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Government of Kerala

**Economic & Purpose Classification of
Kerala Government Budget
1999-2000 & 2000-01**

**Department of Economics & Statistics
Thiruvananthapuram
2003**

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Preface

Analysis of budget data on resources and expenditure provides certain key indicators of economic development and policy of the State. The economic and purpose classification of budget figures organize and present income and expenditure data from the standpoint of economic significance of various development sectors. This exercise illustrates financial transactions performed by public agencies to acquire goods and services required by public production or to transfer collected revenues to different destinations. The economic classification of expenditure allows identifying the nature of the transactions performed by the public sector with the purpose of evaluating the impact and the consequential effect of the fiscal actions in the economy. The purpose classification of expenditure provides a systematic and homogeneous order of goods and services, transfers and the variation of assets and liabilities, which the public sector applies in the development of its activity. This exercise also enables a realistic assessment of the value added by the public sector.

The economic and purpose classification of Kerala State budget for the financial years 1999-2000 and 2000-2001, contained in this report, has been done in conformity with the guidelines of the "Regional Accounts Committee" of Government of India.

The time bound dedicated work of Smt. Radhamoni Kunjamma, Research Officer of State Income Division of the Department of Economics & Statistics in bringing out this publication is hereby acknowledged.

It is hoped that this publication would be useful for planners, administrators and other data users. Suggestions for improvement of this publication are most welcome.

M.R.Balakrishnan,
DIRECTOR

Thiruvananthapuram,

13/10/2003.

I. Introduction

Budget is the most important financial document of the government. In these days it has become a major instrument of policy, as the change in the level and composition of both revenue and expenditure significantly affect the level of State Income. However the budget presented in the Legislative Assembly as such reveals financial transactions and not the economic and social significance of various items of revenue and expenditure. For e.g. from the study of budget documents, as they are it is not possible to get a clear idea of capital formation out of budgetary resources, savings of State Government, Contributions of the Government to the total income generation, etc. Moreover though budget is divided in to revenue and capital accounts, many items of consumption expenditure are included in the capital account and vice versa. Again the budget document contains various internal transfers also. For example revenue accounts shows certain transfers to and from the capital accounts, which are mere accounting transactions or transfers. These have to be eliminated since they do not have any impact on the economy. Budget, which is primarily designed for facilitating the authorization of expenditure and revenue, has therefore to be sorted out, reclassified and interpreted into meaningful economic and functional categories. Such an attempt of the Kerala Government Budget for the years 1999-2000 and 2000-2001 are presented in this publication.

The economic classification system presented here is based on the system of national accounts recommended by the United Nations or its specialized agencies. The system of national accounts presents in interlocking system of accounts for the transactions of the whole economy and Government accounts appears as one element of this whole system.

The usefulness of economic and functional classification of government budgetary transactions in the formulation of fiscal and economic policies has received increasing recognition. The components of economic and purpose classification of budgetary transactions of Government of Kerala for the years 1999-2000 and 2000-2001 are presented in the following paragraphs with analytical table appended. The ultimate aim of applying these methods of classification is to relate information obtained on the Government sector to similar information made available on other major sectors of the economy. It is also designed to get this kind of information on government transactions, which are required for determining aggregates of national income and expenditure and for tracing their inter relationship with other major sectors of the economy. In a country like India the government sector is so important that a proper analysis of its transactions is highly valuable. In such countries the importance of economic and functional classification cannot be over emphasized. Economic and purpose classification provides macro-economic data and is useful mostly at the policy formulation level and enables the decision makers to review the broad terms, the pattern of resources allocated and its impact on the rest of the economy.

2. Economic Classification of State Government Budgetary Transactions

The economic classification presented here is based on the delineation of government transactions in a set of three accounts as recommended by the committee on Regional Accounts.

Account I - Income and outlay account of administrative departments

This account deals with current revenue and expenditure of government administrative departments. All departments other than those listed under Account II in this section are considered as administrative for the purpose of economic classification. The current expenditure of administrative departments consists of final outlays of the Government of current account, which represents government current consumption. The final outlays are made up of purchase of goods and services and payment of wages and salaries and capital formation. Besides final outlays government makes transfer payments i.e., interest, grants, subsidies scholarships, etc. to the rest of the economy, which are added indirectly to the disposable income of the community. To meet this current expenditure, the government appropriates a part of the income of the community through a variety of taxes, fees, miscellaneous receipts, etc. occurring in the course of administration. In addition, government has an investment income from property and entrepreneurship and also receive revenue grants, contribution and recoveries from the union government and rest of the economy. The excess of current expenditure denotes the savings of the government administration available for domestic capital formation. Some of the items included in this account are explained as under.

A. REVENUE

1. Income from property and entrepreneurship

This flow records the income receivable by the state government from departmental commercial undertakings as well as rent and dividends accruing to it from the ownership of buildings or financial assets.

2. Interests

Interest received may be from households, local bodies and from departmental commercial undertakings. The interest received from departmental commercial undertakings appears as a payment item in Account II – Production Account of departmental commercial undertakings. This item is therefore deducted from both interest received and interest paid so that there is no double counting.

3. Direct Taxes

Direct Taxes include 2 components viz. direct taxes on income and other direct taxes. The following are the items included under direct taxes.

1. Taxes on income other than Corporation Tax
2. Other taxes on income and expenditure
3. Land Revenue
4. Estate duty
5. Taxes on immovable property other than agricultural land.

4. Indirect Taxes

Indirect taxes are defined as taxes assessed on produces that are chargeable to the cost of goods and services produced or sold. The include:-

1. Stamps and Registration fees
2. Union and State Excise
3. Sales tax
4. Taxes and vehicles
5. Taxes and duties on electricity
6. Entertainment Tax
7. Taxes on goods and passengers
8. Fees realized under factories Act, fees for stamping weights and measures, etc

5. Miscellaneous receipts

These receipts are in the nature of fees, fines, forfeiture, etc.

6. Revenue grants, contributions, etc.

Grants from Government of India have been divided into parts, Revenue grants and Capital grants. Revenue grants have been included under this account.

