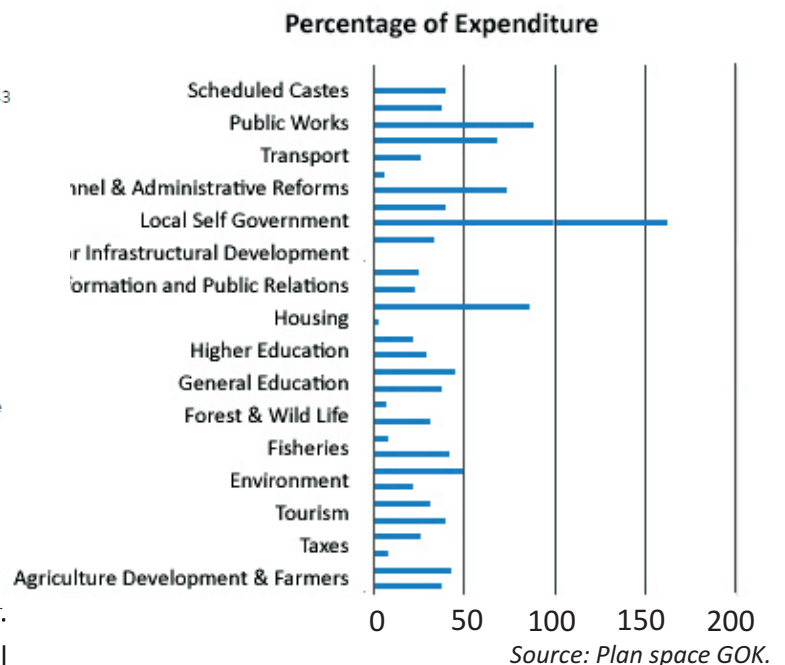


Source: Budget in brief (2017-18), Finance Department GOK.

