GOVERNMENT OF KERALA
KERALA STATE PLANNING BOARD

THIRTEENTH FIVE-YEAR PLAN (2017-2022)

WORKING GROUP ON

FINANCIAL RESOURCES AND RESOURCE MOBILISATION

REPORT

PLAN COORDINATION DIVISION

KERALA STATE PLANNING BOARD
THIRUVANANTHAPURAM

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PREFACE

In Kerala, the process of a Five-Year Plan is an exercise in people's participation. At the end of September 2016, the Kerala State Planning Board began an effort to conduct the widest possible consultations before formulating the Plan. The Planning Board formed 43 Working Groups, with a total of more than 700 members – scholars, administrators, social and political activists and other experts. Although the Reports do not represent the official position of the Government of Kerala, their content will help in the formulation of the Thirteenth Five-Year Plan document.

This document is the report of the Working Group on Financial Resources and Resource Mobilisation. The Chairperson of the Working Group was Shri V. S. Senthil IAS. The Member of the Planning Board who coordinated the activities of the Working Group was Professor K. N. Harilal. The concerned Chief of Division was Smt. K. Jaya.

Member Secretary

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CHAPTER 1
TERMS OF REFERENCE

1. To review the pattern of plan financing during the Eleventh and Twelfth Five Year Plan periods and to suggest a new pattern for the Thirteenth plan taking into account recent changes in Centre-State fiscal relations.
2. To critically evaluate the resource mobilisation efforts at the state level during the past two five year plans under different heads and to suggest a comprehensive strategy for improvement.
3. To examine the trends in government expenditure and suggest measures for improving the quality of expenditure and for maximizing resources available for the Plan.
4. To examine the potential for diversifying sources of finance for meeting development expenditure, especially for infrastructure development, including possible sources outside the budget such as external assistance, private investment, credit linkages, capital market etc.
5. To project the likely flow of funds for financing the Thirteenth Five Year Plan.
6. To review the utilization of funds available for centrally sponsored schemes in the 12th Plan and suggest measures to maximize the use of central resources during the 13th Plan.

1. The Report addresses the terms of reference in an inter-connected manner beginning with a discussion of the changes in the Centre- State fiscal relations that has come about following the abolition of the Planning Commission and the altered funding pattern of Centrally Sponsored Schemes (CSS). The uncertainties brought about in the transfer of resources for the CSS has been highlighted and the need for taking up the issue of stability in the flow is indicated. The poor utilization of CSS funds by the State and the urgency of implementing remedial measures are advocated. The rapid growth of revenue spending in the State has been discussed and the need to improve quality of expenditure is highlighted. In the face of running large revenue deficits and the resultant low capital spending there is an urgent need for diversifying sources of finance for meeting development expenditure. The State has already taken the first steps in that direction; the Report highlights a few others.

CHAPTER 2
CENTRE- STATE FISCAL RELATIONS

2. Resource flow from the Centre to the states is being discussed at a juncture when the Planning Commission has been disbanded and the distinction between Plan and Non-Plan expenditure too is being done away from 2017-18. This section discusses the broad context of the major changes, Fourteenth Finance Commission award, the changes in Central assistance to state plans, the rationalization of CSS brought about following the Report of the Sub-Group of Chief Ministers and the trends in the utilization of CSS funds by Kerala.

The Context

3. The transfers from the Centre to States used to include Non-Plan and Plan transfers. The Non-Plan transfers comprised of Finance Commission grants and other Non-Plan grants. The important plan grants that were transferred from Centre to the states were of four types: (1) State Plan Schemes that include Normal Central Assistance (NCA) and other Scheme based Central Assistance (CA)- which were also known as ACA Schemes; (2) Centrally Sponsored Schemes (CSS) for which funds were routed through consolidated fund of States and (3)Centrally Sponsored Schemes (CSS) for which funds were transferred directly to State/District Level Autonomous Bodies/Implementing Agencies, and (4) A small portion of FC grants treated as Plan grants. Item (3) had disappeared since 2014-15 and Item (4) does not appear in the award of the Fourteenth Finance Commission.

4. The classification of expenditure by the Central and State governments into Plan and Non-Plan had evolved over a long period. In the initial years, the bulk of the plan expenditure was aimed at directing capital investment in sectors according to priorities to increase the productive capacity of the economy. With economic reforms of the 1980s and the liberalization and globalization of the early 1990s, the focus of Plans has changed and the spending has increasingly taken the shape of current expenditure through various centrally sponsored schemes. Such a shift in the structure of Plan spending in effect obliterated the distinction between Plan and Non-Plan spending.

5. The Fourteenth Finance Commission took a comprehensive view of the resource position of the Centre and the needs of the states. It noted that the share of cess and surcharges in gross tax revenue of the Centre had increased from 7.53% in 2000-01 to 13.14% in 2013-14. These do not form part of the divisible pool. The implication is that Centre has room to raise additional fiscal resources. The Commission took the view that tax devolution should be the primary route of transfer as envisaged in the Constitution.

6. The Commission raised tax devolution from 32% to 42% of the divisible pool. This reduced the fiscal space of the Centre to provide conditional grants to the States through the CSS route within the overall resource envelope of the central government. Finance Commission restricted the grants to just three: disaster relief and local government both formulae based and revenue deficit grants to those States which were running revenue deficit post devolution.

Share of Central Taxes

7. Kerala gained from the award of the Fourteenth Commission on two counts. The horizontal share showed an increase after about two decades and the state also received revenue deficit grant. While the parameters of resource flow from Centre to Kerala turned favourable the economic situation has not been too conducive to larger flow of resources. While real Gross Domestic Product (GDP) growth began falling from its high (of average 9 per cent per annum) to below 7 per cent by 2011-12 and below 5 per cent the next year, nominal GDP began falling little later. And even as real GDP had climbed back to the levels of 2011-12 by 2014-15 (around 7 per cent), nominal GDP has begun its climb back only now (first quarter of 2016-17). The implicit deflator has been near zero or in negative territory in a few quarters of 2015-16. The nominal growth rate for the year at 8.7 per cent compared to a volume growth of 7.6 per cent is indicative of it. Some uptick in price levels may be seen only now. These GDP growth trends have profound implications for tax mobilisation by the Centre and States.

Table *1 Share of Taxes and Duties of Kerala, 13th Five Year Plan* in rupees crore

Year	GDP at current Market Prices		Gross Tax Revenue = GDPx0.11		Divisible Pool=GTRx0.87	
(1)	(2)= 12%	(3)=13%	(4)= (2)x0.11	(5)= (3)x0.11	(6)	(7)
2015-16	13576086	13576086	-	-	-	
2016-17	15069456	15069456	-	-	-	
2017-18	16877790	17028485	1856557	1873133	1615205	1629626
2018-19	18903125	19242188	2079344	2116641	1809029	1841478
2019-20	21171500	21743672	2328865	2391804	2026113	2080869
2020-21	23712080	24570349	2608329	2702738	2269246	2351382
2021-22	26557530	27764495	2921328	3054094	2541555	2657062

Note: GDP at current market prices for 2015-16 are actuals. Column (2) assumes 11% growth in 2016-17 and 12% annual growth beyond. Column (3) assumes 13% growth from 2017-18 onwards. Fourteenth Finance Commission is assumed for 2020-21 and 2021-22.

Table 1 *Continued*

Year	Kerala's share in Taxes= Divisible Pool x0.42 x0.025		Fourteenth Finance Commission Projections	Revenue Deficit Grant
(1)	(8)	(9)	(10)	(11)
2015-16	13122	-	14482	4640
2016-17	14282	-	16711	3350
2017-18	16960	17111	19308	1529
2018-19	18995	19336	22336	-
2019-20	21274	21849	25869	-
2020-21	23827	24690	-	-
2021-22	26686	27899	-	-

8. GDP in current market prices is expected to grow at 11 per cent in 2016-17, 12 per cent in 2017-18 and 13 per cent in 2018-19 as per the Medium Term Fiscal Policy Statement (MTFPS) of the Government of India. It is unlikely that 13 per cent growth will be achieved in 2018-19 because such a growth would require inflation at 5 per cent per annum as GDP (volume) growth may not cross 8 per cent at the current muted levels of private investment. Thus, it will be safer to take 12 per cent as the GDP (nominal) growth for the entire period of the 13th Five Year Plan. But the 13% growth scenario is also shown. Taking the value of GDP at current market prices for 2015-16 from the publication brought out by the Central Statistics Office on 31 May 2016 GDP values have been generated for the subsequent years as shown in Table 1, columns 2 and 3.

9. Gross Tax Revenue (GTR) of the Centre is computed using the Tax-GDP ratio. Tax-GDP ratio is projected by the MTFPS at 10.9 per cent and 11 per cent for 2017-18 and 2018-19 respectively. These are slightly higher than the ratios for the last three years; the reasoning offered is that implementing GST and other policy measures for tax enhancement are expected to give a boost to higher tax mobilisation efforts. Taking 11 per cent as the Tax-GDP ratio for the period as argued in the MTFPS, GTR of the Centre (columns 4 and 5) and the divisible pool (columns 6 and 7) have been computed. Applying the Fourteenth Finance Commission award on the on the divisible pool Kerala's share in Central taxes and duties have been computed for the five years of the plan period (columns 8 and 9). It may be noted that the Fourteenth Finance Commission award is valid till the year 2019-20. But we have applied the same formula for the next two years assuming that the award of the next commission will not be lower than that of the Fourteenth Commission. The amount shown does not include grants to the local bodies and State Disaster Relief Fund. Revenue Deficit grants is separately shown in column 11. For comparative purposes the Fourteenth Finance Commission award of tax share to Kerala are shown in column 10. It may be seen that the poor growth of the economy has led to lower transfers to the States.

10. Post Fourteenth Finance Commission award, a Committee was set up by the NITI Aayog under the Chairmanship of the Chief Minister of Madhya Pradesh. The mandate of the Committee was to review existing CSS and suggest measures to consolidate and restructure them. The sub-group recommended that the "focus of the CSS should be on the schemes that comprise the National Development Agenda[1] where the Centre and the States will work together in the spirit of Team India" (NITI Aayog, 2015). It further recommended that the schemes be divided into 'Core' and Optional Schemes and amongst the 'Core' schemes those for social protection and inclusion should be called 'Core of the Core'. The sub-group further recommended that the investment levels in the 'Core' schemes should be maintained so as to ensure that the optimum size of the programme does not shrink. For the 'Core of the Core' schemes, it recommended continuation of the existing sharing pattern between the State and the Union. However, for the 'Core' schemes the sharing pattern between States and Union would be in the ratio of 90: 10 in case of North-eastern and Himalayan states and 60:40 for all other states.[2] For optional schemes the sharing pattern would be 80:20 for North-eastern and Himalayan states and 50:50 for other states. This new framework of grant is incorporated in Budget 2016-17.

11. The New Framework for Grants (NFG) proposed by the Union government examined the CSS from the existing structure without going into a classification based on principles of subsidiarity and nature of goods.

