MEDIUM TERM FISCAL PLAN

FOR KARNATAKA

2008-12

Finance Department
2008

Medium Term Fiscal Plan for Karnataka
2008-12

Statement of Compliance

- This **2008-12 Medium Term Fiscal Plan** is tabled before the Legislature in compliance with **Section 3** of the **Karnataka Fiscal Responsibility Act (2002)**.

- **Section 3** of the Act requires the **MTFP** to include the following elements, all of which can be found in the document as shown below:

  1. The medium-term fiscal objectives of the Government (See Chapter 1, 4, 5, 6 and Chapter 7).

  2. An evaluation of the performance of the prescribed fiscal indicators in the previous years (See Chapter 2).

  3. A Statement of recent economic trends and prospects for growth and development (See Chapter 3).

  4. The strategic priorities and key fiscal policies of the Government, and an evaluation of their consistency (See Chapters 4 to 7).

  5. Four-year rolling targets (See Chapter 7).

  6. An assessment of sustainability relating to the revenue deficit and the use of capital receipts for productive purposes.

Chapter 1

Introduction

a. The Path of Fiscal Correction

Karnataka is in the forefront of the states which have successfully embarked upon the path of fiscal reforms in order to overcome the situation of fiscal distress that was endemic among the Indian states towards the late 1990's. The present paper outlining the medium term fiscal plan of the State for the period 2008-12 seeks to give a brief account of the process of fiscal correction and indicate the road map for continued fiscal stability of the State over the next four years.

The fiscal situation of Karnataka was under great stress during the period from 1997 onwards due to several contributory factors like the high salary expenditure due to the implementation of the Pay Commission Award, large off budget borrowings to finance major items of expenditure like irrigation projects, poor buoyancy of tax revenues, and increasing interest payments. As a result of these, the State's finances showed a revenue deficit from 1997-98 onwards along with a substantial fiscal deficit. By the year 2001-02 the State's revenue deficit had reached Rs. 3284 crores or 3% of GSDP while the fiscal deficit touched Rs.5870 crores which was 5.4% of GSDP.

The situation in Karnataka was broadly reflective of the situation prevailing in other states as also at the central level. As can be seen from Table 1, the key fiscal indicators of the State during the period between 1997-98 and 2001-02 showed a deteriorating fiscal situation.

TABLE- 1

Fiscal Deficit and Revenue Deficit of Government of Karnataka

Item	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
GSDP Nominal	65176	73046	87841	94972	104541	109016
Fiscal Deficit	1944	1610	3112	4276	4219	5870
FD as % of GSDP	2.98%	2.20%	3.54%	4.50%	4.04%	5.38%
Revenue Deficit	579	277	1215	2325	1862	3284
RD as % of GSDP	0.89%	0.38%	1.38%	2.45%	1.78%	3.01%

Against this background of mounting revenue and fiscal deficits, the Government of Karnataka initiated a number of measures to correct the fiscal situation. These measures included increasing revenues by discontinuing tax exemption based incentives for industry, rationalization of tax structure in stamp duty and registration, and checking evasion of excise duty by canalization of Indian made liquor. Measures were also taken to curtail revenue expenditure by debt swapping and compression of expenditure on salaries by abolition of posts falling vacant in government departments and imposing ban on new recruitment in sectors other than social services. These expenditure compression measures resulted in the interest payments being brought down from 23.5% of State's revenues in 2000-01 to less than 18.5% by 2004-05. During the same period the expenditure on salaries was also brought down from 29% of the total revenue expenditure to 22%. A comparative picture of the important fiscal parameters of the State for the period 2000-01 to 2004-05 is shown in the following table:

Table 2

Item	2000-01	2001-02	2002-03	2003-04	2004-05
GSDP Nominal	104541	109016	120062	130127	148521
Fiscal Deficit	4219	5870	5281	4501	3600
FD as % of GSDP	4.04%	5.38%	4.40%	3.46%	2.42%
Revenue Deficit	1862	3284	2253	525	-1673
RD as % of GSDP	1.78%	3.01%	1.88%	0.40%	-1.13%

The Government of Karnataka also adopted two key legislative measures to restore fiscal discipline as part its process of fiscal reforms. The Karnataka Ceiling on Government Guarantees Act, 1999 imposed a limit on government guarantees of 80% of the own revenues of the State during the second preceding year. Further, the Karnataka Fiscal Responsibility Act, 2002 mandated that the State has to achieve a revenue surplus position and a fiscal deficit of less than 3% of GSDP by 2005-06. The various measures adopted by the Government of Karnataka to correct the fiscal situation as mentioned above enabled the State to meet both these objectives by the year 2004-05 itself after which the State has been able to sustain the above position. These measures have not only imparted fiscal sustainability to the State but have also rewarded the State with significant financial incentives from the Government of India. Under the award of the Twelfth Finance Commission, the State has benefited from the debt consolidation and debt waiver scheme implemented by the Centre. Table-3 shows the incentives obtained by the State under the scheme.

TABLE – 3

Debt Consolidation as per the Recommendation of XII Finance Commission

Rs.Crore

Year	Before Consolidation		After Consolidation		Savings		Debt Waiver
	Principal	Interest	Principal	Interest	Principal	Interest	
2005-06	370.56	828.90	358.34	537.51	12.22	291.39	358.33
2006-07	403.57	786.45	358.34	510.63	45.23	275.82	358.33
2007-08	472.32	739.79	358.34	483.75	113.98	256.04	358.33
					171.43	**823.25**	**1074.99**
					994.68		

Resources that have been freed by the process of fiscal reforms have provided the State with leeway in recasting its expenditure priorities, especially to increase its expenditure on social services and economic services. Table 4 indicates the step up in expenditure under these heads in the last few years. The State has been able to provide for the implementation of the recommendations of its Fifth Pay Commission which gave its award in 2006-07. The State has also incurred substantial expenditure on implementing major new initiatives like farmer's loan waiver scheme (Rs.1750 crores in 2006-07 and 2007-08) provision of agricultural credit at subsidized interest rate of 4% through cooperative credit institutions (Rs.150 crores per year) and enhancement of social security pensions to Rs.400 per month

(Rs.700 crores in 2007-08). Integrated development of 1200 villages under the Suvarna Gramodaya Scheme has been taken up with an outlay of over Rs.1000 crores in 2006-07 and 2007-08. Further, development expenditure has also been increased substantially on opening of new schools, colleges, polytechnics, engineering colleges, upgradation of primary health centers, community health centers and taluk level hospitals, opening of new medical colleges, Industrial Training Institutes and infrastructure support for industries. Along with undertaking these new programmes, the outlay for physical infrastructure on railway and road projects and urban development has been increased.

