GOVERNMENT OF KERALA

# KERALA STATE PLANNING BOARD

FOURTEENTH FIVE-YEAR PLAN
(2022-2027)

WORKING GROUP ON

# FINANCIAL RESOURCES AND RESOURCE MOBILISATION

REPORT

PLAN COORDINATION DIVISION
DECEMBER 2021

# FOREWORD

Kerala is the only State in India to formulate and implement Five-Year Plans. The Government of Kerala believes that the planning process is important for promoting economic growth and ensuring social justice in the State. A significant feature of the process of formulation of Plans in the State is its participatory and inclusive nature.

In September 2021, the State Planning Board initiated a programme of consultation and discussion for the formulation of the 14th Five-Year Plan. The State Planning Board constituted 44 Working Groups, with more than 1200 members in order to gain expert opinion on a range of socio-economic issues pertinent to this Plan. The members of the Working Groups represented a wide spectrum of society and include scholars, administrators, social and political activists and other experts. Members of the Working Groups contributed their specialised knowledge in different sectors, best practices in the field, issues of concern, and future strategies required in these sectors. The Report of each Working Group reflects the collective views of the members of the Group and the content of each Report will contribute to the formulation of the 14th Five-Year Plan. The Report has been finalised after several rounds of discussions and consultations held between September to December 2021.

This document is the Report of the Working Group on "Financial Resources and Resource Mobilisation." The Co-Chairpersons of Working Group were Professor C P Chandrasekhar and Shri Rajesh Kumar Singh IAS. Professor V K Ramachandran, Vice Chairperson of the State Planning Board co-ordinated the activities of the Working Group. Sri P Shaji, Chief, Plan Coordination Division was the Convenor of the Working Group and Sri Anil Kumar B M, Assistant Director, Plan Coordination Division was Co-Convenor. The ToR of the Working Group and its members are in Appendix 1 of the Report

**Bishwanath Sinha IAS**
Member Secretary

# PREFACE

Despite the decision taken by the Central Government in 2015 to suspend planning and establish a think tank—NITI Aayog—as a substitute for the Planning Commission, the State of Kerala has continued with the practice of formulating and implementing Five-Year Plans. Development planning remains central to the policy agenda of the State Government, and the Kerala State Planning Board is in the process of preparing and finalising the Fourteenth Five Year Plan. Constituted as part of this process, this Working Group on Financial Resources and Resource Mobilisation was set the following Terms of Reference:

1. to review the sources of finance for Plans during the 12th and 13th Plan periods and to suggest a new pattern for the 14th Plan, taking into account recent changes in Centre State fiscal relations;
2. to critically evaluate the measures taken during the 12th and 13th Plan for resource mobilisation and to suggest measures to raise resources for the 14th Plan and to project the likely flow of funds during the 14th Five Year Plan;
3. to examine the potential for diversifying sources of finance, including possible sources outside the budget, such as external assistance, private investment, credit linkages, and capital markets, for meeting development expenditure and achieving the development vision of the Government;
4. to review the utilisation of funds available for Centrally Sponsored Schemes in the 13th Plan and to suggest measures to maximise the use of Central resources during the 14th Plan.

In terms of resource availability Kerala enters the 14th Plan period under extremely unusual circumstances. To start with, the framework within which revenues accrue to the State and resources are devolved from the Centre to the State has been altered drastically by the shift to the Goods and Services Taxation (GST) regime and significantly by the recommendations of the Fifteenth Finance Commission (2021-26). Partly because of its design and partly because of major failures of implementation, resources generated through the GST regime have fallen hugely short of expectations. Secondly, repeated floods during the period of the 13th Five Year Plan and the onset of the Covid-19 pandemic not only had extremely adverse effects on economic activity and resource generation, but also required a significant step-up in expenditures to mitigate the hardships that these calamities and the pandemic imposed on people. This required enhanced borrowing, which increased the burden of legacy debt with which the State enters the 14th Plan period and the committed outflows on account of amortisation and interest. Given this background, mobilising resources for the new Plan is a challenging task.

To assess that challenge and arrive at a feasible response aimed at garnering the maximum resources, the Report assesses the record on mobilisation through different routes during the 13th Five Year Plan, assess the prospects for resource generation in 2022-2027, recommends measures that can help enhance resource generation, and makes projections of resources that would be available under different heads and in the aggregate.

C P Chandrasekhar
Professor
Centre for Economic Studies and
Planning Jawaharlal Nehru University,
New Delhi

Shri Rajesh Kumar Singh IAS
Additional Chief Secretary
Department of Finance
Government of Kerala

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# EXECUTIVE SUMMARY

This Report of the Working Group on Financial Resources and Resource Mobilisation critically evaluates the sources of finance and financial mobilisation in the previous Plans, and suggests alternative sources and measures to raise financial resources for meeting the development vision of the Government in the 14th Plan.

As Kerala enters the 14th Plan period, a key challenge before the State is the severe constraint in financial resources. The framework within which revenue accrues to the State and resources are devolved from Centre to State has altered drastically with the Goods and Services Tax and recommendations of the 15th Finance Commission. Further, the floods of 2018 and 2019, and Covid-19 pandemic significantly affected the State's economic activities and resource generation, and also increased debt dependence as a result of enhanced borrowing for relief and mitigation measures.

The total tax revenues as per cent of GSDP had been declining continuously after 2012-13, the decline being significant in case of own tax revenues. The resources generated through GST have also fallen owing to its design and partly because of failures in implementation. As far as GST performance is concerned, Kerala has fallen short of projected revenue growth in the case of both SGST and IGST settlement proceeds. Total GST and related revenues garnered by Kerala fell from ₹21,366 crore in 2018-19 to ₹20,316 crore in 2019-20 and ₹20,255 crore in 2020-21. In the same period, Kerala's dependence on GST compensation rose from ₹3,558 crore to ₹8100 crore and ₹12,145 crore (from 16.7 per cent of SGST in 2018-19 to 39.9 per cent in pre-Covid year 2019-20). As the likelihood of States getting full or even partial compensation after June 2022 is low, the possibility of a significant shortfall in revenue looms large.

As a result of severe resource constraints, Plan spending was affected, especially since 2018-19. From a peak of ₹29,897 crore in 2017-18, Plan expenditure fell to ₹24,445 crore in 2019-20. Going forward, the State has four challenges to contend with. First, as per 15th Finance Commission's recommendations, the share of Kerala in the shareable pool of taxes will decline from 2.5 per cent to 1.925 per cent. Secondly, the benefit that Kerala received in recent years in the form of revenue deficit grants will end in 2023-24. Thirdly, the compensation for revenue losses relative to a promised trajectory of 14 per cent growth is unlikely to continue beyond June 2022. Finally, the space for borrowing for States will be brought back to 3 per cent by 2025-26. Given this background and the fact that own tax revenue growth is subdued in the State, mobilising resources for the 14th Five-Year Plan is a challenging task.

Taking into account the challenges and resource constraints, the report makes a projection of the resource availability for the 14th Plan Period. Using the projections of GSDP and revenue growth, the total resources available for 2022-23 to 2026-27 is estimated to be ₹1.12 lakh crore. However, the objective should be to ensure at least the level of spending made in the 13th Plan period (that is 3.5 per cent of GSDP each year). Based on this trend and GSDP projection, the resources required for 14th Plan is estimated to be ₹2.15 lakh crore.

In addition to Plan funding, investment by Kerala Infrastructure Investment Fund Board (KIIFB) also contributes to the capital expenditure in the State. KIIFB, as of November 2021, approved projects worth INR 64,338 crore. The combined Capital Outlay (State + KIIFB) is projected to be consistently above 2 percent of GSDP from FY 22 to FY 24.

In 2020, the Government of Kerala constituted an Expert Committee to conduct a study on the impact of Covid-19 and the consequences of the lockdown on the different facets of the public finance of the State. Some of its recommendations can be considered by the Government, such as an Ad valorem and specific tax for petrol and diesel; a calibrated increase in fair value of land accompanied by a small reduction in the stamp duty rates, additional non-tax revenue from lottery through the introduction of a high value monthly lottery, generate additional non-tax revenue from sources such as rent from lease lands and resumption of unutilised land with PSUs.

The Working Group suggests the following measures. To improve the fiscal space of the State in order to meet its expenditure obligations, mobilising own tax revenue is of prime importance. It is imperative that Kerala reverses the trend of decline in own tax revenue. The collection of GST has to be improved by improving administrative efficiency and enforcement measures. Other measures include modernising the State GST administration, creating a Tax Planning Research Unit, improving surveillance on inter-State goods transaction and developing a vision statement to achieve growth rate of 18 per cent from 2021-22 itself. New sources of non-tax revenues must be explored. Along with raising resources, the State has to focus on rationalising expenditure, especially revenue expenditure. In the wake of the recurrent natural disasters in the last few years, Kerala needs to prepare a climate responsive budget incorporating the State's spending on adaptation and mitigation.

In this background, it is imperative to augment the resources of the State by identifying alternative sources of funding for development. First, Kerala can tap funds under the Rural Infrastructure Development Fund of NABARD, which is one of cheapest sources of finance available to State Governments. Secondly, Kerala should explore the trend and pattern of allocation under different centrally sponsored schemes and central sector schemes and take efforts to enhance the allocation under these. Thirdly, the State should take efforts to obtain sector specific grants allocated to States as per the recommendations of the Fifteenth Finance Commission. Fourthly, the State should take efforts to address the issue of tax revenues raised but not realised, which amounted to ₹19,218 crore at the end of 2019-20. Fifthly, the potential of non-tax revenue (other than lottery) as a source of resources is not fully tapped. The average of five years (2015-16 to 2019-20) revenue share of the total revenue shows that out of 45 subdivisions of non-tax revenue, one item (which includes lottery) has the lion's share. Property tax and house tax are two other sources with potential to augment revenue for the State. Stamp duty and registration fees should be updated periodically.