Table 2 *New Scheme of Central Grants to States* in rupees crore

		2014-2015 Actuals	2015-2016 BE	2015-2016 RE	2016-2017 BE
A	Core of the Core Schemes (6 Schemes)	44193.86	50261.61	50222.42	54636.76
B	Core Schemes (19 Schemes)	137567.04	117113.83	121159.36	146810.74
C	Optional Schemes (3 Schemes)	872.80	990.00	1008.64	1282.75
D	**Total (A + B + C)**	**182633.70**	**168365.44**	**172390.42**	**202730.25**
	as % of GDP	1.45	1.23	1.26	1.34
	as % of total transfers	27.10	20.05	21.07	22.08
	Shares (in %)				
	Core of the Core Schemes	24.20	29.85	29.13	26.95
	Core Schemes	75.32	69.56	70.28	72.42
	Optional Schemes	0.48	0.59	0.59	0.63
	Total	100.00	100.00	100.00	100.00

Source: Pinaki Chakraborty's compilation from Union Budget 2016-17

[1] The following sectors form the National Development Agenda: Poverty Elimination – Livelihoods, Jobs and Skill Development; Drinking Water and Swachh Bharat Mission; Rural Connectivity: Electricity; Access Roads and communication; Agriculture, including Animal husbandry, Fisheries Integrated Watershed Management and Irrigation; Education, including Mid-Day Meal; Health, Nutrition, Women and Children; Housing for All: Rural and Urban; Urban Transformation; Law and Order, Justice Delivery; and Others which may include Wildlife Conservation and Greening. Schemes in these sectors would be given priority.

[2] In case a scheme/sub-scheme has a central funding pattern of less than 60:40, the existing funding pattern will continue.

12. The government on the recommendations of the Sub-group of Chief Ministers restructured the grants. From the Union Budget for 2016-17 it can be observed that the total number of CSS has been brought down to 29.[3] However, if one were to consider the various sub-schemes within each of the 29 schemes, the total number of schemes would be much larger. Central allocation to states under the 29 restructured CSSs was budgeted to be Rs 2,02,730.25 crore in 2016-17 of which Rs 54,636.76 crore was for 'Core of the Core' Schemes, Rs 1,46,810.74 crore for 'Core' schemes and the remaining Rs 1,282.75 crore for Optional schemes as can be seen from Table 2. Although it may be difficult to draw one to one correspondence between the newly rationalized schemes with the earlier ones, we have nevertheless tried to do so to get an estimate of comparable central transfers to states during 2014-15, 2015-16 and 2016-17 as per the new classification. The details are presented in Table 2. Central allocation to states under these schemes works out to Rs 1,82,633.70 crore in 2014-15 and Rs 1,72,390.42 crore in 2015-16 (RE). The share of comparable scheme based transfers from the Union government in total transfers to states was 27.1 per cent in 2014-15. It is budgeted to decline to 22.08 per cent in 2016-17. 'Core' and Optional schemes together accounted for about 73 per cent of the allocated expenditure under CSS in 2016-17 (BE) while the share of 'Core of the Core' schemes was 27 per cent. As a percentage of divisible pool, the share of 'Core of the Core' schemes is expected to increase from 24.2 per cent in 2014-15 to 27 per cent in 2016-17 (BE), mainly due to the increase in allocations for Mahatma Gandhi National Rural Employment Guarantee Schemes (MGNREGS). As defined, the 'Core of the Core' schemes comprise schemes of social protection and inclusion. In this MGNREGS alone accounts for about 70.5 per cent of the allocation as per 2016-17 (BE).

13. Classification of schemes as 'Core of the Core' and 'Core' has implications for finances. Since for 'Core of the Core' schemes existing pattern of funding has been retained, schemes classified in this category is budget neutral for the states as they do not have to make additional resources available for funding such schemes. Since only 27 per cent of the total grants have been classified as 'Core of the Core' and for the rest, states' share has been enhanced, it would result in reduction in untied fiscal space of the states. Secondly, it is always subjective what is 'Core of the Core'. If Social protection programme like MGNREGS for livelihood security is categorised as 'Core of the Core' why not access to health and education? Considering a multidimensional approach to poverty reduction and human development it would have been more appropriate to classify key national priorities including health and education as 'core of the core' with larger central support. This would have preserved fiscal autonomy of states yet supporting national priority of poverty reduction and human development through larger conditional central transfers.

14. In this context it also needs to be highlighted that much of these transfers are part of the central assistance to state plan. The 2016-17 Budget announced discontinuation of the practice of plan and non-plan distinction of expenditure after the completion of the Twelfth Five Year Plan in 2017-18. It is certainly an important development. But it raises questions on the predictability and certainty of transfers under these schemes in the absence of Plan.

[3] There are 6 'Core of the Core' schemes, 19 'Core' schemes and 3 Optional schemes.

That requires detailed deliberations on a framework of transfers of grants in the absence of plan. Even after the dissolution of the Planning Commission more than 3 lakh crore of resources are being transferred to states in the form of Central Assistance to State Plans. In the absence of the Plan, there is need to rework on a new framework which would provide a roadmap for transfers of non-Finance Commission grants to states. Unfortunately, this has not been addressed by the NFG proposed by the sub-group.

Table 3 An *Overview of transfers to Kerala* in rupees crore

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016 RE	2016-2017 BE
Transfers Through State Budget	7338.5	9699.6	9862.2	11606.9	15434.4	22227.1	25643.7
Central taxes	5141.9	5990.4	6840.7	7468.7	7926.4	13121.8	14282.0
Grants	2196.6	3709.2	3021.5	4138.2	7508.0	9105.3	11361.7
Transfers Outside State Budget	1723.8	1987.6	211.7	262.4	705.1	0.0	0.0
Total Transfers	9062.2	11687.1	10073.9	11869.3	16139.4	22227.1	25643.7
Transfers as % of Revenue Expenditure	26.14	25.38	18.83	19.62	22.50	27.16	26.25
Transfers as % of Total Expenditure	23.83	23.42	17.34	18.32	21.24	25.25	23.91
Transfers as % of GSDP	2.92	3.21	2.44	2.55	3.06	3.67	3.69

15. As evident from Table 3, Kerala is expected to receive Rs 25643 crore as aggregate central transfers in the year 2016-17 BE. As a percentage of State GSDP it works out to be around 3.7 per cent. Out of this, Rs 14282 crore will be in the form of tax devolution and the rest will be in the form of grants. In other words, despite an increase in the tax devolution to 42 per cent, dependence on central grant is substantial and that is to the tune of 44 per cent of total transfers. In the larger context of changes in the centre-state relations and abolition of the practice of plan transfers after 2016-17 requires careful deliberation between Union governments and the states so that there is a certainty of resource flow under non-finance commission transfers. It is also important to note that transfers under big ticket centrally sponsored schemes that were coming to the states outside the state budget declined sharply impacting heavily on the finances of the states.

16. As is well known, the fund flow to the states outside the state budget was routed through the consolidated fund of the State from 2014-15. There has been an increase in the transfers to GDP ratio from 2.55 percent in 2013-14 to 3.06 per cent in 2014-15 and followed by a further increase to 3.67 and 3.69 per cent of GDP in the year 2015-16 (RE) and 2016-17(BE). It needs to be noted that the transfers outside the state budget declined sharply from 0.56 per cent in 2011-12 to 0.06 per cent in 2013-14.In other words, if Kerala received at least to the extent of 0.56 per cent of GSDP under the big ticket CSS, additional fiscal space would have been much higher during the 12th Five Year Plan. We expect that during the 13th Plan period, resource envelope for non-finance commission transfers should be

enhanced. For the purpose of assessment we assume that aggregate resource flow to remain at least at 3.6 per cent of GSDP of the State. This would mean an increase in absolute volume of transfers to Rs 42392 crore by the end of the 13th Plan period (Table A).

Table A *Estimates of Aggregate Resource Transfer from the Centre to Kerala 2017-18 to 2021-22* in rupees crore

Economic Activity in Tertiary Sector	Frequency	Percent
Retail trade except of motor vehicles and motorcycles	1094162	22.8
Land transport	831686	17.4

Low Utilisation of CSS Funds in the State

17. As per the 2014-15 budget, there are 165 CSS in Kerala. The performance of CSS in the State has been a matter of concern. The poor performance of CSS in Kerala adversely affects the overall performance of the Plan. The percentage share of the State out of the total central release during the first three years of twelfth plan is 2.26% (Rs 13,318 crore for the 63 CSS operating in the State).[4] It may be seen that the expenditure of funds received from the Centre during the Twelfth Plan is only around 50% of the funds. During the Eleventh Plan the available central funds for all CSS was Rs 8921.47 crore and the utilisation was Rs 4927.97 crore which is 55.24% of the allocation. Out of the central funds, the sum for flagship schemes was Rs 6275.25 crore and the utilisation was Rs 4434.16 crore, which was 70% of the total available funds. This implies gross under utilisation of funds provided under CSS.

18. Part of the reason for poor utilization of the CSS is their inappropriate design and related inflexibilities. The schemes are not often appropriate for the needs of the State. For example part of the NRHM funding is for achieving higher levels of institutional delivery. Kerala had already achieved close to 100% institutional delivery by the early 90s. The need of the State is for sharply focused schemes to alleviate low birth weight babies in small proportion of the cases. Same is the case with MGNREGS. The need is to raise women's work participation rates and raise agricultural productivity. The State therefore needs flexibility to redesign schemes to suit its requirements.

19. It has been noticed that there are lot of variations in the data regarding CSS amount in terms of outlay, release and expenditure according to different data sources. For this Working Group report, the data from Planspace and annual plan documents have been taken. The outlays under CSS during the eleventh and twelfth plan are shown in Table 4.

[4] Sub Group of Chief Ministers on rationalisation of Centrally Sponsored Schemes, October 2015

Table 4 CSS *Outlays 11th& 12th Plan –Kerala* in rupees crore

Five Year Plan	Year	Total
	2007-08	782.42
	2008-09	886.02
11th Five Year Plan	2009-10	963.48
	2010-11	973.46
	2011-12	1322.60
	2012-13	1592.00
	2013-14	1521.10
12th Five Year Plan	2014-15	4412.07
	2015-16	5976.18
	2016-17	6534.17

Source: Budget in brief 2016-17

20. The trend in expenditure of the Central share of Centrally Sponsored Schemes during the 12th Plan in the State has been shown in Table 5.

Table 5 *Trend in Expenditure of Central Share of CSS in Kerala* in rupees crore

Sl. No.	Head	2016-17 (as on 15.11.16)	2015-16	2014-15	2013-14
1.	Outlay	6534.17	7720.32	2762.53	2669.95
2.	Expenditure (Depts.)	3593.7	3739.06	1565.05	1714.15
3.	Expenditure (Treasury)	2195.00	4396.01	1307.6	-
4.	Expenditure % (Depts.)	55.00	48.43	56.65	64.42
5.	Expenditure % (Treasury)	33.59	56.94	47.33	-

Source: Planspace

21. Non optimal utilisation of Central assistance has been highlighted by the Comptroller and Auditor General of India in its report on Local Self Government Institutions (LSGIs) for the year ended in March 2012. This report underscored the reasons like delay in convening Grama Sabhas for identification and recommendations of works under the MGNREGS and apathy of the District Planning Committees in preparing draft Development Plans. The Expert Committee on Resources and Plan Implementation constituted by the State Planning Board in 2013 specifically looked into issues pertaining to CSS. The committee studied five flagship schemes (MGNREGS, PMGSY, SSA, JNNURM and IAY) and identified the road blocks coming in the way of timely and effective utilisation of central funds and suggested measures to overcome them.