Table – 4

Expenditure on Services

Rs. Crores

Services		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 RE	2008-09 BE
General Services	Revenue	7112.09	9039.13	9900.25	10035.84	10419.42	11206.40	14057.56
	Capital	75.85	128.43	136.21	217.92	320.94	441.45	443.63
	Loan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**7187.94**	**9167.56**	**10036.46**	**10253.76**	**10740.36**	**11647.85**	**14501.19**
Social Services	Revenue	6326.23	6965.04	7722.75	8898.79	10936.71	13445.18	16455.13
	Capital	295.30	427.21	486.04	1105.30	1292.62	2241.43	2387.37
	Loan	230.03	256.48	238.80	142.72	325.84	315.00	599
	Total	**6851.56**	**7648.73**	**8447.59**	**10146.81**	**12555.17**	**16001.61**	**19441.50**
Economic Services	Revenue	4802.41	4651.69	6510.52	7947.33	10440.24	11302.77	10353.69
	Capital	2564.84	2473.76	4051.44	4498.70	6929.01	6203.26	6612.1
	Loan	249.19	754.73	372.60	156.88	31.39	128.90	56.82
	Total	**7616.44**	**7880.18**	**10934.56**	**12602.91**	**17400.64**	**17634.93**	**17022.61**

b. Fiscal Objectives

The Medium Term Fiscal Framework has provided the basis for devising fiscal strategies for the State on a multi year framework. This has yielded rich dividends as outlined in the previous paragraphs. The Medium Term Fiscal Plans of the State presented till now from 2001 have a common thread of fiscal objectives running through them. These fiscal objectives need to be emphasized in every medium term plan as they are the foundation for decision making. These guiding principles are as follows: -

a. Widening the tax base while moderating the tax rates.

b. Smart enforcement through use of Information technology and computerization.

c. Reducing compliance cost and promoting tax payer friendly processes.

d. Focused approach for recovery of arrears of revenue.

e. Priority in allocation to Social Services and Infrastructure upgradation.

f. Emphasis on decentralized and local solutions for implementation.

g. Linking outlay to outcome to improve productivity of expenditure.

h. Zero based budgeting to weed-out schemes which have outlived their utility. Consolidation of schemes to provide impetus to core programmes without spreading the resources thinly.

i. Appropriate staffing and operational expenditure for service delivery sectors like health, education and regulatory functions.

j. Prudent borrowing guided by affordability rather than availability as per the provisions of the Karnataka Fiscal Responsibility Act 2002.

k. Bringing down the cost of debt by debt swapping, pre-payment and adopting best debt management practices.

l. Maintaining Government guarantee stock within the ceiling prescribed by the Ceiling on Government Guarantees Act, 1999 and extension of guarantees not on the basis of availability but through rigorous risk analysis.

m. Upgradation and improvement of the existing system of Government transactions to facilitate real time monitoring, reconciliation, accountability and integrity of the financial system.

n. Leveraging of Government assets, specially Government land, and assets of Public Sector Undertakings to generate surplus so as to finance physical infrastructure.

o. Adoption of Public Private Partnership Route to attract more investment for infrastructure upgradation and to bring in managerial efficiency

Chapter 2

Evaluation of Fiscal Performance

a. Performance of Fiscal Indicators

After achieving a revenue surplus status in 2004-05, Karnataka Government has consistently striven to sustain and improve its fiscal parameters. Table 5 given below shows the State's fiscal performance since 2004-05 in terms of various indicators comparing the actual achievement with targets set for each year. In respect of 2007-08 the likely performance as per the revised estimates is compared with the budget estimates.

Table 5

Fiscal Framework

Rs. Crores

Item	2004-05 BE	2004-05 A/c	2005-06 BE	2005-06 A/c	2006-07 BE	2006-07 A/c	2007-08 BE	2007-08 RE
Revenue Receipts of which	25510	26570	29218	30352	35875	37587	40762	40840
State' Own Tax Revenues	14958	16072	18680	18632	22534	23301	26691	27218
Non Tax Revenues	4486	4472	4090	3875	4088	4098	1857	1802
Resources from the Centre								
- Devolution	3760	3878	3760	4213	4609	5374	6300	6300
- Grants	2306	2147	2688	3632	4644	4813	5914	5520
Revenue Expenditure of Which	25437	24896	28364	28041	34341	33435	39135	37859
Interest	3920	3794	4029	3765	4366	4236	4818	4718
Salaries	5751	5392	6169	5750	6724	6545	8547	8744
Pensions	2214	2157	2427	2237	2666	2496	3416	3296
Subsidies (Food, Transport Housing & Industry)	905	1145	1573	2099	1741	1991	2517	3027
Power Subsidy	1400	1724	1750	1821	1800	2370	2150	1950
Devolution to ULBs	799	798	1160	1159	1530	1639	1904	1904
Major O&M (Roads,Buildings & Irrigation)	401	333	513	262	1018	1011	810	1099
Other O & M (Edn, Health,RD,WS,Agr, Forest)	2444	2498	2778	2716	3438	3477	6161	6794
Administrative Expenditure	442	478	559	557	687	559	799	769
Other Revenue Expenditure	7163	6577	7406	7677	10372	9112	8014	5558
Capital Receipt (Non Debt)	30	47	30	124	45	60	749	263
Revenue Deficit	**-73**	**-1673**	**-854**	**-2311**	**-1535**	**-4152**	**-1627**	**-2981**
Expenditure on Capital Formation	2502	3444	3774	3591	5088	6349	7523	8201
Fiscal Deficit	**4247**	**3600**	**4714**	**3687**	**5211**	**4688**	**6305**	**6085**
Total Debt Stock	48384	46117	52727	49794	56148	54676	61492	60588
Interest	3920	3794	4029	3765	4366	4236	4818	4718

