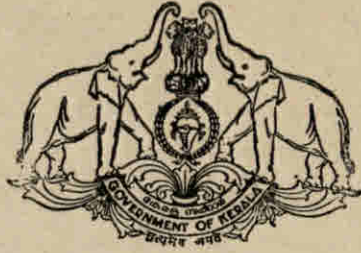


DES 6041

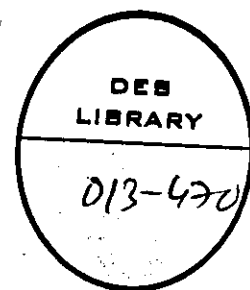


GOVERNMENT OF KERALA

**ECONOMICS AND
PURPOSE CLASSIFICATION OF
KERALA GOVERNMENT BUDGET
1985-86 AND 1986-87**

**DEPARTMENT OF
ECONOMICS & STATISTICS
TRIVANDRUM
1989**

For official use only



GOVERNMENT OF KERALA

**ECONOMIC & PURPOSE CLASSIFICATION OF
KERALA GOVERNMENT BUDGET
1985-86 & 1986-87**

**DEPARTMENT OF ECONOMICS & STATISTICS
TRIVANDRUM
1989**

P R E F A C E

The classification of the budget of state government into economic and purpose categories is done as a part of the system of Regional Accounts as recommended by the Regional Accounts Committee set up by the Government of India in its 'Final report on preparation of Regional Accounts'.

The budget presented to the Legislature and passed by it, does not bring out the economic significance of the budgetary transactions of the government except details in receipts and expenditure and other departmental financial transactions for a specific period. This report on "*Economic and purpose classification of Kerala Government Budget*" is an attempt to recast the State Government budget into meaningful economic categories. Two classification schemes viz. economic classification and purpose classification are presented in this report.

The economic classification shows Government expenditure and receipts by economic categories and this enables to understand the general effects of the Government transactions in the economy. The purpose classification deals with the classification of Government expenditure by purpose or functional categories. The economic classification and purpose classification are integrated to form "Economic cum purpose classification" which indicates how expenditure in a particular purpose is distributed among different purposes or types of services provided. The classification presented in this report relates to the years 1985-86 and 1986-87.

I hope that this report will be useful to all those who are engaged or interested in the study of the budgetary transactions of the State government. Suggestions for improvement are solicited.

This report is prepared by Smt. Catherine Jacob, Research Officer under the supervision of Smt. K. Radhamma, Assistant Director with the assistance of Sri. G. Subbayan, Research Assistant and Smt. R. Madhuram, U.D. Compiler.

Trivandrum,
20--6--1989.

P.L.Sreedevi Amma
DIRECTOR

CONTENTS

	<u>Pages</u>
i. <i>Introduction</i>	1
ii. <i>Economic classification of state government budgetary transactions</i>	2
iii. <i>Purpose classification of state government budgetary transactions</i>	14
iv. <i>Economic-cum-purpose classification</i>	19
v. <i>Major Findings</i>	24
 <i>Appendix</i>	 31

.....

1. Introduction

Budget, the most important financial document of government, an annual government financial plan, reveals the government policies and programmes. The budget presented to the legislature is primarily designed for facilitating the authorisation of expenditure and revenue proposals. The budget passed by the legislature gives us information about the receipts and expenditure and other financial transactions of government for current financial year and the preceding two years and it secures accountability for any act of spending by the various departments and also ensures control by the legislature.

But it does not bring about the economic and social significance of the Budgetary transactions of the government, it reveals only financial transactions. The information contained in the budget documents are too detailed and scattered and not necessarily based on distinction and groupings required for understanding the economic significance system of various items of revenue and expenditure. For instance, from the study of budget documents as they are, it is not possible to get a clear idea of capital formation out of the budgetary resources, savings of government, draft made by the government on various resources of the economy and governments contribution to the generation of State Income. As such each transactions in the budget document is sorted out reclassified and regrouped into meaningful economic categories ie. into three accounts viz.

Account I - Income and outlay account of administrative departments.

Account II - Production account of departmental commercial undertakings.

Account III - Capital finance account of state government.

Government transactions are meaningful only in terms of the above items in order to assess the striking action of the government on the economy for purposes of formulations of correct monetary and fiscal policies. Hence the necessity of economic classification of the state government budget arises.

The purpose classification deals with the classification of the government expenditure according to different types of services. Provided

4

directly or financed by the state government through current and capital grants or loans. The economic classification and purpose classification are integrated as economic cum purpose classification to show how the expenditure of a particular purpose is distributed among the economic categories and how the expenditure in a particular economic category is distributed among different purposes or types of services provided by the government.

The economic and purpose classification of state government budget as part of the system of regional accounts is prepared on the basis of the recommendations of the regional accounts committee set up by Government of India and adopted for the National Accounts Committee.

The economic and purpose classification of the government budgetary transaction is useful in the formulation of fiscal and economic policies. Hence this has got much recognition in recent years because of its value as means of providing in a condensed form a meaningful and informative picture of government expenditure. Economic and purpose classification of transaction provides macro economic data and is useful mostly at the policy formulation level and enables the decision makers to review the broad terms the pattern of resources allocation and its impact on the rest of economy.

The budgetary transaction of the Kerala government for the years 1985-86 and 1986-87 is classified into economic and purpose categories in the following pages.

2. Economic classification of State Government budgetary transactions:

The economic classification presented here is based on the delineation of government transaction in a set of three accounts.