B. EXPENDITURE

1. Compensation of employees

This item comprises of remuneration to general government employees such as pay of officers, pay of establishment and allowances and honorarium other than traveling and daily allowances. Wages paid to casual labours have also been taken as wages and salaries. Also included are pension payments to Government employees of administrative departments.

2. Commodities and Services

This item includes all expenditure under contingency such as office supplies, rent, rate and taxes, fuel and light, printing and stationary, travelling expense, telephone and telegraphic charges and other items for current operations, less sales by general government goods and services to enterprises and households. All expenditure on current repairs and maintenance are included here.

3. Interest

Interest comprises interest on public debt and other obligations than that on commercial debt, which would be included in Account-II production Account of commercial undertakings.

4. Subsidies

Subsidies include all grants on current account which private industries receive from the Government. These may take the form of direct payments to producers or differentials between the buying and selling prices of Government Trading Organisations. Thus subsidies are transfers which in the light of the basis of making the grants, which are additions to the income of the producers from current production. The grants may, for example, be based on the amount of value of the commodities produced, exported or consumed, the labour or land employed in production or the manner in which production is organised and carried on. The value of coupons made available by Government agencies to specify groups of the population to enable them to obtain goods at prices lower than the current market prices are classified as current transfer to households. Under certain circumstances subsidies includes the grants made by Government to public corporations as

compensations for losses i.e., negative operative surplus and in connection with the losses of Departmental Commercial undertakings. This will be in the case when the loss is clearly the consequence of the policy of the government to maintain prices at a level at which the proceeds of the public industry will not cover the current costs of production. Rebate on sale of handloom cloth, loss on the sale of fertilizers, improved seeds, pesticides and agricultural implements, loss suffered by the co-operative societies, etc. are to be treated as subsidies. In the case of irrigation, the loss by the departmental undertaking is treated as subsidy.

5. Current Transfer

Current transfers include grants to local bodies to the rest of the world or to the other sectors, like grants to aided schools, scholarships and stipends and welfare of the weaker sections of the society.

6. Savings on Current Account

The balancing item on the current account of Government administration represents the saving of this sector, i.e. Surplus of current receipts over current expenditure.

Account – II – Production Account of Departmental Commercial Undertakings

The departmental commercial undertakings (Government trading enterprises in the U.N. reports) may briefly be defined as agencies producing goods and services that are not provided free of charge. The essential characteristics distinguishing these departments from Government administrative departments are that they charge what they provide according to use and are thus able to meet most of their costs from their sale proceeds. Other related characteristics are as follows.

- i) Departmental Commercial undertakings are subject to market forces i.e. Demand and supply.
- ii) The activities of such undertakings are subordinate to legislative control and are owned, run and managed by the Government.
- iii) The intention to make profits is not the essential characteristics and the activities of an undertaking may be carried on deliberately at loss.
- iv) Commercial accounting methods have to be used to determine the profit and loss.
- v) The operation of commercial undertakings usually involves the use of expensive capital equipment and the holding of stocks, which may be subject to large fluctuations and the provision for depreciation may therefore be a significant element in the total cost of the operations.
- vi) To maintain their operations, commercial undertakings must both give and receive commercial credit.

It is sometimes difficult to decide whether a certain government department should be treated as an enterprise or as a part of a government administration. This is because some charges made by Government departments resemble sales by departmental commercial undertakings. In the state government there are some departments, which may be treated as ancillary agencies. They may have been defined as bodies which are separately organized to supply goods and services for the use of other departments of the government but which do not directly provide service to the public. They are subdivided into agencies such as Public Works Departments, which are not run on commercial basis. Purchasing agencies organized for the purchase and distribution of office supplies and the departments providing professional services. They exist primarily to supply goods and services to government agencies. They may also have some sales to outside agencies, which

are typically incidental to its functions of serving to government bodies. For the purpose of accounting all such departments they have to be taken under government administration because goods and services of such departments are not sold on commercial basis. Like wise some government may also engage in lending. For example Agriculture departments may make or give loans to farmers, which is also incidental to its main function of serving the government and thus cannot be grouped with financial enterprises.

Independent statutory corporations and boards set up by the state government are excluded from the purview of those commercial undertaking included in this account. In the case of Kerala, the following head of accounts are to be classified as departmental commercial undertakings.

1. Irrigation
2. Road and Water Transport schemes
3. Forests
4. Milk Supply Schemes
5. Printing Press
6. Ports and Pilot age

The expenditure side of commercial undertakings spells out the current expenditure in the wages and salaries, goods and services, interest, consumption of fixed capital and profits. The loss in irrigation is treated as subsidy and is shown on negative expenditure on expenditure side of the account. On the revenue side, the sale proceeds are given.

Account III – Capital Finance Account of State Government

This account is concerned with the total capital formation by Government administration and departmental commercial undertakings together with the capital transfer payments, which are mostly for assisting capital formation in the rest of the economy. The capital expenditure of government administration and departmental commercial undertakings have been given separately while the sources of finance are common to both. The different items include in the account are discussed here under.

1. Gross Fixed Capital Formation

Gross Fixed Capital formation represents to gross value of goods, which are added to domestic capital stocks of the nation. It comprises both expenditure on the acquisition of fixed assets and the value of physical change in stocks. The gross fixed capital formation has been classified into buildings and other construction and machinery and equipment.

a) Building and other construction

Capital formation under buildings includes all expenditure in new construction and major alterations to residential and non-residential buildings including the value of the change in work in progress. Other construction includes mostly expenditure on construction of roads, bridges and works on power and irrigation projects, flood control, forest clearance, land reclamation, water supply and sanitation.

b) Machinery and Equipment

This item include expenditure incurred on purchase of various equipments such as buses, jeeps, trucks, tractors for road haulage, power generating machinery, agricultural machinery and implements, office furniture,

machinery and equipments and instruments used by professional men. Under this head the expenditure shown against renewals and replacements refers mainly to departmental commercial undertakings.

2. Change in stocks

Changes in stocks represent the value of physical change in raw materials, work in progress (other than the work in progress in building which are included in fixed capital formation) and finished products, which are held by commercial enterprises and in government stock files.