Rs. Crores

Item	2004-05 BE	2004-05 A/c	2005-06 BE	2005-06 A/c	2006-07 BE	2006-07 A/c	2007-08 BE	2007-08 RE
Debt Services	5907	7823	4925	4576	5320	5986	6117	6018
Salary+Pension+Interest	11885	11343	12625	11751	13756	13278	16780	16758
Gross Off Budget Borrowings	**1035**	**838**	**899**	**1078**	**845**	**242**	**720**	**720**
Net Off Budget Borrowings	**-174**	**-347**	**-135**	**-816**	**-146**	**-1246**	**-58**	**-74**
Consolidated interest	4558	4485	4820	4508	5077	5299	5198	5053
Consolidated Revenue Deficit	**565**	**-982**	**-63**	**-1568**	**-824**	**-3089**	**-1247**	**-2647**
Consolidated Capital Formation	3537	4282	4673	4668	5933	6591	8243	8921
Consolidated Fiscal Deficit	**4073**	**3253**	**4579**	**2871**	**5064**	**3442**	**6247**	**6011**
Consolidated Debt Stock	55009	53412	59216	56274	61337	59717	66223	65302
Cnsldtd Rev Deficit/ GSDP	**0.38%**	**-0.66%**	**-0.04%**	**-0.92%**	**-0.44%**	**-1.64%**	**-0.57%**	**-1.23%**
GSDP at Current Prices	147956	148521	166228	170741	186757	188274	220006	215282
INFLATION	5.00%	5.00%	5.00%	5.00%	4.00%	4.00%	5.00%	5.00%
GSDP Annual Real Growth	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	8.00%	8.00%
Revenue Receipts of which	17.24%	17.89%	17.58%	17.78%	19.21%	19.96%	18.53%	18.97%
State' Own Tax Revenues	10.11%	10.82%	11.24%	10.91%	12.07%	12.38%	12.13%	12.64%
Non Tax Revenues	3.03%	3.01%	2.46%	2.27%	2.19%	2.18%	0.84%	0.84%
Resources from the Centre - Devolution	2.54%	2.61%	2.26%	2.47%	2.47%	2.85%	2.86%	2.93%
- Grants	1.56%	1.45%	1.62%	2.13%	2.49%	2.56%	2.69%	2.56%
Revenue Expenditure of Which	17.19%	16.76%	17.06%	16.42%	18.39%	17.76%	17.79%	17.59%
Interest	2.65%	2.55%	2.42%	2.20%	2.34%	2.25%	2.19%	2.19%
Salaries	3.89%	3.63%	3.71%	3.37%	3.60%	3.48%	3.88%	4.06%
Pensions	1.50%	1.45%	1.46%	1.31%	1.43%	1.33%	1.55%	1.53%
Subsidies (Food,Transport, Housing & Industry)	0.61%	0.77%	0.95%	1.23%	0.93%	1.06%	1.14%	1.41%
Power Subsidy	0.95%	1.16%	1.05%	1.07%	0.96%	1.26%	0.98%	0.91%
Devolution to ULBs	0.54%	0.54%	0.70%	0.68%	0.82%	0.87%	0.87%	0.88%
Major O&M (Roads,Buildings & Irrigation)	0.27%	0.22%	0.31%	0.15%	0.54%	0.54%	0.37%	0.51%
Other O & M (Edn, Health,RD,WS,Agr, Forest)	1.65%	1.68%	1.67%	1.59%	1.84%	1.85%	2.80%	3.16%
Administrative Expenditure	0.30%	0.32%	0.34%	0.33%	0.37%	0.30%	0.36%	0.36%
Other Revenue Expenditure	4.84%	4.43%	4.46%	4.50%	5.55%	4.84%	3.64%	2.58%
Revenue Deficit	**-0.05%**	**-1.13%**	**-0.51%**	**-1.35%**	**-0.82%**	**-2.21%**	**-0.74%**	**-1.38%**
Capital Receipt (Non Debt)	0.02%	0.03%	0.02%	0.07%	0.02%	0.03%	0.34%	0.12%
Expenditure on Capital Formation	1.69%	2.32%	2.27%	2.10%	2.72%	3.37%	3.42%	3.81%
Fiscal Deficit	**2.87%**	**2.42%**	**2.84%**	**2.16%**	**2.79%**	**2.49%**	**2.87%**	**2.83%**
Off Budget Borrowings/GSDP	**0.70%**	**0.56%**	**0.54%**	**0.63%**	**0.45%**	**0.13%**	**0.33%**	**0.33%**
Consolidated Revenue Deficit/GSDP	**0.38%**	**-0.66%**	**-0.04%**	**-0.92%**	**-0.44%**	**-1.64%**	**-0.57%**	**-1.23%**
Consolidated Capital expenditure/GSDP	2.39%	2.88%	2.81%	2.73%	3.18%	3.50%	3.75%	4.14%
Consolidated Fiscal Deficit/GSDP	**2.75%**	**2.19%**	**2.75%**	**1.68%**	**2.71%**	**1.83%**	**2.84%**	**2.79%**
Consolidated Debt Stock/GSDP	**37.18%**	**35.96%**	**35.62%**	**32.96%**	**32.84%**	**31.72%**	**30.10%**	**30.33%**

As is evident from the figures in Table 5 the revenue balance position has improved substantially from 2004-05 onwards reaching a peak surplus of Rs.4152 crore in the financial year 2006-07. Thereafter there has been a downward shift in the revenue surplus even though it is still as high as Rs. 2981 Crore in 2007-08. This reduction in the revenue surplus is partially on account of implementation of the State's Fifth Pay Commission Award leading to higher expenditure under salaries and pensions head. This trend is likely to continue till the financial year 2008-09 during which arrears of the financial year 2006-07 are to be paid. It is expected to disburse almost Rs.2500 Crores in 2007-08 & 2008-09 over and above normal increases in revenue expenditure because of the revision of salaries and pensions. To a certain extent, the revenue surplus has also come down in 2007-08 on account of substantial one time expenditure of Rs.1250 Crores on Farmers' Loan Waiver Scheme and the hike in the rate of Social Security Pensions from Rs.200/- per month to Rs.400/- per month which increased the revenue expenditure by almost another Rs.400 Crores. It is projected that from 2008-09 onwards, while financing operating expenditure, there will not be any abrupt increase in revenue expenditure and therefore it would be possible to achieve a secular increase in the revenue surplus. This revenue surplus achieved in the coming years will be available for funding higher expenditure on capital formation.

b. MTFP Targets achieved

i) In the earlier Medium Terms Fiscal Plans the State had set for itself the target of phasing out off budget borrowings. In MTFP 2007-11 it was targeted to eliminate fresh off-budget borrowings from 2008-09 by bringing them on-budget. It is heartening to note that this target will be achieved and borrowings of all special purpose vehicles which were earlier raised through the off-budget route will be brought on budget in 2008-09. This is also reflected in the revised estimates for 2007-08 which show that inspite of off-budget borrowings of Rs.835 Crores proposed in the budget estimates, Rs.733 Crores has been provided on budget during the year and only Rs. 102 Cr has been allowed for off-budget borrowing. With the complete elimination of fresh off-budget borrowings in 2008-09it is expected that the various special purpose vehicles would be able to focus more on project management and implementation. It would also facilitate transparent and effective debt management besides reducing the cost of debt servicing.