Account I - Income and outlay account of administrative departments:-

This account deals with current revenue and expenditure of government administrative departments. All departments other than those listed under Account II in the section are considered as administrative for the purpose of economic classification. The current expenditure of the administrative departments consists of final outlays of the government of current

account which represents governments current consumptions. The final outlays are made up of purchase of goods and services and payment of wages and salaries and capital formation. Besides final outlays government makes transfer payments i.e. interest, grants, subsidies, scholarships etc. to the rest of the economy which are added indirectly to the disposable income of the community. To meet these current expenditure, the government appropriates a part of the income of community through a variety of taxes, fees and miscellaneous receipts etc. accruing in the course of administration.

In addition, government have an investment income from property and entrepreneurship and also receive grants, contribution and recoveries from the union government and the rest of the economy. The excess of current receipts over current expenditure denotes the savings of the government administration available for domestic capital formation. Some of the items included in this account are explained as under.

A. REVENUE

i. Income from property and entrepreneurship

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

ii. Interest

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

iii. Direct taxes

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

1. Taxes on income other than corporation tax
2. Other taxes on income and expenditure

3. Land revenue
4. Estate duty
5. Taxes on immovable property other than agricultural land.

iv. Indirect taxes

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

1. Stamps and registration fees
2. Union and state excise
3. Sales tax
4. Taxes on vehicles
5. Entertainment tax
6. Taxes on goods and passengers
7. Taxes and duties on electricity
8. Fees realised under factories Act, fees for stamping weights and measures etc.

v. Miscellaneous receipts

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

vi. Revenue grants, contributions etc.

Grants from Government of India have been divided into two parts; Revenue grants and capital grants. Revenue grants have been included under this account.

vii. Subscription and contribution of pension

Subscription and contribution of pension on the revenue side was so far classified as goods and services. In the new series this item has been classified as wages and salaries (pensions) and is netted from the wages and salaries (pensions) on the expenditure side.

B. EXPENDITURE

i. Compensation of employees

This item comprises of remuneration to general government employees such as pay of officers, pay of establishment and allowances and

honorarium other than travelling and daily allowances. Wages paid to casual labourers have also been taken as wages and salaries. Also included are pension payments to government employees of administrative departments. Subscription and contribution of pension from receipt side is netted from wages and salaries on the expenditure side.

ii. Commodities and services

This item includes all expenditure under contingency such as office supplies rent rates and taxes fuel and light printings and stationery, travelling expenses, telephone and telegraphic charges and other items for current operations less sales by general government of goods and services to enterprises and households. All expenditure on current repairs and maintenance is included here.

iii. Interest

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

iv. Subsidies

Subsidies include all grants on current accounts which private industries receive from government. There may take the form of direct payments to producers or differentials between the buying and selling prices of government trading organisations. Thus subsidies are transfers which in the light of the basis of making the grants, are additions to the income of the producers from current production. The grants may for example be based on the amount of value of commodities produced, exported or consumed, the labour or land employed in production, or the manner in which production is organised and carried on. The value of the coupons made available by government agencies to specific groups of the population to enable them to obtain goods at prices lower than the current market prices are classified as current transfers to households. Under certain circumstances subsidies include the grants made by government to public corporation as compensation for losses ie. negative operating surplus and in connection with the losses of departmental commercial undertakings. This will be the case when the loss is clearly the consequence of the policy of the government

to maintain prices at a level at which the proceeds of the public industry will not cover the current costs of production rebate on sale of handloom cloth, loss on the sale of fertilizers, improved seeds, pesticides and agricultural implements, loss suffered by the co-operative societies etc. are to be treated as subsidies. In the case of irrigation, the loss by the departmental undertaking is treated as subsidy.

v. current transfers

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

vi. Savings on current account

The balancing item on the current account of government administration represents the savings of this sector, i.e. surplus of current receipts over current expenditure.

Account II - Production account of departmental commercial undertakings:

The departmental commercial undertakings (government trading enterprises in the U.N. reports) may briefly be defined as agencies producing goods and services that are not provided free of charge. The essential characteristics distinguishing these departments from government administrative departments are that they charge what they provide according to use and are thus able to meet most of their costs from their sale proceeds. Other related characteristics are as follows:- (1) departmental commercial undertakings are subject to market forces i.e. demand and supply (2) the activities of such undertakings are subordinate to legislative control and are owned, run and managed by the government (3) the intention to make profit is not the essential characteristics and the activities of an undertaking may be carried on deliberately at a loss; (4) commercial accounting methods have to be used to determine the profit and loss; (5) the operation of commercial undertakings usually involves the use of expensive capital equipment and the holding of stocks which may be subject to large fluctuations and the provisions for depreciation may therefore be a significant element in the total cost of the operations and (6) to maintain their operations, commercial undertakings must both give and receive commercial credit.

It is sometimes difficult in practice to decide whether a certain government department should be treated as an enterprise or as a part of government administration. This is because some charges made by government departments resemble sales by departmental commercial undertakings.

In the state government, there are some departments which may be treated as auxiliary agencies. They may be defined as bodies which are separately organised to supply goods and services for the use of other departments of the government but which do not directly provide services to the public. They may be sub-divided into agencies such as public works department which are not run on commercial basis, purchasing agencies organised for the purchase of distribution of office supplies and the departments providing professional services. They exist primarily to supply goods and services to government agencies. They may also have some sales to outside agencies which are typically incidental to its function of serving to government bodies.

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

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

1. Irrigation
2. Road and water transport schemes
3. Forests
4. Milk supply schemes
5. Printing presses
6. Ports and pilotage.

The expenditure side of the departmental commercial undertakings spells out the current expenditure into wages and salaries, goods and services interest, consumption of fixed capital and projects. The loss in irrigation

is treated as subsidy and is known as negative expenditure on the expenditure side of the account. On the revenue side the sale proceeds are given.

