

# Kerala Budget Analysis 2024-25

The Finance Minister of Kerala, Mr. K N Balagopal, presented the Budget for the state for the financial year 2024-25 on February 5, 2024.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Kerala for 2024-25 (at current prices) is projected to be Rs 13,11,437 crore, amounting to growth of 11.7% over 2023-24.
- **Expenditure (excluding debt repayment)** in 2024-25 is estimated to be Rs 1,84,327 crore, an increase of 9.5% over the revised estimates of 2023-24. In addition, debt of Rs 71,058 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2024-25 are estimated to be Rs 1,39,798 crore, an increase of 9.3% as compared to the revised estimates of 2023-24.
- **Revenue deficit** in 2024-25 is estimated to be 2.1% of GSDP (Rs 27,846 crore), marginally higher than the revised estimate for 2023-24 (2.09% of GSDP). In 2023-24, the revenue deficit is expected to be 2.7% higher than the budget estimate.
- **Fiscal deficit** for 2024-25 is targeted at 3.4% of GSDP (Rs 44,529 crore). In 2023-24, as per the revised estimates, fiscal deficit is expected to be 3.45% of GSDP, marginally lower than the budget estimate (3.5%).

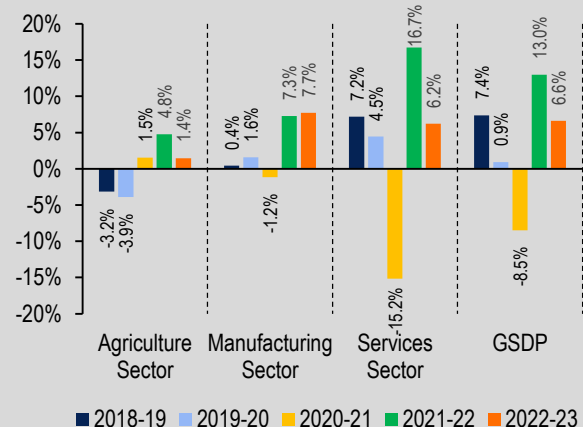
## Policy Highlights

- **Amnesty 2024 Scheme:** A new scheme has been announced to resolve tax arrears related to transactions conducted before the implementation of GST. Under this scheme, arrears with tax amounts up to Rs 50,000 will be fully waived off, and for larger amounts, a proportion of the total arrears will be waived off.
- **Kerala Climate Resilient Agri Value Chain Modernisation Project:** A new project to enhance the climate resilience of agriculture value chains will be launched with assistance from the World Bank. Rs 2,365 crore is estimated to be spent on the project over five years.
- **Revision of key tax rates:** Electricity duty, court fees, registration fees, taxes on tourist buses, and gallonage fee under the Abkari law (which relates to the manufacture, sale, etc., of liquor) will be revised.
- **River Sand Removal:** Removal of river sand from the Bharatapuzha, Chaliyar, and Kadalundi rivers will be resumed. This had been discontinued in 2016.

## Kerala's Economy

- **GSDP:** In 2022-23, Kerala's GSDP (at constant prices) grew at 6.6%, compared to 13% in 2021-22 (over a low base in the previous year). In comparison, national GDP is estimated to grow by 7.2% in 2022-23.
- **Sectors:** The agriculture sector grew by 1.4% in 2022-23. In comparison, it witnessed 4.8% growth in 2021-22, over a low base in 2020-21. Manufacturing sector grew by 7.7% in 2022-23. Services grew by 6.2% in 2022-23. In comparison, it grew by 16.7% in 2021-22, over a low base in the previous year.
- In 2022-23, agriculture, manufacturing, and services sectors are estimated to contribute 11%, 25%, and 64% to the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Kerala in 2022-23 (at current prices) is estimated at Rs 2,95,787, an increase of 11% over 2021-22. India's per capita GDP in 2022-23 is estimated to be Rs 1,96,983.

Figure 1: Growth in GSDP and sectors in Kerala at constant prices (2011-12)



Note: Agriculture includes mining and quarrying; Manufacturing includes construction and electricity. These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.

Sources: Ministry of Statistics and Programme Implementation; PRS.