22. The Kerala Public Expenditure Review Committee Report of 2012-13 and 2013-14 pointed out the poor utilization of CSS funds. During 2012-13, none of the departments could fully utilize the funds under Centrally Sponsored Schemes. On review of the percentage of Plan Expenditure quarter wise it was seen that as compared to CSS, State Schemes are better implemented. There is no systematic spending pattern for CSS in the State. It was also noticed that as compared to CSS, State Plan Schemes normally get administrative sanction without delay. The Committee reiterated the need for a professional and skilled project

management wing to be established in each department for timely and efficient preparation, implementation, monitoring and evaluation of both State Schemes and various CSS.

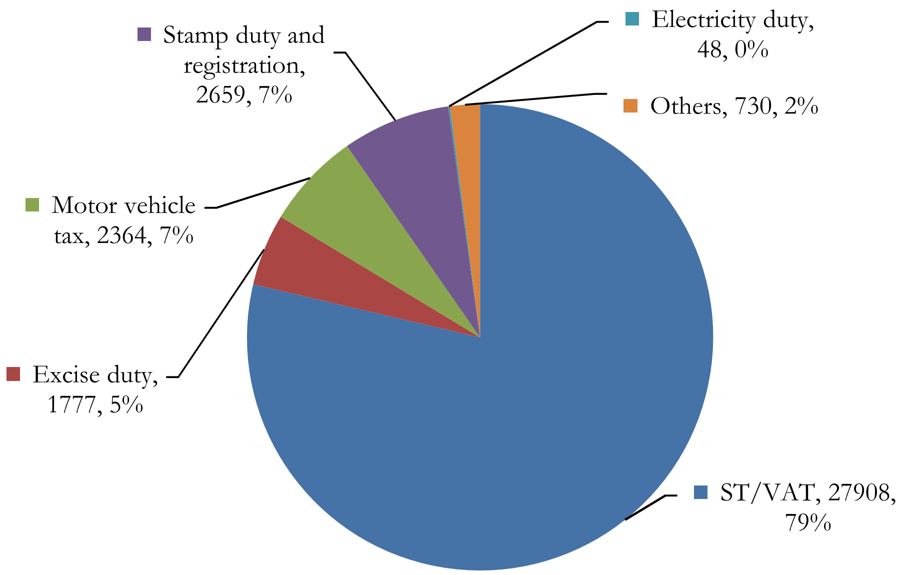
23. Implementation of CSS needs to be improved through a multi-faceted approach relying on professionalisation of public service delivery, quality management and innovative use of IT. Finally, the amount of funds in each CSS which states can spend on their discretion within the overall parameters of the main scheme (flexi-funds) will provide them greater leeway in allocation of funds. Thus, effective implementation of CSSs requires fine tuning of scheme guidelines to local situations and requirements and involves close coordination with related departments and agencies.

OWN TAX REVENUE

24. This section deals with the past trends and future projections of own tax revenue of the State. The aim of the exercise is to make reasonable projections of component taxes of Own Tax Revenue for the 13thFive Year Plan period (2017-18 to 2021-2022). The State's Own Tax Revenue comprises of,
    1. Sales Tax &Value Added Tax (ST & VAT)
    2. Taxes on Vehicles
    3. State Excise Duties
    4. Stamps & Registration
    5. Taxes and Duties on Electricity
    6. Taxes on Agricultural Income
    7. Land Revenue
    8. Other Taxes and Duties on Commodities & Services

Out of the Own tax revenues, the share of Sales Tax and VAT is 78.65 percent (Figure 1)

Figure 1 *Components of Own Tax Revenue - 2016-17 BE*



Source: Budget Documents Government of Kerala 2016-17

Table 6 *Proportion of VAT/Sales Tax /Other taxes on Total own tax* in rupees crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Sales Tax (S)	3882	3335	5035	5219	7402	8754	9922	10922	12638
VAT (V)	4189	5015	5882	7235	8097	9804	12172	13514	14606
Other Taxes (OT)	3871	5319	5073	5171	6223	7161	7983	7559	7988
Total Own Tax Revenue (TOTR)	11942	13669	15990	17625	21722	25719	30077	31995	35232
% of S on TOTR	32.5	24.4	31.5	29.6	34.1	34.0	33.0	34.1	35.9
% of V on TOTR	35.1	36.7	36.8	41.1	37.3	38.1	40.5	42.2	41.5
% of OT on TOTR	32.4	38.9	31.7	29.3	28.6	27.8	26.5	23.6	22.7

Source : Finance Accounts , Various Issues, published by C & AG

25. Sales Tax is levied on Crude,Petrol,Diesel,Natural Gas & Aviation Turbine Fuel(ATF) and alcoholic liquor for human consumption and VAT is levied on other commodities from 2006-07. The composition is given in Table 6.

Sales Tax and VAT

26. The major component of Own Tax Revenue is taxes on purchase and sale of commodities. Since 01.04.2005, intra-State sales of goods other than petroleum products and alcoholc liquor for human consumption, has been brought under the Value Added Tax (VAT) regime, where taxes paid on inputs are given credit against the output tax avoiding cascading effect to a certain extent. It can be seen from Table 7 that the growth rate of the major component of the Own Tax Revenue, that is, Sales Tax & VAT has declined from the first ten years to the second sub-period from 18.46 percent to 11.77 percent and rose to 15.49 percent in the third sub-period. The trend that is emerging is that despite a growing GSDP and a high level of Private Final Consumption Expenditure (PFCE)5, the growth rate of Sales tax and VAT has fallen. In other words, the buoyancy[6] of this tax has fallen over the period 1988-89 to 2014-15.

[5] In the recent two NSSO quinquennial surveys, Kerala occupies the first place in PFCE. It is also to be taken note of that there is underreporting in NSSO surveys, especially in the higher strata of consumption.

[6]Buoyancy is the ratio of growth rate of taxes to growth rate of tax base. This captures both economic response and discretionary changes.

Table 7 *Growth rates of Sales Tax & VAT, 1988-89 to 2014-15* in per cent

Year	Growth Rate	Year	Growth Rate	Year	Growth Rate
1988-89	15.14	1997-98	11.25	2005-06	5.03
1989-90	11.35	1998-99	9.16	2006-07	21.67
1990-91	16.74	1999-00	14.45	2007-08	9.45
1991-92	25.03	2000-01	12.75	2008-09	21.39
1992-93	16.35	2001-02	2.22	2009-10	12.25
1993-94	17.44	2002-03	20.32	2010-11	23.98
1994-95	21.63	2003-04	12.13	2011-12	19.62
1995-96	22.58	2004-05	11.84	2012-13	18.86
1996-97	21.27	**Average**	**11.77**	2013-14	10.55
Average	**18.61**			2014-15	12.15
				Average	**15.49**

Source: Budget Documents Government of Kerala

27. Though year to year fluctuations in growth can have many reasons like general economic slowdown, fall in commodity prices etc., it is to be noted that given its tax potential, the future growth rate of commodity taxes in the State in the GST environment, which will be SGST, need to grow at a higher rate. The Budget documents project a growth rate of 22 percent till 2018-19.

28. Projection is made here taking into consideration the following factors.
    1. Introduction of GST will certainly enlarge the base of State taxation by bringing services into the tax net. It is learnt that the collection of service tax by the Central Government from Kerala during 2015-16 was around Rs 2500 crore. Since most of the services, except those in the negative list are covered, at 15 percent tax rate, the taxable base of services in Kerala is calculated as Rs 16667 crore, which will be the additional tax base for the State.
    2. Due to the introduction of destination-based GST, Kerala will get additional tax revenue from e-commerce (online purchase of goods etc) by Inter-governmental fund transfer through the Integrated Goods and Service Taxation (IGST) Act. A study conducted by GIFT for Kerala State Planning Board (2014-15) that projected tax revenue from e-commerce consquent to the introduction of GST estimated the revenue for 2017-18 at Rs1533 Crore.
    3. For 2016-17, the Revised Budget figure for Sales Tax and VAT is Rs 37452 crore. The actual collection as a percentage of Budget Estimates till July 2016, published by the C & AG, is 26.30 per cent as against, 26.51 percent for the corresponding period of 2015-16. The provisional figures of Sales Tax/VAT collection for 2015-16 as a whole is Rs 30375 crore, which is 87 percent of the Budget Estimate of Rs 34712 crore for 2015-16. If a linear extrapolation of collection for the whole year 2016-17 is made based on the trends till July 2016 in comparison with July 2015, the estimated collection will be Rs 32,583 crore, recording a growth rate of 7.26 percent. This is very low and unrealistic. Tax collection varies from month to month and mere linear extrapolation can lead to distorted results. Considering the upswing in collection during peak festival seasons till December, and additional efforts taken by the new

government to galvanise the tax machinery and focussed compliance measures announced, it would be more realistic to expect a higher achivement of Budget Estimate than that of 87 percent during 2015-16. With the anticipated pick up in collection efforts in later months of the Financial Year 2016-17, we project an achievement of 95 percent of the Budget Estimate of Rs 37452 crore, which works out to Rs 35579 crore, translating into a growth rate of 17.13 percent over the provisional figure of Rs 30375 crore for 2015-16.

4. For subsequent two transitional years, that is, 2017-18 and 2018-19, when GST will be initiated and implemented, a growth rate of 15 percent is projected. In addition to transitional issues, in projecting 15 percent growth rate, we are also factoring in the slump in commodity prices including Natural Rubber, possible slowdown of remittances due to labour policy changes in the Gulf countries and fall in prices of Crude Oil. It is however reasonable to expect that once these transitional issues are sorted out, the enlarged tax base, self compliance impact and being a high consumption State, Kerala would be able to achieve better collection and a higher growth rate of 18 percent during 2019-2020 and 2020-21 and at 20 percent during 2021-22 (Table 8). With service sector in the tax net, the State can achieve a buoyancy of 1.3 to 1.4 per cent in the later three years.

Table 8 *Forward Projections of Sales Tax/VAT/GST* in rupees crore

Particulars	2014-15	2015-16 *	2016-17	2017-18	2018-19	2019-20	2020-21	2021- 22
ST/VAT/GST	27908	30375	35579	40915	47053.	55523	65517	78620
Growth Rate (%)	12	8.84	17.13	15	15	18	18	20

Note: 2015-16 Provisional figures before publication of Finance & Accounts by C & AG.

Excise Duty

29. Excise duty will not be subsumed under GST. During 2013-14 and 2014-15, the revenue from excise duty has fallen, that is, growth rate has been negative. There have been several policy shifts and hike in excise duty rates. Alcoholic liquor for human consumption is a price inelastic commodity and government holds the monopoly in retail sale of Indian Made Foreign Liquor (IMFL). Since there is a decision not to close down outlets of Kerala's State Beverages Corporation in stages every year, further downslide in revenue may not happen. As the general social policy is to encourage abstinence from alcohol consumption, much reliance need not be placed on higher revenues.

30. Going by past trends, it can be seen that the decadal growth rate of revenue has come down from 13.47 percent during 1988-89 to 1996-97 to 9.47 percent in the recent decade. It is also important to note the negative growth rates of revenue (-16.09 per cent and -8.48 per cent) during 2013-14 and 2014-15 (Table 9).