3. Capital Transfers

Capital transfers cover grants to finance the construction of buildings, purchase of machinery and equipment for public water supply and sewage disposal schemes, etc. Capital transfers were intended to assist capital formation in other sectors of economy.

4. Receipts on Capital Accounts

This part deals with the financing of capital formation and the sources of the same are discussed as under.

5. Saving

The saving on current account is directly taken from Account – I

6. Net Borrowings

Items like internal debt, small savings, provident fund, etc. are indicated here.

OTHER LIABILITIES

All investments in the share capitals of statutory corporation and co-operative societies are classified as financial assets and are shown against other liabilities as a negative figure. Also included are the extra budgetary receipts like loans from government of India, interstate debt settlement, contingency fund, deposits and advances, suspense remittances and cash balances. Besides these, there are some funds maintained by the government like famine relief fund, road fund, etc. which are also covered here.

Account I – Income and out lay account of Administrative Departments (Receipts)

(Rs in Lakhs)

Sl. No.		Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4	5
1		Income from entrepreneurship and property	23003	35173
	1.1	Profits	(-) 5200	(-) 2229
	1.2	Income from property	28203	37402
	1.2 (1)	Net interest received	2948	3132
		a) Other sectors	2784	3048
		b) Foreign	-	-
		c) Other public authorities	164	84
		1) Centre	-	-
		2) State	-	-
		3) Local authorities	164	84
	1.2 (2)	Other property receipts	25255	34270
2		Total Tax Revenue	652059	712822
	2.1	Total Direct Taxes	71014	63939
		a) Corporation tax	-	-
		b) Land revenue	3437	3495
		c) Other direct tax including Income tax	67577	60444
	2.2	Total Indirect tax	581045	648883
		a) Customs	-	-
		b) Excise	127062	35913
		c) Sales tax	385354	434432
		d) Stamps	27965	34110
		e) Other taxes & duties	40664	144428
3		Fees & miscellaneous receipts	11508	18436
4		Total transfer from public authorities	68340	61630
	4.1	Centre	68340	61630
	4.2	State	-	-
	4.3	Local authorities	-	-
		Total Receipts	754910	828061

Account I – Income and out lay account of Administrative Departments (Expenditure)

(Rs in Lakhs)

Sl. No.		Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4	5
	1	Total Consumption Expenditure	518019	544503
	1.1	Compensation of Employees	463815	486715
		a) Wages & Salaries	293614	301446
		b) Pension	170201	185269
	1.2	Net Purchase of Commodities & Services	54204	57788
		a) Purchase	39685	49210
		b) Maintenance	29080	28042
		c) Less sales	14561	19464
2		Net Interest paid	193711	224263
	2.1	Public Authorities	70377	73227
		a) Centre	70377	73227
		b) State	-	-
		c) Local authorities	-	-
	2.2	To Foreign	-	-
	2.3	To Others	124861	152533
	2.4	Less Commercial Interest	1527	1497
3		Subsidies	28521	17483
4		Total Current Transfers (other than inter govt. transfers)	213828	212724
	4.1	Other Sectors	213825	212724
	4.2	Foreign	-	-
5		Total Inter Government Transfers	126840	115070
	5.1	Current	47258	37347
		a) To Centre	-	-
		b) To State	-	-
		c) To Local authorities	47258	34347
	5.2	Capital	79582	77723
		a) To Centre	-	-
		b) To State	-	-
		c) To Local authorities	79582	77723
6		Total Current Expenditure	1080919	1114043
7		Surplus Savings of Current Account	(-) 326009	(-) 285982
8		Total Expenditure to Total Receipts	754910	828061

Account II – Production Account of Departmental Commercial Undertakings of the State Government

(Rs in Lakhs)

Sl. No	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
	Expenditure		
1	Purchase of Commodities & Services including Maintenance	9458	8576
2	Compensation of Employees including Pension	18626	15157
3	Interest	1527	1497
4	Consumption of Fixed Capital	-	-
5	Profit	(-) 5200	(-) 2229
6	Imputed Irrigation Subsidy	12316	7718
7	Total Expenditure	12095	15283
	Receipts		
	Sales	12095	15283
	Total Receipts	12095	15283

Account III – Capital Finance Account of Public Authorities (Both Administrative & Enterprises)

Sl. No.	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
	I. Expenditure Administration		
	Capital Outlay	42774	30739
2	Net Purchase of Physical Assests	(-) 61	(-) 366
	2.1 Second Hand Assests	-	(-) 2
	2.2 Land	(-) 61	(-) 364
3	Change in Stocks	(-) 1085	475
4	Capital Transfers	22279	17145
	4.1 To Others	22279	17145
	(a) For Capital Formation	19546	6375
	(b) For Others	2733	10770
	4.2 To Foreign	-	-
5	Total (1 to 4)	63907	47993
	II. Expenditure Enterprises		
6	Capital Outlay	18292	16512
7	Renewals & Replacements	-	-
8	Net Purchase of Physical Assets	20	297
	8.1 Second Hand Assets	20	297
	8.2 Land	-	-
9	Change in Stocks	(-) 39	359
10	Total (6 to 9)	18273	17168
11	Total Expenditure	82180	65161
	III. Receipts		
12	Surplus & Current Account	(-) 326009	(-) 285982
13	Consumption of Fixed Capital	-	-
14	Foreign Grants	-	-
15	Net Budgetary Borrowings	364976	354382
	15.1 At Home	364976	354382
	15.2 At Abroad	-	-
16	Other Liabilities	43213	(-) 3239
	16.1 Net Extra Budgetary Borrowings	56973	8445
	16.2 Net Purchase of Financial Assets	13760	11684
	Total Receipts	82180	65161
	12 to 16	82180	65161
	Total Expenditure	82180	

3. PURPOSE CLASSIFICATION OF STATE GOVERNMENT BUDGETARY TRANSACTIONS

The government expenditure can be classified in accordance with the purpose it is likely to serve such as health, education, defense, etc.