## Budget Estimates for 2024-25

- **Total expenditure (excluding debt repayment)** in 2024-25 is targeted at Rs 1,84,327 crore. This is an increase of 9% over the revised estimates of 2023-24. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 1,39,798 crore, net borrowings of Rs 35,988 crore, and net receipts from the public account of Rs 8,500 crore. Total receipts for 2024-25 (other than borrowings) are expected to register an increase of 9% over the revised estimates of 2023-24.
- **Revenue deficit** in 2024-25 is estimated to be 2.1% of GSDP (Rs 27,846 crore), higher than the revised estimates for 2023-24 (2.09% of GSDP). The revised estimates for revenue deficit in 2023-24 is more than 2.5 times the actual figure for 2022-23. This could be because the period to receive revenue deficit grants (as recommended by the Finance Commission), and GST Compensation Grants ended in 2022-23.
- **Fiscal deficit** for 2024-25 is targeted at 3.4% of GSDP (Rs 44,529 crore), marginally lower than the revised estimates for 2023-24 (3.45% of GSDP).

**Table 1: Budget 2024-25 - Key figures (in Rs crore)**

| Items                       | 2022-23<br>Actuals | 2023-24<br>Budgeted | 2023-24<br>Revised | % change from<br>BE 23-24 to RE<br>23-24 | 2024-25<br>Budgeted | % change from<br>RE 23-24 to BE<br>24-25 |
|-----------------------------|--------------------|---------------------|--------------------|--|---------------------|--|
| Total Expenditure           | 1,94,719           | 2,25,640            | 2,46,599           | 9.3%                                     | 2,55,386            | 3.6%                                     |
| (-) Repayment of debt       | 35,981             | 49,551              | 78,191             | 57.8%                                    | 71,058              | -9.1%                                    |
| <b>Net Expenditure (E)</b>  | <b>1,58,738</b>    | <b>1,76,089</b>     | <b>1,68,407</b>    | <b>-4.4%</b>                             | <b>1,84,327</b>     | <b>9.5%</b>                              |
| Total Receipts              | 1,87,191           | 2,14,530            | 2,38,135           | 11.0%                                    | 2,46,845            | 3.7%                                     |
| (-) Borrowings              | 54,007             | 78,104              | 1,10,189           | 41.1%                                    | 1,07,047            | -2.9%                                    |
| <b>Net Receipts (R)</b>     | <b>1,33,184</b>    | <b>1,36,427</b>     | <b>1,27,946</b>    | <b>-6.2%</b>                             | <b>1,39,798</b>     | <b>9.3%</b>                              |
| <b>Fiscal Deficit (E-R)</b> | <b>25,555</b>      | <b>39,662</b>       | <b>40,461</b>      | <b>2.0%</b>                              | <b>44,529</b>       | <b>10.1%</b>                             |
| as % of GSDP                | 2.44%              | 3.50%               | 3.45%              |  | 3.40%               |  |
| <b>Revenue Deficit</b>      | <b>9,226</b>       | <b>23,942</b>       | <b>24,585</b>      | <b>2.7%</b>                              | <b>27,846</b>       | <b>13.3%</b>                             |
| as % of GSDP                | 0.88%              | 2.11%               | 2.09%              |  | 2.12%               |  |
| <b>Primary Deficit</b>      | <b>378</b>         | <b>13,415</b>       | <b>13,618</b>      | <b>1.5%</b>                              | <b>15,835</b>       | <b>16.3%</b>                             |
| as % of GSDP                | 0.04%              | 1.2%                | 1.2%               |  | 1.2%                |  |
| GSDP                        | 10,46,188          | 11,32,194           | 11,74,244          | 3.7%                                     | 13,11,437           | 11.7%                                    |

Note: BE is Budget Estimates; RE is Revised Estimates. Fiscal deficit figures are as reported by the state, without adjustments to account for loans given by the Central government for capital expenditure. Sources: Annual Financial Statement, Kerala Budget 2024-25; PRS.

## Expenditure in 2024-25

- **Revenue expenditure** for 2024-25 is proposed to be Rs 1,66,501 crore, an increase of 10% over the revised estimate of 2023-24. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2024-25 is proposed to be Rs 15,663 crore, an increase of 9% over the revised estimate of 2023-24. Capital outlay indicates the expenditure towards creation of assets.
- As per the revised estimates of 2023-24, loans and advances given by the state are expected to be Rs 2,587 crore, 22% higher than the budget estimates.