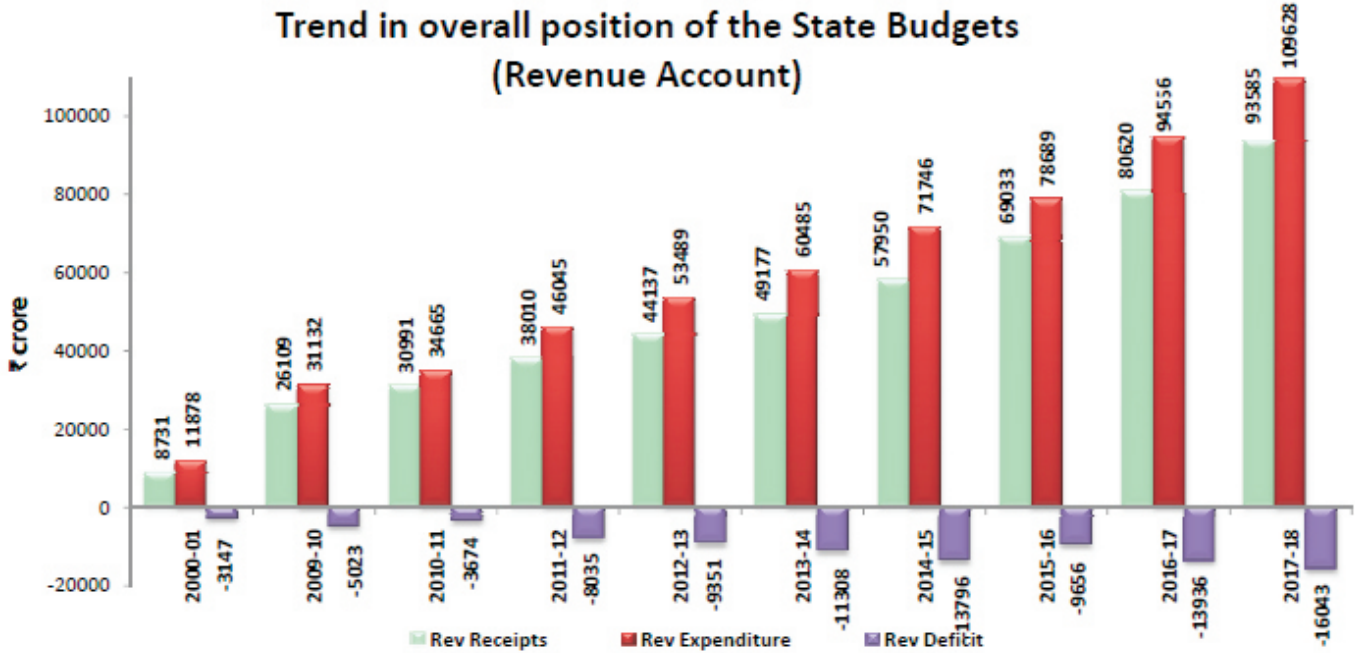
Expenditure

Out of the total estimated expenditure of 109628 Cr. during 2017-18, 60369.03 Cr. is for developmental purposes 13631.83 crore is for servicing the debt of the state. 13922.24 Cr. is for administrative services and 1863.94 Cr. for collection of taxes and duties.

Department-wise plan expenditure progress report as on 10/10/2018



Trend in overall position of the state budget

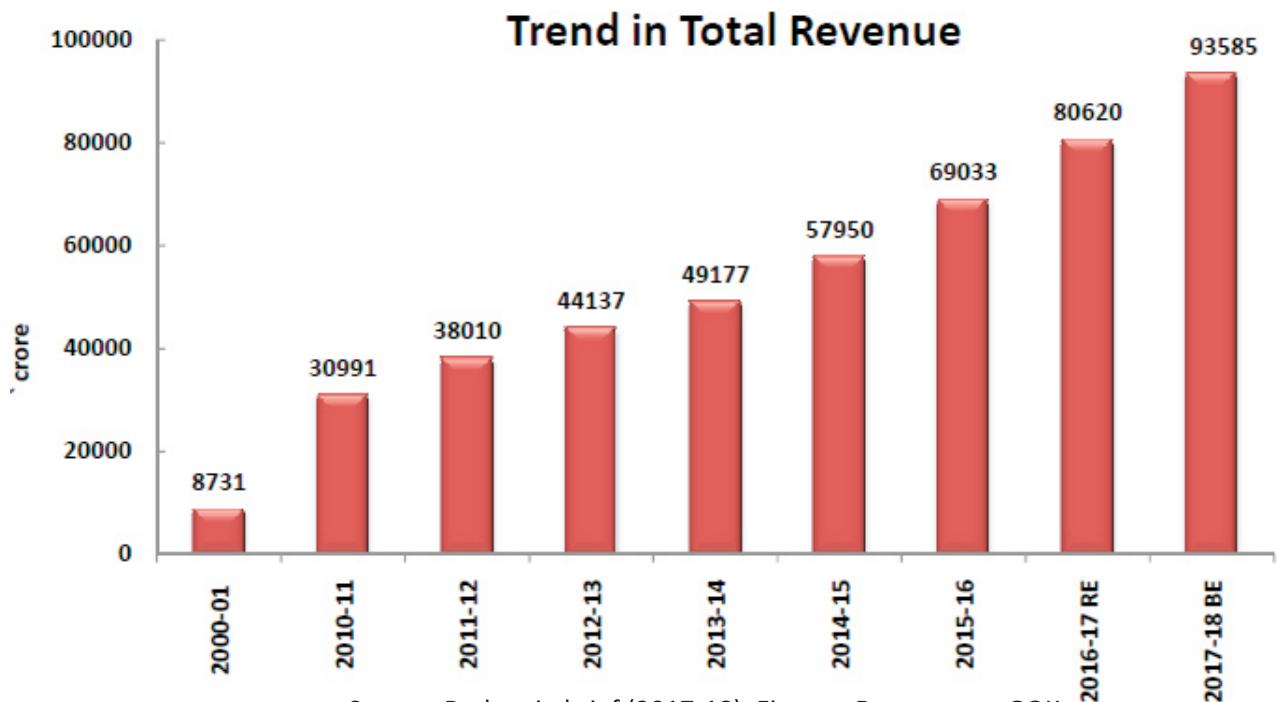


REVENUE AND EXPENDITURE OF THE STATE FOR 2017-18 (Budget Estimates)

