



Trends and Patterns in the Revenue Expenditure of Kerala

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Abstract

The present study titled Trends and Patterns in the Revenue Expenditure of Kerala is an attempt to examine the changing trends if any in the expenditure pattern of Kerala in recent periods. The changes in the share of different subsectors in total revenue expenditure are also examined in this study. For this, the study took data from RBI for a period of 13 years starting from 2010-11 to 2022-23. The study found that there was a transition from development expenditure to non - development expenditure in Kerala in recent times.

1.1 Statement of the Problem

The fiscal position of Kerala has been a major concern not only for academicians but also for policymakers and the general public for many years. The introduction of GST and the consequent adverse impulses in revenue mobilisation, the recommendations of the 15th Finance Commission which was inimical to the interest of Kerala (Joseph and Kumary, 2022), and the debt ceiling set by the central government in accordance with the targets set by the FRBM Act of 2003 are some of the factors which were added fuel to the power in recent times.

Even though it is in the public interest only very few studies have examined Kerala's fiscal position in detail. Some of them are: the study of Mohan and Shyjan (2021) – which examined the tax performance of 15 Indian states and raised five questions for future research, -Joseph and Kumary (2022) - found a robust increase in social sector expenditure during covid-19 pandemic, Kumary and Chakravarti,(2020) examined the fiscal position of Kerala in the first half of 2020. So there are not many studies that examined the recent trends in revenue expenditure in detail and the present study is an attempt to fill this gap in the literature.

1.2 Methodology and Data Source

To understand the the recent trends in the revenue expenditure of Kerala we have taken data from the various issues of State Finances: A Study of Budgets, published by RBI for a period of



13 years from 2010-11 to 2022-23. Recent trends in expenditure are analyzed by calculating the share of different items in Total revenue expenditure, and various fiscal ratios.

1.3 Trends in the Revenue Expenditure

To understand the trends in the revenue expenditure of Kerala we have examined a most disaggregate level analysis of various components of revenue expenditure. The total revenue expenditure can be classified into developmental and non-developmental expenditures. It also includes the grants in aid given to local bodies in Kerala. Table 1.1 shows the share of different components in the total revenue expenditure of Kerala.

Table 1.1: Decomposition of Revenue Expenditure

Year	Total Revenue Expenditure (TRE) ⁴	Developmental Expenditure	Percentage share in TRE#	Non-Developmental Expenditure	Percentage share in TRE	Grants-in-Aid to LBs	Percentage share in TRE
2010-11	3,46,6481	1,64,6825	47.5	1,54,1839	44.48	27,7817	8.01
2011-12	4,60,4462	2,23,5553	48.6	2,03,0002	44.09	33,8908	7.36
2012-13	5,34,8874	2,66,8592	49.9	2,27,8661	42.60	40,1622	7.51
2013-14	6,04,8550	2,89,0893	47.8	2,66,0509	43.99	49,7147	8.22
2014-15	7,17,4643	3,39,1568	47.3	3,14,3275	43.81	63,9800	8.92
2015-16	7,86,8947	3,87,0170	49.2	3,60,8468	45.86	39,0308	4.96
2016-17*	9,45,5563	4,54,8908	48.1	4,16,8748	44.09	73,7907	7.80
2017-18	99,94,835.4	47,22,735.2	47.3	45,52,376.9	45.55	7,19,723.3	7.20
2018-19	1,10,31,639.2	50,59,054.0	45.9	50,82,713.5	46.07	7,46,894.9	6.77
2019-20	1,04,71,992.4	43,15,202.4	41.2	55,50,403.2	53.00	6,06,386.8	5.79
2020-21	1,17,32,154.6	54,94,754.7	46.8	55,52,732.2	47.33	6,84,667.7	5.84
2021-22	1,46,17,951.1	66,40,941.7	45.4	70,11,000.3	47.96	9,66,009.1	6.61
2022-23*	1,49,18,367.9	63,10,321.3	42.3	76,36,907.3	51.19	9,71,139.3	6.51

#: Total Revenue Expenditure, ⁴ⁱ in Lakhs , *: Revised estimates
 Source: Compiled from the various issues of State Finances: A Study of Budgets, RBI

From the table, it can be understood that there are no significant differences between developmental and non-development expenditure in the share of total revenue expenditure of Kerala. In the initial years of our study, the development expenditure was higher than that of the non-development expenditure. But since 2019-20 the non-development expenditure overtook the development expenditure and in 2022-23 it accounts for 51.2 percent of total revenue expenditure. The DE was only 42.3 percent of the total RE in the same year.