Table 9 *Growth Rates of Excise Duty - 1988-89 to 2014-15* in per cent

Year	Growth Rate	Year	Growth Rate	Year	Growth Rate
1988-89	15.26	1997-98	29.84	2006-07	13.32
1989-90	4.03	1998-99	-2.54	2007-08	22.67
1990-91	0.42	1999-00	11.59	2008-09	19.59
1991-92	19.89	2000-01	16.57	2009-10	8.37
1992-93	5.66	2001-02	-21.41	2010-11	12.18
1993-94	48.93	2002-03	22.46	2011-12	10.81
1994-95	6.73	2003-04	-1.08	2012-13	22.87
1995-96	27.2	2004-05	13.74	2013-14	-16.09
1996-97	-6.85	2005-06	12.73	2014-15	-8.48
Average	**13.47**	**Average**	**9.1**	**Average**	**9.47**

Source: Budget Documents Government of Kerala

31. During the deliberations of the second meeting of the Working Group officials of the Excise Department were optimistic in achieving a higher growth rate during 2016-17 based on their actual collections till then. Hence, a growth rate of 22.05 is projected for 2016-17. Expecting that there would not be major changes in Abkari policy in the next five years, the growth rate of revenue from Excise Duty is expected at 14.5 percent, as a similar higher growth cannot be expected from a higher base figure. The forward projections of Excise Duty revenues is given in Table 10.

Table 10 *Forward Projections of Excise Duty* in per cent

Particulars	2014-15	2015-16 *	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Excise Duty	1777	1964	2397	2734	3118	3556	4056	4625
Growth Rate (%)	-8.48	10.52	22.05	14.5	14.5	14.5	14.5	14.5

Note: *2015-16 Provisional figures before publication of Finance & Accounts by C & AG

Motor Vehicles Tax

32. This is the second largest component of Own Tax Revenue of the State and contributes 6.66 percent of the total Own Tax Revenue. To make a future projection, it would be necessary to have a projection of different types of vehicles which would be registered in the next five years and the expected revenue from it.

33. The second best alternative is to look at the age of the different types of vehicles running and the time period in which they are replaced by new vehicles, which can be taken from the details availiable with the Motor Vehicles Department. This Working Group is constrained by time to carry out such an exercise.Hence, trend estimation of growth rate is resorted to. It is also to be taken note of that slump in prices of commodities especially natural rubber and a possiblity of slow down in overseas remittances can adversely affect the purchase of vehicles by individuals and business entities.

Table 11 *Growth Rates of Motor Vehicle Tax Revenue - 1988-89 to 2014-15* in per cent

Year	Growth Rate	Year	Growth Rate	Year	Growth Rate
1988-89	13.88	1997-98	21.83	2006-07	12.56
1989-90	11.24	1998-99	7.19	2007-08	20.48
1990-91	6.03	1999-00	17.54	2008-09	9.85
1991-92	27.82	2000-01	3.91	2009-10	20.7
1992-93	18.08	2001-02	14.52	2010-11	17.68
1993-94	35.01	2002-03	13.49	2011-12	19.24
1994-95	21.74	2003-04	14.14	2012-13	21.26
1995-96	21.19	2004-05	4.14	2013-14	12.29
1996-97	11.09	2005-06	3.11	2014-15	9.39
Average	**18.45**	**Average**	**11.1**	**Average**	**15.94**

Source: Budget Documents Government of Kerala

34. The decadal growth rate has fallen from 18.45 per cent in the first period to 11.10 per cent in the second period and has risen to 15.94 per cent during the third period(Table 11). If year to year fluctuations are observed, the slow down in economic growth in the second half of the 1990s has had an impact on growth rate of Motor Vehicle tax. The slow down of purchase of new vehicles in the recent period may be linked to the slump in commodity prices especially natural rubber. The Revised Estimates of 2015-16 and Budget Estimates of 2015-16 and 2016-17 project a growth rate of 20 percent, which is on the higher side and may turnout to be unrealistic. However, considering the average growth rate of 15.94 per cent during 2006-07 to 2014-15, and the higher growth rate of 19.04 per cent in 2015-16, we apply the median of the 30 year growth rate, that is, 14.14 percent for making future projections as shown in Table12.

Table 12 *Forward Projections of Motor Vehicle Tax*

Particulars	2014-15	2015-16 *	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Motor Vehicles Tax	2364	2814	3211	3665	4183	4775	5450	6221
Growth Rate (%)	9.39	19.04	14.14	14.14	14.14	14.14	14.14	14.14

Note * 2015-16 Provisional figures before publication of Fnance & Accounts by C & AG

35. Officials heading Motor Vehicles and Excise departments voiced concerns at the infrastructural and manpower impediments faced by them. As regards Motor Vehicles department, it was suggested that enforcement of compliance against substantial offences should be automated. Both the departments need more automation and infrastructural facilities. It is suggested to introduce an incentive fund based on the models of Central Tax departments for additional infrastructure and a reward scheme for officials based on well laid down performance criteria. It is felt that adressing these issues will go an extra mile in boosting staff morale and would result in more buoyant collections.

36. It is noted here that in the Kerala Budget Speech 2016-17(para-52) it was announced that a certain proportion of Motor Vehicle Tax will be transferred to Kerala Infrastructure

Investment Fund Board (KIIFB). In the first year 10% of the tax and thereafter 10 percentage point increase every year is proposed till the fifth year. In addition, the cess on petrol will also be passed on to KIIFB.

Stamp Duty and Registration Fees

37. Stamp duty and registration revenue is closely linked to the level of economic activity. The step up in infrastructure spending with the taking up of industrial corridors, Port Development, Kochi Metro rail and Light Metro, is expected to spur land transactions. Adopting fair value of land taking into account the real time appreciation along with stability of rates of stamp duty and registration will show substantial growth in revenue. The decadal average growth rates have come down from 21.13 per cent to 14.75 per cent to 11.75 per cent despite reduction and rationalisation of rates (Table 13). The median rate for the 30 year period is 18.49 per cent. In the Revised and Budget Estimates of 2015-16 and 2016-17, the growth rates shown are 14.29 and 14.15 per cent respectively. The growth rate based on provisional figures for 2015-16 is 8.24 percent. But for the reasons stated above, assuming a gradual increase in growth rate of 10 percent in the first two years (2016-17 & 2017-18), 12 percent in the third year (2018-19), 14 percent during 2019-20 and 15 percent during 2020-21 and 2021-22 is not unrealistic. The projections are given in Table 14.

Table 13 *Growth Rates of Stamp Duty Revenue 1988-89 to 2014*-15 in per cent

Year	Growth Rate	Year	Growth Rate	Year	Growth Rate
1988-89	43.11	1997-98	-8.03	2006-07	38.06
1989-90	18.49	1998-99	-9.12	2007-08	33.42
1990-91	7.91	1999-00	-7.35	2008-09	-1.23
1991-92	24.75	2000-01	22.26	2009-10	-5.34
1992-93	24.59	2001-02	15.59	2010-11	34.63
1993-94	21.39	2002-03	23.4	2011-12	17.01
1994-95	28.52	2003-04	13.01	2012-13	-1.61
1995-96	19.6	2004-05	40.96	2013-14	-11.74
1996-97	1.84	2005-06	42.06	2014-15	2.53
Average	**21.13**	**Average**	**14.75**	**Average**	**11.75**

Source: Budget Documents Government of Kerala

38. We suggest an annual updation of Fair Market Value, responding to signals from the market. In a period of prolonged slump, there can be downward revision. Data on actual value transactions is essential to update the Fair Market Value. Data gathered by Income Tax Department during their Search & Surveys, can be requested and a spatial data base on actual value of transactions and the registered values can be compiled and used as a practical guide to fix Fair Market Value of land. This can be requested in meetings of Regional Economic Intelligence Committee (REIC) or Central Economic Intelligence Bureau (CEIB) at the National level.

Table 14 *Forward Projections of Stamp Duty* in per cent

Particulars	2014-15	2015-16 *	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Stamp Duty	2659	2878	3166	3482	3900	4446	5113	5880
Growth Rate (%)	2.53	8.24	10	10	12	14	15	15

Note * 2015-16 Provisional figures before publication of Finance & Accounts by C & AG

Electricity Duty

39. The present revenue estimated from this source is Rs 221crore and Rs 225 crore for 2015-16 RE and 2016-17 BE. There is scope for additional resource mobilsation as pointed out by C & AG in the report for the financial year ending on 31st March 2015 (Revenue Sector-Chapter 6 on Other Tax receipts).

40. The inadequacies noticed included non-collection by licensees, wrong claim of rebate and exemptions etc. The C & AG report observes that fixed rates are not favourable to enhance revenue. It is stated that two types of rates existed in Kerala Electricity Duty Act, 1963 and Kerala Electricity Surcharge (Levy and Collection) Act, 1989 for electricity duty and surcharge respectively The highest fixed rates of electricity duty now is 10 paise per unit from industial consurmers drawing energy at 11 K V and above. This rate was introduced in 1988, replacing the rate of 30 percent. At that time, the replacement by fixed rate resulted in an effective rate of 29 percent on energy charge per unit of 35 paise. At present, the energy charge per unit is 520 paise and the effective rate with fixed rate duty of 10 paise per unit is 2 percent. C & AG report points out that had the percentage rate continued, the government could have received Rs 249.66 crore additionally at the rate of Rs 1.41 per unit in 2013-14 alone. Taking into consideration the observations of the C & AG, projection of revenue is made by taking 10 percent annual increase as shown in Table 15.

Table 15 *Forward Projections of Electricity Duty*

Particulars	2014-15	2015-16 RE	2016-17 BE	2017-18	2018-19	2019-20	2020-21	2021-22
Electricity Duty	48	170	225	500	550	605	665	731

41. Total Own Tax Revenue shown in Table 16 is the sum of Sl. No 1 to 6. Based on past trend, the ‘Others’, which include minor sources are projected to grow at 15 per cent per annum. Others include Agricultural Income Tax, Land Revenue, other taxes and Duties on commodities and services. Based on the forward projections of its components, Own Tax Revenue is expected to grow at 23.91 per cent in 2017-18, the year of expected introduction of GST and at 15 per cent per annum since then.

42. Adopting the growth rates of the Medium Term Fiscal Policy Statement (MTFP), 2016, GSDP at current prices are projected for the 13th Five Year Plan period. In the MTFP, the nominal growth rate of GSDP is taken as 12.61 percent for 2016-17. Nominal GSDP growth is projected at 12 percent for 2017-18 and 2018-19 and 12.5 percent for the next

three years.The resultant OTR-GSDP Ratios for the five years shown in Table:16 are comparable to the long run averages as well as the four, five or six year averages preceding 2016-17. However,they seem to be on the higher side compared to the three year average preceding 2016-17. The poor revenue growth of the last three years is largely on account of low GSDP growth, low tourism growth and slump in the agricultural sector. The situation is expected to improve in the years to come.

Table 16 *Forward Projection of Own Tax Revenue* in rupees crore

No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	ST & VAT/GST	40915	47053	55523	65517	78620
2	Excise Duty	2734	3118	3556	4056	4625
3	Motor Vehicle Tax	3665	4183	4775	5450	6221
4	Stamp Duty	3482	3900	4446	5113	5880
5	Electricity Duty	500	550	605	665	731
6	Others	820	943	1084	1247	1434
7	Own Tax Revenue	**52116**	**59747**	**69989**	**82048**	**97511**
8	GSDP at Current Prices	738426	827037	930417	1046719	1177559
9	OTR- GSDP Ratio(%)	**7.06**	**7.22**	**7.52**	**7.84**	**8.28**

43. It is suggested that an adequate tax base measure should be available at the Government level for the estimation of tax potential and compliance gap. The production and own consumption details of major commodities should be published every year and the present data gap should be closed. In countries like United Kingdom, compliance gap of VAT is published every year. This is especially important in the post GST scenario, as manoeuvrability of rates and exemptions is not easy as it has to be through the GST Council.

