

A. Economic Profile of Karnataka

Annex-I contains Tables 1 to 5. **Table 1** compares the growth performance of Karnataka with its neighboring States. **Table 2** compares the per capita NSDP of Karnataka with its neighboring States and All India average. **Table 3** gives the trends in sector-wise growth of the State. **Table 4 & 5** present the credit deposit profile of Karnataka and its neighboring States and All-India.

B. Fiscal Overview

Annex-II contains Table 6 to 11. **Table 6** presents the trends in different Deficits, outstanding liabilities and total expenditure of the State as % of GSDP of the State. **Table 7** indicates the trends of State's Own Tax Revenue – GSDP ratio of Karnataka and its neighboring States. **Table 8** compares the Public Expenditure ratio of Karnataka with its neighboring States. **Table 9** shows the Social Allocation ratio of Karnataka with its neighboring States. **Table 10** presents per capita Revenue Receipts (TRR), Plan Expenditure and expenditure compared with all India average. **Table 11** provides the financial overview of the state.

C. Performance of the State Plan:

The achievement of the Annual Plans for the Eleventh Plan is shown below:

Achievement of Plan outlay						
Rs.crore						
Year	GSDP	GSDP Growth (%)	Plan Outlay			
			Approved	Actual	% achieved	% GSDP
2007-08	270629	19.10	17782.58	17226.91	96.88	6.37
2008-09	310316	14.66	26188.53	22576.75	86.21	7.28
2009-10	345236	11.25	29500.00	26956.23	91.38	7.81
2010-11	405123	17.35	31050.00	31154.43	100.34	7.69
2011-12	465552	14.92	38070.00	38150.00	100.21	8.19
2012-13	533057*	14.50	42030.00 (proposed)			

Source: GSDP- CSO (as on 1.03.2012) (*based on 13th FC recommendations)

As shown in the table above, the achievement of annual plans in the first and third year of the 11th Plan has been above 90.00%. The achievement was more than 100% in the last two years of the 11th Plan. As against the projected outlay of

Rs.101,664.00 crore for the 11th Plan, the achievement has been Rs. 108378.60 crore (at 2006-07 prices). Thus the State has achieved 106.6% of the 11th Plan target.

D. Assumptions underlying State Government projections for AP 2012-13

Assumptions underlining the state government projection of resources for the Annual Plan 2012-13 are as follows:

Indicators	% increase in 2012-13 over 2011-12 RE
GDP growth (nominal prices)	14.50%
Rate of Growth of share in Central Taxes	18.23%
Rate of growth of SOTR	13.21%
Annual growth in own non-tax revenues	-0.04%
Interest payments	25.00%
Annual growth in pensions	23.32%
Annual growth in salaries	34.72%

E. Scheme of Financing Annual Plan 2012-13

Draft scheme of financing Annual Plan 2012-13 is at **Annex-III**. Estimates of BCR are at **Annex-V**. The share of Central Taxes has been incorporated as per allocation of the Central Budget 2012-13. Normal Central Assistance has been worked out as per the Gadgil-Mukherjee formula. Scheme-wise ACAs have been projected individually at **Annex-IV**.

F. PSE Plan

The State Government has indicated Internal Resources (IR) of PSE Plan at Rs 1210.00 crore for 2012-13. The total PSE's Plan of Rs. 6739.65 crore also includes Extra Budgetary Resources (EBR) of Rs. 5529.65crore.

G. ACA for EAPs

State Government has indicated Rs. 123.92 crore as ACA for EAPs. Loan portion of ACA for EAPs is shown at Rs. 2000.21 crore.