**Table 2: Expenditure budget 2024-25 (in Rs crore)**

| Items                    | 2022-23<br>Actuals | 2023-24<br>Budgeted | 2023-24<br>Revised | % change from<br>BE 23-24 to RE<br>23-24 | 2024-25<br>Budgeted | % change from<br>RE 23-24 to BE<br>24-25 |
|--------------------------|--------------------|---------------------|--------------------|--|---------------------|--|
| Revenue Expenditure      | 1,41,951           | 1,59,361            | 1,51,422           | -5%                                      | 1,66,501            | 10%                                      |
| Capital Outlay           | 13,997             | 14,606              | 14,398             | -1%                                      | 15,663              | 9%                                       |
| Loans given by the state | 2,791              | 2,123               | 2,587              | 22%                                      | 2,163               | -16%                                     |
| <b>Net Expenditure</b>   | <b>1,58,738</b>    | <b>1,76,089</b>     | <b>1,68,407</b>    | <b>-4%</b>                               | <b>1,84,327</b>     | <b>9%</b>                                |

Sources: Annual Financial Statement, Kerala Budget 2024-25; PRS.

**Committed expenditure:** Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2024-25, Kerala is estimated to spend Rs 97,978 crore on committed expenditure, which is 71% of its estimated revenue receipts. This comprises spending on salaries (29% of revenue receipts), pension (21%), and interest payments (21%). As per the revised estimates for 2023-24, expenditure towards pensions is estimated to be 7% lower than the budget estimate, and salary expenditure is estimated to be 5% lower. In 2022-23, as per actual figures, 67% of

revenue receipts were spent towards committed expenditure. Based on the budget estimates for 2023-24, Kerala's committed expenditure is amongst the highest across all states. Only three states, Himachal Pradesh, Punjab, and Nagaland, have a higher proportion of committed expenditure.

**Table 3: Committed Expenditure in 2024-25 (in Rs crore)**

| Committed Expenditure        | 2022-23<br>Actuals | 2023-24<br>Budgeted | 2023-24<br>Revised | % change from<br>BE 23-24 to RE<br>23-24 | 2024-25<br>Budgeted | % change from<br>RE 23-24 to BE<br>24-25 |
|------------------------------|--------------------|---------------------|--------------------|--|---------------------|--|
| Salaries                     | 37,903             | 40,042              | 38,179             | -5%                                      | 40,675              | 7%                                       |
| Pension                      | 26,090             | 28,240              | 26,183             | -7%                                      | 28,609              | 9%                                       |
| Interest payment             | 25,176             | 26,247              | 26,843             | 2%                                       | 28,694              | 7%                                       |
| <b>Committed Expenditure</b> | <b>89,169</b>      | <b>94,529</b>       | <b>91,205</b>      | <b>-4%</b>                               | <b>97,978</b>       | <b>7%</b>                                |

Sources: Annual Financial Statement, Kerala Budget 2024-25; PRS.

**Sector-wise expenditure:** The sectors listed below account for **43%** of the total expenditure on sectors by the state in 2024-25. A comparison of Kerala's expenditure on key sectors with that by other states is shown in Annexure 1.