Account III - Capital finance account of the State government:

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

i. Gross fixed capital formation

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

(a) Building and other construction

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

(b) Machinery and equipments

This item include expenditure incurred on the purchase of various equipments such as buses, jeeps, trucks, tractors for road harlage, power generating machinery, agricultural machinery and implements, office furniture, machinery and equipment and instruments used by professional men. Under this head the expenditure shown against renewals and replacements refers mainly to departmental commercial undertakings.

ii. Change in stocks

Change in stocks represent the value of the physical change, raw materials, work in progress (other than the work in progress in buildings

which are included in fixed capital formation) and finished products which are held by commercial enterprises and in government stock piles.

iii. Capital transfers

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

iv. Receipts on capital account

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

v. Saving

The saving on current account is directly taken from account I.

vi. Net borrowings

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

Other liabilities

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

Account I - Income and outlay account of administrative departments
(Receipts)

Items	Accounts Rs.in lakhs)	
	1985-86	1986-87
1	2	3
1. Income from entrepreneurship and property	10642	12837
1.1 Profits	1667	1831
1.2 Income from property	8975	11006
1.2.1 Net interest received	1747	2775
(a) Public authorities	30	39
i. Centre	-	-
ii. State	-	-
iii. Local authorities	30	39
(b) From foreign	-	-
(c) From other sectors	1717	2736
1.2.2 Other property receipts	7228	8231
2. Total tax revenue	86079	106376
2.1 Total direct taxes	6920	12700
(a) Corporation tax	-	-
(b) Land revenue	384	375
(c) Other direct taxes (including incometax)	6536	12325
2.2 Total indirect taxes	79159	93676
(a) Customs	-	-
(b) Excise	19355	26520
(c) Sales tax	45842	51672
(d) Stamps	4422	5215
(e) Other taxes and duties	9540	10269
3. Fees and miscellaneous receipts	2303	2265
4. Total transfers from other public authorities	29130	18594
4.1 Centre	29124	18594
4.2 States	6	-
4.3 Local authorities	-	-
Total receipts	128154	140072

Account I - Income and outlay accounts of administrative departments [contd.]
(Expenditure)

Item	Accounts (Rs. in lakhs)	
	1985-86	1986-87
1	2	3
1. Total consumption expenditure	69258	81866
1.1 Compensation of employees	53447	65777
(a) Wages and salaries	44149	49938
(b) Pension	9298	15836
1.2 Net purchase of commodities & services	15811	16089
(a) Purchases	13264	16270
(b) Maintenance	7505	4931
(c) Less sales	4958	5112
2. Net interest paid	12063	16969
2.1 To public authorities	4861	10428
(a) Centre	4861	10428
(b) States	-	-
(c) Local authorities	-	-
2.2 To foreign	-	-
2.3 To others	7868	7315
2.4 Less commercial interest	666	774
3. Subsidies	5513	5209
4. Total current transfers (other than in the govt. transfers)	37688	41264
4.1 Other sector	37688	41264
4.2 Foreign	-	-
5. Total inter-government transfers	3980	4420
5.1 Current	2284	2339
(a) to centre	-	-
(b) to state	-	-
(c) to total authorities	2284	2339
5.2 Capital	1696	2081
(a) to centre	-	-
(b) to state	-	-
(c) to local authorities	1696	2081
6. Total current expenditure (1+2+3+4+5)	128502	149728
7. Surplus savings of current account (8-6)	(-) 348	(-) 9656
8. Total expenditure - Total receipts	128154	140072

Account II - Production account of departmental commercial undertakings of the State government

Items	1985-86	1986-87
1	2	3
<u>Expenditure</u>		
1. Purchase of commodities and services (including maintenance)	2024	2697
2. Compensation of employees	1899	2223
3. Interest	666	774
4. Consumption of fixed capital	-	-
5. Profit	1667	1831
6. Less imputed irrigation subsidy	1734	2214
Total expenditure	4522	5311
<u>Receipts</u>		
7. Sales	4522	5311
8. Total receipts	4522	5311

**Account III - Capital finance account of public authorities
(both administration and enterprises)**

Item	Accounts (Rs.in lakhs)	
	1985-86	1986-87
1	2	3
I. Expenditure - Administration		
1. Capital outlay	16441	16205
2. Net purchase of physical assets	420	(-) 125
2.1 Second hand assets	(-) 6	(-) 6
2.2 Land	426	(-) 119
3. Change in stocks	(-)1749	4
4. Capital transfers	1172	1023
4.1 For capital formation	58	66
4.2 For others	1114	957
5. Total (1 to 4)	16284	17107
II. Expenditure - Enterprises		
6. Capital outlay	7550	6605
7. Renewals and replacements	-	-
8. Net purchase of physical assets	-	-
8.1 Second hand assets	-	-
8.2 Land	-	-
9. Change in stocks	(-) 117	134
10. Total (6 to 9)	7433	6739
11. Total expenditure (5+10)	23717	23846
III. Receipts		
12. Surplus on current accounts	(-) 348	(-) 9656
13. Consumption of fixed capital	-	-
14. Foreign grants	-	-
15. Net budgetary borrowings	(-) 3759	16372
15.1 At home	(-) 3759	16372
15.2 At abroad	-	-
16. Other liabilities	27824	17130
16.1 Net extra budgetary borrowings	31517	19802
16.2 Less net purchase of financial assets	3693	2772
Total receipts (12 to 16)	23717	23846

3. Purpose classification of state government budgetary transactions

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

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

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

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

Inter government transfers, by nature of transactions, are excluded, similarly, the receipts of the government do not come in to the picture. However some of the receipts like sales of the goods and services produced

in the government sector are taken into account in working out the expenditure on net purchases of goods and services by government.