## CHAPTER 1
# THE BACKGROUND

### Consecutive Years of Flood Damage

The 13th Five-Year Plan Period saw Kerala experiencing excess rainfall in 2018, 2019, and 2021 with wide areas in the State devastated by floods. 2018 was a particularly bad year, with the State receiving excess rainfall to the tune of 96 per cent during the period from August 1 to 30, 2018, and 33 per cent during the entire monsoon period till the end of August. Initially the northern districts of the State (Wayanad, Kannur, and Malappuram) were hit by floods. But persistent and widespread rainfall led to floods elsewhere in the State as well. According to the satellite image based analysis by National Remote Sensing Centre (NRSC), between August 16 and 28, 2018, 65,188 hectares of land area was inundated.

An estimated 370 people died due to the floods, described as "the worst in a century." Agriculture, fisheries, animal husbandry, tourism and other businesses suffered huge losses, much property was destroyed and livelihoods of many lost. The State Land Revenue Department reported around 330 landslides, and the estimated economic loss crossed ₹30,000 crore.

Though the floods in 2019 and 2021 were not as severe, they had similar effects on economic performance, revenue generation and debt. In 2019, the State experienced intense rainfall between the August 6 and August 11, with above 150 mm/day of rainfall on August 8. According to the Kerala State Disaster Management Authority (KSDMA), as many as 1,789 houses had been damaged fully between August 8th and 19th and another 14,452 were partially damaged. In 2021, over the first 18 days of October, Kerala received 444.9 mm of rainfall as compared with the normal level of 283.5 mm or 142 per cent of the normal.

As a result of these events, the State's economy was adversely affected by the damage suffered, and government income growth moderated, even while expenditure on flood relief and reconstruction increased. The impact on income growth was particularly severe because, even before the floods, the growth of the State's Own Tax Revenue (SOTR) had been losing momentum with that trend aggravated by the effects of demonetisation and the unsuccessful GST experiment. Own tax revenue growth had been declining from 23.25 per cent in 2010-11 to 9-10 per cent during the initial phase of the GST regime 2017-19, and then as a result of floods and the Covid-19 pandemic turned negative at (-)0.63 per cent in 2019-20 and (-)10.04 per cent in 2020-21. In fact, the total tax revenues as per cent of GSDP has been declining continuously after 2012-13, the decline being significant in case of own tax revenues (see, for example, Table 1). The ratio of SOTR to the State's GSDP fell from 7.29 per cent in 2012-13 to 6.41 per cent in 2018-19, 5.89 per cent in 2019-20 and 5.51 per cent in 2020-21. One silver lining was evidence of some resilience in terms of GSDP, which rose from ₹7,01,588 crore in 2017-18 to ₹7,90,302 crore in 2018-19 and ₹8,54,689 crore in 2019-20, before falling to ₹8,22,023 crore in 2020-21.

The State's resource position was made worse in 2019-20 because of a 9 per cent fall in central transfers to Kerala. As a result, the total revenue receipts of the State fell from ₹92,855 crore in 2018-19 to ₹90,225 crore in 2019-20. But as revenue receipts remained depressed, the revenue and fiscal deficits jumped to 2.94 per cent and 4.25 per cent respectively in 2020-21. The revenue deficit has considerably widened in 2020-21 even after receiving revenue deficit grants of ₹19,891 crore. This level of revenue deficit is, in the present circumstances, unsustainable.

**Table 1** State's own revenues, Kerala, 2010-11 to 2021-22, ₹ in crore and in per cent

| Year | State Own Tax Revenue | State Own Non-Tax Revenue | Total Own Revenue (tax plus non-tax revenue) | GSDP | Ratio of total revenue to GSDP |
|---|---|---|---|---|---|
| 2010-2011 | 21722 | 1931 | 23653 | 324513 | 7.29 |
| 2011-2012 | 25719 | 2592 | 28311 | 364048 | 7.78 |
| 2012-2013 | 30077 | 4198 | 34275 | 412313 | 8.31 |
| 2013-2014 | 31995 | 5575 | 37570 | 465041 | 8.08 |
| 2014-2015 | 35232.5 | 7283.69 | 42516.19 | 512564 | 8.29 |
| 2015-2016 | 38995.15 | 8425.49 | 47420.64 | 561994 | 8.44 |
| 2016-2017 | 42176.38 | 9699.98 | 51876.36 | 634886 | 8.17 |
| 2017-2018 | 46459.61 | 11199.61 | 57659.22 | 701588 | 8.22 |
| 2018-2019 | 50644.1 | 11783.24 | 62427.34 | 790302 | 7.90 |
| 2019-2020 | 50323.14 | 12265.22 | 62588.36 | 854689 | 7.32 |
| 2020-2021 | 45272.15 | 9121.27 | 54393.42 | 822023 | 6.62 |
| 2021-2022 RBE | 71833.28 | 14335.79 | 86169.07 | 876283 | 9.83 |

*Source:* Budget in Brief 2021-22 and Revised Budget 2021-22 at a Glance, GoK

To conclude, the severe resource constraint faced by the State is affecting the outlay for Plans, especially since 2018-19. The Plan outlay in 2019-20 registered only a 5 per cent increase; in previous years the annual increase was more than 10 per cent. In fact, the outlay for the Plan declined by 10 per cent in 2020-21. In 2021-22, the same outlay as in 2020-21 was maintained. The total resource allocation envisaged during the 13th Five-Year Plan (2017-2022) was ₹2 lakh crore but the actual outlay fell short by ₹60,000 crore as only ₹1,40,000 crore could be allocated. Even the non-Plan – Plan ratio which was 75:25 at the beginning of the 13th Plan has changed to 80:20 by the end of the Plan period.

**GST and Kerala**

The implementation of the Goods and Services Tax regime in July 2017 was a major transformation of the indirect tax regime in the country, in which States ceded taxation rights on as much as 52 per cent of their own tax revenues to the GST Council, with commodities and services subject to a common set of limited tax rates across the country. More than four years since the launch of the GST regime, the evidence suggests that the new tax system has not lived up to its promise of enhancing revenue yields for the central and state governments. Systemic design flaws exacerbated by glitches in the IT infrastructure, difficulties of discovering and implementing a revenue neutral rate structure that is acceptable across states leading to multiple changes in rates, and the inherited pre-GST economic slowdown worsened by demonetisation are some of the reasons for the sluggish growth.

The GST revenue of the states flows from two sources: (1) the revenue collected by the State under the State Goods and Services Taxes (SGST) from the intra-state supply of goods and services; and (2) the Integrated Goods and Services Tax (IGST) appropriately apportioned to the States as IGST settlement by the central government on the basis of the inter-state supply inwards of goods and services. This includes the IGST ad hoc payments received from the central government due to delays in the calculation and settlement of IGST shares due to the states. Apart from the above, the actual revenue collected by the states includes pre-GST period VAT arrears and one-time receipt of devolution from 2017-18, net of refund payments (if any). Nationally, GST receipts have fallen way short of the expected growth of at least 14 per cent per annum. Total monthly collections from state (SGST), central (CGST), and integrated (IGST) goods and services taxes and the compensation cess, first crossed ₹1lakh crore in April 2018. Yet there have been only 22 out of the 50 months till September 2021 in which that mark has been exceeded in nominal terms. Over the five full or partial financial years when the GST regime has been operative, average monthly collections having risen from ₹89,559 crore in the eight relevant months of 2017-18 to ₹98,114 crore in 2018-19, rose only marginally to ₹1,01,845 crore in 2019-20, fell to ₹94,731 crore in Covid year 2020-21, and has revived to average ₹113,728 crore in 2021-22. So average monthly collections, which were 9.6 per cent higher in 2018-19 relative to the previous year, grew in nominal value by just 3.8 per cent in 2019-20, and fell by 7 per cent in 2020-21. Benefiting from the low Covid-year base collections have risen by 20.1 per cent in 2021-22. In sum, the picture is one of stagnant or disappointing GST revenue growth at the national level.

GST performance has been worse for Kerala. An examination of the figures for the 3 full financial years (2018-19, 2019-20, and 2020-21) for which the GST regime has been functioning shows Kerala falling short of projected revenue growth in the case of both SGST and IGST settlement proceeds. Total GST and related revenues garnered by the State government fell from ₹21,366 crore in 2018-19 to ₹20,316 crore in 2019-20 and ₹20,255 crore in 2020-21. This compares with the guaranteed or protected revenue trajectory of ₹24,924 crore, ₹28,416 crore and ₹ 32,400 crore in those three years. As a result, Kerala's dependence on GST compensation rose from ₹3,558 crore to ₹8100 crore and ₹12,145 crore, or from 16.7 per cent of State GST revenue (SGST including IGST settlement, excluding GST compensation receipts) in 2018-19, to 39.9 per cent in pre-Covid year 2019-20.

This increased dependence shows that with uncertainty surrounding the persistence of GST compensation after 2022, the likelihood of a significant shortfall in revenues looms large. A comparison[1] of the average annual growth rate of taxes subsumed under GST over the pre-GST years 2014-15 to 2016-17 with the growth of SGST and IGST settlement revenues during 2017-18[2] to 2019-20 reveals that the rates for Kerala fell significantly from 8.67 per cent to 3.47 per cent. Even with a post-pandemic revival in economic activity, therefore, it is unlikely that revenue growth will correspond to the trajectory that would have prevailed if the GST regime had not been introduced. Kerala, along with many other states is demanding extension of GST compensation beyond June 2022. But with the government having decided to cover what it sees as the excess shortfall in GST relative to protected revenue attributable to the pandemic with a back-to-back borrowing and lending scheme, and to service these market borrowings from the proceeds of the GST compensation cess after the current GST compensation period, the likelihood that the states would get full or even partial compensation after June 2022 is low.