**Table 4: Sector-wise expenditure under Kerala Budget 2024-25 (in Rs crore)**

| Sector  | 2022-23<br>Actuals | 2023-24<br>Budgeted | 2023-24<br>Revised | 2024-25<br>Budgeted | % change from<br>RE 23-24 to BE<br>24-25 | Demand Provisions   |
|---|--------------------|---------------------|--------------------|---------------------|--|---|
| <b>Education, Sports, Arts, and Culture</b>   | 22,603             | 24,328              | 22,187             | 24,256              | 9%                                       | <ul style="list-style-type: none"> <li>Rs 8,908 crore has been allocated towards secondary schools.</li> <li>Rs 445 crore has been allocated as capital expenditure on this sector.</li> </ul>  |
| <b>Social Welfare and Nutrition</b>           | 13,333             | 12,411              | 10,751             | 13,473              | 25%                                      | <ul style="list-style-type: none"> <li>Rs 10,729 crore has been allocated as assistance to Kerala Social Security Pension Ltd, which administers several social security pension schemes.</li> </ul>  |
| <b>Health and Family Welfare</b>              | 10,210             | 9,935               | 9,259              | 10,087              | 9%                                       | <ul style="list-style-type: none"> <li>Rs 679 crore has been allocated towards the Karunya Arogya Suraksha Padhathi/ Jan Arogya Yojana.</li> <li>Rs 913 crore has been allocated towards the National Health Mission.</li> </ul>                          |
| <b>Agriculture and Allied Activities</b>      | 6,360              | 7,853               | 6,559              | 7,742               | 18%                                      | <ul style="list-style-type: none"> <li>Rs 1,487 crore has been allocated for crop husbandry, of which Rs 216 crore is allocated towards farmers' training.</li> </ul>   |
| <b>Rural Development</b>                      | 3,404              | 7,038               | 3,127              | 7,365               | 136%                                     | <ul style="list-style-type: none"> <li>The National Rural Employment Guarantee Scheme has been allocated Rs 3,772 crore.</li> <li>Rs 500 crore has been allocated for the LIFE-Parppida Mission.</li> </ul>   |
| <b>Transport</b>                              | 5,816              | 4,835               | 4,473              | 5,287               | 18%                                      | <ul style="list-style-type: none"> <li>Rs 2,931 crore has been allocated for capital expenditure on roads and bridges.</li> </ul>   |
| <b>Police</b>                                 | 4,284              | 4,699               | 4,390              | 4,714               | 7%                                       | <ul style="list-style-type: none"> <li>Rs 3,207 crore has been allocated to district forces, of which 96% is for salaries.</li> <li>Rs 109 crore has been allocated for modernisation of police forces.</li> </ul>  |
| <b>Welfare of SC, ST, OBC, and Minorities</b> | 2,559              | 3,109               | 2,102              | 3,284               | 56%                                      | <ul style="list-style-type: none"> <li>Rs 1,135 crore has been allocated towards the welfare of scheduled castes, and Rs 661 crore for the welfare of scheduled tribes.</li> </ul>  |
| <b>Urban Development</b>                      | 1,563              | 1,856               | 1,029              | 1,720               | 67%                                      | <ul style="list-style-type: none"> <li>Rs 1,087 crore has been allocated as assistance to municipalities and municipal corporations.</li> </ul>   |
| <b>Water Supply and Sanitation</b>            | 1,997              | 1,310               | 1,552              | 1,311               | -16%                                     | <ul style="list-style-type: none"> <li>Rs 110 crore has been allocated towards urban water supply.</li> <li>Rs 631 crore has been allocated for rural water supply, of which Rs 550 crore is the state's share towards the Jal Jeevan Mission.</li> </ul> |
| <b>% of total expenditure on all sectors</b>  | <b>46%</b>         | <b>44%</b>          | <b>39%</b>         | <b>43%</b>          | <b>10%</b>                               |   |

Sources: Annual Financial Statement, Detailed Budget Estimates of Expenditure, Kerala Budget 2024-25; PRS.

## Receipts in 2024-25

- **Total revenue receipts** for 2024-25 are estimated to be Rs 1,38,655 crore, an increase of 9% over the revised estimate of 2023-24. Of this, Rs 1,03,240 crore (74%) will be raised by the state through its **own resources**, and Rs 35,415 crore (26%) will come **from the centre**. Resources from the centre will be in the form of the state's share in central taxes (17% of revenue receipts) and grants (8% of revenue receipts).
- **Central Transfers:** In 2024-25, devolution, or the state's share in central taxes is estimated at Rs 23,882 crore, an increase of 12% over the revised estimates of 2023-24. Grants from the centre in 2024-25 are estimated at Rs 11,533 crore, 1% lower than the revised estimates for 2023-24. The amount recommended by the 15<sup>th</sup> Finance Commission as revenue deficit grants for Kerala reduced from Rs 13,174 crore in 2022-23 to Rs 4,749 crore in 2023-24 (the last year for receiving these grants).
- **State's own tax revenue:** Kerala's total own tax revenue is estimated to be Rs 84,884 crore in 2024-25, an increase of 10% over the revised estimates of 2023-24. Own tax revenue as a percentage of GSDP is estimated at 6.5% in 2024-25, marginally lower than the revised estimates for 2023-24 (6.6%). As per the actual figures for 2022-23, own tax revenue as a percentage of GSDP was 6.9%.

**Table 5: Break-up of the state government's receipts (in Rs crore)**

| Items                     | 2022-23<br>Actuals | 2023-24<br>Budgeted | 2023-24<br>Revised | % change from<br>BE 2023-24 to<br>RE 2023-24 | 2024-25<br>Budgeted | % change from<br>RE 2023-24 to<br>BE 2024-25 |
|---------------------------|--------------------|---------------------|--------------------|--|---------------------|--|
| State's Own Tax           | 71,968             | 81,039              | 77,038             | -5%  | 84,884              | 10%  |
| State's Own Non-Tax       | 15,118             | 17,089              | 16,853             | -1%  | 18,356              | 9%   |
| Share in Central Taxes    | 18,261             | 21,425              | 21,286             | -1%  | 23,882              | 12%  |
| Grants-in-aid from Centre | 27,378             | 15,866              | 11,660             | -27%   | 11,533              | -1%  |
| <b>Revenue Receipts</b>   | <b>1,32,725</b>    | <b>1,35,419</b>     | <b>1,26,837</b>    | <b>-6%</b>                                   | <b>1,38,655</b>     | <b>9%</b>                                    |
| Non-debt Capital Receipts | 459                | 1,008               | 1,109              | 10%  | 1,143               | 3%   |
| <b>Net Receipts</b>       | <b>1,33,184</b>    | <b>1,36,427</b>     | <b>1,27,946</b>    | <b>-6.2%</b>                                 | <b>1,39,798</b>     | <b>9%</b>                                    |

BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Kerala Budget 2024-25; PRS.