H. 13th Finance commission Grants:

The details of the Plan grants and Non-plan Grants amounting Rs.2545.39 crore for the Annual Plan 2012-13 are shown in the following table:

State: Karnataka			
Non-plan Grants for 2012-13			
(Rs.in crore)			
Sl. No.	Name of the grants	2011-12	2012-13
1	Local Bodies	941.3	1382.5
2	Disaster Relief (including for Capacity building)	130.76	137.1
3	Post devolution Non-plan Revenue Deficit	0	0
4	Performance Incentive	0	0
5	Environment- Water Sector Management	32	32
6	Governance		
	a) Improvement in Supply of Justice	53.95	53.95
	b) Improvement of Statistical Systems at State and District Level	5.8	5.8
	c) Employee and Pension Data base	0	0
7	Maintenance of Roads and Bridges	367	391
	Total	1530.81	2002.35
Plan Grant			
1	Elementary Education	119	135
2	Environment-		
	(a) Forest protection	27.63	55.26
	(b) Renewable Energy		
3	Governance		
	(a) Reduction in Infant Mortality Rates		
	(b) Incentive for Issuing UIDs	27.78	27.78
	(c) District Innovation Fund	14.5	0
4	State-specific	325	325
	Total	513.91	543.04
	Grand Total-	2044.72	2545.39

I. Issues pertaining to State Finances

Desired Plan Size: The Plan document provided by the State Government shows a desired Plan size of Rs. 42030.00 crore for the Annual Plan 2012-13. The approved Plan size for 2011-12 was Rs. 38070.00.00 crore. The Annual Plan 2012-13, thus, shows an increase of 10.40% over the previous year approved plan size. As against the desired Plan size of Rs.42030.00 crore, resources are estimated at Rs. 41847.00 crore excluding onetime ACA. Thus, there is a resources gap of about Rs.183.00. As informed, the state has also some resources borrowed through distribution Utilities (agency) to the extent of Rs.388 crore, which if added, may increase the plan size.

Borrowing Ceiling: The borrowing limit indicated by MOF for 2012-13 is Rs.15623.00 crore (at 3.00% of the GSDP). The State budgetary borrowing estimated by the State for 2012-13 is put at Rs.15043.13 crore. Thus, the State is well within the ceiling of borrowings and has some fiscal space.

Basis for estimating scheme-wise ACA :

- **AIBP:** The allocation of ACA under AIBP for AP 2011-12 was Rs.744.36 crore. For the Annual Plan 2012-13, the allocation of ACA under AIBP has been fixed at Rs.616.00 crore which is 17.24% lower than the previous year.
- **NSAP:** The allocation for NSAP was Rs. 332.67 crore for 2011-12. The allocation for 2012-13 has been indicated at Rs. 439.33 crore. Thus, there has been 32.06 % increase in the allocation for 2012-13 over the previous year.
- **Roads & Bridges:** The allocation for Road & Bridges is fixed at Rs.138.29 crore for 2012-13 with increase of 5.34% over the previous year.
- **RKVY:** The allocation for RKVY for 2011-12 was Rs. 602.00 crore which has been kept at the same level for the time being. The actual allocation will be finalized soon
- **WGDP:** The allocation for WGDP for 2011-12 was Rs.29.07 crore which has been increased to Rs. 29.16 crore for the Annual Plan 2012-13 with insignificant growth.

- ACAs for other schemes like TSP, NeGAP and grants under article 275 (1) have been increased/decreased proportionate to the increases/decreases in the allocation made in the union budget 2012-13.

Onetime ACAs allocated to the State since 2002-03 are as follows:

(Rs. in Crore)

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Onetime ACA	7.65 (25.50)	10.88 (36.37)	28.33 (94.44)	51.00 (119.00)	21.00 (49.00)	24.00 (56.00)	70.80 (165.20)	77.88 (181.72)	65.00 (151.67)	60.00 (140.00)

Note: Loan component of OTACA is indicated in parentheses.