CHAPTER 4
MOBILIZATION OF NON- TAX REVENUE

44. A substantial portion of government's current revenue may be derived from non-tax sources, like fees and charges of services rendered, rent on government property, interest and dividend earnings, and other miscellaneous revenues from licenses and fines. Greater attention to non-tax revenue is needed particularly when there is a strong element of 'non publicness' in the nature of services provided. Degree of publicness can be defined as the extent to which the provision for a particular good is a function of public sector values such as optimum social welfare, non-exclusiveness and non-rivalrous nature. Goods can be arranged on a scale from merit goods to purely private goods and pricing mechanism can be designed accordingly. Also, the revenue so collected can be brought under three heads- Direct NTR, Indirect NTR and Effective NTR. Such a classification of non-tax revenue would help in assessing the ripple effect of revenue generating programmes. Further, the rationalization of non-tax revenue structure requires the state government to recognize that majority of the public goods and services are provided by the private sector in a much better way than the public sector. This calls for an improvement of quality, reliability and competitiveness of public goods and services as well as an expansion of the range of the goods and services provided by government.

45. The major non-tax revenue collected in Kerala are from general services, social services, economic services, interest receipts and dividends and profits. Non- tax revenue which formed well below 7 per cent of the Total Revenue Receipts of the State from 2001-02 to 2011-12 has been going up since then. It accounted for 12.57 per cent of TRR in 2014-15. The growth of the state's non-tax revenue in recent years can be attributed to the increase in revenue from lotteries (Table 17), which has been a major source (75 *per cent*) of non-tax revenue of the State.

46. However, in the case of lotteries, the net revenue- the revenue after deducting the prize money and other expenses- has not increased in pace with the increase in the gross revenue owing to the disproportionate increase in expenditure. The net yield from lotteries was only Rs 960 crore in 2014-15 as there was an equally high expenditure (Rs4,485 crore) compared to the income (Rs5444.88) due to distribution of prizes, agent commission, etc., (Table:17).

Table 17 *Major Heads of Non-tax Revenue* in rupees crore

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Interest Receipts	152.5	171	136	172	149	102
Dividends and Profits	27.28	75.46	67	48.15	101	74
State Lotteries	625.74	558	1287	2779	3796	5445
Forestry and Wildlife	272.8	274.1	221	237	330	300
Other NTR	774	852	881	962	1199	1363
Total	1852.2	1930.79	2592	4198.51	5575	7284

47. The huge increase in the cost of running lottery has been identified by CAG to the poor administration. Among an array of irregularities detected by CAG a key irregularity is the absence of validation controls in Lottery Information Management System (LIMS). This calls for rectification.

Rationalizing Non-Tax Revenue

48. Mobilization of non-tax revenue in the State is a prerequisite for sustainable economic growth. However, this does not call for a blanket increase in the administrative and commercial non-tax receipts, but the development of a rational non-tax revenue system involving the following:
    1. Rationalizing the public expenditure structure
    2. Restructuring of all existing non-tax revenue receipts being collected at present by the State
    3. Identifying new sources of non-tax revenue
    4. Determining the 'Degree of Publicness' of each commodity / Service
    5. Devising a method of Discriminative Pricing which is simple, administratively feasible and beneficial for all sections of the society and economy.
    6. Preventing leakages by introducing efficient ICT based administration.

49. Private education has become a booming business in Kerala. Government can mobilise resources by imposing surcharges on unaided school and college fees. The hostel fee collected from the students of government run hostels which has remained low for long can be raised. Same applies to government run boarding/ lodging/ guest house facilities. Rents of government buildings can also be raised.

50. Motor vehicles department's potential to mobilize revenue is limited since it is governed by the rules of both central government as well as the state government. Government should rationalize the various fees/fines etc., for mobilizing more revenue. For example, more revenue can be mobilized by raising the fee for duplicate license. Duplicate license is issued by the state government while original license is issued by the central government. Another area s the substantial increase of various fines for violation of traffic rules.

51. Second hand vehicles market has been booming in Kerala. But hardly any revenue is mobilized from this market by the government except VAT. By introducing differential rates of registration fee for second hand sales of motor vehicles, additional revenue can be mobilized.

52. Jails offer wide range of possibilities for mobilizing revenues. Micro, small and medium enterprises may be designed for the prisoners. Tihar jail is an important example in this regard. They produce food products, handlooms, textiles and apparels, art works and paintings, office and hospital stationery products. Optimum usage of existing government buildings and imposing quality charges from respective departments would be generating revenues. Fee hike in museums and zoos have also become long overdue.

Own Non-tax Revenue Projections

53. Generally, non-tax revenue receipts are not considered as significant as tax revenue. However, it assumes significance for fiscal consolidation and increased capital outlay so that the ensuing growth process will be fiscally sustainable. Non-tax revenue, in general, doesn't have a well-defined structure. Windfall gains and losses, interest scenarios, and the general economic outlook make it volatile.

Table 18 *Projections for Non-tax Revenue using various methods* in rupees crore

Year	Projection based on budget estimates since 2009-10	Projection based on Actual values since 2009-10	Projections made by Isaac and Mohan 2016	Projection based on average of annual growth rates in major heads since 2009-10
2016-17	10860 (-----)	9010 (-----)	7920 (-----)	12297 (-----)
2017-18	11092 (2.14)	10144 (12.59)	9267 (17.01)	16124 (31.12)
2018-19	12422 (11.99)	11278 (11.18)	10842 (16.99)	21265 (31.88)
2019-20	13752 (10.71)	12413 (10.06)	12685 (16.99)	28182 (32.53)
2020-21	15083 (9.67)	13547 (9.14)	14841 (16.99)	37503 (33.07)
2021-22	16413 (8.82)	14680 (8.37)	17365 (17.01)	50078 (33.53)
		NTR - GSDP Ratio (%)		
2016-17	1.65	1.37	1.20	1.87
2017-18	1.50	1.37	1.25	2.18
2018-19	1.50	1.36	1.31	2.57
2019-20	1.48	1.33	1.36	3.03
2020-21	1.44	1.29	1.42	3.58
2021-22	1.39	1.25	1.47	4.25

Source: Computed from Government of Kerala Budget documents of various years, CAG report of various years on financial accounts of Government of Kerala, Isaac and Mohan 2016. Amount in Rupees Crore. Annual growth rate is given in brackets

54. Table 18 illustrates four scenarios of non-tax revenue mobilization in the State for the next five financial years. The first column comprises of projections made out of the budget

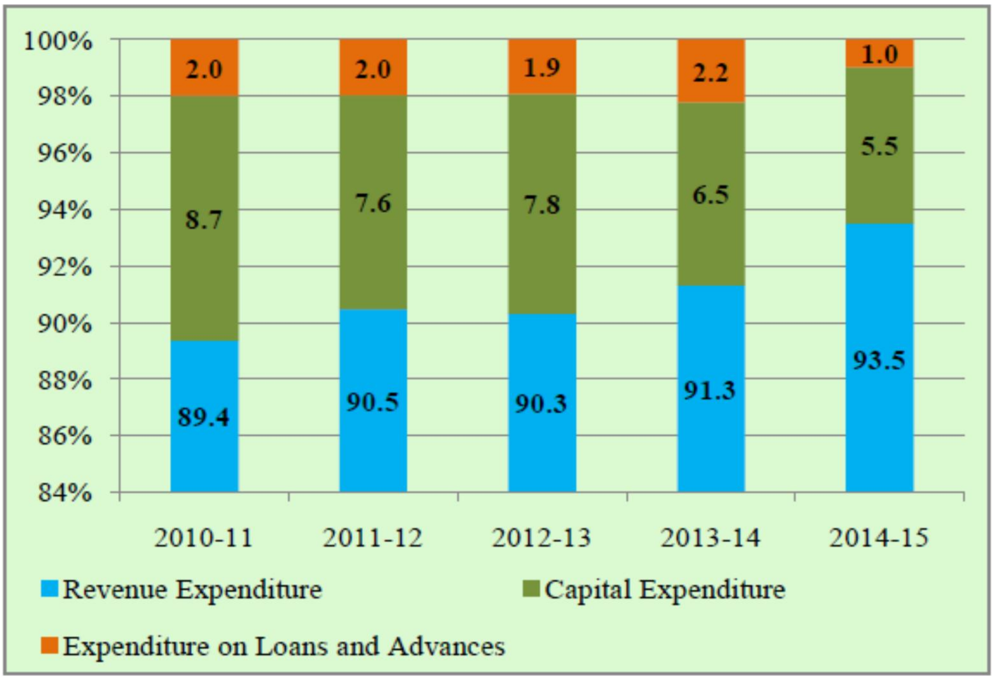
estimates since 2009-10. The projections are made using simple linear regression method and provide an average annual growth of 10.23 per cent for the next five years. The second column comprises of projections made out of actual values of non-tax revenue since 2009-10. Here also, the method of projection is simple linear regression method and yields an average annual growth rate of 12.59 per cent. The third column comprises of projections made by Issac and Mohan (2016). They held non-tax revenue as constant share (1.3 per cent) of GSDP. The lower panel of Table 18 presents the NTR-GSDP ratios taking NTR values from the upper panel and the GSDP projections presented in Table 16.

55. The fourth column comprises of projections made on the basis of average of annual incremental growth rates of major heads under non-tax revenue since 2009-10. The underlying logic of this method is that, unless any structural or cyclical fluctuations disturb the economy, the present trend of non-tax revenue growing at an average of nearly 30 per cent will continue for the next five years. Further, the fact that on an average, the actual values of non-tax revenue exceeded the budget estimates by 10.18 per cent during the last five years also strengthens the case for making such a projection. Thus, the fourth column represents the best possible scenario for Kerala, as far as the mobilization of non-tax revenue is concerned. Here, the five year average annual incremental growth rate of receipts from lotteries is 63 %, applying which will lead to extreme values. To avoid this, for lottery, the average of annual incremental growth rate since 1999-2000 (35.48 %) was taken.

CHAPTER 5
TRENDS IN GOVERNMENT EXPENDITURE

56. Over the last twenty years, total expenditure as a proportion of GSDP has steadily fallen from over 20 per cent in the early 1990s to below 15 per cent by the late 2000s. The period of 1990 to 2015 is marked by two clear phases of decline in total expenditure. The first phase from 1990-91 to 2001-02 saw the total expenditure fall from over 20 per cent to around15 per cent. The second period from 2002-03 to 2009-10 saw it coming down from close to 18 per cent to below 14 per cent. The total expenditure to GSDP ratio hovered around 17 per cent in 2014-15 but still below the 20 per cent seen in the 1990s.