- In 2024-25, **State GST (SGST)** is estimated to be the largest source of own tax revenue (42% share). It is estimated to increase by 10% over the revised estimates of 2023-24. The revised estimates for SGST revenue are 9% lower than the budget estimate for 2023-24. In 2022-23, actual SGST revenue was 20% lower than the budget estimate.
- In 2024-25, revenue from taxes and duties on electricity and taxes on vehicles are expected to be almost double the revised estimates for 2023-24. This could be due to the revision of rates proposed in 2024-25.

### Kerala's State Level Public Enterprises (SLPEs)

A review of SLPEs in Kerala was presented with the budget for 2024-25, covering data from 118 out of 131 SLPEs in Kerala. The total net worth of all SLPEs in 2022-23 was negative (Rs 33,244 crore). In 2022-23, 57 SLPEs earned a profit, and 59 incurred losses. Three out of the five SLPEs with the highest turnover are also amongst the top five loss-making entities. In 2022-23, of the Rs 16,864 crore contributed to the state exchequer by SLPEs, 96% has been contributed by Kerala State Beverages (Manufacturing and Marketing) Corporation Limited. 42% of the financial investment into SLPEs has been made by the Government of Kerala through equity and long term loans.

In a study of five loss-making SLPEs, CAG noted that inefficient working capital management, inefficiencies in production, operation and labour, and underutilisation of capacity are reasons for losses in SLPEs. It recommended that inactive SLPEs be liquidated.

**Table 6: Major sources of state's own-tax revenue (in Rs crore)**

| Head                              | 2022-23<br>Actuals | 2023-24<br>Budgeted | 2023-24<br>Revised | % change from<br>BE 23-24 to RE<br>23-24 | 2024-25<br>Budgeted | % change from<br>RE 23-24 to BE<br>24-25 |
|-----------------------------------|--------------------|---------------------|--------------------|--|---------------------|--|
| State GST                         | 29,513             | 35,983              | 32,596             | -9%                                      | 35,875              | 10%                                      |
| Sales Tax/ VAT                    | 26,876             | 28,646              | 27,889             | -3%                                      | 30,267              | 9%                                       |
| Stamps Duty and Registration Fees | 6,217              | 6,112               | 6,112              | 0%                                       | 6,662               | 9%                                       |
| Taxes on Vehicles                 | 5,387              | 5,858               | 6,040              | 3%                                       | 6,704               | 11%                                      |
| State Excise                      | 2,876              | 2,975               | 2,904              | -2%                                      | 3,107               | 7%                                       |
| Land Revenue                      | 719                | 610                 | 815                | 34%                                      | 842                 | 3%                                       |
| Taxes and Duties on Electricity   | 72                 | 573                 | 374                | -35%                                     | 1,100               | 194%                                     |
| GST Compensation Grants           | 7,246              | -                   | -                  | -  | -                   | -  |

Sources: Annual Financial Statement, Revenue Budget, and Kerala Budget 2024-25; PRS.

## Deficits, Debt, and FRBM Targets for 2024-25

The Kerala Fiscal Responsibility Act, 2003 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

**Revenue deficit:** It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduce its liabilities. The budget estimates a revenue deficit of Rs 27,846 crore (or 2.12% of the GSDP) in 2024-25.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2024-25, the fiscal deficit is estimated to be 3.4% of GSDP. For 2024-25, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms.

As per the revised estimates, in 2023-24, the fiscal deficit of the state is expected to be 3.45% of GSDP. This is marginally lower than the budget estimate (3.5%). In 2022-23, fiscal deficit was 2.44% of GSDP. Fiscal deficit is projected to be lowered to 3% of GSDP by 2026-27.

**Outstanding liabilities:** Outstanding liabilities is the accumulation of total borrowings at the end of a financial year. It also includes any liabilities on the public account. At the end of 2024-25, the outstanding liabilities are estimated to be 34% of GSDP, similar to the revised estimate for 2023-24 (34% of GSDP). Outstanding liabilities rose significantly in 2020-21 (to 39% of GSDP), but have since decreased.