The Purpose of government expenditure might be of two types. (1) Long term (2) Short term. Long term expenditure might be aimed at tackling the problem of unemployment, economic development of the country and to bring about certain fundamental changes in the structure of the economy. The short term expenditure relate to immediate objectives of expenditure incurred in regard to health, defense, education, social welfare, economic services etc. The aim of the purpose classification attempted here is to classify expenditure in accordance with the immediate or short term social needs of the government.

The purpose classification attempted here relates only to government expenditure of various administrative departments including departmental commercial undertakings.

Financial investments of the government in commercial activities in terms of purchase of shares and debentures etc. have been included. Similarly grants and loans given to commercial organisation, non-government institutions or the individuals are also included. It may however be pointed out the repayment of loans are excluded.

Inter government transfer by nature of transactions, are excluded, similarly the receipts of the government do not come into the picture. However some of the receipts like sales of goods and services produced in the government sector are taken into account in working out the expenditure on net purchase of goods and services by government.

The purpose classification attempted for the present study is the conformity with the U.N recommendation. UN has recommended classification in 9 major categories as follows:

- i) General Government Services.
- ii) Defence
- iii) Education
- iv) Health
- v) Social and Welfare Services
- vi) Housing and Community Amenities
- vii) Cultural Recreation and Religious Services
- viii) Economic Services
- ix) Other Services

These major heads have been split up into minor groups. In the present study some adjustments have been made into the minor categories. As against 30 minor heads suggested by the U. N, all major heads mentioned above have been divided into 19 minor heads only in this report. Atomic energy is a new minor head, which we have introduced here. It is not given in the U.N classification.

All the items of expenditure are grouped under the appropriate categories in respect or their manner of presentation in the budget. Items, which relate to more than one purpose class are first dis-integrated in accordance with the details that are given in the budget, and then classified into appropriate purpose categories.

In the absence of any details, either the major function of the expenditure is considered as the purpose or it is disintegrated into related purpose categories applying some suitable norms.

In the case of grants, loans and advances to private institutions or to individuals if the purpose of utilization is not specifically mentioned, classification is done on the basis of the main function of the institutions which are receiving the grants, loans and advances are known nor the purpose of utilization is given. In such cases the classification has been done on the basis of account heads under which these expenditure have been shown.

Facilities provided to employees like residential housing facility, free or subsidised medical aid etc. are classified by the nature of facility and not by the functional character of the office providing facilities. Accordingly, loans and advances to employees for construction of houses, purchase of motor cars etc. are classified according to type of services likely to be obtained by the utilization of the loans.

Pension and other retirement benefits (including employees family pension schemes) have been distributed to all the purpose categories in proportion to the amount of wages and salaries attributable to different categories. The welfare pension like old age pensions, pensions to political sufferers or to freedom fighters etc. are however classified under welfare services.

Table I - Purpose classification of State Government Budgetary Expenditure

(Rs in Lakhs)

Sl. No.	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
1	General Economic Services	319980	335618
1.1	General Administration (External affairs, Public orders & Safety)	318024	333891
1.2	General Research	1956	1727
2	Defence	-	-
3	Education	276673	278544
3.1	General Administration, Regulation & Research	4910	4871
3.2	University, Schools & other Educational facilities including subsidiary services	271763	273673
4	Health	49322	47275
4.1	General Administration, Regulation & Research	1607	3303
4.2	Hospital, Clinic & Individual Health Services	47715	43972
5	Social Security & Welfare Services	71001	65950
6	Housing & Community Amenities	105337	90570
7	Cultural, Recreation & other Religious services	9616	10634
8	Economic Services	151975	146373
8.1	General Administration, Regulation & Research	9423	9301
8.2	Agriculture, Forestry, Fishing & Hunting	48675	53272
8.3	Mining, Manufacturing & Construction	19788	14803
8.4	Electricity, Gas, Steam & Power	17659	15604
8.5	Atomic Energy	-	-
8.6	Transport & Communication	51189	44121
8.7	Other Economic Services	5241	9272
9	Other Purposes	196439	226430
	Total	1180343	1201394

Table 2 - Percentage Distribution of Purpose Classification of State Government Expenditure

Sl. No		Items	1999-2000 Accounts	2000-01 Accounts
	1	2	3	4
1		General Economic Services	27.15	27.94
	1.1	General Administration (External affairs, Public order & Safety)	26.98	27.80
	1.2	General Research	0.17	0.14
2		Defence	-	-
3		Education	23.47	23.18
	3.1	General Administration, Regulation & Research	0.42	0.40
	3.2	University, Schools & other Educational facilities including subsidiary services	23.05	22.78
4		Health	4.18	3.94
	4.1	General Administration, Regulation & Research	0.14	0.27
	4.2	Hospital, Clinic & Individual Health Services	4.04	3.67
5		Social Security & Welfare Services	6.02	5.49
6		Housing & Community Amenities	8.79	7.54
7		Cultural, Recreation & other Religious services	0.82	0.89
8		Economic Services	12.89	12.18
	8.1	General Administration, Regulation & Research	0.80	0.77
	8.2	Agriculture, Forestry, Fishing & Hunting	4.13	4.43
	8.3	Mining, Manufacturing & Construction	1.68	1.23
	8.4	Electricity, Gas, Steam & Power	1.50	1.30
	8.5	Atomic Energy	-	-
	8.6	Transport & Communication	4.34	3.67
	8.7	Other Economic Services	0.44	0.78
9		Other Purposes	16.68	18.84
		Total	100.00	100.00

IV. ECONOMIC – CUM – PURPOSE CLASSIFICATION

In this section, Economic and Purpose classification have been combined into a single two-way cross-classification by significant economic and functional categories. This classification shows how expenditure for a particular purpose is divided between economic categories such as current expenditure on goods and services, capital formation and various types of transfer and loans. It also shows how expenditure in a particular economic category is divided according to different purpose or types of services provided by government. Economic and functional classification of transactions provides macro economic data and is useful mostly at the policy formulation level and enables the decision makers to review in broad terms the pattern of resource allocation and its impact on the rest of the economy.