**Non-Tax Revenue**

The State is heavily dependent on one source of non-tax revenue, which is State lotteries, gross receipts from which accounted for 73 per cent of total non-tax revenue in 2020-21. Since it is understandable that this source cannot continue to sustain the buoyancy it displayed in the first half of the last decade, the rate of growth of non-tax revenue can be kept high only through collections from other sources of non-tax revenues. Currently, the other main sources of State's own non-tax revenue are sale proceeds of forest produce and receipts in the form of fees and fines from various social developmental services. Raising user charges for the latter to accelerate non-tax revenue growth may not be a possibility, given the State government's long term commitment to provide such services at affordable prices. Exploring new sources of non-tax revenues seems to be the option to be considered.

**Dependence on Central Transfers**

Given the attrition of the State's own tax and non-tax revenues, access to enhanced central transfers to finance budgetary expenditures grew in importance. However, developments on this front were not all positive. Central transfers to the State include: (i) a share of central taxes based on the formula recommended by the Finance Commission; (ii) Finance Commission recommended grants-in-aid for purposes such as covering revenue deficit, disaster relief, assistance to local bodies, and financing of sector-specific and state-specific schemes; and (iii) grants disbursed by the Central Government and its ministries. The 14th FC increased the states' share of sharable tax revenue of the Centre to 42 per cent from 32 per cent recommended by 13th FC. However, these figures exaggerate the benefit accruing to the States for a number of reasons. To start with, over the years the Centre has relied on surcharges and cesses that are not included in the divisible pool to enhance its revenues, depriving States of a share. The loss to all States on this account from 2012-13 to 2020-21 was around ₹2.5 lakh crore. For Kerala, the loss was around ₹6392 crore. Second, with the abolition of the Planning Commission and the central plans, central assistance in the form

*Sacchidananda Mukherjee, "Revenue Shortfall and GST Compensation: An Assessment," NIPFP Working Paper Series No. 356, 08-October-2021.*
*Revenue corresponding to taxes subsumed into GST corresponding to Q1 of 2017-18 is merged with SGST collection (including IGST settlement) of 2017-18 for the calculation.*

of plan grants based on the Gadgil formula was withdrawn. Third, the 14th FC concluded that grants for both sector-specific and state-specific schemes by the FC are not necessary, and compensated states through the increase in their central tax revenue share. And, finally, the Centre's contribution in expenditures incurred for Centrally Sponsored Schemes (CSS) was reduced from 75 per cent to 60 per cent, which diverted more of the states' own resources away from programme they had prioritised. Like the other states, Kerala benefited from the residual increase in central transfers. It also gained, because the 14th FC raised Kerala's share in the divisible pool from 2.34 per cent to 2.5 per cent.

**Table 2** Trends in State non-tax revenue, Kerala, 2010-11 to 2021-22, ₹ in crore and per cent

| Year | Non-Tax Revenue | Growth Rate (%) | SONTR to Total revenue receipts | SONTR to GSDP Ratio (%) |
|---|---|---|---|---|
| 2010-11 | 1931.79 | 4.24 | 4.98 | 0.60 |
| 2011-12 | 2592.18 | 34.25 | 5.15 | 0.71 |
| 2012-13 | 4198.52 | 61.97 | 7.02 | 1.02 |
| 2013-14 | 5575.09 | 32.79 | 8.42 | 1.20 |
| 2014-15 | 7283.69 | 30.65 | 9.50 | 1.42 |
| 2015-16 | 8425.49 | 15.68 | 9.68 | 1.50 |
| 2016-17 | 9699.98 | 15.13 | 9.48 | 1.53 |
| 2017-18 | 11199.61 | 15.46 | 10.16 | 1.60 |
| 2018-19 | 11783.24 | 5.21 | 9.81 | 1.49 |
| 2019-20 | 12265.22 | 4.09 | 10.72 | 1.44 |
| 2020-21(RE) | 9121.27 | -25.63 | 7.10 | 1.11 |
| 2021-22(RBE) | 14335.79 | 57.17 | 8.85 | 1.64 |

*Source:* Budget in Brief 2021-22 and Revised Budget 2021-22 at a Glance, Government of Kerala

In nominal terms, Kerala's receipts of devolved taxes from the Centre increased from an annual average of ₹6674 crore during 2010-11 to 2014-15 to ₹16,038 crore during 2015-16 to 2019-20. Total resource transfers from the Centre to the State rose from an annual average of ₹10,788 crore to ₹25,700 crore in nominal terms over the two periods.

**Table 3** Resource transfers from Centre to Kerala, 2010-11 to 2019-20, ₹ in crore and per cent

| Year | Share in Central Taxes and Duties | | Grants from Finance Commission | | Plan Grants | | Non-Plan Grants other than FC | | Total Transfers | Total transfers to Total Receipt (in %) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % to total central transfer | Amount | % to total central transfer | Amount | % to total central transfer | Amount | % to total central transfer | | |
| 2010-11 | 5141.85 | 70.07 | 434.43 | 5.92 | 1698 | 23.14 | 64.18 | 0.87 | 7338.47 | 18.91 |
| 2011-12 | 5990.36 | 61.76 | 1174.34 | 12.11 | 2275.83 | 23.46 | 259.04 | 2.67 | 9699.58 | 19.29 |
| 2012-13 | 6841 | 69.37 | 600.57 | 6.09 | 2364.07 | 23.97 | 56.89 | 0.57 | 9862.18 | 16.49 |
| 2013-14 | 7468.68 | 64.35 | 1568.06 | 13.51 | 2458.8 | 21.18 | 111.34 | 0.95 | 11606.9 | 17.53 |
| 2014-15 | 7926.29 | 51.36 | 1574.27 | 10.20 | 5523.89 | 35.79 | 409.83 | 2.65 | 15434.3 | 20.13 |
| 2015-16 | 12690.7 | 58.72 | 5171.46 | 23.93 | 3743.98 | 17.32 | 5.9 | 0.02 | 21612 | 24.84 |
| 2016-17 | 15225 | 64.14 | 4954.78 | 20.88 | 3259.98 | 13.73 | 295.59 | 1.24 | 23735.4 | 23.18 |
| 2017-18 | 16833.1 | 66.37 | 3182.04 | 12.55 | 3409.08 | 13.44 | 1936.72 | 7.63 | 25360.9 | 23 |
| 2018-19 | 19038.2 | 62.57 | 1646.22 | 5.41 | 3953.79 | 12.99 | 5788.95 | 19.02 | 30427.1 | 25.34 |
| 2019-20 | 16401.1 | 59.35 | 2343.01 | 8.48 | 3317.21 | 12.00 | 5575.04 | 20.17 | 27636.3 | 24.16 |

*Source:* Medium Term Fiscal Policy and Strategy Statement 2021-22 to 2023-24, GoK

The developments on the receipts front have had two noteworthy consequences for budgetary expenditures of the State government. One is that aggregate expenditure (revenue and capital) has as a per cent of GSDP fallen from 16.13 per cent in 2016-17 to 13.38 in 2019-20. The other is that much of this decline is on account of a decline in the ratio of capital expenditure to GSDP, from an already low 1.78 per cent to 1.13 per cent, which has significant implications for plan spending in the State. Here it needs to be taken note that State is spending on capital works through KIIFB.

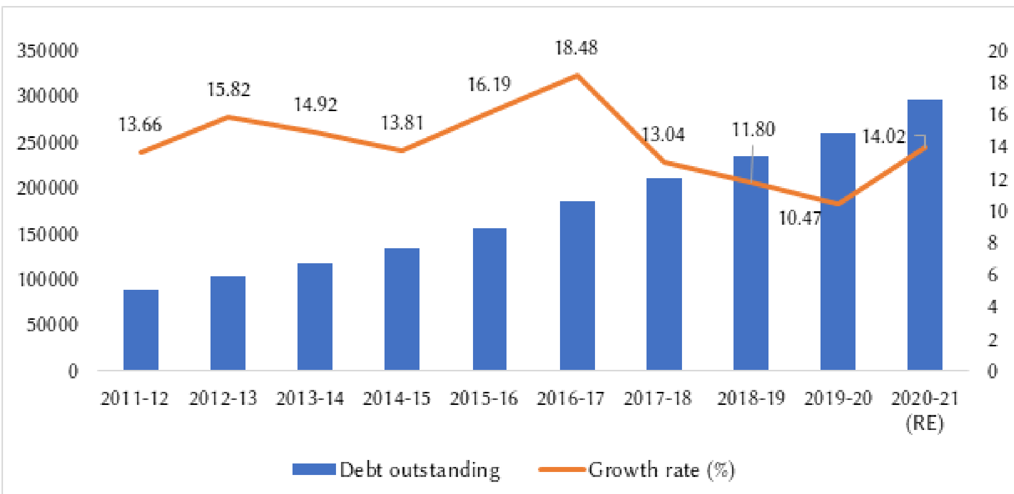
CHAPTER 2

# DEBT PROFILE OF THE STATE

With its resource position stretched, the State's dependence on debt to finance expenditures has increased with the ratio of debt to GSDP rising from 24.56 per cent in 2011-12 to 30.46 per cent in 2019-20. Kerala's debt to GSDP ratio was higher than the all-state average by 2 percentage points in 2011-12, which increased to 5.3 percentage points in 2019-20.

The debt outstanding of the State comprises of (i) Internal debt including market loan and loans from financial institutions; (ii) Loans and Advances from Centre; and (iii) Small savings, Provident Fund, etc. As the State has become over-reliant on debt recently in the wake of the worsening deficit situation, it is imperative to make an analysis of debt sustainability in terms of growth rate of debt outstanding and Debt-GSDP ratio, per capita debts of the State. The trend in debt outstanding including growth rate and Debt-GSDP ratio are indicated in the Table 4 and Figure 1.