The purpose classification attempted for the present study is the conformity with the U.N. recommendations. U.N. has recommended classification in 9 major categories.

1. General government services
 - ii. defence
 - iii. education
 - iv. health
 - v. social and welfare services
 - vi. housing and community amenities
 - vii. cultural, recreational and religious services
 - viii. economic services and
 - ix. other services.

These major heads have been split in to minor groups. In the present study some adjustments have been made in the minor categories.

As against 30 minor heads suggested by the U.N. all the major heads mentioned above have been divided into 19 minor heads only in this report. Atomic energy is a new minor head which we have introduced here. It is not given in the U.N. classification.

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

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

In the case of grants, loans and advances to private institutions or to individuals. If the purpose of utilisation is not specifically mentioned, classification is done on the basis of the main functions or to individuals. If the purpose of utilisation is not specifically mentioned, classification is done on the basis of the main functions or to individuals. If the purpose of utilisation is not specifically mentioned, classification is done on the basis of the main functions of the institutions which are receiving the grants, loans and advances. In many cases neither the name of organisations receiving the grants, loans and advances are known nor the purpose of utilisation is given. In such cases the classification has been done on the basis of account heads under which their expenditure have been shown.

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

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

**Table 1 - Purpose classification of State government budgetary expenditure
(Accounts)**

Items	Accounts (Rs.in lakhs)	
	1985-86	1986-87
1	2	3
1. General government services	21919	27184
1.1 General administration (external affairs, public order and safety)	21919	27184
1.2 General research	-	-
2. Defence	-	-
3. Education	49985	58836
3.1 General administration regulation and research	518	1031
3.2 University, schools and other educational facilities including subsidiary services	49467	57805
4. Health	11945	13507
4.1 General administration regulation and research	195	267
4.2 Hospital clinic and individual health services	11750	13240
5. Social security and welfare services	8713	9968
6. Housing and community amenities	10838	10253
7. Cultural recreational and other religious services	1654	2162
8. Economic services	27959	39081
8.1 General administration and regulation	1968	2272
8.2 Agriculture, forestry, fishing and hunting	9295	11177
8.3 Mining manufacturing and construction	5732	5881
8.4 Electricity, gas, steam and power	2087	8023
8.5 Atomic energy	-	-
8.6 Transportation and communication	7215	10155
8.7 Other economic services	1662	1573
9. Other purposes	12999	4011
Total	146012	165002

Table 2 - Percentage distribution of purpose classification of State government expenditure (Accounts)

Items	Accounts Rs. in lakhs	
	198-86	1986-87
1	2	3
1. General government services	15.01	16.47
1.1 General administration (external affairs, public order and safety)	15.01	16.47
1.2 General research	-	-
2. Defence	-	-
3. Education	34.23	35.16
3.1 General administration regulation and research	0.35	0.63
3.2 University, schools and other educational facilities including subsidiary and educational facilities	33.88	35.03
4. Health	8.18	8.19
4.1 General administration regulation and research	0.13	0.16
4.2 Hospital clinic and individual health services	8.05	8.03
5. Social security and welfare services	5.97	6.04
6. Housing and community amenities	7.43	6.21
7. Cultural recreational and other religious services	1.13	1.31
8. Economic services	19.15	23.69
8.1 General administration, regulation and research	1.35	1.38
8.2 Agriculture, forestry, fishing and hunting	6.36	6.77
8.3 Mining manufacturing and construction	3.93	3.57
8.4 Electricity, gas, steam and power	1.43	4.86
8.5 Atomic energy	-	-
8.6 Transportation and communication	4.95	6.16
8.7 Other economic services	1.13	0.95
9. Other purposes	8.90	2.43
Total	100.00	100.00

4. Economic-cum-purpose classification

In this section economic and purpose classification have been combined into single two-way cross classification by significant economic and functional categories. This classification shows how expenditure for a particular purpose is divided between economic categories such as current expenditure on goods and services, capital formation and various types of transfer and loans. It also shows how expenditure in a particular economic category is divided according to different purposes or types of services provided by government. Economic and functional classification of transactions provides macro economic data and it serves as a good guide to the policy makers for planning expenditure in a best possible manner to attain social and economic objectives of development.

The economic and functional classification of the Kerala government budgetary expenditure for the years from 1985-86 and 1986-87 is furnished in tables 3.1 and 3.2. It classifies horizontally expenditure for each service for the years under review into different functional categories. Such a cross classification of government expenditure is of great value in evaluating the progress of actual expenditure.

Tables derived from the above accounts for the purpose of State Income are given in appendix.

Table 3.1 - Economy-cum-purpose classification of Government Budget - 1985-86 (Rs. in lakhs)