ii) The Letter of Credit (LOC) System existing mainly in the Department of Public Works and Irrigation was a parallel system for drawal of funds from the Consolidated Fund bypassing the Treasury system. This was not only making monitoring of expenditure and consolidation of accounts difficult but was often leading to excess expenditure. After achieving the stabilization of the Treasury Computerization System, the State has been able to bring all LOC system transactions pertaining of public Works and Irrigation Departments on to the treasury network. There is further scope for improvement of the system by linking drawals to individual works instead of the budgetary head of account as is being done at present. This is a part of the medium term strategy to be implemented in the coming years.

iii) The Zilla Panchayat Transactions are effected through the Zilla Panchayat Fund Accounts to which funds are transferred from the Consolidated Fund as per the link document. Even though all the drawals from Zilla Panchayat Fund Accounts are accounted for under the schemes mentioned in the link document, a system check to ensure that the drawals take place only against the schemes for which funds were transferred from Consolidated Fund was not in place so far. The consequence of this was temporary diversion of funds between schemes and delays in disbursement of salary in some cases. It was therefore targeted to bring scheme-wise budget control under the Zilla Panchayat Fund Accounts as was already being done for State sector schemes. Accordingly the Zilla Panchayat Budget Control has now been implemented throughout the State. The next step would be to bring this scheme-wise control for the Taluk Panchayat schemes also. It is targeted for implementation in a phased manner over the medium term fiscal plan period.

c. Focus Areas

i) The quality of expenditure and effectiveness in program implementation is an area which needs focussed attention. Though higher outlays are being provided in the area of public works, irrigation, energy, health and education, the productivity of expenditure needs to be substantially improved. Much more than increases in the outlay, this is expected to provide higher impetus to faster and inclusive economic growth. The spread of expenditure over the financial year at present indicates crowding of plan expenditure towards the last quarter and the last month. The Table given below shows that more than 30% of the plan expenditure is incurred in the month of March.

Table 6

Year	2004-05	2005-06	2006-07
Plan Expenditure	9227.61	11290.10	14602.76
Plan Expenditure during March	2432.61	3750.63	5405.20
% of March Expenditure to BE	26.36%	33.22%	37.01%

This back-loading of expenditure in the last month of a financial year compromises the quality of expenditure and also leads to spill over of expenditure to the next financial year. It makes fiscal marksmanship extremely difficult and also pushes expenditure into areas where absorptive capacity for expenditure is high even though they may not be the targeted sectors. It is therefore very important to institutionalize and build consensus on budgetary screening process which should mandate inclusion of new programmes in the budget only after thorough scrutiny and appraisal. Though this was suggested in the Medium Term Fiscal Plan 2006-10, decisive action needs to be taken on this issue.

ii) The other issue which needs urgent attention is programme performance budgeting roll-out in all the departments. At present more than 2500 scheme heads are being utilized by the departments to implement a multitude of schemes. Several schemes have common objectives and often, the same target beneficiaries. Existence of a large number of schemes complicates monitoring and implementation and also compromises focussed approach. Therefore, programme performance budgeting which would consolidate schemes into programmes and tie-up program implementation to inputs, outputs and outcomes is to be pursued vigorously. Though the same was part of 2007-11 MTFP and efforts were made to implement it in some departments, the progress is still in its early stages and departments need to be convinced to take this up on priority.

ii) Management of Subsidies, especially Food and Power Subsidies is another critical area of importance. Being non-plan in nature, these expenditures do not get the attention they deserve. More than the substantial outlay it is the present delivery system of these subsidies which is a matter of concern. Food subsidy has acquired new dimensions on account of the recent signals of future decline in the availability of rice and wheat. Decentralization of procurement and diversification in procurement to include coarse food grains would throw-up new challenges in balancing food security concerns with appropriate procurement prices to be paid to the farmers. This may also provide an opportunity to look into alternative ways of disbursement of the subsidy like food coupons. Similarly, though there is an urgent need to undertake 100% metering to disburse power subsidy for irrigation pumpsets, consensus needs to be evolved to make any progress in the matter.

Chapter 3

Macro Economic Outlook

a. GSDP forecast

The State has witnessed accelerated economic growth in the last three years keeping pace with the growth in the rest of the country. Table-6 below shows the contribution of various sectors to Gross State Domestic Product in the last few years.

Table 7

Industry	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 Q.E	2007-08 A.E
I.Agriculture	27324	28649	24247	23481	21554	27489	31557	33993	38352
II.Industry	24100	24840	28141	31889	36109	40571	46031	51324	58387
III.Services	45878	50452	57041	62549	71517	81794	90387	102957	118542
Total	**97303**	**103941**	**109429**	**117919**	**129181**	**149854**	**167975**	**188274**	**215282**
Share of									
I.Agriculture	28.08%	27.56%	22.16%	19.91%	16.69%	18.34%	18.79%	18.05%	17.81%
II.Industry	24.77%	23.90%	25.72%	27.04%	27.95%	27.07%	27.40%	27.26%	27.12%
III.Services	47.15%	48.54%	52.13%	53.04%	55.36%	54.58%	53.81%	54.68%	55.06%

As seen from the Table, the tertiary sector has become the prime contributor to the State's Gross Domestic Product. Recent macro economic trends suggest moderation of economic growth of the country particularly in industry and services sectors due to the influence of global economic slow down. Though slowing down of the global economy and strengthening of the rupee are expected to impact the export oriented industry and services sectors, there are numerous opportunities to improve productivity and undertake cost cutting to overcome the problem. High rates of savings and investment along with a huge domestic consumption base provide ample opportunities for growth. The Agriculture sector which has been witnessing low growth rates for some time is expected to pick up on account of the concerted efforts which are being made to revitalize the sector.

b. Inflation trends

The current financial year started with a higher inflation level, based on variations in wholesale price index, of 6.4%. Thereafter on account of monetary measures taken by Reserve Bank of India, the inflation eased to 3.8% as on 12.1.2008. As per the 3rd Quarterly Review of monetary policy for the year 2007-08 presented by the Reserve Bank of India, the prices of primary articles registered a year-on-year increase of 3.9 per cent as on January 12, 2008 as compared to 9.5 per cent a year ago. Manufacturing sector inflation eased to 3.9 per cent as on January 12, 2008 from 5.8 per cent a year ago. Both the Central Government and the Reserve Bank of India have shown a preference for a low inflation rate. In this background, it is projected that the rate of inflation would be maintained at a benign level of 4% during the Medium Term Fiscal Plan.