Year indicates end of 31st March

Economic Profile of Karnataka

(i) Growth rate trend (2005-06 to 2009-10)

Table-1 Growth Rates of GSDP at constant (2004-05) prices							
States	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Karnataka	10.51	9.98	12.60	7.11	5.20	8.87	6.44
Andhra Pradesh	9.57	11.18	12.02	6.88	5.98	9.96	6.81
Tamil Nadu	13.96	15.21	6.13	4.89	9.43	11.74	9.39
Maharashtra	14.49	14.13	10.78	3.38	13.28	10.47	NA
Kerala	10.09	7.90	8.77	5.56	8.95	9.13	7.80
Goa	7.54	10.02	5.54	10.00	10.63	8.30	10.65
All India	9.48	9.57	9.32	6.72	8.39	8.39	6.88

Source: CSO, 2004-05 series, as on 1.03.2012

(ii) Per Capita NSDP

Table-2 Per capita NSDP at Constant (2004-05) price								
States	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Karnataka	26882	29295	31967	35574	37687	38646	39301	41545
Andhra Pradesh	25321	27486	30114	33239	35272	37061	40366	42710
Tamil Nadu	30062	34126	39166	41314	42939	46692	51928	56461
Maharashtra	35915	40947	46158	50532	51053	57458	62729	NA
Kerala	31871	34837	37284	40288	42433	45908	49873	53427
Goa	76968	80844	86257	87085	90386	96885	102844	112372
All India	24143	26015	28067	30332	31754	33843	35993	38005

Source: CSO, 2004-05 series, as on 1.03.2012

(iii) Sectoral Growth Rate

Table-3 :Sectoral growth rate (Real) of GSDP with 2004-05 base						
Sector	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Agr. and Allied	9.93	-2.63	12.12	1.74	2.71	5.87
Industry	8.65	17.62	10.63	3.44	4.63	7.36
Services	11.96	10.52	13.70	9.09	3.81	8.99
Total	10.58	10.17	12.47	6.13	3.88	8.01

Source: CSO

(iv) Credit Deposit Ratio of State

Table-4 :Credit Deposit Ratio of the state									
Rs. Crore									
Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Deposit	75329	93652	107683	133376	171229	209609	256452	289775	349009
Credit	46928	59139	79461	101258	130686	163789	198204	224825	253121
CD ratio	62.3	63.15	73.79	75.92	76.32	78.14	77.29	77.59	72.53
ROG(deposit)	19.66	24.32	14.98	23.86	28.38	22.41	22.35	12.99	20.44
ROG(credit)	20.97	26.02	34.36	27.43	29.06	25.33	21.01	13.43	12.59

Source: RBI Report (year indicates end of 31st March)

Table-5 :Credit Deposit Ratio of the state including neighboring states										
Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Goa	25.30	24.20	21.73	25.09	23.22	26.23	29.44	26.66	26.50	29.00
Karnataka	61.62	62.30	63.15	73.79	75.92	76.32	78.14	77.29	77.60	72.50
Maharashtra	92.29	93.71	81.78	94.91	102.24	96.81	93.89	91.22	82.90	81.30
Andhra Pradesh	61.93	62.36	65.89	74.79	81.35	87.34	90.43	96.35	105.10	110.00
Tamil Nadu	85.39	90.71	93.05	101.16	110.48	114.46	114.67	108.09	113.80	114.10
Kerala	43.29	42.78	45.47	54.64	61.40	60.90	63.40	59.74	63.10	72.00
All India	58.39	59.24	58.25	65.98	72.39	74.97	74.37	72.61	73.30	75.10

Source: RBI Report (year indicates end of 31st March)

Fiscal Overview of Karnataka

(i) Fiscal Parameters

% of GSDP at current prices

Table-6: Fiscal Parameters of the State						
Indicator	2007-08	2008-09	2009-10	2010-11 (Pro. Actual)	2011-12 LE	2012-13 Est
Fiscal Deficit	1.97	2.81	3.15	2.64	2.72	2.87
Revenue Deficit	-1.40	-0.53	-0.47	-1.03	-0.68	-0.17
Primary Deficit	0.31	1.35	1.64	1.25	1.43	1.47
OL	22.22	23.06	24.18	22.70	22.03	22.14
IP/RR	10.95	10.47	10.60	9.69	8.77	9.21