Figure 2 *Share of various Expenditures in Total Expenditure*



Source: Report of the Comptroller and Auditor General of India on State Finances for the year ended March 2015, Government of Kerala

57. As regards the composition of total expenditure, revenue expenditure accounted for around 90% and the rest by capital expenditure and expenditure on loans and advances. During 2014-15, revenue expenditure was 93.5per cent whereas capital expenditure and loans and advances were merely 5.5 per cent and 1 per cent respectively. In fact, capital expenditure has declined from 8.7 per cent in 2010-11 to 5.5 per cent in 2014-15 and it seems that the increase in revenue expenditure is at the cost of the capital expenditure (Figure 2).

Rising Revenue Expenditure

58. The revenue expenditure of the State comprises of expenditure on salaries, pension, debt charges, devolutions to local self-governments and subsidies. The operational and maintenance cost for the upkeep of the completed projects and programmes are also classified under the revenue account. Grants provided to meet the salaries and pension liabilities of employees in the Universities and State autonomous bodies and also the

pension liabilities of employees of Panchayati Raj Institutions are classified under this head of expenditure. Revenue expenditure is incurred to meet the current level of services and payment for past obligations and as such does not result in any addition to the States' infrastructure or capital stock. The revenue expenditure trend from 2010-11 to 2014-15 has been shown in Table 19.

Table 19 *Trends in Revenue Expenditure* in rupees crore, in per cent

Sl. No.	Year	Revenue expenditure	Total expenditure	RE as % of Total expenditure	Rate of growth (%)
1.	2010-11	34665	38791	89.4	11.3
2.	2011-12	46045	50896	90.5	32.8
3.	2012-13	53489	59228	90.3	16.2
4.	2013-14	60486	66244	91.3	13.1
5.	2014-15	71746	76744	93.5	18.6

Source: Report of the Comptroller and Auditor General of India on State Finances for the year ended March 2015, Government of Kerala

59. The bulk of the State's revenue expenditure is taken up by salaries, interests and pensions. The trend in salaries, pension and interest in revenue expenditure profile may be seen in Table 20.

Table 20 *Salaries, Pension and Interest in* rupees crore

Year	Salaries	Pension	Interest	Salaries + Pension + Interest	Other RE	RE
2005	5345.58	2600.77	3612.54	11558.88	5610.53	17169.41
2006	5607.78	2861.18	3799.25	12268.21	6155.47	18423.68
2007	6585.45	3294.58	4189.70	14069.73	6754.84	20824.57
2008	7693.66	4624.53	4329.65	16947.84	7943.79	24891.63
2009	9063.81	4686.43	4659.69	18409.93	9813.92	28223.85
2010	9800.20	4705.50	5292.48	19798.17	11334.21	31132.38
2011	11068.38	5767.49	5689.66	22525.53	12139.29	34664.82
2012	16083.27	8700.30	6293.60	31077.17	14967.45	46044.62
2013	17313.70	8866.89	7204.81	33385.40	20103.34	53488.74
2014	19340.98	9971.27	8265.38	37577.64	22907.86	60485.50
2015	22079.90	11252.67	9769.59	43102.16	28644.27	71746.43
2016	23506.42	13062.62	9114.38	45683.42	29665.63	75349.05

Source: White Paper on State Finances, June 2016

60. Salaries of Government staff and teaching grants given to private aided educational institutions is the major item of revenue expenditure. Kerala has the distinction of having the largest number of government employees per 1000 population among the Indian States. This been has been one of the highest for historical reasons such as provision of a number of public services. During the ten year period from 2006-2016, salaries rose from Rs 5608 crore to Rs 23506 crore, an increase of 319%. A sharp rise in expenditure is noted during the years 1997-98, 2002-03, 2007-08 and 2011-12. These years are coterminous with the implementation of Pay Commission Awards. Thus, the quinquennial Pay Commission Awards did play an important role in raising the revenue expenditure and by the time the

effects of increase in expenditure wears out the next one becomes due. Most of the other States have got out of this cycle by adopting the Central Pay Commission pattern with modifications which become due only once in ten years. The Kerala Public Expenditure Review Committee in its 2010-11 report had recommended that Pay Commission be appointed only once in ten years.

61. The Kerala Public Expenditure Review Committee in its Third Report in 2012-13 has also cited that a large number of temporary staff are retained in establishments created for implementing projects, investigation of irrigation and PWD projects, land acquisition etc, which are non-functional. Even after completing the work of the establishments, the staff are retained and salary paid. The Committee with the help of Finance Department had identified that nearly 18 departments have surplus temporary staff of more than 250 per department. The creation of additional establishments and posts, without taking into account the financial liabilities has been the main cause of increased revenue expenditure.

62. Pension of retired Government employees and employees of aided institutions account for another substantial portion of revenue expenditure. There are three categories of pensioners-service, family and other categories. The revision of pension rates once in five years, the frequent DA revisions and increase in the number of pensioners have contributed to the steep increase in pension payments.

63. The trends in interest payments follow the trends in debt. In the early 1990s, over 15 per cent of the total revenue had to be devoted for the payment of interest. As debt began to increase, interest payment too began to rise. By the early 2000s, over 28 per cent of the total revenue went for payment of interest. As part of FRBM Act prescriptions, debt and interest payments could be brought down substantially since 2003-04. Thus by the early 2010s, interest payments as a proportion of total revenue receipts had fallen to just over 15 per cent. During 2010-11 to 2014-15 interest payments have ranged from 14.7 per cent to 12.7 per cent.

64. Subsidies are another major component of expenditure. The most important item of subsidy is the food subsidy given to distribute rice and wheat through the public distribution system. The delay in implementation of National Food Security Act, 2013 has added to the burden of the State. Procurement of paddy from farmers is the second major item of subsidy. Other subsidies include subsidies for cooperatives for conducting festival markets, power tariff concessions, punja dewatering, cattle feed, fisheries development, KSRTC services, investment subsidies to industries and tourism development. A review of the subsidies shows that nearly 77 per cent is spent on market intervention and for distributing the food items at reasonable prices through PDS. The subsidies given for production are meagre. Further there are leakages and wasteful spending of subsidies.

65. LSGIs rely heavily on grant-in-aid from the State Government for their non-plan and plan expenditures. The devolution of the resource is largely based on the recommendations of the State Finance Commission. It is noted that there is an increasing trend in State's

devolution of funds to Panchayati Raj institutions since 2011-12 and it was the highest during 2014-15.

Falling Capital Expenditure

66. Capital expenditure comprises of capital outlay and loans and advances. Capital outlay is the direct capital expenditure on general, social and economic services by the State Government. Loans and advances are given to public sector entities, cooperatives and Government employees. The trend in capital expenditure as a percentage of GSDP is shown in Table 21. It can be seen that capital expenditure in the State has been very low which is reflected in the poor quality of infrastructure in the State. Compared to other States, where the capital expenditure hovers around 5 to 7 per cent of GSDP, in Kerala it has been less than 2 per cent for the last many years.

Table 21 *Capital Expenditure as a Percentage of GSDP*

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	RE	RBE
0.89	0.89	1.26	1.49	1.58	1.64	1.24	0.96	1.22	1.56

Source: Budget Documents, Finance Department, Government of Kerala

67. Financial analysis of government investments and loans and advances shows that while the Government paid an average interest rate ranging from 7.1 per cent to 7.5 per cent on its borrowings during 2010-15, the return on it has been poor. Government has invested Rs 6085.13 crore as share capital in various public sector undertakings as on 2014-15. Similarly, Government has been providing loan assistance to Statutory Corporations, Government Companies, Autonomous bodies etc. and the outstanding amount as loan at the end of March 2015 was Rs 12332.50 crore. Though the institutions are bound to repay the loans with interest in stipulated installments, they have defaulted in this regard and arrears in repayment at the end of March 2015 from 71 such organisations were Rs 8794.71crore.

Plan Expenditure

68. A core development issue is the effective implementation of annual plan projects and schemes. The plan outlay and expenditure is shown in Table 22.

Table 22 *Plan Outlay and Expenditure* in rupees crore

Year(Ending March 31)	Budget Outlay	Actual Expenditure	Expenditure on Outlay(%)
2005	4800	3907	81
2006	5370	4231	79
2007	6681	4785	72
2008	6950	5690	82
2009	7700	7145	93
2010	8920	8780	98
2011	10025	10025	100
2012	12010	11758	98
2013	14010	14737	105
2014	17000	14901	88
2015	20000	14252	71

2016	20000	15312	77

Source: White Paper on State Finances, June 2016

69. It is seen that the outlay allocated to various schemes has not been utilised effectively in the State. Inefficiency in spending of plan outlay has been recurring every year in the State. The utilisation of plan funds is low especially with Centrally Sponsored Schemes as compared to State schemes. Along with under utilisation, the bunching of plan spending during the last quarter and that too during the last month of the financial year adds to the gravity of inefficiency.

Trends in Total Expenditure in terms of Activities

70. In terms of the activities, total expenditure is composed of expenditure on General services including interest payments, Social and Economic services, grants-in-aid and loans and advances. Relative shares of different components of total expenditure are presented in Table 23. It may be seen that expenditure on general services has been increasing steadily during the last three years whereas expenditure on social and economic services has been decreasing. This shows the increasing commitment on running government machinery at the expense of development services. The predominance of social and community services over economic services has been a distinguishing feature of public expenditure in Kerala for long that has suffered in recent years.

Table 23 *Components of Expenditure - Relative Shares* in per cent

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
General Services	40.0	40.2	38.7	40.4	41.4
Of which, Interest, Payments	14.7	21.4	12.2	12.5	12.7
Social Services	32.4	33.0	32.8	32.6	32.0
Economic Services	18.4	18.1	19.8	17.3	17.5
Grants-in-aid	7.2	6.7	6.8	7.5	8.4
Loans and Advances	2.0	2.0	1.9	2.2	1.0

Source: Report of the Comptroller and Auditor General of India on State Finances for the year ended March 2015, Government of Kerala

Quality of Expenditure

71. The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. Improvement in the quality of expenditure depends on whether adequate funds were provided for public expenditure and whether the fund was spent efficiently and effectively to achieve intended objectives.[7]

72. The analysis of the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2011-12 and 2014-15 gives a glimpse of the quality of public expenditure (Table 24).

[7]Report of the Comptroller and Auditor General of India on State Finances for the year ended March 2015, Government of Kerala

Table 24 Fiscal *priority of the State in 2011-12 and 2014-15* in per cent

Fiscal Priority by the State*	TE/ GSDP	DE#/ TE	SSE/TE	CE/TE	Education / TE	Health/ TE
General Category States' Average, 2011-12	15.98	65.39	36.63	13.23	17.10	4.68
Kerala's Average, 2011-12	16.28	52.85	34.06	9.53	18.31	5.69
General Category States' Average, 2014-15	16.49@	69.12	36.50	14.01	16.23	5.04
Kerala's Average. 2014-15	17.00	50.26	32.16	6.51	16.42	5.51

Notes: * As per cent to GSDP
TE: Total Expenditure DE: Development Expenditure
SSE: Social Sector Expenditure CE: Capital Expenditure
Development expenditure CE: Capital Expenditure
Expenditure and Loans and Advances disbursed (Social and Economic sector)
@ Based on 17 States except Goa and Puducherry

73. The share of State's Development Expenditure, Capital Expenditure, and Social Sector Expenditure in Total Expenditure decreased and it was less than that of the general category states during 2011-12 and 2014-15. It is seen that the general category states improved their share of Development Expenditure in Total Expenditure but Kerala has failed to achieve any improvement in Development Expenditure.