c. Policy interventions

To sustain the present growth of the economy, the State's strategy for all the three sectors will be to identify and attack the bottlenecks to growth. This strategy needs to be combined with fiscal strategy to generate an optimal solution. In addition to targeting financial outlays for maximum growth, it is necessary to take several facilitatory non-financial actions. These will include streamlining of the purchase of land, cutting time for permissions and statutory approvals, speedier dispute resolution, easing of compliance norms, enabling provisions for private investment in agriculture, skill development through private partnership, etc., need to be seriously considered to provide impetus to growth. With all these measures and taking into account the external environment, it is projected that the State's economy would grow with a real growth rate of 9% in the Medium Term Fiscal Plan period.

Chapter 4

Revenue Reforms and Projections

a. Strategy and Projections for Major Own Tax Revenues

The improvement in the State's financial position owes to a large extent to the consistent growth in tax revenues during the period of fiscal correction. The State has consciously followed the policy of widening the tax base while moderating the rate of tax. Table 8 shows the growth in the State's revenues under major taxes for last six years.

Table 8

Actuals in Rs. Crores

Year	Commercial Tax			Excise		
	Actuals	Growth Rate	Bouyancy	Actuals	Growth Rate	Bouyancy
2002-03	6313	3.85%	0.38	2094	5.93%	0.59
2003-04	7733	22.49%	2.68	2334	11.45%	1.37
2004-05	10057	30.05%	2.13	2806	20.20%	1.43
2005-06	11484	14.19%	0.95	3397	21.07%	1.41
2006-07	13714	19.42%	1.89	4495	32.34%	3.15
2007-08	16474	20.13%	1.40	4669	3.85%	0.27
Trend Growth Rate	20.91%			19.26%		
Year	**Motor Vehicle Tax**			**Stamps & Regn**		
	Actuals	Growth Rate	Bouyancy	Actuals	Growth Rate	Bouyancy
2002-03	676	-5.15%	-0.51	1115	30.44%	3.00
2003-04	800	18.41%	2.20	1356	21.55%	2.57
2004-05	983	22.86%	1.62	1760	29.81%	2.11
2005-06	1105	12.46%	0.83	2212	25.70%	1.72
2006-07	1374	24.34%	2.37	3206	44.91%	3.71
2007-08	1806	31.39%	2.19	3813	18.93%	1.32
Trend Growth Rate	20.95%			29.16%		

i) Commercial Taxes

Commercial taxes are the biggest contributor to the State's own tax revenues of which Tax on sale of goods is the major item.

From 2005-06 onwards the State has adopted the Value Added Tax system as per the national design. The transition to Value Added Tax resulted in negligible growth in revenues in 2005-6 and around 20% growth in 2006-7. It is expected to yield more than 25% growth in 2007-8. Though growth under Value Added Tax has been encouraging, lower growth under Sales tax and Entry tax on petrol and diesel is pulling down the total revenue growth figures in 2007-08. Growth in the revenue from sales of petrol and diesel has been low owing to non-revision of prices. The lower growth has been compounded by reduced collections under Central Sales Tax due to reduction in the rate from 4% to 3%. The Special Entry Tax of the State has been quashed by the Honourable High Court. Thus, revised estimates for the total collection under Commercial Taxes are expected to be lower by about Rs.500 crore from the Budget estimates.

From 2008-9 there would be no support from Government to compensate for the loss arising out of the lower than projected normative growth rates under the Value Added Tax. It would thus be a crucial year to see as to how uniformity in the Value Added Tax system, especially of tax rates progresses in the absence of this financial incentive. The consensus evolved by the Empowered Committee of State Finance Ministers of not resorting to competitive rate wars needs to be carried forward in letter and spirit to preserve the integrity of the system and preventing it from relapsing into the pre 2000 era of competitive exemptions and tax rates leading to erosion of the tax base. State specific procedures and rates not only impact tax revenues but also raise compliance costs and hinder the evolution of a seamless common market.

An important development, which is underway, is the phasing out of tax on inter-State sales to registered dealers under the Central Sales Tax Act. Already the rate has been reduced from 4% to 3% in 2007-8 and it is projected that the same would be reduced to 2% in 2008-9. There is a consensus on phasing out of this tax, as it is a tax on export of goods from one state to the other, paid by the consuming state to the producing State. The tax is cascading in nature and no rebate is available in the state of consumption. Thus it distorts taxation on consumption. However while phasing out this tax it is very important to have a robust system of inter-state intelligence sharing and enforcement as there would be a strong incentive to classify local sales as inter-state sales.

The proposed introduction of Goods and Service tax is an important development that would impact the system of tax collection during the Medium Term Fiscal Plan period. The nature and contours of the proposed Goods and Service Tax are being discussed under the aegis of the Empowered Committee of State Finance Ministers and a consensus on its form is evolving. There is general agreement that ushering in of the Goods and Services Tax should be revenue neutral for the States and provide opportunity for growth. Taking into account the trend growth rates, the current year's position and the future GST roll out, it is projected that the Commercial Taxes would grow at a buoyancy of 1.075

ii) State Excise

Major changes were introduced in the State's Excise Policy in the financial year 2007-08 by imposing a ban on country liquor. It was expected that this would lead to substantial revenue loss of around Rs.2000 Cr on account of the foregoing of arrack rentals. However due to increased consumption of IML the revenue gap has been substantially covered and the revised estimates for the financial year 2008-09 for collections from State Excise are expected to be higher than the budget estimates by about Rs.1300 Crores. It is however seen that inspite of high consumption levels, the total tax collections from liquor are lower by almost Rs.2000 to 3000 Crores as compared to the neighbouring States of Andhra Pradesh and Tamil Nadu. One of the reasons for lower total collection is the low overall rates of tax on liquor combining both excise duty and sales tax. However it is important to bear in mind that higher rates of duty/taxes incentivise evasion and illicit distillation. On the other hand lower rates may provide unintended opportunity to retailers to charge unrealistic margins by capitalizing on the absence of adequate competition at the retail level. For the Medium Term Fiscal Plan period it is projected that excise duty revenues would grow with the buoyancy of 1.075, keeping in view the potential for increasing revenue from this source.