1.3.1 Decomposition of the Development Expenditure

The major components of the developmental expenditure are social and economic service expenditure. Among these social service expenditure accounts for about 75 percent of the total development expenditure during our study period. We have also examined the percent share of social and economic services on total expenditure to understand the wider importance of these two sub-segments. We could find that the social service expenditure accounts for more than 30 percent of the total revenue expenditure during the period of our study. It is only around 10 percent for economic service expenditure.

Table 1.2 Decomposition of Developmental Expenditure

Year	Developmental Expenditure	Social Services	Share in TRE	Share in TDE	Economic Services	Share in TRE	Share in TDE
2010-11	1,64,682.50	1,21,107.90	34.9	73.5	43,574.60	12.6	26.5
2011-12	2,23,555.30	1,62,238.60	35.2	72.6	61,316.60	13.3	27.4
2012-13	2,66,859.20	1,88,774.90	35.3	70.7	78,084.20	14.6	29.3
2013-14	2,89,089.30	2,09,798.80	34.7	72.6	79,290.50	13.1	27.4
2014-15	3,39,156.80	2,37,181.20	33.1	69.9	1,01,975.60	14.2	30.1
2015-16	3,87,017.00	2,76,032.90	35.1	71.3	1,10,984.10	14.1	28.7
2016-17	4,54,890.80	3,25,499.40	34.4	71.6	1,29,391.40	13.7	28.4
2017-18	47,22,735.20	35,87,627.10	35.9	76	11,35,108.00	11.4	24
2018-19	50,59,054.00	38,21,077.20	34.6	75.5	12,37,976.80	11.2	24.5
2019-20	43,15,202.40	34,04,477.40	32.5	78.9	9,10,725.00	8.7	21.1
2020-21	54,94,754.70	39,42,410.10	33.6	71.7	15,52,344.60	13.2	28.3
2021-22	66,40,941.70	50,69,560.90	34.7	76.3	15,71,380.80	10.7	23.7
2022-23	63,10,321.30	48,90,200.10	32.8	77.5	14,20,121.20	9.5	22.5
#: Total Revenue Expenditure, TDE: Total Development expenditure							
Source: Compiled from the various issues of State Finances: A Study of Budgets, RBI							

1.3.1.1 Share of Different Social Service Expenditures in Total Revenue Expenditure

Since social service expenditure accounts for 75 percent of the total development expenditure. we further examined the share of the sub-segments in social service expenditure. Education, Health Related Expenditure, Welfare of SC, and ST, and Relief on account of Natural Calamities are the major sub-segments of this social service expenditure. The other heads in the social



service expenditure are housing, water supply, rural development, and family welfare. Since the share of these items in total revenue expenditure is more important than their shares in total service expenditure, we have calculated their shares in total revenue expenditure.

Table 1.4 Share of Different Social Expenditures in Total Revenue Expenditure.

Year	Share of Education-Related Expenditure in TRE	Share of Health Related Expenditure	Share of Welfare of SC, ST	Share of Social Security	Share of Relief on Account of Natural Calamities	Others
2010-11	19.8	5	2.2	3.1	0.4	4.5
2011-12	20.5	5.4	2.3	3.3	0.3	3.5
2012-13	19.7	5.2	2.3	3.8	0.5	3.8
2013-14	19.4	5.2	2.7	3.6	0.4	3.3
2014-15	17.8	5.1	2.5	4.2	0.2	3.2
2015-16	17.9	5.2	2.7	5.5	0.3	3.5
2016-17	17.3	5.3	2.3	5.7	0.2	3.6
2017-18	18.5	5.6	2.8	6.1	0.4	2.5
2018-19	17.2	5.7	2.3	3.3	2.8	3.3
2019-20	17.6	6.4	1.9	3.6	0.2	2.8
2020-21	13.8	6.2	1.6	8.4	0.2	3.3
2021-22	16.9	7.5	1.8	5.9	0.3	2.3
2022-23	14.9	5.7	1.8	7.8	0.3	2.2

: Total Revenue Expenditure,
Source: Compiled from the various issues of State Finances: A Study of Budgets, RBI

From the table, it is clear that the education-related service expenditure is the dominant item and it accounts for 15 percent of the total revenue expenditure in most of the years under our study. Since economic services expenditure accounts for only around 10 percent of total revenue expenditure. we have not incorporated such figures in the present discussion as a table even though we have analysed them. The major components of economic services expenditure are Agriculture, rural development, energy, industry, science and technology, and tourism. From our analysis we could find that agriculture is the major item within the economic service expenditure having 6 percent of the total revenue expenditure in most of the years. Industry and most of the other items are only less than one percent share in total revenue expenditure.