**Figure 1** Trend in debt outstanding, Kerala, 2011-12 to 2020-21, ₹ in crore and in per cent




*Source:* Revised Budget 2021-22 at a Glance

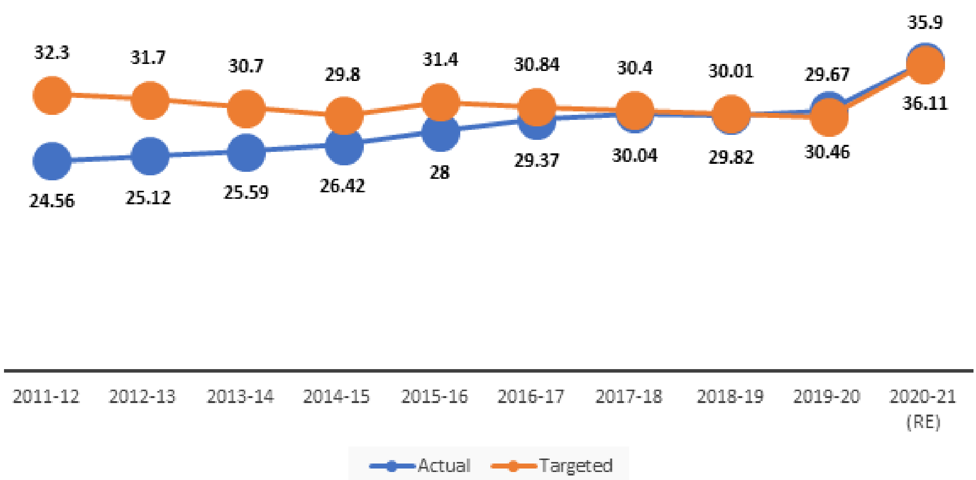
**Table 4** Trend in debt outstanding, Kerala, 2011-12 to 2020-21, ₹ in crore and per cent

| Year | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 (RE) |
|---|---|---|---|---|---|---|---|---|---|---|
| GSDP | 364048 | 412313 | 465041 | 512564 | 561994 | 634886 | 701588 | 790302 | 854689 | 822023 |
| Debt outstanding | 89418 | 103561 | 119009 | 135440 | 157370 | 186454 | 210762 | 235631 | 260311 | 296817 |
| Growth rate of Debt outstanding | 13.66 | 15.82 | 14.92 | 13.81 | 16.19 | 18.48 | 13.04 | 11.80 | 10.47 | 14.02 |
| Debt/GSDP Ratio | 24.56 | 25.12 | 25.59 | 26.42 | 28.00 | 29.37 | 30.04 | 29.82 | 30.46 | 36.11 |

*Source:* Revised Budget 2021-22 at a Glance

The rate of growth of debt, which was 13.66 per cent in 2011-12 increased to 14.02 per cent in 2020-21 after recording a peak of 18.48 per cent in 2016-17. The nominal per capita debt, which was ₹26782.33 in 2011-12 increased to ₹86885.45 in 2020-21. As per the Revised Budget Estimate (RBE) of 2021-22, the overall debt of the State would rise to ₹327654.70 crore and per capita debt to ₹94115.79.

**Figure 2** Debt-GSDP ratio – Finance Commission targets and actuals




*Source:* Revised Budget 2021-22 at a Glance and 15th Finance Commission Report

The Debt-GSDP ratio stood at 24.56 per cent in 2011-12. It increased to 36.11 per cent in 2020-21 which is above the limit of 35.9 per cent recommended by the 15th Finance Commission. However, despite the worsening fiscal situation, the State has been able to maintain its Debt-GSDP ratio within the target level recommended by the Finance Commission in all years except in 2019-20 and 2020-21. The unprecedented decline in revenue receipts coupled with increase in revenue expenditure required availing of the additional borrowing allowed to the State by Government of India. There was an all India slowdown in economic growth and the rise in Debt-GSDP ratio is essentially due to denominator effect.

The following is the State's debt path for the next five years as recommended by the 15th Finance Commission:

**Table 5** Debt path as percentage of GSDP recommended for the State by 15th Finance Commission

| Year | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|---|---|---|---|---|---|
| Debt/GSDP ratio (in %) | 35.9 | 34.7 | 34.5 | 33.7 | 32.8 | 32.0 |

*Source:* 15th Finance Commission Report

**Table 6** Composition of debt outstanding, Kerala, 2011-12 to 2019-20, ₹ in crore

| Year | Internal Debt | Loans and Advances from the Central Government | Public Debt (1+2) | Small Savings, Provident Fund, Others | Debt Outstanding (3+4) |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 2011-12 | 55397.39 | 6395.69 | 61793.08 | 27625.10 | 89418.18 |
| 2012-13 | 65628.41 | 6621.78 | 72250.19 | 31310.65 | 103560.84 |
| 2013-14 | 76804.35 | 6662.21 | 83466.56 | 35542.51 | 119009.07 |
| 2014-15 | 89067.91 | 7065.05 | 96132.96 | 39307.28 | 135440.24 |
| 2015-16 | 102496.26 | 7234.71 | 109730.97 | 47639.36 | 157370.33 |
| 2016-17 | 118268.72 | 7614.14 | 125882.85 | 60571.01 | 186453.86 |
| 2017-18 | 135500.53 | 7483.99 | 142984.53 | 67777.84 | 210762.36 |
| 2018-19 | 150991.04 | 7243.41 | 158234.45 | 77397.05 | 235631.49 |
| 2019-20 | 165960.04 | 8680.18 | 174640.22 | 85671.17 | 260311.38 |

*Source:* Budget in Brief, GoK, various years.

More than 60 per cent of debt outstanding is internal debt. Over the years, the composition of borrowings and liabilities has shifted markedly towards market borrowings, which has a lower interest burden. The maturity profile of debt in the State is given in Table 7.

**Table 7** Maturity profile of debt, Kerala, 2020-21 to 2025-26, ₹ in lakhs

| Year of Maturity | Internal Debt | Loans and Advances from GoI | Total |
|---|---|---|---|
| 2020-21 | 626637.07 | 65089.94 | 691727.01 |
| 2021-22 | 948816.27 | 65441.60 | 1014257.87 |
| 2022-23 | 1218979.31 | 65439.32 | 1284418.63 |
| 2023-24 | 1340472.69 | 65437.04 | 1405909.73 |
| 2024-25 | 1380307.46 | 69343.28 | 1449650.74 |
| 2025-26 | 1557281.81 | 45796.82 | 1603078.63 |
| Total | 7072494.61 | 376548 | 7449042.61 |

*Source:* Finance Department, GoK.

The elongation of the maturity pattern of debt can be a path to shift refinancing risks to the future. This can provide fiscal space to strengthen economic growth and human capital formation.

High debt in the previous plan period was significantly determined by climate change risks and uncertainties. As revenue stability is linked to expenditure design, it is crucial for Kerala to prepare a climate responsive budget statement, incorporating how much the State is spending on adaptation and mitigation strategies.

# CHAPTER 3
# TRANSFERS THROUGH CENTRALLY SPONSORED SCHEMES

Centrally Sponsored Schemes (CSSs) are operationalised by Central Ministries based on scheme specific guidelines and are implemented by State Governments or through designated agencies. In these Schemes, ordinarily, funding is shared between the Centre and States. In the initial Plan years, the number of CSSs was very large. At the end of the 9th Plan, the number of CSSs was 360. The total number was reduced gradually over time and in 2011-12 it declined to 147. Based on the recommendations of the Committee on Restructuring CSSs headed by Shri B. K. Chaturvedi (Member of erstwhile Planning Commission), the number of schemes was reduced to 66 in 2013. After the emergence of the NITI Aayog, the Government of India constituted a Sub-Group of Chief Ministers for rationalisation of the CSS. Based on its recommendations, the number of CSSs was reduced from 66 to 28 and the CSSs were classified into three categories as Core of the Core (6 schemes), Core (20 schemes) and Optional Schemes (2 schemes). The funding pattern was also rationalised – the existing funding pattern for Core of the Core schemes, 60:40 ratio for Core schemes and 50:50 ratio for Optional schemes.

The Core of the Core Schemes are the following.

1. Mahatma Gandhi National Rural Employment Guarantee Programme
2. National Social Assistance Programme
3. Umbrella Programme for Development of Minorities
4. Umbrella Programme for Development of Other Vulnerable Groups
5. Umbrella Programme for Development of Scheduled Tribes
6. Umbrella Scheme for Development of Scheduled Castes

As per the Union Budget 2021-22, there are 6 core of the core schemes and 29 core schemes (there are no schemes under the category of 'optional'

**Table 8** 13th Five-Year Plan – year-wise Central outlay (anticipated) and release, ₹ in crore and per cent

| Year | Anticipated central outlay | Release | % of expected outlay |
|---|---|---|---|
| 2017-18 | 8038.95 | 3263.03 | 40.59 |
| 2018-19 | 8097.99 | 3852.16 | 47.57 |
| 2019-20 | 9172.17 | 3295.80 | 35.93 |
| 2020-21 | 9176.33 | 5018.11 | 54.69 |
| 2021-22 | 9432.91 | 1965.16* | 20.83 |

*Source:* PFMS, Annual Plan, various years.
*As on September 30, 2021

Grants under Centrally Sponsored Scheme as a per cent of total central transfers shows a decreasing trend from 2015-16. In 2015-16 it was 16.46 per cent and by 2020-21 it fell to 8.69 per cent. The share of CSSs grants to Kerala in the total expenditure of the central government is also declining.

The total outlay and expenditure (accounts) of CSSs for the12th Five Year Plan was ₹21863.57 crore and ₹15395.10 crore. In the 13th FYP, out of the total anticipated central outlay of ₹43918.35 crore, GOI released ₹17394.26 crore till September 2021. There is a wide gap between the anticipated outlay from the central government under centrally sponsored schemes and the actual release from the centre.

The 15th Finance Commission has also recommended that the funding pattern of the CSSs should be fixed upfront in a transparent manner and should be kept stable.

The grants under centrally sponsored schemes (CSS) to Kerala are only around one per cent of the total transfers by Government of India to all states. The funds under CSS from 2015-16 to 2020-21 RE is shown in Table 9.