iii) Stamps & Registration

Till the financial year 2006-07 growth in revenue from stamps & registration was very buoyant with a trend growth of more than 25%. However, monthly receipt trends project that the revenues are expected to be Rs.600 Crore lower than the budget estimates for 2007-08. This has been attributed to the sharp reduction in the number of documents registered in important revenue contributing areas in and around Bangalore. Hardening of interest rates on housing loans, slowing down of the real estate market and the restrictions imposed by Government on registration of properties without prescribed documents are some of the reasons being cited for the reduction in the number of documents being registered. With the recent interest rate cuts by the Banks the situation is expected to improve in the coming days. In the background of all the above factors it is projected that revenue from stamps and registration would grow with a buoyancy of 1.05.

iv) Motor Vehicles Tax

Growth in the revenue from the Motor Vehicles Taxes has been satisfactory in the financial year 2007-08 and it is expected to exceed the budget estimates by Rs.247 Crores. The tax policy on Motor Vehicles, especially passenger vehicles needs to be designed in such a way as to promote optimum utilization of the road space and related infrastructure with minimum negative impact on the environment. One idea in this direction is to calibrate taxation with value per passenger capacity of a motor vehicle. It is proposed to move in this direction in the Medium Term Fiscal Plan period. Revenues from motor vehicles taxes are expected to grow with a buoyancy of 1.025 in the Medium Term Fiscal Plan period.

v) Revenue from Royalty on Major & Minor Minerals

Royalty rates on major minerals which were due for revision in 2007-08 have not been revised till February 2008. Further, even though the State had undertaken revision of royalty rates on minor minerals, they were brought into operation only from the second quarter of the financial year of 2007-08. Receipts from royalty on major & minor minerals in 2007-08 are therefore expected to be lower by Rs.150 Crores as against the budget estimates of Rs.600 Crores. Coupled with improved enforcement measures, computerization and expected revision of major minerals royalty rates, it is projected that the collections from royalty would increase to Rs. 632 Crores in 2008-09.

vi) Receipts from Sale of Land

Government land especially in and around Bangalore is a precious asset of the State. At present, this asset is not being put to any significant economic use. It therefore needs to be leveraged optimally to generate revenues for the State. The Bangalore Metropolitan Region Development Authority has given a lead in this direction by securing an offer for development of a township through private investment. This investment would create an alternative growth centre leading to further investments and employment generation. It would also provide returns to the Government in the form of value of land and a development premium. Large tracts of Government land in and around Bangalore are under encroachment as per the State's Legislature Committee Report. It is important to safeguard this precious resource by suitably fencing and securing it at the first instance. Thereafter, it needs to be used as an instrument of public policy to fuel growth, employment generation and productivity. Use of this land needs to be done keeping in view the present and future requirements for public purposes. It is proposed to realize Rs.200 Cr in the financial year 2008-9 as capital receipts from government lands.

Chapter 5

Expenditure Management & Projections

As part of its expenditure strategy, the State has been trying to earmark increased outlays in various high priority development sectors. The following section outlines the strategy in this regard.

a. Agriculture

As shown in Chapter 3.0, the contribution of Agriculture to the total Gross State Domestic Product is declining, as its growth has not been able to keep pace with the other sectors of the economy. However the number of people depending upon agriculture has not been declining leading to stagnation of per capita income levels. Therefore agricultural productivity has been one of the prime areas of concern for the State Government. Realizing the urgency and seriousness of the problem the State Government constituted an Official Group to look into these issues and suggest ways and means to improve the economic condition of farmers and promote growth in the Agriculture sector. The group has submitted its report. It would be appropriate to use the recommendations of the Group as guiding principles to direct funding in the Agriculture sector. The outlay for Agriculture may be seen in Table 9.

The State Government is providing support to Agriculture under different schemes like supply of seeds at subsidized rates, making available crop loans and agriculture credit at low interest of 4%, subsidy for mechanization, and participatory watershed programme besides a huge outlay for Irrigation. The Government of India has also initiated several measures to tackle the problem of low productivity in agriculture by implementing District Level

Agriculture Plans under the Rashtriya Krishi Vikasa Yojana. Funding under this program coupled with the State's emphasis on the agriculture sector is expected to boost growth rates in the sector. These measures along with emphasis on skill upgradation to improve employability of the rural unemployed are expected to alleviate the situation of rural distress.

Table 9

Outlay under Agriculture & Horticulture, Rural Development Demand

Rs. Crores

Years	Agriculture & Horticulture	Growth	Rural Development	Growth
2004-05	787		1326	
2005-06	674	-14.36%	1639	23.60%
2006-07	874	29.74%	2016	23.00%
2007-08 (RE)	1315	50.38%	2841	40.92%
2008-09 (BE)	1535	16.71%	3344	17.69%

b. Rural Development

More than 60% of the State's population resides in the rural areas. As per the recommendations of the Official Group on improving the farmers' condition, it is necessary to give fillip to non-farm activities along with agriculture in the rural areas. Infrastructure within the villages and connectivity to markets and growth centres need to be substantially improved for the development of rural areas. The State's outlay on rural development is therefore concentrated in the areas of rural water supply, rural roads and rural housing (Table 9 shows outlay for rural development programmes). A special programme called Suvarna Gramodya has been taken up to undertake integrated development of 1200 villages in the first phase at a cost of Rs.1 Crore for each village. The National Rural Employment Guarantee Scheme launched by the Government of India is an opportunity for the creation and rejuvenation of rural assets while at the same time providing employment to the rural unemployed. The scheme has the potential to uplift the rural economy and make the growth process inclusive. It is projected to utilize more than Rs.1100 Crores under this programme in the financial year 2008-09.

c. Power

The pace of economic growth in the State cannot be stepped up unless there is a corresponding growth in the power sector. Growth in the power sector would not only require increase in the generation capacity but also reduction of transmission and distribution losses. This will make power available at reasonable rates and ensure that the power sector is viable. Demand side management is also important to underline economic utilization of the available power. Expeditious action on setting up Ultra Mega Power Projects in combination with pushing up installation of smaller power projects is necessary to bridge the demand supply gap. The market sentiment being bullish on growth in the power sector, it is expected that mobilization of funds may not remain a critical constraint for addition of generation capacity. Investments in transmission and distribution need to be tied up with monitorable performance parameters so as to deliver specified results. The rural economy in the State needs the input of power to diversify. The State has therefore taken a conscious decision to support expansion and upgradation of the transmission and distribution infrastructure under the Rural Load Management Programme. This support would continue in the medium term fiscal plan period.