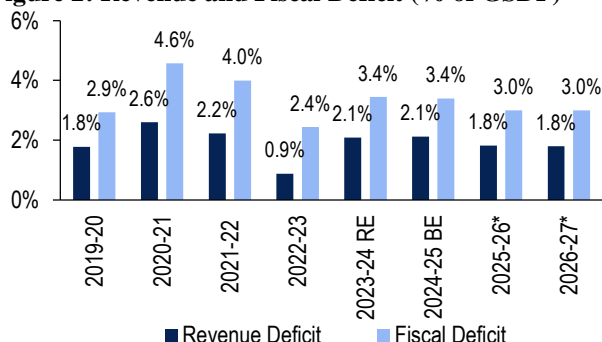
### Net borrowing ceiling

Article 293 of the Constitution empowers the central government to limit the borrowing of state governments. Based on the recommendations of the 15<sup>th</sup> Finance Commission, the borrowing limit for states in 2021-22 was fixed at 4% of GSDP. From March 2022, the central government has included off-budget borrowings when determining the net borrowing ceiling for states. This refers to borrowings by public enterprises and special purpose vehicles, whose debt is serviced through the budget. Kerala used off-budget borrowings to raise Rs 14,313 crore in 2021-22, and Rs 2,770 crore in 2022-23 (estimates). Off-budget borrowings in 2021-22 is being adjusted by reducing the borrowing ceiling over the next four years (2022-23 to 2025-26).

As per CAG, in 2021-22, Kerala exceeded the net borrowing limit by Rs 981 crore. In January 2024, the Kerala state government approached the Supreme Court on the grounds that the central government had exceeded its powers under Article 293. The state also asked that it be allowed to borrow more funds to meet expenditure obligations for 2023-24. The case has been referred to a Constitution bench.

Source: Unstarred Question No. 528, Ministry of Finance, Rajya Sabha; Monthly Summary Report of Department of Expenditure, June 2022; Starred Question No. 21, Ministry of Finance, Rajya Sabha; Original Suit No. 1 of 2024, Supreme Court; PRS

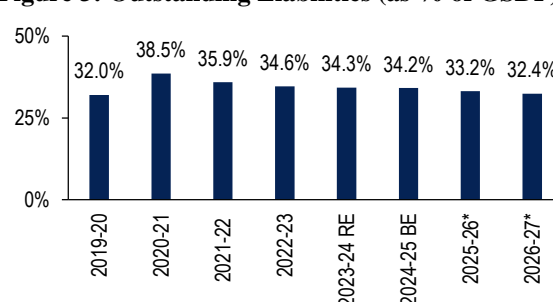
**Figure 2: Revenue and Fiscal Deficit (% of GSDP)**



Note: \*Figures for 2025-26 onwards are projections; RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Kerala Budget 2024-25; PRS.

**Figure 3: Outstanding Liabilities (as % of GSDP)**

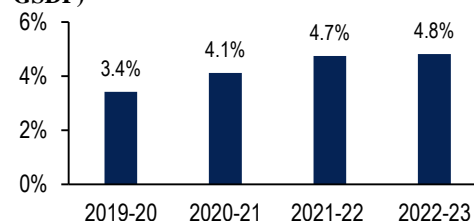


Note: \*Figures for 2025-26 and 2026-27 are projections; RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Kerala Budget 2024-25; PRS.

**Outstanding Government Guarantees:** Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises from financial institutions. As of March 31, 2023, the state's outstanding guarantee is estimated to be Rs 50,374 crore, which is 4.8% of Kerala's GSDP in 2022-23. The Kerala Government Guarantees Act, 2003 limits the total outstanding government guarantees at 5% of GSDP.