74. A study by Gulati Institute of Finance and Taxation- *Kerala Finances 2002-03 to 2011-12 An Evaluation*, submitted to the Fourteenth Finance Commission, Government of India, identified the following factors as contributing to inefficiency in public expenditure-unscientific budget estimates, inadequate budgetary allocation, bunching of expenditure in the last quarter of the financial year, time and cost over-run in project execution and thin spread of resources among projects. The Report suggests the following measures for improving efficiency in public spending: Deepening peoples' understanding of public finances, transparency through the adoption of information and communication technology, doing away with the practice of 'token provision', incentivising public vigil, discouraging new asset creation without adequate provision for maintenance of existing assets, replicating best practices, incentivising officials and renting and encouraging leasing instead of purchase.

Total Revenue Expenditure Projections

75. The Medium Term Fiscal Policy and Strategy Statement (2016-17 to 2018-19) spells out the forward estimates of Salaries, Pension and other Revenue Expenditure for 2017-18 and 2018-19. The projections for the two years reflect the immediate fiscal challenges before the Government. The arrears on account of Pay Revision under the 10th Pay Commission have been staggered to be paid in four installments over 2017-18 and 2018-19. The first installment of arrears amounting to Rs4442.26 cr. which is 180% of the current monthly salary bill has to be paid on April 1, 2017. There is a huge outflow due to redemption of public debt in the next few years, almost amounting to an average of Rs 1050 to Rs 1375 crore monthly requirement to pay off the debts as shown in Table 25.

Table 25 *Debt Servicing Charges (2017-2022)* in rupees crore

Year	Maturity Redemptions	Interest Payments	Total Debt Servicing	Av. Monthly Requirement
2017	3851.02	8798.15	12649.17	1054.10
2018	5529.18	8609.03	14138.20	1178.18
2019	6772.64	8143.59	14916.23	1243.02
2020	6726.08	7574.56	14300.65	1191.72
2021	6727.99	7084.50	13812.48	1151.04
2022	10071.15	6419.08	16490.23	1374.19

Source: White Paper on State Finances, Government of Kerala, June 2016

76. The resource availability of the State has been assessed for the coming five years based on the trends and projections of revenue and expenditure. Projections for salaries, pension and other revenue expenditure for years 2017-18 and 2018-19 are from the Medium Term Fiscal Policy and Strategy Statement (2016-17 to 2018-19). For 2019-20 to 2021-22, growth rate of 10, 18 and 20 has been assumed respectively**.** Table 26 presents the stressed financial situation of the State and shows that only meagre resources are available for deployment of capital expenditure**.**

Table 26 *Resource Position of the State (2017-2022)* in rupees crore

Variable	2017-18	2018-19	2019-20	2020-21	2021-22
Interest	8609	8144	7575	7085	6419
Salaries	33718	35425	38968	42865	47152
Pension	20521	25484	30071	35484	41871
Other RE	35296	44936	53923	64708	77650
Total RE	**98144**	**113989**	**130537**	**150142**	**173092**
Own Tax Revenue	52116	59747	69989	82048	97511
Non Tax Revenue	10144	11278	12413	13547	14680
State's Share in Taxes	16960	18995	21274	23827	26686
Total Revenue	**79220**	**90020**	**103676**	**119422**	**138877**
Total Revenue-Total RE	**-18924**	**-23969**	**-26861**	**-30720**	**-34215**
GSDP	738426	827037	930417	1046719	1177559
3% of GSDP	**22153**	**24811**	**27913**	**31402**	**35327**
Resources Available	3229	842	1052	682	1112

CHAPTER 6
NEED FOR ALTERNATIVE SOURCES OF FINANCE

77. Finding adequate resources to finance development and non-development expenditure has been one of the main challenges for the State. The State has been facing paucity of resources especially budgetary resources to allocate for investment purposes. The recurring revenue deficits have meant that balance from current revenue is negative and the State has to borrow to meet its day to day expenditure requirements. In this context, it becomes imperative to focus on innovative methods of financing to raise resources for development of the State.

78. The dismal situation of finances in the State can be gauged from the Governor's first address to the 14^{th} Legislative Assembly on June 24, 2016. "*The State is facing an acute financial crisis. The Government is faced with the stark reality that there are no funds left for capital expenditure like construction of roads, bridges and other major infrastructure projects.*"

79. It is quite clear that the consequence of the fiscal crisis of the State has been that capital expenditure has suffered hugely. The State needs today a heavy dose of capital infusion if it is to sustain itself as a State committed to maintaining the quality of life of its citizens. The White Paper on State Finances released in June 2016 underscores the need to find intelligent and rational shortcuts to recover lost ground in capital expenditure in the State and that the State should be able to leverage much larger extra budgetary resources from whatever limited resources that can be mobilised for capital expenditure.

80. Bridging the infrastructure deficit is one of the critical priorities of Government. As there are budgetary constraints, there will be a limit to the quantum of capital expenditure that can be made from the budget. Mobilising off-budgetary resources through the various financial and infrastructure institutions in the State is required for taking up and completing the major infrastructure projects. The Concept Note on fund raising for infrastructure projects prepared by SBI Capital Markets Limited, 2014 has assessed the nature of resource requirement for filling the infrastructure gap in the State. The resource requirement is classified into 3 categories; Category I: Immediate requirement of about Rs 2,000 crore for meeting the current infrastructure projects; Category II: Medium Term requirement for projects at different stages of implementation; Category III: Long Term requirement for infrastructure projects in future without being constrained by the budgetary resources. A beginning in this regard has already been made by the State by revamping the Kerala Infrastructure Investment Fund Board.

Kerala Infrastructure Investment Fund Board

81. Kerala Infrastructure Investment Fund Board (KIIFB) is a statutory body constituted under the Finance Department of Kerala in 1999 for raising funds both in the medium and long term to finance critical and large infrastructure projects in the State. The Government has recently taken steps to revamp KIIFB to execute major infrastructure projects planned under the anti-recession package announced in the revised budget 2016-17.

82. KIIFB would issue bonds, raise term loans from banks and create funds having approval from the SEBI and RBI. Government has approved a plan to issue General Obligation Bonds against unconditional Government guarantee and Revenue Bonds with structured payment mechanism for medium term requirement and has initiated steps to raise funds to meet long term requirements through Alternative Investment Funds (AIF), Infrastructure Investment Trust (In VIT), and Infrastructure Debt Fund (IDF). Also a funding of Rs 4,000 cr. has been lined up from NABARD. The modalities of securitizing Motor Vehicle tax under KIIFB has been detailed in section III.

Infrastructure Debt Funds

83. Infrastructure Debt Fund (IDF) is an innovative means of credit enhancement to channelize funds for infrastructure projects. The setting up of IDF was announced by the Union Finance Minister in the budget speech 2011-12 in order to accelerate and enhance the flow of long term debt in infrastructure projects. IDFs are instruments to facilitate provision of long-term low-cost debt for infrastructure projects by tapping into source of savings like Insurance and Pension Funds which have hitherto played a comparatively limited role in financing infrastructure. The Fund is for projects that have entered into commercial operation after completion of construction. By refinancing bank loans of existing projects the IDFs are expected to take over a fairly large volume of the existing bank debt that will release an equivalent volume for fresh lending to infrastructure projects.

Municipal Bonds

84. Municipal bonds are one of the recourse of financing for municipalities and local bodies. The concept of municipal bonds is in its nascent stage in India, compared to other advanced countries where this is an important source of financing urban infrastructure. These bonds have been used successfully by local governments in the US and China. In the US, municipal bond market is around $3.7 trillion and in China $187 billion. Municipal bonds are of two general types - General obligation (GO) bonds which carry full faith and credit of the issuing authority, and are appropriate for general services like, roads or street lighting wherein it is difficult to levy user charges. And revenue bonds, which are tied to specified sources of revenue from the facilities or services which they finance. Generating resources through issue of municipal bonds will reduce the dependence of Local Self Governments on the State Government and enable them to find innovative and viable means of generating income from projects.

Encouraging Public Private Partnership in Kerala

85. Development of roads, ports and urban infrastructure projects are now increasingly being taken up on Public Private Partnership (PPP) mode. The Thiruvananthapuram City Road Improvement project on PPP (Annuity) mode, and Kariavattom Green Field Stadium on DBOT mode are a few of the PPP projects in the State. Compared to some of the other Indian states, the number of PPP projects implemented in the State is just 28 with a total project cost of Rs 19,472.34crore. The lack of proper interpretation of PPP affects the

structuring, financing and implementation of projects. It is very important that the term PPP be clarified and the benefits and schemes applicable to PPP be made aware to Departments.

86. There is a lack of coherent policy with regard to PPP in the State. With a proper policy the State can make use of the assistance offered by the Ministry of Finance as Viability Gap Funding (VGF) for PPP projects. This has so far been accessed for only one project in the State, namely the Vizhinjam Port Project. The State can avail this assistance for many other projects.

External Assistance

87. The Government of India, through bilateral and multilateral agreements takes external assistance by way of loans, credits and grants. The assistance may be for programme or projects implemented directly by the Central or State Governments or by Non-Government bodies where Government of India stands as a guarantor.

88. Multilateral agencies such as World Bank, Asian Development Bank, Japan International Cooperation Agency (JICA), New Development Bank and Asian Infrastructure Investment Bank offer sovereign backed financing and non-sovereign backed financing. All these agencies support infrastructure and sustainable development projects. There are also bilateral agencies such as French Agency for Development (AFD), KfW the German Government's Development Bank, DFID of United Kingdom and US Agency for International Development (USAID) who fund projects.

Chapter 7
Conclusion

89. The State has to access the capital market to launch infrastructure and investment programmes for which it will have to first overcome its image as a State that is not achieving fiscal targets. It is pertinent to note that many of the States who focus on their capital expenditure also have substantial off-budget borrowing for infrastructure through their corporations. Kerala has not been able to invest modestly through its corporations (KSEB, KWA, KINFRA, KRFB etc) in infrastructure largely for lack of budget financing.

90. It is therefore very important to create a conducive environment in the State whereby alternative recourse to financing can be leveraged.

91. The projections of GSDP and revenue receipts for the plan period have been made assuming that the economy is on a pick up path. The trends of the last two years gave us courage to project a brighter future. But the impact of demonetisation portends a difficult path ahead. It could be said that the projections are too optimistic and there is a likelihood that the pick-up might be delayed in which case achievements might be far lower than the projections.

ANNEXURE 1

PROCEEDINGS OF THE MEMBER SECRETARY
STATE PLANNING BOARD
(Present: Sri. V. S. Senthil IAS)

Sub: Formulation of Thirteenth Five Year Plan - Constitution of Working Groups-reg.
Read: Decision of the first Board meeting held on 08/09/2016

ORDER No. 260/2016/PCD/SPB Dated:19/09/2016

As part of the formulation of Thirteenth Five Year Plan, it has been decided to constitute various Working Groups under the priority sectors vide paper read above. Accordingly the Working Group on **Financial Resources and resource mobilisation** is hereby constituted with the following members.