Trend in Revenue Receipts 2000-01 & 2010-11 to 2017-18

The total estimated Revenue Receipts of 93584.74 Cr in 2017-18 (B.E) is higher by 12964.65 Cr.in comparison with 2016-17 (RE) and 84853.88 crore more than corresponding figure in 2000-01. Receipts from taxes and duties during 2017-18 form 75.12% and Non -Tax

Revenue 24.88% of the total revenue. The corresponding figures for the year 2016-17 (RE) are 74.14% and 25.86%. The tax has increased by 842.92% and Non Tax Revenue by 1726.01% from the year 2000-01.

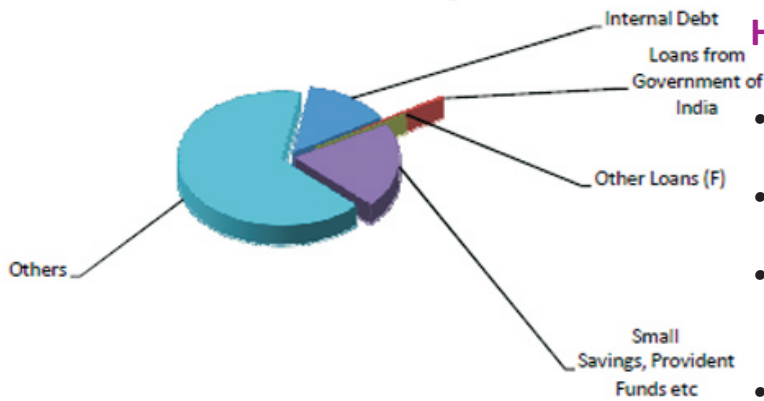


Source: Budget in brief (2017-18), Finance Department GOK.

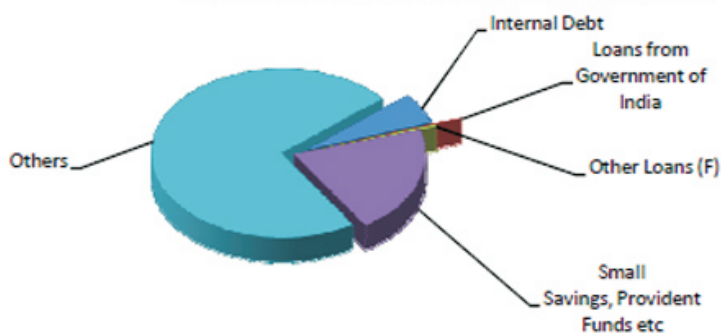
Debt Stock

Debt stock is the accumulation of borrowings over the years. In 2017-18, the debt stock are expected 27.3% of state GDP. Note that the debt stock has been on a steady increase from 26.1% (2,07,027 Cr.) in 2014-15. Increase in debt stock over time indicates increasing interest payment and principal repayment burden in the future. In addition to these liabilities, the state has provided guarantees to loans of other entities worth 12,439 Cr. as of 2015-16. For the years 2016-17 and 2017-18, the state may provide more such guarantees to loans of KIIFB.

Debt Head Receipts 2017-18



Debt Head Disbursement 2017-18



Source: Budget in brief (2017-18), Finance Department GOK.

Revenue Deficit

Revenue Deficit is the excess of revenue expenditure over revenue receipts. In 2017-18 the budget estimates a revenue deficit of 16,043 Cr. (or 2.14% of state GDP). This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit.

Fiscal Deficit

In 2017-18, fiscal deficit is estimated to be 25,756 Cr, which is 3.44% of the state GDP. The estimate exceeds the 3% limit prescribed by the 14th Finance Commission. However, according to the Finance Minister, it is within the limit of 3.5% provided by the Commission for exceptional circumstances (demonetisation).