**Figure 4: Government Guarantees (as % of GSDP)**

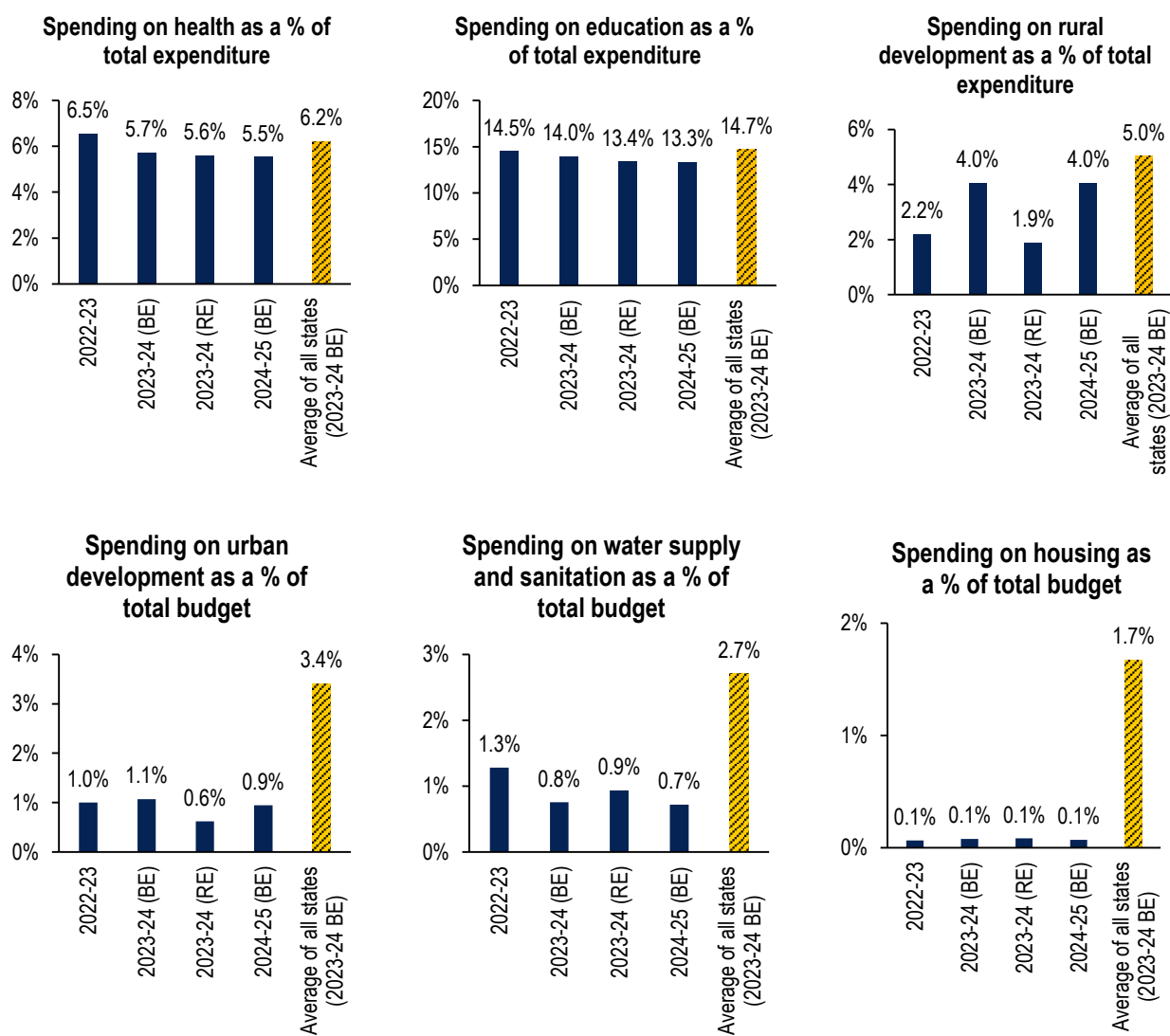


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## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Kerala's expenditure in 2024-25 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Kerala) as per their budget estimates of 2023-24.<sup>1</sup>

- **Health:** Kerala has allocated 5.5% of its total expenditure towards health, which is lower than the average expenditure on health by states (6.2%).
- **Education:** Kerala has allocated 13.3% of its total expenditure towards education, which is lower than the average allocation by states (14.7%).
- **Rural Development:** Kerala has allocated 4% of its expenditure on rural development in 2024-25. This is lower than the average allocation for rural development by states in 2023-24 (5%).
- **Urban Development:** Kerala has allocated 0.9% of its total expenditure towards urban development, which is lower than the average allocation for urban development by states (3.4%).
- **Water supply and sanitation:** Kerala has allocated 0.7% of its expenditure on water supply and sanitation. This is lower than the average allocation by states (2.7%).
- **Housing:** Kerala has allocated 0.1% of its expenditure towards housing. This is lower than the average allocation towards housing by states (1.7%).



Note: 2022-23, 2023-24 (BE), 2023-24 (RE), and 2024-25 (BE) figures are for Kerala.

Sources: Annual Financial Statement, Kerala Budget 2024-25; various state budgets; PRS.