There is no significant enhancement in funds received by the State over the past few years. The determination of inter-state allocation of funds by Government of India under centrally sponsored schemes needs to be transparent. As per Union Budget 2021-22, there are 35 centrally sponsored schemes. Each scheme is different in terms of design structure and modality of determination of inter-state shares. Determination of share of States is either based on laid down criteria as in Rashtriya Krishi Vikas Yojana or is based on utilisation of previously sanctioned amount or based on submission of projects. However, there needs to be clarity on criteria used for determining the share of a State under a centrally sponsored scheme. In this regard, it is pertinent to note the comments of the 15th Finance Commission that "India's specific-purpose transfers have been channelled through a large number of discretionary cost-sharing centrally sponsored schemes (CSS) and non-matching Central sector schemes."

**Table 9** Grants under CSS to Kerala, 2015-16 to 2020-21, ₹ in crore and per cent

| Year | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 RE |
|---|---|---|---|---|---|---|
| Grants under CSS | 3558 | 3057 | 3268 | 3770 | 3262 | 3366 |
| Total central transfer to Kerala | 21612 | 23735 | 25361 | 30427 | 27636 | 38712 |
| CSS as % of total central transfer to Kerala | 16.46 | 12.88 | 12.89 | 12.39 | 11.81 | 8.69 |
| Total Revenue Receipts | 69032.7 | 75611.7 | 83020.1 | 92854.5 | 90224.7 | 93115.1 |
| CSS as % of total revenue receipts | 5.15 | 4.04 | 3.94 | 4.06 | 3.62 | 3.61 |
| Total Receipts | 86998 | 102374 | 110241 | 120070 | 114385 | 128383 |
| CSS as % of total receipts | 4.09 | 2.99 | 2.96 | 3.14 | 2.85 | 2.62 |
| GSDP | 561994 | 634886 | 701588 | 790302 | 854689 | 822023 |
| CSS as % of GSDP | 0.63 | 0.48 | 0.47 | 0.48 | 0.38 | 0.41 |
| Expenditure by GoI under CSS | 203740.42 | 241295.55 | 285447.77 | 296028.85 | 309552.68 | 381304.55 |
| Grants under CSS to Kerala as per cent of total expenditure by GoI under CSS | 1.75 | 1.27 | 1.14 | 1.27 | 1.05 | 0.88 |

*Source:* Budget in Brief, GoK, Various Years

## CHAPTER 4
# THE CHALLENGES AHEAD

As expected these developments began to affect plan spending. Having risen from ₹10,025 crore in 2010-11 to a peak of ₹29,897 crore in 2017-18, plan expenditure fell to ₹24,445 crore in 2019-20. It was only the enforced expenditure financed with enhanced borrowing during 2020-21 that took plan expenditure to a new peak (₹31,416 crore). But that is unlikely to be sustained in the immediate future, and a return to higher levels of plan spending will require innovative measures in terms of resource mobilisation.

**Table 10** Trends in Plan outlay and expenditure, 2010-11 to 2020-21, ₹ in crore and per cent

| Year | State Plan Outlay | Growth Rate (in %) | Expenditure |
|---|---|---|---|
| 2010-11 | 10025 | 12.39 | 10024.57 |
| 2011-12 | 12010 | 19.80 | 11758.89 |
| 2012-13 | 14010 | 16.65 | 14736.93 |
| 2013-14 | 17000 | 21.34 | 14901.28 |
| 2014-15 | 20000 | 17.65 | 15567.26 |
| 2015-16 | 20000 | 0.00 | 21310.70 |
| 2016-17 | 24,000 | 20.00 | 24470.73 |
| 2017-18 | 26,500 | 10.42 | 29896.78 |
| 2018-19 | 29,150 | 10.00 | 26047.32 |
| 2019-20 | 30,610 | 5.01 | 24445.21 |
| 2020-21 | 27,610 | -9.80 | 31415.54* |

Source: Budget in Brief, 2021-22, Government of Kerala.
*Expenditure figure taken from Planspace portal of State Planning Board.

### The Covid- 19-Induced Crisis

It was in this background of stress that the Covid-19 pandemic struck the world and the State, with physical distancing requirements, lockdowns, hospitalisations and deaths totally disrupting economic activity. The States' GSDP shrank by 3.8 per cent in 2020-21, own tax revenue fell from ₹50,323 crore to ₹45,272 crore, non-tax revenue from ₹12,265 crore to ₹9,121 crore. The Centre refused to compensate the State in full for GST revenue losses, providing instead back-to-back loans of ₹5,766 crore to cover the difference, with possible adverse implications for continuation of the compensation cess, as noted earlier. But increased expenditure requirements, which took total spending from ₹1,14,385 crore in 2019-20 to ₹1,28,383 crore in 2020-21, resulted in an increase in the revenue deficit from ₹ 14,495 crore to ₹24,206 crore and the fiscal deficit from ₹23,837 crore to ₹39,950 crore.

**Challenges Ahead**

When going forward from the difficult situation the State is in, it is set to face four challenging developments. The first is that as per 15th FC's recommendations, the share of Kerala in the shareable pool of taxes is to decline from 2.5 per cent to 1.925 per cent. Any slowdown in tax collection at the central level will affect the State substantially. Table 11 shows the criteria used by the 13th, 14th, and 15th Commissions to determine each State's share in Central taxes, and the weight assigned to each criterion.

**Table 11** Criteria for horizontal devolution of tax resources by Centre to States in the 13th, 14th, and 15th Finance Commission Reports, in per cent

| Criteria | 13th FC 2010-15 | 14th FC 2015-20 | 15th FC 2020-26 |
|---|---|---|---|
| Population (1971) | 25 | 17.5 | - |
| Population (2011) | - | 10 | 15 |
| Income distance | 47.5 | 50 | 45 |
| Area | 10 | 15 | 15 |
| Forest cover | - | 7.5 | - |
| Forest and ecology | - | - | 10 |
| Demographic performance | - | - | 12.5 |
| Tax and Fiscal effort | - | - | 2.5 |
| Fiscal discipline | 17.5 | - | - |
| Total | 100 | 100 | 100 |

*Source:* Finance Commission Reports.

The 15th Finance Commission has recommended tax devolution of 41 per cent for it awarding period. Population is one of the key criteria used to determine how the funds are horizontally distributed amongst States. Unlike the previous Commissions, the 15th FC has used the 2011 Census as against the 1971 Census that was used by the previous nine Commissions for their calculations.

Based on the 1971 Census, Kerala had 3.93 per cent of country's population. According to 2011 census, the State has 2.80 per cent of India's population. Using the latest Census would penalise States such as Kerala for effective population control measures. In order to offset the concerns of States with demographic achievements, the 15th FC has added a new determinant, demographic performance, assigning it a weight of 12.5 per cent.

Secondly, the benefit that Kerala received in recent years in the form of revenue deficit grants is to end in 2023-24. Till then it will come down from ₹19,891 crore in 2021-22, ₹13,174 crore in 2022-23 to ₹4,740 crore in 2023-24. Third, as discussed above the compensation for revenue losses relative to a promised trajectory of 14 per cent growth is unlikely to continue beyond June 2022.

Fourth, the space for borrowing for States will be brought back to 3 per cent by 2025-26.

The 15th FC has recommended additional borrowing space from the existing level for the first four years of the award period (up to 4.5 per cent of GSDP in 2021-22, 4 per cent of GSDP in 2022-23, and thereafter 3.5 per cent in 2023-24 and 2024-25).

In the chapters that follow an attempt is made to project likely receipts during the 14th Plan period as the basis for estimating resource availability for Plan outlays.

## CHAPTER 5
# PROJECTING RECEIPTS AND RESOURCE AVAILABILITY

Taking into account the earlier discussion, an effort is made in this chapter to project resource availability over the 14th Plan period based on relatively conservative assumptions of revenue growth. An estimate of revenues to be realised in the year 2021-22 is taken as the base on which projections for the five year plan period (2022-23 to 2026-27) are made. The State's Own Tax Revenue and Non-Tax Revenue in 2021-22 are placed at 85 per cent of the current year's Budget Estimates, taking into account the possible improvement in the collection of revenue due to the easing of lockdown restrictions.

### GSDP 2022 -27 (Estimates)

With the State's economy showing signs of recovery from the adverse impact of Covid-19, nominal GSDP is projected to grow at 10 per cent for the first 2 years and 11 per cent for remaining periods of the 14th Five Year Plan. The projected GSDP figures during the 5 Year Plan period are shown in Table 12.

**Table 12** Projected GSDP for 14th Five-Year Plan, ₹ in crore

| Year | 2022 -23 | 2023 -24 | 2024 -25 | 2025 -26 | 2026 -27 |
|---|---|---|---|---|---|
| GSDP (nominal) | 992383 | 1091621 | 1211699 | 1344986 | 1492934 |

*Source:* Finance Department, Government of Kerala

### Share of Central Taxes

Share of Central Taxes is projected to grow at 15 per cent for 2022-23 considering the low base of 2021-22 and at 12 per cent for the remaining years of 14th Five-Year Plan.

### States Own Revenue
### Tax Revenue

If we exclude the years 2019-20 and 2020-21 in which the State had experienced unprecedented shortfall in revenue collection due to the economic slowdown and outbreak of Covid-19 pandemic, the average rate of growth of the State's Own Tax revenue in the three remaining years of the five year period 2016-17 to 2020-2021 was 11.17 per cent. Based on that, and taking into account the current trend of recovery in the economy, the State's Own Tax Revenue is projected to grow at 12.71 per cent over the 14th Plan period.

Among the major tax revenue items, Stamps and Registration, Excise, and Motor Vehicles are projected at 7 per cent, 7 per cent, and 10 per cent, respectively. Non-GST items are projected at 12 per cent and SGST is projected to grow at 10 per cent over SGST of 2021-22.

### Non -Tax Revenue

The average rate of growth of Non-Tax Revenue over the last 5 years was 11.11 per cent. However, as noted earlier, that growth rate has fallen from 15.46 per cent in 2017-18 to 5.21 per cent in 2018-19. Assuming that measures would be taken to partly reverse that decline, Non-Tax Revenue is projected to grow at 10 per cent.

**Grants (Non -Plan)**

Since Non-Plan grants consist mainly of grants recommended by the 15th Finance Commission, receipts from those grants are projected to grow in line with the recommendation of 15th Finance Commission over the plan.