Highlights of Kerala Budget 2017 - 18

- Budget promises Rs. 25,000 crore worth infrastructure projects in 2017-18.
- One lakh people to benefit from low-cost housing scheme.
- An amount of Rs.1000 crore had been sanctioned from KIIFB for upgrading one school from each constituency as a Centre of Excellence.
- Rs. 500 crore will be earmarked for improving the infrastructure facilities in all schools where more than 1000 students study and which were not covered in the first scheme.
- About 2500 new teachers posts to be created; master plan for school development and 45,000 smart classrooms to be made ready.
- Rs 150 crore for water conservation and Rs 201 crore for soil and land conservation;
- The Universal Health Care movement Aardram Mission is the part of the comprehensive project for addressing second generation issues in the health sector.
- An amount of Rs. 2000 crore is newly sanctioned for District Taluk and General Hospitals.
- Over 5,000 medical posts including that of doctors to be created.
- Leakages in rationing system to be plugged and for this Rs 117 crore has been allotted. Rs 900 crore has been allotted for ration subsidy.
- Rs 100 crore for Smart City mission. Thiruvananthapuram is expected to be included in the Smart City mission.

Highlights of Kerala Budget 2017 - 18

- A slew of announcements for the benefit of Scheduled Castes and Scheduled Tribes. Rs 2600 crore has been announced for SC welfare and Rs 750 crore for ST welfare.
- Special education schemes for Adivasis, health insurance and various facilities for the well-being and education of girls who belong to Adivasi community.
- Schemes announced to boost coir industry and retirement benefits may be those working the industry. 100 coir mills planned to be set up.
- Rs 500 crore to be allotted for in-land fish farming promotions and insurance for fishing equipment, small harbours and marine ambulances have been planned.

Harithakeralam Mission



Harithakeralam Mission is a multidimensional programme that aims to save water, soil, and crops with people-centred planning, participation and democratic decentralization. Technological experts, NGOs, political parties, youth organizations etc. must jointly plan and implement environment friendly programmes tailored to local needs. The budget offer 127 Cr. for the Suchithwa Mission. A key component of the mission is sanitation which includes making water sources litter-free and waste management at source all under people participation. Water budgeting and auditing at local level to improve collection of rain water and judicious usage. Recycling is another important component. Organic farming and marketing to improve crop production and provide employment opportunities through comprehensive and scientific programmes shall be a boost to agriculture.

Kerala Infrastructure Investment Fund Board



KIIFB acts as the special purpose vehicle to accelerate investment in infrastructure for ensuring sustainable growth in the economy. It caters to sectors like transport, water sanitation, energy, social and commercial infrastructure, IT and tele communication. The board had mobilized funds to the tune of Rs. 1023.71 crore through the issue of three series of redeemable and non-convertible non SLR bonds by private placement fully backed by state government guarantee. Major infrastructure projects financed by KIIFB include Kerala Fibre Optic Network, Petrochemical and Pharma Park Kochi, Coastal and Hill Highway, Life Science Park Thiruvananthapuram, Transgrid 2.0, Hightech School Programme etc.



Life Mission.

Mission LIFE (Livelihood Inclusion and Financial Empowerment) envisages a comprehensive housing scheme for all the landless and homeless in the State. Housing, being the very basic requirement that holds the key to accelerate social development in many ways, the Government of Kerala launched the LIFE. The existing scheme of giving assistance for house construction to those who have their own land will continue. The intention is to construct housing complexes for giving flats to the landless and homeless people. These complexes will not be merely for residential purposes. Government support will make necessary interventions

on the basis of collective efforts in these complexes for ensuring security for subsistence and for educational, social and health protection. The amount of assistance under the scheme to the general category will be Rs. 3 lakhs and for SC/ Fishermen community, the amount will be 3.5 lakh. Houses will be provided for 1 lakh homeless people during 2017-18.



Disaster Management



A sum of 300 Cr. is earmarked as Disaster Management Fund, which includes the unspent balance of the year 2016-17 and the next year's provision of 203 Cr. A sum of ₹6.5 Cr. is set for Institute of Land and Disaster Management and for disaster management activities.