(ii) State's Own Tax Revenue (SOTR)

Table-7 :SOTR of the state as % of GSDP (at current prices)					
States	2007-08	2008-09	2009-10	2010-11	2011-12 LE
Karnataka	9.60	8.91	8.86	9.50	9.83
Goa	6.95	6.61	6.62	6.96	7.19
Andhra Pradesh	7.89	2.77	2.48	7.66	8.35
Tamil Nadu	8.44	8.39	7.72	8.73	8.47
Kerala	7.80	7.89	7.58	7.84	7.85

(iii)Public Expenditure Ratio

Table-8 :Public Expenditure Ratio					
States	2007-08	2008-09	2009-10	2010-11	2011-12 LE
Karnataka	17.29	16.84	17.57	17.06	17.45
Goa	14.45	14.35	15.43	14.69	13.10
Andhra Pradesh	19.10	17.72	16.07	15.79	17.57
Tamil Nadu	14.88	16.33	14.83	15.52	14.61

* Public expenditure ratio= the percentage of public expenditure (plan + non-plan) to GSDP.

(iv) Social Allocation Ratio

Table 9 : Social Sector Expenditure* to Total Expenditure									
(Per cent)									
State	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (RE)	2010-11 (BE)
Andhra Pradesh	32.5	33.3	29.3	30.8	32.9	32.7	38.9	35.4	35.8
Goa	26.1	28.4	31.4	30.9	31.8	31.6	32.2	33.9	33.4
Karnataka	31.4	28.4	28.5	33.4	32.7	36.7	37.8	42.7	41.2
Kerala	37.4	30.0	36.2	35.6	31.0	31.4	33.4	34.8	34.8
Maharashtra	33.3	30.9	28.1	35.3	37.3	37.0	36.8	42.3	44.3
Tamil Nadu	32.0	34.3	32.6	36.9	33.1	35.9	39.7	39.9	39.3
All States	32.6	28.4	29.6	33.7	33.9	35.3	37.6	39.1	39.2

Source: RBI Report- Budget Documents of the State Governments.

* The social allocation ratio= the percentage of public expenditure (plan +non-plan) earmarked for social services.

(v) Per Capita Profile

Table 10: Per Capita Profile of the State					
Year	2007-08	2008-09	2009-10	2010-11 pro ac	2011-12 BE
Per Capita Total Expenditure	8220.22	9080.96	10425.26	11755.48	13671.15
Per Capita Revenue Receipts	7231.04	7522.27	8448.76	9898.34	11511.06
Per Capita Plan Exp.	2857.73	3455.98	4182.99	5017.61	5883.04
Per Capita SOTR	4566.37	4803.76	5255.77	6542.60	7703.77
Per Capita GSDP	47554.69	53921.11	59338.27	68893.78	78350.70