d. Health & Education

The sectors of Health and Education are of critical importance to the State's development. Table 10 shows outlays under Health and Education. The State will be able to realize the benefits of the demographic dividend only if its population is healthy and educated. Therefore, the State is making substantial investments in both these areas. In education, the Government has announced opening of a number of new schools, colleges, technical institutions, and engineering colleges. The number of new institutions opened in 2007-08 outnumbers the number opened in the last ten years. Similarly under the health sector, the State has undertaken upgradation of a large number of primary health centers, community health centers and taluk level hospitals. Though the financial implication of these new measures is not substantial in the first year, it will increase to absorb funds under both revenue and capital heads in the Medium Term Fiscal Plan period. These investments would also be supplemented by Government of India allocations under the Sarva Shiksha Abhiyan and the Midday Meal Programme in the education sector and the National Rural Health Mission in the health sector. While expanding these services, it is critical to remodel the service delivery systems so as to generate maximum impact. As suggested in 2007-11 MTFP, teachers training, provision of quality infrastructure, review of accountability mechanisms and the use of satellite technology are some of the measures that need strengthening. Student centric grants-in-aid system introduced in 2007-08 is still in early stages and needs strengthening so as to develop into an alternate model of financing education. Similarly, under the health sector, expansion of Yashaswini model for major ailments and improvement of primary and secondary health facility for minor ailments need emphasis.

Table 10
Outlay under Health & Education

Rs. Crores

Years	Health	Growth	Education	Growth
2004-05	1044		4286	
2005-06	1147	9.81%	4793	11.83%
2006-07	1353	18.02%	5631	17.50%
2007-08 (RE)	1902	40.59%	6615	17.47%
2008-09 (BE)	2206	15.94%	8441	27.61%

e. Redressal of Regional Imbalances

A beginning was made through the Budget for 2007-08 and the Medium Term Fiscal Plan to provide earmarking of Rs.1571 Crores in plan allocation to the backward areas of the State as per Dr. Nanjundappa Committee Report on redressal of regional imbalances. This allocation is mainly directed in the areas of rural development, power, transport, agriculture and irrigation. A substantial step up in this allocation in the Medium Term Fiscal Plan is projected to reduce the development gap between these backward taluks identified by the committee and the rest of the State.

f. Subsidies, Interest Payments, Salaries & Pensions

Mention has already been made of subsidy expenditure in Chapter 2.0. Interest payments are projected in the Medium Term Fiscal Plan based on net borrowings as prescribed under the Karnataka Fiscal Responsibility Act, 2002. The interest rates on fresh borrowings are not expected to exceed 9.0% and projections are made accordingly for interest payment requirements in the Medium Term Fiscal Plan period. As regards salaries and pensions, there is a substantial increase in these heads in the financial year 2007-08 and 2008-09 on account of the implementation of the State's Pay Commission Award. Thereafter the salary burden is expected to stabilize with a normal growth of 2.75% in basic pay and dearness allowance increase of about 10%. The pension liability is also expected to stabilize and grow at a rate of 9. 7% in the Medium Term Fiscal Plan period.

Chapter 6

Public Finance Management and Systemic Reforms

As has been mentioned in Chapter 2.0, the State has been able to implement two critical reforms in the phasing out of the off-budget borrowings, and the letter of credit system, and the implementation of the Zilla Panchayat Budget Control. It is necessary to consolidate upon these reforms. Therefore it is planned to link drawal of funds from treasuries to individual public works and implement Taluk Level Schemewise Budget Control in the Medium Term Fiscal Plan period. Similarly as mentioned in Chapter 2.0, it is determined to move forward in the implementation of a budgetary screening process and the introduction of programme performance budgeting in the Medium Term Fiscal Plan period.

a. Building of Government Guarantee Data Base

Action has already been initiated to compile a database of Government Guarantees given through various administrative departments. The Cooperation Department has been chosen as a pilot department for this purpose. It is planned to expedite action on this in the Medium Term Fiscal Plan period. The next course of action after compilation of the data would be to assess the guarantees for their risk status and to institutionalize a dynamic monitoring mechanism.

b. Extension of Budget Control to Salary Transactions

At present all treasury transactions except salary payments under the State sector are under budget control extended till drawing and disbursing officer level. Bringing in Drawing &

Disbursing Officer Level Budget Control for salary payments may have to wait till the computerization of employees database under the Human Resources Management System is fully complete. However in order to avoid the problem of excess drawals it may be appropriate at this stage to introduce scheme level budget control on salary. The system would automatically prohibit any drawal beyond the scheme allocation. This would eliminate the problem of excess drawal over appropriation. It is proposed to implement this measure in the Medium Term Fiscal Plan period.

c. Monitoring of Investments and Loans

The existing data on State Government lending and investments are reflected in the finance accounts of the Government. However the same is not complete and dynamic. The data pertaining to small and short tenure loans is available only in the line departments. It is also seen that in some cases even though these assets figure in the State's accounts, they do not find mention in the accounts of the investee entity. Thus a major exercise of reconciliation is required to clean up the data. One of the reasons for low and negligible returns on Government investments in loans/ share capital is the absence of a strong and dynamic database. Keeping these problems in view, the State Government has already established the Directorate of Investment Tracking to take up this activity. Attempts are already being made to collect and update the data base. This activity would be expedited in the Medium Term Fiscal Plan period.