The economic and functional classification of Kerala Government Budgetary expenditure for the year 1999-2000 and 2000-01 are furnished in tables 3. It classifies horizontally expenditure for each service for the years under review into significant economic categories and vertically into different functional categories.

Tables derived from the above accounts, for the purpose of state income computation are given in appendix.

TABLE 3.1 ECONOMIC - CUM - PURPOSE CLASSIFICATION OF GOVERNMENT BUDGET ACCOUNTS 1999-2000

(Rs in Lakhs)

1	2	Current Expenditure						Gross Fixed Capital Formation			Net increase in stock	Investment in shares	Capital Transfer to advance to			Total Expenditure	Fund	Grand Total			
		3	4	5	6	7	8	9	10	11			12	13	14				15	16	17
Economic Classification, Functional Classification		Wages & Salaries including Pension	Commodities & Services	Interest on general debt	Subsidies	Transfer to income account of households	Transfer to local bodies for current expenditure	Total current expenditure	Building & other construction	Machinery & other Equipments			Local Bodies	Other Domestic sector	Local Bodies	Other Domestic sector					
1	2																				
1	General public Services	273317	16088	11	-	15672	7875	312963	5067	1446	(-) 54	57	-	27	-	-	6543	474	31998	0	
	General Administration																				
1.1	(External affairs, Public sectors)	273029	16007	11	-	14147	7875	311069	5005	1446	(-) 54	57	-	27	-	-	6481	474	31802	4	
1.2	General Research	288	81	-	-	1525	-	1894	62	-	-	-	-	-	-	-	62	-	1956		
2	Defense																				
3	Education	101444	6346	-	-	160109	3861	271760	3353	1475	-	50	35	-	-	-	4913	-	27667	3	
3.1	Administration, Regulation & Research	4447	368	-	-	22	-	4837	71	2	-	-	-	-	-	-	73	-	4910		
	University, Schools																				
3.2	& other Educational facilities	96997	5978	-	-	160087	3861	266923	3282	1473	-	50	35	-	-	-	4840	-	27176	3	
4	Health	39303	6146	-	-	619	1313	47381	777	432		472	260	-	-	-	1941	-	49322		
	Administration, Regulation & Research	1447	144	-	-	-	-	1591	13	3							16		1607		
4.1																					
4.2	Hospital, Clinic & other Health Services	37856	6002	-	-	619	1313	45790	764	429	-	472	260	-	-	-	1925	-	47715		

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
5	Social Security & Welfare Services	20094	3798	-	10000	16999	11700	62591	1168	148	-	1097	-	-	-	-	2413	5997	71001
6	Housing & Community Amenities	2387	759	-	-	2204	14085	19435	6609	109	-	188	78996	-	-	-	85902	-	103337
7	Cultural, Recreation & other Religious services	1297	1989	-	-	3026	-	6312	1818	70	-	1277	-	-	-	-	3165	139	9616
8	Economic Services	35458	33188	-	6205	14441	8424	97716	39301	518	(-)	10839	291	2733	-	-	52651	1608	151975
8.1	General Administration, Regulation & Research	4491	415	-	-	254	3452	8612	7	79	-	256	-	-	-	-	342	469	9423
8.2	Agriculture, Forestry, Fishing & Hunting	19412	6598	-	2544	3244	3130	34928	9940	220	446	2145	291	273	-	-	13315	432	48675
8.3	Mining, Manufacturing & Construction	1948	366	-	3661	2423	-	8398	2909	10	-	6814	-	1500	-	-	11233	157	19788
8.4	Electricity, Gas, Steam & Power	27	1468	-	-	6836	-	8331	9278	50	-	-	-	-	-	-	9328	-	17659
8.5	Atomic Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.6	Transportation & Communication	5380	24369	-	-	151	1842	31742	17167	159	259	1350	-	-	-	-	18935	512	51189
8.7	Other Economic Services	4200	(-) 28	-	-	1533	-	5705	-	-	(-)	274	-	960	-	-	(-) 502	38	5241
9	Other Purposes	7	140	195227	-	890	-	196264	2	-	-	-	-	-	-	-	2	173	196439
	Total	473307	68454	195238	16205	213960	47258	1014422	58095	4198	(-) 1085	13980	79582	2760	-	-	157530	8391	1180343

TABLE 3.2 ECONOMIC - CUM - PURPOSE CLASSIFICATION OF GOVERNMENT BUDGET ACCOUNTS 2000-01

(Rs in Lakhs)

Economic Classification, Functional Classification	Current Expenditure										Gross Fixed Capital Formation		Net increase in stock	Investment in shares	Capital Transfer to		Local advance to		Total Expenditure	Fund	Grand Total
	Wages & Salaries & Pension including						Subsidies				Building & other construction	Machinery & other Equipments			Local Bodies	Other Domestic sector	Local Bodies	Other Domestic sector			
	3	4	5	6	7	8	9	10	11	12			13	14					15	16	17
1	2	288568	18355	-	-	-	18083	5513	330519	3895	958	24	203	-	17	-	-	5097	2	335618	
1.1	General Administration (External affairs, Public sectors)	288234	18238	-	-	-	16826	5513	328811	3880	954	24	203	-	17	-	-	5078	2	333891	
1.2	General Research	334	117	-	-	-	1257	-	1708	15	4	-	-	-	-	-	-	19	-	1727	
2	Defense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	Education	106724	11314	-	-	-	152975	3039	274052	2949	1543	-	-	-	-	-	-	4492	-	278544	
3.1	Administration, Regulation & Research	4391	391	-	-	-	21	-	4803	68	-	-	-	-	-	-	-	68	-	4871	
3.2	University, Schools & other Educational facilities	102333	10923	-	-	-	152954	3039	269249	2881	1543	-	-	-	-	-	-	4424	-	273673	
4	Health	38714	5950	-	-	-	833	1135	46632	279	308	-	17	39	-	-	-	643	-	47275	
4.1	Administration, Regulation & Research	2250	893	-	-	-	98	-	3241	26	36	-	-	-	-	-	-	62	-	3303	
4.2	Hospital, Clinic & other Health Services	36464	5057	-	-	-	735	1135	43391	253	272	-	17	39	-	-	-	581	-	43972	