Economic classification/ purpose classification	Content expenditure						Gross fixed capital formation						Capital transfer to						Fund	Grand total
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19		
	Wages & salaries including pension	Commodities & services	Interest on general debt	Subsidies	Transfers to income a/c of household	Transfer to local bodies for current expenditure	Total current expenditure	Buildings & other construction	Machinery & other equipment	Net increase in stock	Investment in shares	Local bodies	Other domestic sectors	Local bodies	Other domestic sectors	Total expenditure				
1. General public services	15271	4034	15	-	844	691	23055	1002	481	-964	530	-	-	-	-	1049	15	21919		
1.1 General administration external affairs, Public sector	15271	4034	15	-	844	691	20855	1002	481	-964	530	-	-	-	-	1049	15	21919		
1.2 General research	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2. Defence	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
3. Education	19053	1899	15	-	26493	-	47460	1796	475	-	51	60	143	-	-	2525	-	49985		
3.1 Administration, regulation and research	472	41	-	-	5	-	518	-	-	-	-	-	-	-	-	-	-	518		
3.2 Universities, schools & other educational institutions	18581	1858	15	-	26488	-	46942	1796	475	-	51	60	143	-	-	2525	-	49467		
4. Health	7175	2945	-	-	76	200	10396	499	177	-	-	245	-	628	-	1549	-	11945		
4.1 Administration, regulation and research	169	24	-	-	-	-	193	-	2	-	-	-	-	-	-	2	-	195		
4.2 Hospital, clinical & other health services	7006	2921	-	-	76	200	10203	499	175	-	-	245	-	628	-	1547	-	11750		
5. Social security & welfare services	2204	871	-	60	4141	-	7276	1082	65	-	106	60	26	4	50	1393	44	8713		

(Contd.)

(table 3.1 contd.)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
6. Housing & community amenities	3535	945	-	2	1381	231	6094	2562	3	-	41	337	351	533	844	4671	73	10838	
7. Cultural, recreational and religious services	434	282	-	-	376	-	1092	43	9	-	31	-	-	-	479	562	-	1654	
8. Economic services	5564	4880	-	2834	378	751	14407	5892	282	-785	3404	1054	119	707	2741	13414	138	27959	
8.1 General administration regulation & research	872	1351	-	12	34	-	2269	312	28	-797	44	-	42	-	67	-304	3	1968	
8.2 Agriculture, forestry, fishing & hunting	3160	1351	-	784	191	-	5486	1802	191	12	680	54	54	-	946	3739	70	9295	
8.3 Mining, manufacturing & construction	556	97	-	1373	25	-	2051	127	-1	-	2358	-	15	-	1181	3680	1	5732	
8.4 Electricity, gas, steam & power	-	-	-	-	29	-	511	540	-	-	-	1000	-	-	547	1547	-	2087	
8.5 Atomic energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.6 Transportation and communication	353	2024	-	-	128	240	2745	3651	64	-	227	-	-	464	-	4406	64	7215	
8.7 Other economic services	623	57	-	636	-	-	1316	-	-	-	95	-	8	243	-	346	-	1662	
9. Other purposes	74	4913	-	883	4044	411	10325	2073	-	-	-	-	601	-	-	2674	-	12999	
Total	53310	20769	30	3779	37733	2284	117905	14949	1492	-1749	4163	1696	1157	1872	4257	27837	270	146012	

Tahle 3.2 - Economic-cum-purpose classification of Government Budget - 1986-87 (Rs. in lakhs)

Economic classification/ Internal classification	Current expenditure						Gross fixed capital forum				Capital transfer to				Local advance to		Total expenditure	Fund
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
1. General public services	18865	4412	-	-	556	803	24636	1202	631	636	32	-	30	-	-	2531	17	27184
1.1 General administration external affairs, Public sector	18865	4412	-	-	556	803	24636	1202	631	636	32	-	30	-	-	2531	17	27184
1.2 General research	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Defence	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Education	23735	2702	15	-	31046	-	57498	887	296	-	9	-	-	146	-	1338	-	58836
3.1 Administration, regulation and research	930	99	-	-	-	-	1029	2	-	-	-	-	-	-	-	2	-	1031
3.2 Universities, schools & other educational facilities	22805	2603	15	-	31046	-	56469	885	296	-	9	-	-	146	-	1336	-	57805
4. Health	8504	3282	-	-	258	261	12305	669	213	-	-	255	-	-	65	1202	-	13507
4.1 Administration, regulation and research	248	18	-	-	-	-	266	-	1	-	-	-	-	-	-	1	-	267
4.2 Hospital, clinical & other health services	8256	3264	-	-	258	261	12039	669	212	-	-	255	-	-	65	1201	-	13240
5. Social security & welfare services	2959	1214	-	35	4082	-	8290	1072	431	-	160	-	2	13	-	1678	-	9968

(contd.)

(table 3.2 contd.)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
6. Housing & community amenities	3606	1797	-	2	329	230	5964	2600	15	-	43	311	432	624	181	4206	83	10253	
7. Cultural, recreational and religious services	517	448	-	-	506	-	1471	65	51	-	78	-	1	496	-	691	-	2162	
8. Economic services	7461	6566	-	2864	2654	1043	20588	6113	1088	-632	2462	1515	215	5721	2000	18482	11	39081	
8.1 General administration regulation & research	880	1157	-	45	26	-	2108	25	37	94	-	2	-	5	-	163	1	2272	
8.2 Agriculture, forestry, fishing & hunting	4067	1688	-	949	1249	-	7953	2016	179	-9	415	3	102	477	-	3183	41	11177	
8.3 Mining, manufacturing & construction	739	139	-	1292	199	-	2369	133	-	-	1591	-	25	1762	-	3511	1	5881	
8.4 Electricity, gas, steam & power	-	494	-	-	-	800	1294	165	-	-	-	1510	-	3054	2000	6729	-	8023	
8.5 Atomic energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.6 Transportation and communication	997	3049	-	-	1180	243	5469	3440	872	-	303	-	-	103	-	4718	-32	10155	
8.7 Other economic services	778	39	-	578	-	-	1395	334	-	-717	153	-	88	320	-	178	-	1573	
9. Other purposes	31	780	-	94	1854	2	2761	872	-	-	31	-	343	4	-	1250	-	4011	
Total	65678	21201	15	2995	41285	2339	133513	13480	2725	4	2815	2081	1023	7004	2246	31378	111	165002	

Major findings

The system of accounts presented in this study analyses the various aspects of governments budgetary operations and their impact on the economy.