Chairperson

Sri. V. S. Senthil IAS, Additional Chief Secretary, Planning and Economic Affairs Dept., Govt. Secretariat, Thiruvananthapuram

Members

1. Dr. K.M. Abraham IAS, Additional Chief Secretary, Department of Finance, Govt. Secretariat, Thiruvananthapuram
2. Prof. Amit Shovan Ray, Director, Centre for Development Studies, Prasanth Nagar, Trivandrum
3. Dr. Rajan N. Khobragade IAS, Commissioner of Commercial Taxes, Tax Tower, Killippalam, Karamana, Thiruvananthapuram-695002
4. Sri. E. Devadasan IAS, Inspector General, Dept. of Registration, Vanchiyoor P.O, Thiruvananthapuram-695035
5. Sri. S. Ananthakrishnan IPS, Commissioner of Motor Vehicle Dept., Trans Tower, Vazhuthacad, Tvpm.
6. Sri. Rishi Raj Singh IPS, Excise Commissioner, Commissionarate of Excise, Excise Head Quarters, Nandavanam, Thiruvananthapuram - 695033
7. Sri. N. Sivasankaran, General Manager, (Convener, SLBC Kerala), Circle Office, Canara Bank, Palayam, Thiruvananthapuram
8. Dr. D. Narayana, Director, Gulathi Institute of Finance and Taxation, Sreekariyam, Thiruvananthapuram
9. Dr. K. N. Gangadharan, Professor (Rtd.), University College, Karamvalappil, B 5 , Chithra Nagar, Vattiyoorkavu , Thiruvananthapuram
10. Sri. Minhaj Alam IAS, Secretary (Finance Resources), Department of Finance, Govt. Secretariat, Thiruvananthapuram
11. Dr. Pinaki Chakraborty, Professor, National Institute of Public Finance and Policy, 18/2, Satsang Vihar Marg, SPL institutional area (near JNU), New Delhi – 110 067
12. Dr. Shyjan D., Asst. Professor, Dept. of Economics, Dr. John Mathai Centre, Trissur
13. Sri. R. Mohan IRS, Commissioner of Income Tax (Appeal), Income Tax Department, Coimbatore

14. Dr. Shaijumon C.S., Reader in Economics, IIST, Department of Space, Valiyamala, Thiruvananthapuram -695 547
15. Smt. Anithakumari, Associate Professor, Gulathi Institute of Finance and Taxation, Sreekariyam, Thiruvananthapuram
16. Dr. N. Ramalingam, Associate Professor, Gulathi Institute of Finance and Taxation, Sreekariyam, Thiruvananthapuram
17. Sri. Gireesh Kumar, Chief Manager (Rtd.), IOB, Cram 85, Samskrithi, Irumarathu lane, Chaithanya Garden, Mannammoola, Peroorkkada, Thiruvananthapuram 695005

Convener

Smt. K. Jaya, Chief (i/c), Plan Co-ordination Division, State Planning Board

Co- Convener

Smt. Rekha V. Dev, Deputy Director, Plan Co-ordination Division, SPB

Terms of Reference

1. To review the pattern of plan financing during the Eleventh and Twelfth Five Year Plan periods and to suggest a new pattern for the Thirteenth plan taking into account recent changes in Centre-State fiscal relations.
2. To critically evaluate the resource mobilisation efforts at the state level during the past two five year plans under different heads and to suggest a comprehensive strategy for improvement.
3. To examine the trends in government expenditure and suggest measures for improving the quality of expenditure and for maximising resources available for the Plan.
4. To examine the potential for diversifying sources of finance for meeting development expenditure, especially for infrastructure development, including possible sources outside the budget such as external assistance, private investment, credit linkages, capital market, etc.
5. To project the likely flow of funds for financing the Thirteenth Five Year Plan.
6. To review the utilisation of funds available for centrally sponsored schemes in the 12th Plan and suggest measures to maximise the use of central resources during the 13th Plan
7. To attempt an analysis of savings and investment in the State, focussing on financial intermediation by institutions such as banks and on major new investment proposals

Terms of Reference (General)

1. The Chairperson is authorised to modify Terms of Reference with the approval of State Planning Board. The Chairperson is authorised to invite, on behalf of the Working Group, experts to advice the Group on its subject matter. These invitees are eligible for TA and DA as appropriate.
2. The Working Group will submit its draft report by 1st December 2016 to the State Planning Board
3. The non- official members of the Working Group will be entitled to travelling allowances as per existing government norms. The Class I Officers of GOI will be

entitled to travelling allowances as per rules if reimbursement is not allowed from Departments.

Sd/-
Member Secretary

To

The Persons concerned
Sr. A. O.

Copy to:-

PS to VC
PA to MS
C. A. to Member (KNH)
The Accountant General, Kerala
F.O.
P.O.
Sub Treasury, Vellayambalam
Accounts Section
Stock file

Forwarded/By order
Sd/-
Chief (i/c)
Plan Co-ordination Division

PROCEEDINGS OF THE MEMBER SECRETARY, STATE PLANNING BOARD
(Present: Shri. V. S. Senthil IAS)

Sub: Formulation of Thirteenth Five Year Plan - Constitution of Working Groups- Co-opted - reg.

Read: 1. Order of even number dated: 19.09.2016

2. Decision of the Chairperson of the Working Group

ORDER NO. 260/2016/PCD/SPB DATED: 29/09/2016

As part of the formulation of Thirteenth Five Year Plan, Working Group on **Financial Resources and resource mobilisation** has been constituted vide paper read as first above. As per paper read as second above, Chairman of the Working Group has decided to co-opt Kum. Gayathri Nair, Director, Project Financing Cell, State Planning Board as a Member of the Working Group.

In the above circumstances, Kum. Gayathri Nair, Director, Project Financing Cell is here by co-opted as a Member of the Working Group on **Financial Resources and resource mobilisation.**

This office proceedings read as first above stands modified to that extent.

Member Secretary

To

1. The Person concerned
2. Sr.A.O.

Copy to:-

1. PS to VC
2. PA to MS
3. C. A. to Member (KNH)
4. F.O.
5. P.O.
6. Accounts Section
7. Stock file

Annexure 2

Members participated in the first meeting

1. Prof. Amit Shovan Ray
   Director
   Centre for Development Studies
   Prasanth Nagar, Thiruvananthapuram

2. Sri. E. Devadasan IAS
   Inspector General
   Dept. of Registration
   Vanchiyoor P.O, Thiruvananthapuram

3. Sri. S. Ananthakrishnan IPS
   Commissioner of Motor Vehicle Dept
   Trans Tower, Vazhuthacad, Thiruvananthapuram

4. Sri. Rishi Raj Singh IPS
   Excise Commissioner
   Commissionarate of Excise
   Excise Head Quarters, Nandavanam
   Thiruvananthapuram – 695033

5. Dr.D. Narayana
   Director,
   Gulathi Institute of Finance and Taxation
   Sreekariyam, Thiruvananthapuram

6. Dr. K.N.Gangadharan
   Professor (Rtd.), University College,
   Karam valappil, B 5 ,
   Chithra Nagar,Vattiyoorkavu ,
   Thiruvananthapuram

7. Sri. Minhaj Alam IAS
   Secretary (Finance Resources)
   Department of Finance,
   Govt. Secretariat, Thiruvananthapuram

8. Dr. Shyjan.D.
   Asst. Professor
   Dept.of Economics,
   Dr. John Mathai Centre,
   Aranattukara, Trissur - 680618

9. Dr. Shaijumon C.S.
   Reader in Economics
   IIST, Department of Space,
   Valiyamala, Thiruvanathapuram - 695 547

10. Smt. Anithakumari
    Associate Professor
    Gulathi Institute of Finance and Taxation
    Sreekariyam, Thiruvananthapuram

11. Dr. N. Ramalingam
    Associate Professor
    Gulathi Institute of Finance and Taxation
    Sreekariyam, Thiruvananthapuram

12. Shri. Gireesh Kumar.K.
    Chief Manager (Rtd.), IOB
    Cram 85, Samskrithi, Irumarathu lane
    Chaithanya Garden,
    Mannammoola, Peroorkkada,
    Thiruvananthapuram 695005

13. Kum.Gayathri Nair
    Director,
    Project Financing Cell (PFC)
    State Planning Board

14. Sri. S. Sreekumar
    DGM
    Circle Office, Canara Bank
    Palayam, Thiruvanathapuram

15. Smt. K. Jaya
    Chief (i/c), Plan Co-ordination Division
    State Planning Board

16. Smt. Rekha.V. Dev.
    Deputy Director,
    Plan Co-ordination Division
    State Planning Board

ANNEXURE 3

Members participated in the second meeting

1. Sri. S. Ananthakrishnan IPS
   Commissioner of Motor Vehicle Dept
   Trans Tower, Vazhuthacad, Thiruvananthapuram

2. Sri. Rishi Raj Singh IPS
   Excise Commissioner
   Commissionarate of Excise
   Excise Head Quarters, Nandavanam
   Thiruvananthapuram – 695033

3. Dr.D. Narayana
   Director,
   Gulathi Institute of Finance and Taxation
   Sreekariyam, Thiruvananthapuram

4. Dr. K.N.Gangadharan
   Professor (Rtd.), University College,
   Karam valappil, B 5 ,
   Chithra Nagar,Vattiyoorkavu ,
   Thiruvananthapuram

5. Dr. Shaijumon C.S.
   Reader in Economics
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6. Smt. Anithakumari
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   Sreekariyam, Thiruvananthapuram

7. Dr. N. Ramalingam
   Associate Professor
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8. Shri. Gireesh Kumar.K.
   Chief Manager (Rtd.), IOB
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9. Dr.Pinakki Chakraborty
Professor,
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18/2, Satsang vihar marg, SPL institutional area (near JNU)
New Delhi – 110 067

10. Kum.Gayathri Nair
Director,
Project Financing Cell (PFC)
State Planning Board

11. Sri. R. Mohan
Commissioner of Income Tax (Appeals)
Income Tax Department,
Coimbatore

12. Smt. K. Jaya
Chief (i/c), Plan Co-ordination Division
State Planning Board

13. Smt. Rekha.V. Dev.
Deputy Director,
Plan Co-ordination Division
State Planning Board

ANNEXURE 4

Members participated in the third sitting

1. Sri. S. Ananthakrishnan IPS
   Commissioner of Motor Vehicle Dept
   Trans Tower, Vazhuthacad, Thiruvananthapuram

2. Sri. P.V.Murali Kumar
   Joint Excise Commissioner
   Commissionarate of Excise
   Excise Head Quarters, Nandavanam
   Thiruvananthapuram – 695033

3. Dr.D. Narayana
   Director,
   Gulati Institute of Finance and Taxation
   Sreekariyam, Thiruvananthapuram

4. Dr. K.N.Gangadharan
   Professor (Rtd.), University College,
   Karam valappil, B 5,
   Chithra Nagar,Vattiyoorkavu ,
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5. Dr. Shaijumon C.S.
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6. Smt. Anithakumari
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7. Dr. N. Ramalingam
   Associate Professor
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8. Shri. Gireesh Kumar.R.
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New Delhi – 110 067

10. Kum.Gayathri Nair
Director,
Project Financing Cell (PFC)
State Planning Board

11. Sri. S. Sreekumar
Deputy General Manager
Circle Office, Canara Bank
Palayam, Thiruvanathapuram

12. Smt. K. Jaya
Chief (i/c), Plan Co-ordination Division
State Planning Board

13. Smt. Rekha.V. Dev.
Deputy Director,
Plan Co-ordination Division
State Planning Board