**Borrowings**

As per the existing procedure, the Government of India sets a ceiling on borrowing by the State, specified as a certain percentage of GSDP based on the recommendations of the Finance Commission. The trend in net borrowing for the 14th Plan is, therefore, estimated using the ratio to GSDP figures recommended by the 15th Finance Commission (2021-26) which are as follows.

**Table 13** Net borrowing for 14th Plan, in per cent

| Year | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27* |
|---|---|---|---|---|---|
| Net borrowing % of GSDP | 4 | 3.5 | 3.5 | 3 | 3 |

Note: *Projection by Finance Department, Government of Kerala.
Source: 15th Finance Commission Report (2021-26).

Using all of the projections detailed above, total annual resources available from 2022-23 to 2026-27 are estimated to be ₹1.12 lakh crore.

**Table 14** Projected annual resources, 2022-23 to 2026-27, assuming 10 per cent growth in GST and cessation of Central GST compensation, ₹ in crore

| Year | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2022-2027 |
|---|---|---|---|---|---|---|
| Projected annual resources | 29331 | 16021 | 17272 | 20799 | 28753 | 112177 |

Source: Finance Department, Government of Kerala.

This falls short of the following actually realised outlay over the 13th Plan period (2017-22) to the tune of around ₹13,700 crore in nominal terms. That is a challenge to be addressed.

**Table 15** Realised outlay during 13th Plan, ₹ in crore

| Year | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 (estimate) | 2017-21 |
|---|---|---|---|---|---|---|
| Realised Outlay | 23100 | 22184 | 21575 | 31415 | 27610 | 125884 |

Source: Finance Department, Government of Kerala.

Moreover, relative to GSDP, plan outlay during the first four years of the 13th Plan period averaged about 3.5 per cent of GSDP each year. The ambition should be to ensure at least that level of additional spending relative to GSDP during the 14th Plan as well. Given GSDP projections adopted in the report, that would require resources to the tune of ₹2,15,000 crore over 2022-23 to 2026-27, which is around additional ₹1,00,000 crore (₹1,02,823 crore to be specific) over the plan period. This calls for efforts to raise additional resources to raise plan outlays significantly, which are discussed in what follows.

# CHAPTER 6
# KIIFB'S SUPPORT TO KERALA'S CAPITAL EXPENDITURE

## KIIFB's Direct Support to State's Capex

Kerala Infrastructure Investment Fund Board (KIIFB) was established by the Government of Kerala as a Body Corporate on November 11, 1999 under the Kerala Infrastructure Investment Fund Act 1999. Subsequently, comprehensive modifications to the Act were made through Kerala Infrastructure Investment (Amendment) Act, 2016, which significantly improved KIIFB's structure, financing and governance mechanisms. The primary objective of KIIFB is to mobilise resources for and monitor the execution of critical and large infrastructure projects in the State of Kerala. Accordingly, KIIFB was designated as the agency for achieving this ambitious objective, but though a unique and innovative model.

Till date, KIIFB has approved projects worth ₹64,338 crore (as of November 2021) including 6 large land acquisition projects amounting to approximately ₹20,000 crore. The approved projects comprise both physical and social infrastructure across a range of sectors including hospitals and health centers, schools and colleges, roads and bridges, water supply and sanitation, electricity and communication networks, industrial parks and cultural complexes etc. Out of the approved projects, ₹3155 crore worth of projects have been completed, ₹17,125 crore worth of projects have been tendered and works have been awarded for approximately ₹15,717 crore worth of projects. As of November 2021, KIIFB has disbursed approximately ₹14,900 crore towards project implementation.

Table 16 below indicates Kerala's Capital Outlays (historical and projections) along with KIIFB's disbursements to infrastructure projects since 2017-18 (historical and projections). Though, most Indian States are locked in a regressive deadlock where large deficits in infrastructure provisioning prevent the realisation of the State's latent potential and limited fiscal resources of the State government prevent significant investment in infrastructure provisioning, KIIFB has been assisting Government of Kerala in building critical infrastructure projects. It may be seen from Table 16 that KIIFB's project disbursements have picked up significantly since FY 21 and since the onset of Covid-19 pandemic, KIIFB has disbursed approximately ₹9800 crore (from April 2020 to November 2021) to infrastructure projects in the State, thereby providing a key impetus towards economic recovery post Covid-19. Additionally, the cumulative projected disbursements by KIIFB from FY 22 to FY 24 is ₹26,446 crore, which is as high as 61 per cent of the State's planned Capital Outlay for the period. Moreover, with KIIFB's support, the combined Capital Outlay (KIIFB+State Government) has hit 1.81 per cent of GSDP in FY 2020-21 (highest in the last 8 years) and this combined capital outlay (State+KIIFB) is projected to be consistently above 2 per cent of GSDP from FY 22 to FY 24, elucidating KIIFB's significance.

**Table 16** State and KIIFB capital outlay as a per cent of GSDP, ₹ in crore and per cent

| Year | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GSDP (₹ Cr) | 4,65,041 | 5,12,564 | 5,61,994 | 6,34,886 | 7,01,588 | 7,90,302 | 8,54,689 | 8,22,023 | 8,76,283 | 9,92,383 | 10,91,621 |
| State Capital Outlay | 4,294 | 4,255 | 7500 | 10126 | 8749 | 7431 | 8455 | 9391 | 12596 | 14504 | 16386 |
| KIIFB Planned Project Disbursements | - | - | - | - | 443 | 1,069 | 3,504 | 5,483 | 6,699 | 13,169 | 6,578 |
| Combined Capex - State+KIIFB | 4294 | 4255 | 7500 | 10126 | 9192 | 8500 | 11959 | 14874 | 19295 | 27673 | 22964 |
| State+KIIFB Capex (as a % of GSDP) | 0.92 | 0.83 | 1.33 | 1.59 | 1.31 | 1.08 | 1.40 | 1.81 | 2.20 | 2.79 | 2.10 |

*Sources:* 1. State Finances data till FY 20 are actuals and taken from State Budget documents.
2. Forecasts of State Capital Outlay is taken from the Medium-Term Fiscal Plan of the State 2021-22 to 2023-24 published in June 2021; GSDP projections are based on estimates provided by Finance Department, Kerala.
3. The data for KIIFB projected project pay-outs have been obtained from KIIFB's ALM system (Beta version).

**Crowding-in Effect of KIIFB's Infrastructure Spending**

In addition to this KIIFB has been pivotal in attracting additional investments into the State. For instance, development of the national highways in the State, which was held up on account of issue of high costs for land acquisition (LA) in Kerala, has been reinvigorated with KIIFB providing the State's share of 25 per cent of the land acquisition costs to National Highways Authority of India (NHAI). KIIFB's Board has approved to provide a total of ₹6769 crore to NHAI, on the basis of a tripartite agreement executed between NHAI, KIIFB and Government of Kerala, towards the State's 25 per cent share and has already disbursed ₹4084.63 crore as of November 2021. KIIFB, timely disbursements of the amount entailed NHAI to contribute the remaining 75 per cent for the Land Acquisition and accordingly the development of NH has picked up pace. In effect, the approved disbursement by KIIFB of ₹6769 crore will help bring in and additional investment from NHAI of ₹20307 crore towards Land Acquisition and about ₹34500 crore towards construction and related expenditure for these roads implying a total commitment of approximately ₹55000 Cr (LA+Construction costs) from NHAI.

Similarly, KIIFB's contribution to infrastructure projects such as K-Rail will also crowd-in additional investments from Central Government and KIIFB's investment into projects such as industrial park projects (worth ₹15200 crore) will crowd-in private investments.

Investment in infrastructure of this magnitude will have a multiplier effect in the economy.

## CHAPTER 7
# REFORMING GST TO ENHANCE RESOURCE MOBILISATION

As part of efforts at additional resource mobilisation the state government must take a leadership role in a movement to reform the GST so that it delivers to the states the revenue growth they were promised when they were persuaded to give up a large share of their taxation rights. The sluggish growth of GST revenues of the State government during the past four years was discussed earlier, with the shortfall relative to protected revenue rising from ₹3,558 crore in 2018-19 to ₹8,099 crore in 2019-20 and ₹16,180 crore in 2020-21. There are now signs of some recovery during the first half of the fifth year, even though Kerala's economy has been badly hit by the intensity of the pandemic. It is estimated that around ₹13000 crore can be collected over the remaining six months of 2021-22, yielding a total of ₹23500 crore during the last year of the 13th Plan period and also the last year of the GST compensation period.

Because of the paucity of resources in the compensation fund, the 45th GST council had discussed various revenue augmentation measures.

The major structural changes contemplated by the GST council are:

1. review of the supply of goods and services exempt under GST with an objective to expand the tax base and eliminate breaking of the ITC chain;
2. review of instances of inverted duty structure other than where the Council has already taken a decision to correct the inverted structure and recommend suitable rates to eliminate duty inversion as far as possible so as to minimise instances of refund due to inverted duty structure;
3. review of the current tax slab rates and recommend changes in the same as may be needed to garner required resources, including recalibrating the tax rate structure of GST in consonance with the Revenue Neutral Rate (RNR) and based on the collection in the pre-GST period;
4. review of the current rate slab structure of GST, including special rates, and recommend rationalisation measures, including the merger of tax rate slabs, required for a simpler rate structure in GST; and
5. System changes and validations to check availing of fraudulent and bogus input tax credits.

These structural changes (some which are expected to be implemented from 2022-23 onwards) and a set of tax governance initiatives of the State GST Department are expected to have positive outcomes during the current year and the initial years of 14th plan period.

The tax governance initiatives include effective return scrutiny, audit and assessment, tax data analytics based on commercial intelligence and enforcement, wider tax awareness programmes targeting different categories of taxpayers and the public at large, including programmes for incentivising issuance of invoices, continuous and effective training programmes for the tax officials and hierarchical restructuring of employees for better governance.

Together with this the government must push for mechanisms to ensure a reasonable rate of increase of GST revenues. The Working Group has certain suggestions in this regard and those have been mentioned towards the end of this report.