Some of the major findings emerging out of this is presented below:

Total expenditure of the State government

The total expenditure of the state government by major categories exclusive of the operating expenses of departmental commercial undertakings is given in detail in table 4. This represents the flow back of funds to the rest of the economy. The expenditure of the Kerala State government increased to Rs.1807 crores in 1986-87 from Rs.1541 crores in 1985-86 showing an increase of about 17% over the period.

Final outlay

Final outlay is the major component of the total expenditure of the state government. In 1985-86 it accounted for Rs.840/- crores or 54% of the total expenditure. In 1986-87 though it has increased to Rs.981/- crores the share remains the same as 54% of the total expenditure. Final outlay is the direct expenditure of the State government for goods and services as well as for capital formation.

Consumption expenditure

This item includes expenditure on wages and salaries and goods and services for current use. It accounted for 82.5% of final outlay in 1985-86 and 83.47% in 1986-87.

Transfer payments

Transfer payment consists of capital and current transfers. It's share of Rs.604/- crores in 1985-86 has increased to 689/- crores in 1986-87.

In other words it decreased from 39% of the total expenditure to 38% of the total expenditure in 1986-87. All the components show a slight change during the period.

Financial investment and loans

This item of expenditure amounting to Rs.98/- crores in 1985-86

and Rs.137/- crores in 1986-87 contributed to about 6% of the total expenditure in 1985-86 and 8% of the total expenditure in 1986-87 respectively.

Table 4 - Total expenditure (excluding expenditure of the departmental commercial undertakings)

Items	Accounts (Rs.in lakhs)	
	1985-86	1986-87
1	2	3
I. Final outlays	83950	98075
a) Government consumption expenditure	69258	81866
b) Gross capital formation	14692	16209
II. Transfer payments to the rest of the economy	60416	68885
a) Current transfer	59244	67862
b) Capital transfer	1172	1023
III. Financial investments and loans to the rest of the economy	9757	13695
Total	154123	180655

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

Items	1985-86	1986-87
I. Final outlays	54.47	54.29
II. Transfer payments to the rest of the economy	39.20	38.13
III. Financial investments and loans to the rest of the economy	6.33	7.58
Total	100.00	100.00

Gross capital formation

Governments contribution to gross capital formation i.e. investments in building, machinery and equipments and acquisition of stocks is estimated at Rs.221/- crores in 1985-86. It has increased to Rs.229 crores in 1986-87. This item accounted for about 26% and 23% of the final outlay of the state for the years 1985-86 and 1986-87 respectively.

7. The components of capital formation

Table 6 hereunder presents the components of the capital formation. Major share of government expenditure accounts for construction expenditure. In 1985-86 expenditure on construction accounted for Rs.233 crores which has decreased to Rs.198 crores in 1986-87.

Table 6 - Components of capital formation

Items	Accounts (Rs. in lakhs)	
	1985-86	1986-87
1. Construction	22272	19805
2. Machinery & other equipments	1719	3005
3. Change in stocks	-1866	138
Total	22125	22948

Savings of the state government

Gross saving comprises of savings on current account of government administration (i.e. surplus of current receipt over current expenditure) depreciation provision and retained profits of departmental commercial undertakings. It was 13 crores in 1985-86 and (-)78 crores in 1986-87 as detailed here under.

Table 7 - Gross savings of the state government (Rs.in lakhs)

Items	1985-86	1986-87
1. Gross savings of government administration	(-) 348	(-) 9656
2. Provision for depreciation of departmental commercial undertakings-		-
3. Retained profits of departmental commercial undertakings	1667	1831
Total	1319	(-) 7825

The savings of the State government for two years are furnished in the above table. It shows a downward trend. Though it was Rs.13/- crores in 1985-86, in 1986-87 it was only (-) 78 crores.

Current receipts

For the assessment of the economic implications of the expenditure incurred by the government it is necessary to examine it against the background of the sources from which they are financed. In table 8 the current receipt of the state government are furnished under significant economic heads.

Table 8 - Current receipts (Rs. in lakhs)

Items	1985-86	1 9 8 6 - 8 7
1. Tax receipts	86079 (67.17)	106376 (75.94)
2. Income from property & entrepreneurship	10642 (8.30)	12837 (9.16)
3. Fees & miscellaneous receipt	2303 (1.80)	2265 (1.62)
4. Revenue grants from Govt. of India	29130 (22.73)	18594 (13.28)
5. Total current receipts	128154 (100.00)	140072 (100.00)

[figures in brackets indicate percentage]

The total current receipts of the state government have increased from Rs.1281/- crores to Rs.1400/- crores showing an increase of 9% over the period. The tax receipt alone contributed about 67.17% of the total receipt in 1985-86 and 75.94% in 1986-87. During the two years under reference tax receipt remained the highest contributor.

Current out-going

The current outgoing of the state government are shown in table 9.

Table 9 - Current outgoing of the state government (Rs.in lakhs)

Items	1985-86	1986-87
1. Consumption expenditure	69258	81866
2. Transfer payments	59244	67862
Total	128502	149728

Current outgoing have increased from Rs.1285 crores in 1985-86 to Rs.1497 crores in 1986-87. As is seen from the table consumption expenditure exceeds transfer payment in both years. It accounts for about 54% of the current outgoing in 1985-86. By 1986-87 the share has increased to 55%.