1.4 Decomposition of Non-Development Expenditure



As we stated earlier the second major component of revenue expenditure is non-development expenditure. Important non-development expenditures are Fiscal services, interest payments, administrative services, and expenses for various pensioners. As we have done in the previous section here also we calculated the relative share of these items in total revenue expenditure rather than the non-development expenditure. Interest payments and pensions are the two most important items in non-development expenditure.

Table 1.4 Decomposition of Non-development Expenditure

Year	Fiscal Services	Interest Payments and Servicing of Debt (I + ii)	i) Interest on Loans from the Centre	ii) Interest on Internal Debt	Administrative Services (I to v)	Pensions
2010-11	2.0	17.2	1.2	10.5	5.6	16.6
2011-12	2.1	13.7	0.9	8.9	6.1	18.9
2012-13	1.7	13.5	0.7	9.1	5.8	16.6
2013-14	1.7	13.7	0.6	9.6	5.5	16.5
2014-15	1.7	13.6	0.5	9.7	5.2	15.7
2015-16	1.7	14.1	0.4	10.2	5.2	16.6
2016-17	1.7	13.1	0.3	9.8	5.3	16.3
2017-18	1.8	15.1	0.3	10.7	5.4	19.9
2018-19	1.7	15.2	0.3	10.7	5.1	17.2
2019-20	1.8	18.3	0.3	12.4	5.3	18.2
2020-21	1.5	17.3	0.3	12.1	4.3	16.5
2021-22	1.7	15.9	0.2	10.7	5.3	18.4
2022-23	1.5	16.7	0.2	11.1	4.6	17.9

Source: Compiled from the various issues of State Finances: A Study of Budgets, RBI

Table 1.4 clearly shows that pension is the single largest item in non-development expenditure followed by interest payments. Pension expenditure accounts for about 17.9 percent of the total revenue expenditure of the state of Kerala. The interest payment is also nearly 17 percent of the same during the period of our study.

1.5 Major Fiscal Indicators

While discussing the recent trends in expenditure of the state of Kerala some important fiscal ratios need special attention. Some of them are; own revenue-to-revenue expenditure ratio,



development expenditure to aggregate disbursement, and non-developmental expenditure to aggregate disbursement. The term aggregate disbursement as per the methodology of RBI is the summation of aggregate expenditure and debt repayments. Aggregate expenditure is the summation of revenue expenditure, capital outlay, and loans and advances. From the table, it is clear that the state's own revenue accounts for only 60 percent of the total revenue expenditure during most of the period of our study.

Table 1.4 Major Fiscal Indicators

	Own Revenue/Revenue Expenditure	Development Expenditure/ Aggregate Disbursement	Non-Developmental Expenditure/ Aggregate Disbursement
2014-15	59.3	48.5	39.5
2015-16	59.6	51.3	39.9
2016-17	57.7	50.5	38.5
2017-18	59.4	48.9	39.1
2018-19	56.9	46.8	39.7
2019-20	59.8	42.7	45.2
2020-21	44.5	53.2	34.2
2021-22	47.1	47.2	39.9
2022-23	57.3	42.6	41.4

Source: Compiled from the various issues of State Finances: A Study of Budgets, RBI

There are no significant differences between development and non-development expenditure in total expenditure. Development expenditure consists near 45 percent of the total disbursement while non-development expenditure's share is around 40 percent in most of the years.

Conclusion

Trends and patterns in the revenue expenditure of Kerala have been analysed in this study under different headings. The study has examined the share of development and non-development expenditure in total expenditure and found a turnaround in recent periods. A more disaggregate level analysis has also been carried out and found that no significant improvement has taken place in the expenditure on interest payments and pension expenditures account for a lion's share of total non-developmental as well as revenue expenditures.



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