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	Social Security & Welfare Services	20457	4284	-	3450	18884	15892	62967	788	104	-	1780					2672	311	65950
5	Housing & Community Amenities	2506	704	-		629	2522	6361	3495	114	-	-	77684	2916			84209	-	90570
6	Cultural, Recreation & other Religious services	2167	2656	-		2685		7508	1896	6	-	1075		20			2997	129	10634
7	Economic Services	35241	35507	-	6315	19901	9246	106210	19992	503	(-) 311	8811		7817			36812	3351	146373
8	General Administration, Regulation & Research	4380	422	-		644	3651	9097	5	44	-	65		-			114	90	9301
8.1	Agriculture, Forestry, Fishing & Hunting	21323	10379	-	3045	8519	3244	46510	3966	142	645	976		793			6522	240	53272
8.2	Mining, Manufacturing & Construction	2097	337	-	3270	2134	1	7839	173	2		5613		655			6443	521	14803
8.3	Electricity, Gas, Steam & Power	28	1331	-		5249		6608	3585	242				5169			8996		15604
8.4	Atomic Energy	-		-															
8.5	Transportation & Communication	4159	22952	-		1345	2350	30806	11305	73		1937					13315		44121
8.6	Other Economic Services	3254	86	-		2010	-	5350	958	-	(-) 956	220		1200			1422	2500	9272
8.7	Other Purposes	4	(-) 498	225760		(-) 1150		224116	2								2	2312	226430
9	Total	494381	78272	225760	9765	212840	37347	1058365	33296	3536	(-) 287	11886	77723	10770			136924	6105	1201394

MAJOR FINDINGS

This report attempts an analysis of the budgetary transaction of Government of Kerala and its impact on various sectors of the state economy. Major findings are as follows:

1) TOTAL EXPENDITURE

The total expenditure of the state government by major categories exclusive of operating expenses of departmental commercial undertakings i.e. given in detail in table-4. This represents the flow back of funds to rest of the economy. The budget expenditure of Kerala state government shows a decreasing trend from Rs.9368 crores in 1999-2000 to Rs. 9316 crores in 2000-01

2) FINAL OUTLAY

The major component of State Government expenditure has been final outlay for various sectors which stood at Rs. 5792 crores during 1999-2000 working out to 62% of total expenditure. In the year 2000-2001 this component has been Rs.5810 crores (62%) of total expenditure. Final outlay is the direct expenditure of the state government for goods and services as well as capital formation.

3) CONSUMPTION EXPENDITURE

Consumption expenditure of Government includes expenditure on wages and salaries and goods and services. Being the principal component of final outlay it stood at 89% of final outlay in 1999-2000 and 94% in 2000-01. The Gross capital formation has been 11% of final outlay in 1999-2000. But the capital formation component of final outlay showed decline to 6% of final out lay during 2000-01

4) TRANSFER PAYMENTS

Transfer payments remained at Rs.3436 crores (37%) in 1999-2000 and Rs. 3387 crores (36%) in 2000-01. Capital transfer has been the dominant component of transfer payments from the budget accounts of the State.

5) FINANCIAL INVESTMENT AND LOANS

Financial Investments from budget accounts continued to be an insignificant component of Government expenditure. It remained below 2% for both the years. This expenditure stood at Rs. 140 crores in 1999-2000 and Rs. 119 crores in 2000-2001.

Table 4**Total Expenditure (excluding expenditure of departmental commercial undertakings)**

(Rs in Lakhs)

Sl. No	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
I	Final Outlay	579227	581048
(a)	Government consumption of Expenditure	518019	544503
(b)	Gross Capital Formation	61208	36545
II	Transfer payments to the rest of the economy	343560	338680
(a)	Current transfer	261218	250187
(b)	Capital transfer	82342	88493
III	Financial Investment & loan to the rest of the economy	13980	11886
	Total	936767	931614

Table 5**Percentage share of different components of the total expenditure**

(Rs in Lakhs)

Sl. No.	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
I	Final Outlay	61.83	62.37
II	Transfer payments to the rest of the economy	36.67	36.35
III	Financial Investment & loan to the rest of the economy	1.50	1.28
	Total	100.00	100.00

6) GROSS CAPITAL FORMATION

Investment in building, machinery, equipment and acquisition of stock constitute the major component of Gross Capital Formation. Capital formation which stood at Rs. 612 Crores in 1999-2000 showed a sharp decline to Rs. 365 Crores in 2000-2001. Acquisition of stocks has been negative for the above period. Details are furnished in Table. 6

Table 6 Components of Capital Formation

(Rs in Lakhs)

Sl. No.	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
1	Construction	58095	33296
2	Machinery & other Equipments	4198	3536
3	Change in Stocks	(-) 1085	(-) 287
	Total	61208	36545

7) SAVINGS OF STATE GOVERNMENT

Analysis of budget data revealed negative savings in Government transactions. Gross savings comprise of savings on current account of government administration, (i.e. surplus of current receipts over current expenditure), depreciation provision and retained profit of departmental commercial under takings. It was (-) 3312 crores in 1999-2000 and (-) 2882 crores in 2000-01. Data on savings of State Government for 2 years is furnished in Table 7.

Table 7
Gross savings of State Government

(Rs in Lakhs)			
Sl. No	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
1	Gross savings of government administration	(-) 326009	(-) 285982
2	Provision for depreciation of departmental commercial undertakings	-	-
3	Retained forfeit of departmental commercial undertakings	(-) 5200	(-) 2229
	Total	(-) 331209	(-) 288211

8) CURRENT RECEIPTS

A detailed examination of the source of finance may be required to make a realistic assessment of government expenditure and its impact on various socio-economic indicators of the economy. Table 8 reveals that tax receipts has been the main source of government receipts. Tax receipt stood above 86% of the total receipt covering the period under study. Revenue grants from Central Government constituted the second major source of finance, which stood at 9% in 1999-2000 and 7.4% during 2000-01. Receipt of Government from property and enterprises has been marginal below 5% both the years. Fee and miscellaneous receipts has been only around 2% of total receipts.