9. Borrowing accounts

Net receipts from the borrowing and extra budgetary resources have been shown in the borrowing accounts. In account III it is shown as a source of finance for capital formation. The net borrowing for the two years under reference shows a decreasing trend. The net borrowing in 1985-86 was Rs.315 crores where as it was 20 crores in 1986-87.

Table 10 - Borrowing account (Rs.in lakhs)

Items	1985-86		1986-87	
	Receipts	Expenditure	Receipts	Expenditure
1	2	3	4	5
I. Borrowing at home				
1. Internal debt	55652	70243	27664	18412
2. Small savings provident fund etc.	53203	42371	57539	50419
3. Other debt	-	-	-	-
Total	108855	112614	85203	68831
Net receipts	(-) 3759	-	16372	-
II. Borrowing abroad				
1. External debt	-	-	-	-
2. Other debt	-	-	-	-
Total	-	-	-	-
III. Extra budgetary receipts adjustments				
1. Loans from Govt. of India	66763	24046	28478	17134
2. Loans & advances by State govt.	1831	6064	3173	10923
3. Inter-state settlement	-	-	-	-
4. Contingency fund	39	-	-	-
5. Reserve funds	282	402	12	20
6. Deposits and advances	31431	30768	43164	38366
7. Suspense & miscellaneous	78703	83822	77745	71298
8. Remittance	54479	53546	65679	67866
9. Cash balance	3240	6363	6363	(-) 949
10. Funds revenue account	61	301	57	111
11. Funds capital account	-	-	-	-
12. Funds commercial account	-	-	-	-
Total	236829	205312	224671	204769
Net receipts	31517	-	19902	-

10. Net surplus of the departmental commercial undertakings

Net surplus of the departmental commercial undertakings indicates the performance of three concerns. It is measured as the excess of revenue over expenditure. The derivation of net surplus is shown in table 11.

Table 11 - Net surplus of the departmental commercial undertakings

Items	1985-86 (accounts)	1986-87 (accounts)
1. Gross receipts*	6256	7525
2. Operating expenses	4589	5694
3. Net surplus	1667	1831

* including irrigation subsidy

The net surplus was Rs.17/- crores in 1985-86. It was increased to 18 crores in 1986-87.

APPENDIX

- Appendix - A Estimates of net product from public administration (1985-86 to 1986-87)
- Appendix - B1 to B2 Domestic product by industry of origin and factor income (departmental enterprises) - 1985-86 to 1986-87.
- Appendix - Ca1 to Ca2 Capital formation by types of assets of industry of use - administration (1985-86 to 1986-87)
- Appendix - Cb1 Cb2 Capital formation by type of assets of industry of use (departmental enterprises) - 1985-86 to 1986-87.

....



Appendix A - Estimates of net product from public administration (Rs. in lakhs)

Items	1985-86 (accounts)		1986-87 (accounts)	
	1	2	3	4
1. Administration (less wages and salaries in)		53691		66346
2. Construction		390		880
3. Water supply		-		-
4. Other services		25587		31061
a) Education (3.2)		18581		22805
b) Medical and public health (4.2)		7006		8256
c) Sanitation		-		-
5. Sub-total (2 to 4)		25977		31941
Public administration (1 - 5)		27714		34405

Domestic product by industry of origin and factor income (enterprises) 1985-86 (accounts)

Items	Compensation of employees				Purchase of goods and services				Maintenance				Total receipts = Total expenditure			
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
			Building	Road	Constru-	Inte-	Pro-	Depre-	Sales	Inputed	Total	Net	Gross			
		services	mainte-	mainte-	ction	rest	fits	ciat-	rece-	re-	re-	prod-	prod-			
1		mainten-	ance	ance	mainten-			ion	pts	pts	pts	uct	uct			
									2+7+8	13	14	13+9	14			
1. Agriculture	575	66	-	-	569	660	-	-	1870	1734	136	1235	1235			
2. Forests	693	1200	4	2	-	-	2151	-	1899	-	4050	2844	2844			
3. Manufacturing	396	34	-	-	3	-	-322	-	433	-	111	74	74			
1. Printing press																
2. Milk supply																
4. Construction	-	-	-	-	-	-	-	-	-	-	-	-	-			
5. Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-			
6. Railways	-	-	-	-	-	-	-	-	-	-	-	-	-			
7. Communication	-	-	-	-	-	-	-	-	-	-	-	-	-			
8. Other transport	235	95	-	-	51	6	-162	-	387	-	225	79	79			
8.1. Ports, Pilotage, light houses and light ships	116	17	3	-	3	-	57	-	136	-	79	59	59			
8.2 Civil aviation	-	-	-	-	-	-	-	-	-	-	-	-	-			
8.3 Others	119	78	-	-	48	6	-105	-	251	-	146	20	20			
9. Trade, hotels & restaurants	-	-	-	-	-	-	-	-	-	-	-	-	-			
10. Banking & insurance	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total	1899	1395	4	2	623	666	1667	-	4509	1734	4522	4232	4232			

Domestic product by industry of origin and factor income (enterprises) 1986-87 (accounts) NID-2
 Derived sheet-2

Items	Compensation of employees			Purchase of goods and services			Maintenance			Total receipts = Total expenditure			Net product	Gross product
	2	3	4	5	6	7	8	9	10	11	12	13		
1. Agriculture	689	69	-	-	850	768	-	-	2376	2214	162	1427	1457	
2. Forests	856	1620	5	1	-	-	2351	-	2482	3307 4833	3207	3207	3207	
3. Manufacturing	422	42	-	-	3	-	-351	-	467	34 116	71	71	71	
1. Printing press	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Milk supply	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	
6. Railways	-	-	-	-	-	-	-	-	-	-	-	-	-	
7. Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	
8. Other transport	256	101	-	-	6	6	-169	-	369	30 200	93	93	93	
8.1 Ports, Pilotage, light houses and light ships	30	22	-	-	6	-	-110	-	158	30 48	20	20	20	
8.2 Civil aviation	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
9. Trade, hotels & restaurants	126	79	-	-	-	6	-59	-	211	-	152	73	73	
10. Banking & insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	2223	1832	5	1	859	774	1831	-	5694	2274	5311	4828	4828	