In this background, alternative scenarios with respect to GST collections have been derived. The revenue collection from GST is projected as per three scenarios for the 14th Plan period. The collection of the last year and growth recorded in that year is taken as the base from which GST revenue collections over the 14th Plan period can be estimated. The revenue for the base year (2021-22) for all the estimates is kept as ₹23500 crore (Table 17).

In the first scenario, projections are made with the assumption that there will not be any compensation from the Central Government from 2022-23 onwards. In an optimistic projection, the percentage growth in GST revenue collection for the five consecutive years (2022-27) of the 14th Plan period is taken as 20, 18, 18, 18 and 18 respectively. On the other hand, a pessimistic estimate is based on percentage growth rate of 15, 12, 12, 12 and 12 respectively. A third "most likely estimate" assumes that the GST growth rate would be 18 per cent in the first year and 15 per cent annually over next four years. The resulting revenue projections are provided in Table 18.

A second scenario assumes that the GST Council would approve a compensation package. Table 19 presents three alternative protected revenue trajectories involving guaranteed growth of revenues of 10 per cent, 6 per cent and 8 per cent respectively (as opposed to the pre-existing 14 per cent) from the base year (2021-22) protected revenue of ₹36936 crore.

To recall, the resource mobilisation projections made in this report assumed GST growth of 10 per cent per annum. As compared with that, if the originally promised 14 per cent growth can be ensured through a combination of GST reform and continued compensation, then the additional revenues that would flow from this source over the 14th Plan period as a whole would be ₹ 30,282 crore.

**Table 17** GST collected revenue, Kerala, 2017-18 to 2021-22, ₹ in crore and per cent

| Year | Revenue from GST | Revenue from GST* | Growth rate |
|---|---|---|---|
| 2017-18 | 14238.68 | 18984.91 | |
| 2018-19 | 21366.21 | 21366.21 | 12.54 |
| 2019-20 | 20316.4 | 20316.4 | -4.91 |
| 2020-21 | 20255.15 | 20255.2 | -0.3 |
| 2021-22 | 10435.94 | 23500 | 16.02 |

Note: *For 2017-18 and 2021-22 annual values have been projected.
Source: SGST, Government of Kerala

**Table 18 GST** revenue – projected estimate for the 14th Five-Year Plan 2022-27

| Year | Optimistic Estimate | | Pessimistic Estimate | | Most Likely Estimate | |
|---|---|---|---|---|---|---|
| | Rupees in crore | Growth Rate (%) | Rupees in crore | Growth Rate (%) | Rupees in crore | Growth Rate (%) |
| 2021-22 | 23500 | | 23500 | | 23500 | |
| 2022-23 | 28200 | 20 | 27025 | 15 | 27730 | 18 |
| 2023-24 | 33276 | 18 | 30268 | 12 | 31890 | 15 |
| 2024-25 | 39266 | 18 | 33900 | 12 | 36673 | 15 |
| 2025-26 | 46334 | 18 | 37968 | 12 | 42174 | 15 |
| 2026-27 | 54674 | 18 | 42524 | 12 | 48500 | 15 |

*Source:* State GST Department, Government of Kerala

**Table 19** GST protected revenue, different scenarios, ₹ in crore and per cent

| | Present rate | Optimistic estimate | Pessimistic estimate | Most likely estimate |
|---|---|---|---|---|
| Year | 14% | 10% | 6% | 8% |
| 2017-18 | 16398 | | | |
| 2018-19 | 24924 | | | |
| 2019-20 | 28416 | | | |
| 2020-21 | 32400 | | | |
| 2021-22 | 36936 | 36936 | 36936 | 36936 |
| 2022-23 | 42107 | 40630 | 39152 | 39891 |
| 2023-24 | 48002 | 44693 | 41501 | 43082 |
| 2024-25 | 54722 | 49162 | 43991 | 46529 |
| 2025-26 | 62383 | 54078 | 46631 | 50251 |
| 2026-27 | 71117 | 59486 | 49429 | 54271 |

*Source:* State GST Department, Government of Kerala

However, the government cannot bank on the complete success of its efforts in this area. So alternative sources of financing need to be considered to mobilise the balance amount of resources (that is around ₹ 70, 000 crore). These are taken up in the next chapter.

CHAPTER 8

# ALTERNATIVE SOURCES OF FUNDING FOR DEVELOPMENT

The following are a few suggestions for augmenting the resources of the State.

**1. Enhancing existing sources of finance: Rural Infrastructure Development Fund**

In terms of augmenting resources for the Plan, one of the resources that can be tapped by the Government is the Rural Infrastructure Development Fund (RIDF) of National Bank for Agriculture and Rural Development (NABARD). RIDF is one of the cheapest sources of finance available to the State Governments. In 2019-20, the weighted average interest rate of loans taken by Kerala from NABARD was 3.76 per cent as against 7.42 per cent for funds raised from the market and 13.87 per cent for funds from other financial institutions[3].

As on March 31, 2021, the total amount sanctioned to Kerala under all tranches was ₹11,142.46 crore (2.8 per cent of total amount sanctioned to all States)[4]. This is very low when compared to sanctions to other States such as Gujarat (8.29 per cent), Madhya Pradesh (7.42 per cent), Odisha (7.24 per cent), Uttar Pradesh (7.19 per cent), Rajasthan (6.66 per cent), and other southern states such as Tamil Nadu (6.57 per cent) and Andhra Pradesh (6.54 per cent).

Even the tranche-wise allocation (Table 20) is declining each year as the percentage of utilisation of funds is declining.

**Table 20** Details of tranche-wise loan sanctioned and released to Kerala, as on March 31, 2021, ₹ in crore and per cent

| Tranche | Year | RIDF loan | Release | Percentage Utilisation |
|---|---|---|---|---|
| XVIII | 2012-13 | 717.17 | 654.21 | 91.22 |
| XIX | 2013-14 | 929.94 | 798.27 | 85.84 |
| XX | 2014-15 | 1200.59 | 882.79 | 73.53 |
| XXI | 2015-16 | 709.76 | 478.55 | 67.42 |
| XXII | 2016-17 | 673.99 | 443.27 | 65.77 |
| XXIII | 2017-18 | 507.08 | 281.53 | 55.52 |
| XIV | 2018-19 | 726.56 | 362.55 | 49.90 |
| XXV | 2019-20 | 549.84 | 176.17 | 32.04 |
| XXVI | 2020-21 | 534.74 | 91.47 | 17.11 |
| TOTAL | - | 6549.67 | 4168.81 | 63.65 |

*Source:* NABARD

[3] Table A42 of Budget in Brief 2021-2022.
[4] State-wise/tranche-wise cumulative sanction and disbursements as on March 31, 2021, NABARD.

Almost 20 departments/agencies in the State are availing funds under RIDF. Some of the major departments implementing RIDF projects include Public Works Department, Department of Soil Survey and Conservation, Irrigation Department, Commissionerate of Rural Department, and Department of Agriculture (engineering).

Out of the total sanctioned amount of ₹11,142.46 crore, ₹8057.45 crore has been disbursed. The fund utilisation percentage is 72.31 per cent, lower than the average fund utilisation per cent of all States (78.14 per cent). Delayed grounding of projects with an average time period of 12-24 months, implementation period going beyond phasing period of three years, and non-starter projects are some of the factors leading to low utilisation of funds by Kerala. It is pertinent to note that the performance of a State in terms of utilisation of sanctioned RIDF projects is given significant weightage in allocation of the corpus fund under RIDF among States.

Even though this source of funds will be within the borrowing limits imposed by th GoI, the State can tap this low cost funding option and also make efforts to improve the utilisation rates of sanctioned funds. Top priority must be accorded to projects where funds have been sanctioned and will lapse. Pre-implementation processes for projects needs to be accelerated and the fund flow to projects also need to be smoothened to avoid delay in completion, at all stages.

**2. Tapping funds under centrally sponsored schemes and central sector schemes**

The State needs to take efforts to review the pattern and trend of allocation under different schemes and take measures to enhance the allocation share.

There are more than 700 central sector schemes implemented by different ministries and departments of Government of India. Kerala needs to take efforts to explore the schemes hitherto not implemented in the State but which are appropriate for or will be beneficial and can be implemented.

**3. Measures to utilise fully the sector specific allocations made by Fifteenth Finance Commission**

The Fifteenth Finance Commission has made recommendations on sector-specific grants to States. Some of these grants such as for school education and for development of aspirational districts and blocks are linked to performance based criteria. In case of school education, there are two categories of grants; one for States which secure top three ranks in the annual Performance Grading Index (PGI) prepared by the Ministry of Education, GoI and second, for three States which show the highest improvement in PGI score over the previous year. Grants for development of aspirational districts and blocks will be based on key performance indicators to be formulated by NITI Aayog.

Though the Government of India is yet to take a decision on sector specific allocations recommended by 15th FC, the State should make efforts to obtain a share of these grants whenever a decision in this regard is taken.

**4. Taxes raised but not realised**

The State should take efforts to address the issue of tax revenues raised but not realised. As per the details presented in Budget in Brief 2021-22, this amounts to ₹19,218 crore at the end of 2019-20. This amount is equivalent to around 38 per cent of the State's own tax revenue, 21 per cent of total revenue, and 2.2 per cent of Gross State Domestic Product in 2019-20.

**5. Non-tax revenue**

In 2020, the Government of Kerala constituted an Expert Committee to conduct a study on the impact of Covid-19 and the consequence of the lockdown on the different facets of public finance of the State. The Committee made several recommendations with respect to resource generation. Section 9 of the report submitted by the Committee touches upon the additional non-tax revenue from sources other than from lottery. It is very evident from the report that the potential of non-tax revenue (other than lottery) as a source of resources is not fully tapped.