Table 8
Total Current Receipts

(Rs in Lakhs)			
Sl. No.	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
1	Tax Receipts	652059 (86.37)	712822 (86.08)
2	Income from property & entrepreneurship	23003 (3.05)	35173 (4.25)
3	Fees & Miscellaneous receipts	11508 (1.52)	18436 (2.23)
4	Revenue grants from government of India	68340 (9.06)	61630 (7.44)
	Total	754910 (100.00)	828061 (100.00)

Note: - Figures in brackets indicate percentage.

Table 9
Current outgoing of the State Government

Sl. No.	Items	(Rs in Lakhs)	
		1999-2000 Accounts	2000-01 Accounts
1	2	3	4
1	Consumption Expenditure	518019	544503
2	Transfer Payments	343560	338680
	Total	861579	883183

9) CURRENT OUTGOING

Consumptions expenditure and transfer payments are the major components of out goings from State Government budget. Details of current out going of state government furnished in Table 9 shows that the figure which stood at Rs.8616 crores in 1999-2000 showed an increase to Rs. 8832 crores in 2000-01. The transfer payment component showed a decreasing trend in 2000-01.

10) NET SURPLUS OF DEPARTMENTAL COMMERCIAL UNDERTAKINGS

Table 11 indicates the net surplus of Departmental commercial undertakings. It indicates the performance of three concerns. It is measured as the excess of revenue over expenditure.

Table 10 - Borrowing Account

Sl. No.	Items	1999-2000 Accounts		2000-01 Accounts	
		3	4	5	6
I	Borrowing at home				
1	Internal debt	485825	411837	697536	508363
2	Small Savings-Provident fund	876899	585911	801806	636597
3	Other debt	-	-		
	Total	1362724	997748	1499342	1144960
	Net Receipts	364976		354382	
II	Borrowing abroad-External debt				
	Other debt				
	Total				
III	Extra ordinary Receipts & Adjustments				
1	Loans from government of India	107297	24695	48311	28401
2	Loans & advances by state government	5241	31663	11714	27068
3	Inter state settlement				
4	Contingency fund	16	-		
5	Reserve fund	6964	6556	3049	1781
6	Deposits & Advances	406544	423649	373644	344655
7	Suspense & Miscellaneous	551178	541308	594311	600005
8	Remittances	343951	341045	342936	342043
9	Cash Balance	(-)1579	(-) 11361	(-)11361	607
10	Funds Revenue Accounts	3307	8391	3961	13560
11	Funds Capital Account	-	-	-	-
12	Funds commercial Account	-	-	-	-
	Total	1422919	1365946	1366565	1358120
	Net Receipts	56973		8445	

Table 11 - Net Surplus of Departmental Commercial Undertakings

Rs in Lakhs

Sl. No	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
1	Gross Receipt	24411	23181
2	Operation Expenses	29611	25410
3	Net surplus	(-) 5200	(-) 2229

Gross receipts including irrigation subsidy.

Appendix A**Estimates of Net product from Public Administration**

Rs in Lakhs

Sl. No.	Items	1999-2000 Accounts	2000-01 Accounts
1	2	3	4
1	Administration (Total wages & salary)	463815	486715
2	Wages & salaries in construction	9221	10971
3	Water supply	-	-
4	Other services	213662	228050
a	Education (3.2)	153224	165227
b	Medical & Public health (4.2)	59800	62508
c	Sanitation	338	315
5	Sub Total (2 to 4)	222583	239021
	Public Administration	241232	247694

Appendix B1

Domestic Product by industry of origin and factor income (Enterprises) 1999-2000

Sl. No.	Items	Compen- sation & Pension of em- ployees	Purchase of goods & services	Maintenance			Interest	Profit	Deprecia- tion	Total receipt & Total expenditure			Net product (2+7+8)	Gross product (13+9)
				Building Mainte- nance	Road Mainte- nance	Construction Mainte- nance				Sales	Imputed irrigation receipts	Total receipts (10+11)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Agriculture (Irrigation)	8891	247	-	-	2030	1511	32	-	395	12316	12711	10434	10434
2	Forest	3362	4283	-	-	-	-	3306	-	10951	-	10951	6668	6668
3	Manufacturing	4225	2500	4	-	-	10	(-) 6506	-	233	-	233	(-) 2271	(-) 2271
1)	Printing Press	4225	2500	4	-	-	10	(-) 6506	-	233	-	233	(-) 2271	(-) 2271
2)	Milk Supply	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Railways	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Communication	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Other Transport	2148	377	-	-	13	6	(-) 1990	-	554	-	554	164	164
8.1	Ports, Pilotage, houses & Light houses	957	60	-	-	13	-	(-) 897	-	133	-	133	60	60
8.2	Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	-	-
8.3	Others	1191	317	-	-	-	6	(-) 1093	-	421	-	421	104	104
9	Trade, Hotel & Restaurants	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Banking & Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	18626	7407	4	-	2043	1527	(-) 5158	-	12133	12316	24449	14995	14995

Appendix B2

Domestic Product by industry of origin and factor income (Enterprises) 2000-01

Sl. No	Items	Compensation & Pension of em-employees	Purchase of goods & services	Maintenance			Interest	Profit	Depreciation	Total receipt & Total expenditure			Net product (2+7+8)	Gross product (13+9)
				Building Maintenance	Road Maintenance	Construction Maintenance				Sales	Imputed irrigation receipts	Total receipts		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Agriculture (Irrigation)	5177	(-) 196	-	-	1697	1481	10	-	451	7718	8169	6668	6668
2	Forest	3519	4859	-	-	-	-	-	-	14068	-	14068	9209	9209
3	Manufacturing	4085	1751	-	-	7	10	(-) 5669	-	184	-	184	(-) 1574	(-) 1574
1)	Printing Press	3599	1751	-	-	7	10	(-) 5183	-	184	-	184	(-) 1574	(-) 1574
2)	Milk Supply			-	-	-								
4	Construction			-	-	-								
5	Electricity													
6	Railways													
7	Communication													
8	Other Transport	2376	442	-	-	14	6	(-) 2239	-	593	-	593	137	137
8. 1	Ports, Pilottage, houses & Light houses	995	50	-	-	14	-	(-) 953	-	106	-	106	42	42
8. 2	Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	-	-
8. 3	Others	1381	392	-	-	-	6	(-) 1286	-	487	-	487	95	95
9	Trade, Hotel & Restaurants	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Banking & Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	15157	6856	-	-	1718	1497	(-) 732	-	15296	7718	23014	14440	14440