Medium Term Fiscal Plan Projections 2008-12

Rs. Crores

Item	2006-07 A/c	2007-08 BE	2007-08 RE	2008-09 BE	2009-10 Proj.	2010-11 Proj.	2011-12 Proj.
Revenue Receipts of which	37587	40762	40840	46189	51991	58270	65312
State' Own Tax Revenues	23301	26691	27218	31446	35931	41056	46913
Non Tax Revenues	4098	1857	1802	1932	2067	2250	2453
Resources from the Centre - Devolution	5374	6300	6300	7344	8079	8886	9775
- Grants	4813	5914	5520	5467	5915	6078	6171
Revenue Expenditure of Which	33435	39135	37859	43216	47482	52445	57967
Interest	4236	4818	4718	5278	6203	7205	8337
Salaries	6545	8547	8744	10984	11147	12134	13165
Pensions	2496	3416	3296	4150	4550	4989	5470
Subsidies (Food, Transport, Housing & Industry)	1991	2517	1227	1222	1114	1110	1108
Power Subsidy	2370	2150	1950	2060	1957	1859	1766
Devolution to ULBs	1639	1904	1904	2420	2990	3411	3892
Major O&M (Roads,Buildings & Irrigation)	1011	810	1099	834	899	975	1062
Other O & M (Edn, Health,RD,WS,Agr, Forest)	3477	7320	8178	6709	7775	9125	10682
Administrative Expenditure	559	799	769	778	819	863	909
Other Revenue Expenditure	9112	6855	5974	8782	10027	10774	11577
Capital Receipt (Non Debt)	60	749	263	270	297	327	359
Revenue Deficit	-4152	-1627	-2981	-2973	-4509	-5825	-7345
Expenditure on Capital Formation	6349	7523	8201	9220	11369	13800	16590
Fiscal Deficit	4688	6305	6085	6926	7469	8467	9599
Total Debt Stock	54676	61492	60588	67548	76602	85070	94668
Interest	4236	4818	4718	5278	6203	7205	8337
Debt Services	5986	6117	6018	7085	9944	12185	15314
Salary+Pension+Interest	13278	16780	16758	20412	21900	24328	26971
Gross Off Budget Borrowings	242	720	720				
Net Off Budget Borrowings	-1246	-58	-74	-679	-667	-637	-580
Consolidated interest	5299	5198	5053	5548	6442	7313	8408
Consolidated Revenue Deficit	-3089	-1247	-2647	-2703	-4270	-5717	-7273
Consolidated Capital Formation	6591	8243	8921	9220	11369	13800	16590
Consolidated Fiscal Deficit	3442	6247	6011	6247	6802	7830	9019
Consolidated Debt Stock	59717	66223	65302	70891	80499	88579	97810
Cnsldtd Rev Deficit/ GSDP	**-1.64%**	**-0.57%**	**-1.23%**	**-1.11%**	**-1.54%**	**-1.82%**	**-2.05%**
GSDP at Current Prices	188274	220006	215282	244043	276647	313607	355505
INFLATION	4.00%	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%
GSDP Annual Real Growth	7.00%	8.00%	8.00%	9.00%	9.00%	9.00%	9.00%
Revenue Receipts of which	19.96%	18.53%	18.97%	18.93%	18.79%	18.58%	18.37%
State' Own Tax Revenues	12.38%	12.13%	12.64%	12.89%	12.99%	13.09%	13.20%
Non Tax Revenues	2.18%	0.84%	0.84%	0.79%	0.75%	0.72%	0.69%

Rs. Crores

Item	2006-07 A/c	2007-08 BE	2007-08 RE	2008-09 BE	2009-10 Proj.	2010-11 Proj.	2011-12 Proj.
Resources from the Centre - Devolution	2.85%	2.86%	2.93%	3.01%	2.92%	2.83%	2.75%
- Grants	2.56%	2.69%	2.56%	2.24%	2.14%	1.94%	1.74%
Revenue Expenditure of Which	17.76%	17.79%	17.59%	17.71%	17.16%	16.72%	16.31%
Interest	2.25%	2.19%	2.19%	2.16%	2.24%	2.30%	2.35%
Salaries	3.48%	3.88%	4.06%	4.50%	4.03%	3.87%	3.70%
Pensions	1.33%	1.55%	1.53%	1.70%	1.64%	1.59%	1.54%
Subsidies (Food, Transport, Housing & Industry)	1.06%	1.14%	0.57%	0.50%	0.40%	0.35%	0.31%
Power Subsidy	1.26%	0.98%	0.91%	0.84%	0.71%	0.59%	0.50%
Devolution to ULBs	0.87%	0.87%	0.88%	0.99%	1.08%	1.09%	1.09%
Major O&M (Roads,Buildings & Irrigation)	0.54%	0.37%	0.51%	0.34%	0.33%	0.31%	0.30%
Other O & M (Edn, Health,RD,WS,Agr, Forest)	1.85%	3.33%	3.80%	2.75%	2.81%	2.91%	3.00%
Administrative Expenditure	0.30%	0.36%	0.36%	0.32%	0.30%	0.28%	0.26%
Other Revenue Expenditure	4.84%	3.12%	2.77%	3.60%	3.62%	3.44%	3.26%
Revenue Deficit	**-2.21%**	**-0.74%**	**-1.38%**	**-1.22%**	**-1.63%**	**-1.86%**	**-2.07%**
Capital Receipt (Non Debt)	0.03%	0.34%	0.12%	0.11%	0.11%	0.10%	0.10%
Expenditure on Capital Formation	3.37%	3.42%	3.81%	3.78%	4.11%	4.40%	4.67%
Fiscal Deficit	**2.49%**	**2.87%**	**2.83%**	**2.84%**	**2.70%**	**2.70%**	**2.70%**
Administrative Expdr as % of RR	**1.49%**	**1.96%**	**1.88%**	**1.68%**	**1.58%**	**1.48%**	**1.39%**
Total Debt Stock	29.04%	27.95%	28.14%	27.68%	27.69%	27.13%	26.63%
Interest/Revenue	11.27%	11.82%	11.55%	11.43%	11.93%	12.37%	12.76%
Debt Services/Revenue	15.93%	15.01%	14.73%	15.34%	19.13%	20.91%	23.45%
(Salary+Pension+Interest)/Revenues	35.33%	41.17%	41.03%	44.19%	42.12%	41.75%	41.30%
Debt Services/GSDP	3.18%	2.78%	2.80%	2.90%	3.59%	3.89%	4.31%
(Salary+Pension+Interest)/GSDP	7.05%	7.63%	7.78%	8.36%	7.92%	7.76%	7.59%
Consolidated Interest/revenue	14.10%	12.75%	12.37%	12.01%	12.39%	12.55%	12.87%
Off Budget Borrowings/GSDP	**0.13%**	**0.33%**	**0.33%**				
Consolidated interest/GSDP	2.81%	2.36%	2.35%	2.27%	2.33%	2.33%	2.37%
Consolidated Revenue Deficit/GSDP	**-1.64%**	**-0.57%**	**-1.23%**	**-1.11%**	**-1.54%**	**-1.82%**	**-2.05%**
Consolidated Capital expenditure/GSDP	3.50%	3.75%	4.14%	3.78%	4.11%	4.40%	4.67%
Consolidated Fiscal Deficit/GSDP	**1.83%**	**2.84%**	**2.79%**	**2.56%**	**2.46%**	**2.50%**	**2.54%**
Consolidated Debt Stock/GSDP	**31.72%**	**30.10%**	**30.33%**	**29.05%**	**29.10%**	**28.25%**	**27.51%**