Fisheries Sector

The total outlay of 408 crore that had been earmarked during 2016-17 for Fisheries Sector and Coastal Area Development is enhanced to Rs 586 crore. A sum of 49 crore has been provided for inland fisheries sector. More than half of this allocation is meant for pisciculture. For preventing the depletion of marine fish resources, a sum of Rs 5 crore is provided. Additional amount is earmarked for ensuring the off season saving-cum-relief scheme at 3600/-. Accident insurance compensation at 10 lakh for death/missing case and 5 lakh for becoming invalid for work will be provided. Insurance will be provided for the allied workers as well. Insurance coverage will be extended for fishing equipment also. An amount of 2 crore is provided for Marine Ambulance and 25 Cr. is earmarked for Kerosene subsidy.

Scheduled Caste – Scheduled Tribe Welfare

Budget 2017-18, also laid emphasis on the welfare of SC/STs. For Tribal Sub Plan (TSP), 2600 Cr has been earmarked. From the budget it is clear that 9.81 % of total outlay is provided for SC population, who comprise 9.1 % of total population. Same way, 2.83% is earmarked for STs who form 1.45% of the population. For Scheduled Castes 188 crore and for Scheduled Tribe 366 crore has been allocated in excess of the proportionate normative share.

Department-wise Plan Expenditure Progress Report as on 11/01/2018

Department Name	Total Budget Outlay (Rs. in Crore)	Financial Progress (Rs. in Crore)	Percentage of Expenditure
Agriculture Development & Farmers' Welfare	838.59	312.36	37.25
Animal Husbandry	406.03	171.66	42.28
AYUSH	120.84	41.29	34.17
Co-operation	130.00	32.73	25.18
Cultural Affairs	123.82	31.92	25.78
Electronics & Information Technology	549.31	166.97	30.40
Environment	33.01	6.81	20.64
Finance	164.20	79.45	48.38
Fisheries	461.58	188.71	40.88
Food & Civil Supplies	135.71	10.48	7.72
Forest & Wild Life	237.50	73.85	31.10
General Administration	114.85	7.65	6.67
General Education	864.28	316.39	36.61
Health & Family Welfare	1256.38	556.50	44.29
Higher Education	1083.16	266.92	24.64
Home & Vigilance	152.32	40.98	26.90
Housing	55.91	7.50	13.41
Industries & Commerce	888.37	755.11	85.00
Information and Public Relations	40.80	9.23	22.62
Labour and Skills	529.93	361.41	68.20
Law	1.20	0.00	0.00
Legislature	0.97	0.18	18.35
Local Self Government	1679.82	2707.16	161.16
Non- Resident Keralites Affairs	60.80	17.62	28.99
Personnel & Administrative Reforms	20.00	14.46	72.28
Planning & Economic Affairs	154.47	8.04	5.21
Ports	438.11	179.12	40.89
Power	1629.29	1104.67	67.80
Public Works	1650.13	1442.76	87.43
Revenue	116.00	27.80	23.97
Scheduled Castes	1464.49	571.13	39.00
Scheduled Tribes	542.14	200.70	37.02
Science & Technology	109.32	22.93	20.98
Social Justice	640.36	265.31	41.43
Sports and Youth Affairs	121.04	113.02	93.38
Taxes	96.00	7.58	7.89
Tourism	342.73	132.37	38.62
Transport	415.10	105.12	25.32
Water Resources	1875.27	743.40	39.64
LSG Institutions	6227.50	2078.95	33.38
Major Infra structural Development Projects	728.67	0.00	0.00

Budget forms the lifeline of a state. It has become a critical parameter in assessing the performance of the state government. In this context proper decentralization of budget with active participation of civil society is the need of the hour.

Appropriate utilization of allocated funds may be achieved through timely social auditing which ensures transparency and accountability especially in welfare segments like health and education. Relevant data need to be made available in the public domain to keep civil society abreast of the fund utilization status.

Kerala Budget Watch is an initiative to make budget information and analysis accessible to citizens, public interest professionals and all those who are interested in economic governance. It is promoted by Social Accountability and Budget Analysis Network (SABAN), a coalition of more than 50 civil society organisations and public policy research institutions across Kerala. The secretariat of SABAN is at the Institute for Sustainable Development and Governance (ISDG), Thiruvananthapuram.

Institute for Sustainable Development and Governance

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