The average of five years (2015-16 to 2019-20) revenue share of the total revenue shows that out of 45 subdivisions of non-tax revenue, 9 items record nil shares of revenue collection, 22 items record less than 0.5 per cent shares, 3 items register a share between 0.5 per cent to 1 per cent, 5 items between 1 per cent to 2 per cent, 4 items between 2 per cent to 2.75 per cent and 1 item (which includes lottery) has the lion's share i.e., 80 per cent. Further, the average annual compounded growth rate of revenue collection for five years shows that, out of 45 subdivisions, 16 show a negative growth rate, 9 show less than 5 per cent growth rate, 5 show a growth rate between 5 per cent and 10 per cent and the balance 15 record a more than 10 per cent growth rate.

Though the State Government has taken efforts in tapping non-tax sources of revenue, much needs to be done in this regard.

**6. Other measures**

The Expert Committee mentioned above has recommended certain measures for raising resources that can be considered by the Government. A summary of its suggestions are listed below.

1. An Ad valorem and specific tax for petrol and diesel is proposed by the Committee. The Committee has also suggested increasing the maximum ceiling limits of tax rate for petrol and diesel from the present rate of 44 per cent and 40 per cent to 55 per cent and 50 per cent through appropriate amendments in the schedule of KGST Act 1963. The Committee also recommends that whenever there is a base price increase of petrol and diesel due to the increase in crude oil price, the centre and State has to adjust their tax rates (both specific and ad valorem taxes). This combined effort of union and states will stabilise the final price paid by the consumer due to the specific tax element in the price component. The effect of price fluctuations (both increases and decreases) for crude oil need to be equitably shared by the central, state and consumers.
2. The committee suggests a calibrated increase in fair value of land accompanied by a small reduction in the stamp duty rates, along with measures such as e-stamping for all documentation.

3. The committee recommends a 50 per cent hike in the present rates of Excise Duty and Sales Tax of liquor and introduction of membership fees for home delivery of liquor on the basis of a five years membership systems to be opted by interested consumers. This recommendation may be considered by the Government after taking into account the social implications of the recommendation.
4. Additional non-tax revenue from lottery can be generated through the introduction of a high value monthly lottery earmarked for welfare pension and creating an attractive prize structure for all the existing lotteries.
5. There is immense scope to generate additional non-tax revenue from sources other than from lottery. Revenue mobilisation can be enhanced by adopting a 5 per cent annual increase in line with inflation, along with effective governance initiatives (including collection of arrears). The present system of collection of rent from leased lands were analysed by the Committee. A task force is suggested to function on a mission mode to collect the lease rent arrears along with re-assessment and resumption of land not being used as per lease terms. The Committee suggests fixing the lease rentals based on market rates determined by usage of land as per the master plan in the urban areas. Apart from the revenue generated from leased land, there is considerable scope for resumption of unutilised land with Public Sector Undertakings (PSUs) and other Government institutions. Due to problems in fixing the market value, the committee suggests that instead of market value the lease rent may be fixed on an interim basis, based on fair value of the area which is already notified. This can be followed till the market value of various user categories of land in urban areas is ascertained and notified.

**7. Property Tax**

Property tax is the major source of own revenue of the Local Governments (LGs) in India. Property tax collection constitutes more than 60 per cent of the own revenue of LGs. All Finance Commissions over the years have strongly advocated for revenue augmentation from property tax. The Commissions noticed the presence of significant undervaluation in the process of property tax collection. Previous Finance Commissions have also strongly recommended the keeping of proper records for the collection of property tax. The 15th FC pointed out that there is existence of lack of accurate property tax records which is a great challenge in urban local bodies.

**8. House Tax Collection**

Kerala has got immense potential of house tax collection which is seen from the calculation of 15th Finance Commission estimate of house tax potential of various states in the year 2019.

**9. Stamp duty and registration fees**

Stamp duty and registration fees should be updated periodically.

## CHAPTER 9
# SUGGESTIONS

1. The State has to take measures to arrest the decline in growth of own tax revenues. Unless the decline in growth rates of major components of own tax revenues, which has been marked since 2013-14, is reversed, the State will not have adequate fiscal space to discharge its expenditure obligations. Mobilising own tax revenue is therefore of prime importance for the State.
2. The collection of Goods and Services Tax has to be improved. In this regard, it is suggested that
    a. Improving administrative efficiency and enforcement measures of GST department needs to be focussed to improve tax collection.
    b. State GST administration needs to be modernised.
    c. GST department may have a Tax Planning Research Unit to collect information on real time basis. The State requires quarterly trends in sub-sectors of the economy to focus on potential areas for revenue mobilisation. The Unit can analyse these trends and recommend specific measures to enhance collection.
    d. GST offices have to be modernised and effective systems of tapping information about tax evasion from various sources may be developed.
    e. The concept of jurisdiction in assessment needs to be done away with. Based on a risk-based checklist, cases will have to be centrally selected for scrutiny and given to assessment circles across the State on a random basis.
    f. The surveillance on inter-State goods transactions needs to be improved.
    g. GST department should have a vision statement to achieve the growth rate of 18 per cent annum from 2021-22 itself.
3. A concerted effort to explore new sources of non-tax revenues may be launched.
4. Along with all efforts to raise resources through tax and non-tax sources, the State also needs to focus on rationalisation of expenditure, especially revenue expenditure. Various Committees, including the Public Expenditure Review Committees appointed by the Government have reviewed the pattern of expenditure and made suggestions for rationalising the same. In the wake of declining resources and rising expenditure, prioritising expenditure assumes significant importance.
5. Kerala may take efforts to augment resource generation to bridge the resource gap estimated for the 14th Plan period. Certain alternative measures have been suggested in Chapter 8 of the Report. These measures include tapping low cost Rural Infrastructure Development funds, funds under centrally sponsored schemes and central schemes, utilising sector specific allocations made by the Fifteenth Finance Commission, address the issue of taxes raised but not realised, take efforts in tapping non-tax revenue, explore the potential of property tax and house tax, and update stamp duty and registration fees periodically.

6. As Kerala is exposed to climate change risks and has been affected by frequent natural disasters in the last few years, Kerala needs to prepare a climate-responsive budget statement, incorporating how much the State is spending on adaptation and mitigation strategies.

# PROCEEDINGS OF THE MEMBER SECRETARY

# STATE PLANNING BOARD

**(Present: Sri. Teeka Ram Meena IAS)**

Sub: - Formulation of Fourteenth Five Year Plan (2022-27) – Constitution of Working Group on Financial Resources and Resource Mobilisation – reg.

Read: 1. Note No. 297/2021/PCD/SPB dated 27.08.2021
2. Guidelines on Working Groups

## ORDER No. 408/2021-WG/PCD/SPB Dated: 07.09.2021

As part of the formulation of Fourteenth Five Year Plan, it has been decided to constitute various Working Groups under the priority sectors. Accordingly, the Working Group on **Financial Resources and Resource Mobilization** is here by constituted with the following members. The Working Group shall also take into consideration the guidelines read 2nd above in fulfilling the tasks outlined in the ToR for the Group.

**Co - Chairpersons**

1. Prof. C P Chandrasekhar, Jawaharlal Nehru University, New Delhi
2. Sri. Rajesh Kumar Singh IAS, Additional Chief Secretary to Govt., Finance Department

**Members**

1. Dr. A Jayathilak IAS, Additional Chief Secretary to Govt., Revenue Department
2. Prof. Lekha S Chakraborty, Professor, National Institute of Public Finance and Policy
3. Dr. Rathan U Kelkar IAS, Commissioner of Commercial Taxes
4. Prof. D Narayana, Honorary fellow, Gulati Institute of Finance and Taxation
5. Sri. Inbasekhar K IAS, Inspector General, Dept. of Registration
6. Sri. M R Ajith Kumar IPS, Commissioner of Motor Vehicle Department
7. Sri. Gokul G R IAS, Secretary to Govt., Finance(Resources) Department
8. Shri. Abraham Renn IRS, Additional Commissioner, GST, Kerala
9. Dr. N Ramalingam, Associate Professor, Gulati Institute of Finance and Taxation
10. Smt. L Anitha Kumary, Associate Professor, Gulati Institute of Finance and Taxation
11. Dr. Nirmala Padmanabhan, Former Head of Department, Department of Economics, St. Teresa's College, Ernakulam
12. Sri. S Aananthakrishnan IPS, Excise Commissioner
13. Sri. S Premkumar, (Convener, State Level Bankers' Committee, Kerala)
14. Smt. Gayatri Nair IES, Economic Advisor to VC, State Planning Board

**Convener**

Sri. P.Shaji, Chief, Plan Co-ordination Division, KSPB

**Co- Convener**

Sri. Anil Kumar B M, Assistant Director, Plan Co-ordination Division, KSPB

**Terms of Reference**

1. To review the sources of finance for Plans during the $12^{th}$ and $13^{th}$ Plan periods and to suggest a new pattern for the $14^{th}$ Plan taking into account recent changes in Central State fiscal relations.
2. To critically evaluate the measures taken during the $12^{th}$ and $13^{th}$ Plan for resource mobilization and to suggest measures to raise resources for the $14^{th}$ Plan and to project the likely flow of funds during the $14^{th}$ Five Year Plan.
3. To examine the potential for diversifying sources of finance including possible sources outside the budget, such as external assistance, private investment, credit linkages, and capital market, for meeting development expenditure and development vision of the Government.
4. To review utilization of funds available for centrally sponsored schemes in the $13^{th}$ Plan and suggest measures to maximize the use of central resources during the $14^{th}$ Plan.

**General**

1. The non-official members (and invitees) 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.
2. The expenditure towards TA, DA and Honorarium will be met from the following Head of Account of the State Planning Board "3451-00-101-93"- Preparation of Plans and Conduct of Surveys and Studies.

**Sd/-**
**Member Secretary**

**Forwarded by Order**

**Chief, Plan Co-ordination Division**

To

The Members concerned

Copy to

PS to VC
PA to MS
CA to Member (VKR)
Senior Administrative Officer, SPB
The Accountant General, Kerala
Finance Officer, SPB
Publication Officer, SPB
Sub Treasury, Vellayambalam
Accounts Section
File/Stock File