<sup>1</sup> The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

## Annexure 2: Comparison of 2022-23 Budget Estimates and Actuals

The following tables compare the actuals of 2022-23 with budget estimates for that year.

**Table 7: Overview of Receipts and Expenditure (in Rs crore)**

| Particular                       | 2022-23 BE      | 2022-23 Actuals | % change from BE to Actuals |
|----------------------------------|-----------------|-----------------|-----------------------------|
| <b>Net Receipts (1+2)</b>        | <b>1,34,471</b> | <b>1,33,184</b> | -1%                         |
| 1. Revenue Receipts (a+b+c+d)    | 1,34,098        | 1,32,725        | -1%                         |
| a. Own Tax Revenue               | 74,098          | 71,968          | -3%                         |
| b. Own Non-Tax Revenue           | 11,770          | 15,118          | 28%                         |
| c. Share in central taxes        | 17,721          | 18,261          | 3%                          |
| d. Grants-in-aid from the Centre | 30,510          | 27,378          | -10%                        |
| Of which GST compensation grants | 5,273           | 7,246           | 37%                         |
| 2. Non-Debt Capital Receipts     | 373             | 459             | 23%                         |
| 3. Borrowings                    | 83,054          | 54,007          | -35%                        |
| Of which GST compensation loan   | 0               | 0               | -                           |
| <b>Net Expenditure (4+5+6)</b>   | <b>1,73,588</b> | <b>1,58,738</b> | -9%                         |
| 4. Revenue Expenditure           | 1,57,066        | 1,41,951        | -10%                        |
| 5. Capital Outlay                | 14,891          | 13,997          | -6%                         |
| 6. Loans and Advances            | 1,631           | 2,791           | 71%                         |
| 7. Debt Repayment                | 55,198          | 35,981          | -35%                        |
| <b>Revenue Deficit</b>           | <b>22,968</b>   | <b>9,226</b>    | -60%                        |
| Revenue Deficit (as % of GSDP)   | 2.30%           | 0.9%            |                             |
| <b>Fiscal Deficit</b>            | <b>39,117</b>   | <b>25,555</b>   | -35%                        |
| Fiscal Deficit (as % of GSDP)    | 3.91%           | 2.4%            |                             |

Source: Kerala Budget Documents of various years; PRS.

**Table 8: Key Components of State's Own Tax Revenue**

| Tax Source/Head                   | 2022-23 BE | 2022-23 Actuals | % change from BE to Actuals |
|-----------------------------------|------------|-----------------|-----------------------------|
| State GST                         | 36,818     | 29,513          | -20%                        |
| Taxes and Duties on Electricity   | 71         | 72              | 2%                          |
| Sales Tax/ VAT                    | 24,965     | 26,876          | 8%                          |
| State Excise                      | 2,656      | 2,876           | 8%                          |
| Taxes on Vehicles                 | 4,139      | 5,387           | 30%                         |
| Stamps Duty and Registration Fees | 4,687      | 6,217           | 33%                         |
| Land Revenue                      | 510        | 719             | 41%                         |

Source: Kerala Budget Documents of various years; PRS.

**Table 9: Allocation towards Key Sectors**

| Sector                                 | 2022-23 BE   | 2022-23 Actuals | % change from BE to Actuals |
|--|--------------|-----------------|-----------------------------|
| Rural Development                      | 6,901        | 3,404           | -51%                        |
| Housing                                | 143          | 101             | -29%                        |
| Welfare of SC, ST, OBC, and Minorities | 3,333        | 2,559           | -23%                        |
| Urban Development                      | 1,902        | 1,563           | -18%                        |
| Agriculture and Allied Activities      | 7,737        | 6,360           | -18%                        |
| Irrigation and Flood Control           | 1,174        | 983             | -16%                        |
| Water Supply and Sanitation            | 2,303        | 1,997           | -13%                        |
| Education, Sports, Arts, and Culture   | 25,430       | 22,603          | -11%                        |
| Energy                                 | 433          | 389             | -10%                        |
| Transport                              | 6,429        | 5,816           | -10%                        |
| <i>of which Roads and Bridges</i>      | <i>5,664</i> | <i>4,807</i>    | <i>-15%</i>                 |
| Police                                 | 4,574        | 4,284           | -6%                         |
| Social Welfare and Nutrition           | 13,497       | 13,333          | -1%                         |
| Health and Family Welfare              | 9,967        | 10,210          | 2%                          |

Source: Kerala Budget Documents of various years; PRS.