Appendix Ca1

Capital Formation by type of assets and Industry of use (Administration) 1999-2000 Accounts

Sl. No.	Items	Gross Domestic Fixed Capital Formation						Net Purchase of Second Hand Assets	Total (8+9)	Change in Stock in Stock	Gross Capital Formation (10+11)
		Build- ing	Roads & Bridges	Other Constru- ction	Transport Equip- ments	Machinery Equip- ments	Total New Outlay				
2		3	4	5	6	7	8	9	10	11	12
1	Administration - Total	13141	17227	8208	855	3343	42774	-	42774	(-)	41689
2	Construction machinery & Stock of PWD									1085	
3	Water Supply					83	83		83		83
4	Other Services	4044			44	50	50		50		50
4.1	Education	3267			40	1861	5949		5949		5949
4.2	Medical & Public Health	777			4	1433	4740		4740		4740
4.3	Sanitation					428	1209		1209		1209
5	Total (2 to 4)	4044									
6	Net Public Administration & Defense (1-5)	9097	17227	8208	811	1994	6082		6082		6082
						1349	36692		36692	(-)	35607

Appendix Ca2
Capital Formation by type of assets and Industry of use (Administration) 2000-2001 Accounts

Rs in Lakhs

Sl. No	Items	Gross Domestic Fixed Capital Formation						Net Purchase of Second Hand Assets	Total (8+9)	Change in Stock	Gross Capital Formation (10+11)
		Building	Roads & Bridges	Other Construction	Transport Equipments	Machinery Equipments	Total New Outlay				
1	2	3	4	5	6	7	8	9	10	11	12
1	Administration - Total	11288	614	15252	148	3437	30739	(-) 2	30737	475	31212
2	Construction machinery & Stock of PWD					(-) 17	(-) 17	-	(-) 17	-	(-) 17
3	Water Supply					188	188	-	188	-	188
4	Other Services	3159		1		1851	5011	-	5011	-	5011
4.1	Education	2880		1		1543	4424	-	4424	-	4424
4.2	Medical & Public Health	279		-		308	587	-	587	-	587
4.3	Sanitation	-		-		-	-	-	-	-	-
5	Total (2 to 4)	3159		1		2022	5182	-	5182	-	5182
6	Net Public Administration & Defense (1-5)	8129	614	15251	148	1415	25557	(-) 2	25555	475	26030

Appendix Cb1

Capital Formation by type of assets and Industry of use (Enterprises) 1999-2000 Accounts

Sl. No.	Items	Gross Domestic Fixed Capital Formation						Net Purchase of Second Hand Assets	Total (8+9)	Change in Stock	Gross Capital Formation (10+11)	Depreciation	Net Capital Formation (12+13)
		Building	Roads & Bridges	Other Construction	Transport Equipments	Machinery Equipments	Total New Outlay						
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Agriculture	641	-	15312	15	189	16155	-	16155	(-) 67	16088	-	16088
2	Forestry	94	82	1076	-	1	1253	-	1253	28	1281	-	1281
3	Manufacturing	93	-	-	-	294	387	-	387	-	387	-	387
1)	Printing Press	93	-	-	-	294	387	-	387	-	387	-	387
2)	Milk Supply	-	-	-	-	-	-	-	-	-	-	-	-
4	Construction	-	-	-	-	-	-	-	-	-	-	-	-
5	Electricity	-	-	-	-	-	-	-	-	-	-	-	-
6	Railways	-	-	-	-	-	-	-	-	-	-	-	-
7	Communication	-	-	-	-	-	-	-	-	-	-	-	-
8	Other Transport	40	-	269	35	153	497	20	517	-	517	-	517
8.1	Ports, Pilotage, houses & Light houses	1	-	269	-	108	378	20	398	-	398	-	398
8.2	Civil Aviation	-	-	-	-	-	-	-	-	-	-	-	-
8.3	Others	39	-	-	35	45	119	-	119	-	119	-	119
9	Trade, Hotel & Restaurants	-	-	-	-	-	-	-	-	-	-	-	-
10	Banking & Insurance	-	-	-	-	-	-	-	-	-	-	-	-
	Total	868	82	16657	48	637	18292	20	18312	(-) 39	18273	-	18273

Appendix Cb2

Capital Formation by type of assets and Industry of use (Enterprises) 2000-01 Accounts

Rs in Lakhs

Sl. No.	Items	Gross Domestic Fixed Capital Formation						Net Purchase of Second Hand Assets	Total (8+9)	Change in Stock	Gross Capital Formation (10+11)	Depreciation	Net Capital Formation (12+13)
		Building	Roads & Bridges	Other Construction	Transport Equipments	Machinery Equipments	Total New Outlay						
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Agriculture	1812	-	13137	15	193	15157	-	15157	317	15474	-	15474
2	Forestry	39	91	873	-	-	1003	272	1275	42	1317	-	1317
3	Manufacturing	64	-	1	-	16	81	-	81	-	81	-	81
1)	Printing Press	64	-	1	-	16	81	-	81	-	81	-	81
2)	Milk Supply												
4	Construction												
5	Electricity												
6	Railways												
7	Communication												
8	Other Transport	2	-	223		46	271	25	296	-	296	-	296
8.1	Ports, Pilotage, houses & Light houses	-	-	223		26	249	25	274	-	274	-	274
8.2	Civil Aviation												
8.3	Others	2	-	-		20	22	-	22	-	22	-	22
9	Trade, Hotel & Restaurants												
10	Banking & Insurance												
	Total	1917	91	14234	15	255	16512	297	16809	359	17168	-	17168

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