Appendix Ca1 - Capital formation by type of assets of industry of use (administration) 1985-86 (accounts)
Rs.in lakhs

Items	Gross domestic fixed capital formation					Net purchase of second hand assets		Total 7+8	Change in stock 10	Gross/Net capital formation 9+10
	Building	Roads & bridges	Other const- ruction	Transport equip- ments	Machinery equipments	Total new outlay 2 to 4	8			
1	2	3	4	5	6	7	8	9	10	11
1. Administration - Total	3738	4565	6646	256	1236	16441	554	16995	-1749	15246
Less								16441		14692
2. Construction Machinery PWD	-	-	-	-	72	72	-	72	-964	-892
3. Water supply	-	-	-	-	-	-	-	-	-	-
4. Other services	1290	-	1004	2	649	2945	-	2945	-	2945
4.1 Education	795	-	1001	-	475	2271	-	2271	-	2271
4.2 Medical	495	-	3	2	174	674	-	674	-	674
4.3 Family welfare	-	-	-	-	-	-	-	-	-	-
4.4 Public health & sanitation	-	-	-	-	-	-	-	-	-	-
5. Total (2 to 4)	1290	-	1004	2	721	3017	-	3017	-964	2053
6. Net public administration and defence (1-5)	2448	4565	5642	254	515	13424	554	13424	-785	12639
								13424		12173

Appendix Ca2 - Capital formation by type of assets of industry of use (administration) 1986-87 (accounts)
Rs. in lakhs

Items	Gross domestic fixed capital formation					Net purchase of second hand assets	Total 7+8	Change in stock	Gross/Net capital formation
	Building Roads & bridges	2 to 6	Machinery equipments	Total new outlay	2 to 6				
	2	3	4	5	6	8	9	10	11
1. Administration - Total	5147	4234	4099	786	1939	16205	16248	10	16258
Less						413	413		16200
2. Construction Machinery PWD	-	-	-	-	895	895	71		
3. Water supply	-	-	-	-	-	-	-	636	1531
4. Other services	1495	-	59	10	498	2062	2062	-	2062
4.1 Education	847	-	38	2	294	1181	1181	-	1181
4.2 Medical	648	-	21	8	204	881	881	-	881
4.3 Family welfare	-	-	-	-	-	-	-	-	-
4.4 Public health & sanitation	-	-	-	-	-	-	-	-	-
5. Total (2 to 4)	1495	4234	59	10	498	2062	2062	-	2062
6. Net public administration and defence (1-5)	3652	4234	4040	776	1441	14143	413	4	14147
							14186		14190

Appendix Cb1 - Capital formation by type of assets of Industry of use (departmental enterprises) 1985-86 (accounts)
(Rs.in lakhs)

Items	Gross domestic capital formation				Net purchase of second hand assets	Total 7+8	Change in stock 9	Gross capital formation 10	Depreciation 11	Net capital formation 12	13	
	Building and roads	Other const- ruction	Transport equip- ments	Machinery equipments								
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture	176											
2. Forests			6715		78	6969		6969	-148	6821		6821
3. Manufacturing	6	26	143	9		184		184	31	215		215
1. Printing press					68	68		68		68		68
2. Milk supply												
4. Construction												
5. Electricity												
6. Railways												
7. Communication												
8. Other transport	4		253		72	329		329		329		329
8.1 Ports, Pilotage, light houses and light ships	4		161		60	225		225		225		225
8.2 Civil aviation												
8.3 Others			92		12	104		104		104		104
9. Trade, hotels & restaurants												
10. Banking & insurance												
Total	186	26	7111	9	218	7550		7550	-117	7433		7433

Appendix Cb2 - Capital formation by type of assets of Industry of use (departmental enterprises) 1986-87 (accounts)
(Rs. in lakhs)

Items	Gross domestic capital formation						Net purchase of second hand assets	Total 7+8	Change in stock 9+10	Gross capital formation 11	Depreciation 12	Net capital formation 11-12	
	Building and roads	Bridges	Other const- ruction	Transport equip- ments	Machinery equipments	Total new outlay							
1	2	3	4	5	6	7	8	9	10	11	12	13	
1. Agriculture	92	-	5862	-	-	130	6084	-	6084	141	6225	-	6225
2. Forests	3	2	-	26	2	33	-	33	-7	26	-	-	26
3. Manufacturing	-	-	-	-	85	85	-	85	-	85	-	-	85
1. Printing press	-	-	-	-	85	85	-	85	-	85	-	-	85
2. Milk supply	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Railways	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Communication	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Other transport	6	-	360	-	-	37	403	-	403	-	403	-	403
8.1 Ports, Pilotage, light houses and light ships	6	-	166	-	18	190	-	190	-	190	-	-	190
8.2 Civil aviation	-	-	-	-	-	-	-	-	-	-	-	-	-
8.3 Others	-	-	194	-	19	213	-	213	-	213	-	-	213
9. Trade, hotels & restaurants	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Banking & insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	101	2	6222	-	254	6605	-	6603	134	6739	-	-	6739

V.7/89.

printed at DES offset press, tvm.

1299