(vi) Table 11: Financial Overview

Sl. No.	Item/Year	Eleventh Plan						12 th Plan
		2007-08	2008-09	2009-10	2010-11 (Prov.)	2011-12 (BE)	2011-12 (RE)	2012-13 (AP/BE)
1	Tax Revenue	32766	34799	37939	47979	54236	56850	64914
1a	State's Own Tax Revenue	25987	27646	30579	38473	43817	45775	51821
1b	Share in Central Taxes	6779	7154	7360	9506	10419	11075	13094
2	Non Tax Revenue	8385	8491	11217	10227	12077	11548	16546
2a	State's Own Non-Tax Revenue	3358	3159	3334	3358	3675	3189	3193
2b	Grants	5027	5332	7883	6869	8402	8359	13354
3	Total Revenue Receipts	41151	43291	49156	58206	66313	68398	81461
4	Non Debt Capital Receipts	298	238	625	233	2062	162	299
5	Total Receipts	41449	43528	49781	58439	68375	68560	81760
6	Revenue Expenditure	37375	41659	47537	54034	65034	65254	80530
6a	Plan	8313	10530	12303	15187	19596	19773	24251
6b	Non Plan	29062	31129	35234	38846	45438	45481	56279
7	Capital Expenditure	9406	10602	13118	15093	15822	15979	16542
7a	Plan	7950	9359	12034	14318	15048	15184	15989
7b	Non Plan	1455	1243	1084	775	774	795	553
8	Capital Outlay	8649	9870	12137	13355	13754	14015	14455
8a	Plan	7199	9135	11118	12582	13071	13327	14012
8b	Non Plan	1450	735	1019	773	683	688	444
9	Loans & Advances	757	731	982	1738	2068	1964	2086
9a	Plan	751	224	916	1736	1977	1857	1977
9b	Non Plan	5	508	65	2	91	107	109
10	Total Expenditure	46780	52261	60655	69127	80857	81233	97072
10a	Plan	16263	19889	24337	29506	34644	34956	40240
10b	Non Plan	30517	32372	36318	39621	46212	46276	56832
11	Revenue Deficit	-3776	-1631	-1619	-4172	-1279	-3144	-931
12	Fiscal Deficit	5331	8732	10874	10688	12482	12673	15312
13	Primary Deficit	826	4200	5661	5047	5532	6673	7812
14	Total Outstanding Liabilities (as at end of the year)	60143	71550	83482	91943	101196	102561	117994
15	GSDP (at current prices)	271246	302146	335747	380871	434270	434270	520767
16	Revenue Deficit (as % of GSDP)	-1.39%	-0.54%	-0.48%	-1.10%	-0.29%	-0.72%	-0.18%
17	Fiscal Deficit (as % of GSDP)	1.97%	2.89%	3.24%	2.81%	2.87%	2.92%	2.94%
18	Primary Deficit (as % of GSDP)	0.30%	1.39%	1.69%	1.32%	1.27%	1.54%	1.50%
19	Total Outstanding Liabilities (as % of GSDP)	22.17%	23.68%	24.86%	24.14%	23.30%	23.62%	22.66%
20	Own Tax Revenue (as % of GSDP)	9.58%	9.15%	9.11%	10.10%	10.09%	10.54%	9.95%

Scheme of Financing Annual Plan 2012-13 of Karnataka

Items		XI Plan 2012-17 (Proj.)	Annual Plan			
			2010-11 Actuals	2011-12 AP	2011-12 RE	2012-13 AP/BE
		At current prices				
1		2	3	4	5	6
A						
1	State's Own Resources	70583	20029	15907	20595	16834
	a BCR	69558	14748	15159	16496	13956
	b MCR (excluding deductions for repayment of loans)	-3404	4083	588	4167	-253
	c Plan grants from GoI (12th/13th FCC)	1505				543
	d ARM					
	e Adjustment of Opening Balance		549	-295	-490	-120
	f Amount met by Cess Fund / Reserve Funds / Deposits	2924	463	500	500	2847
	g Amount spent on CSS/CPS in excess of receipts		-186	46	78	-139
	h Rounding off of Error while converting lakhs to Crores					
2	State Government's Budgetary Borrowings (i-ii)	81826	5514	12475	8363	15043
(i)	Gross Borrowings	90667	7358	14287	10171	18713
a	Net accretion to State provident fund, Reserve Fund, deposits, etc.	8869	1607	1585	1585	-507
b	Gross Small savings	10173	2466	2000		1000
c	(i) Gross Market Borrowings					15455
	(ii) Net market borrowings	55066	1037	8200	6206	13838
d	Gross Negotiated loans	4224	744	765	763	765
e	Bonds/Debentures					
f	Loans portion of NCA		358			
g	Loans portion of ACA for EAPs	12335	695	1737	1617	2000
h	Loans for EAP - (Back to Back)		450			
i	Others Loans					
(ii)	Repayments (a to d)	8841	1844	1812	1808	3670
a	Repayment of GOI Loans	2602	891	591	578	641
b	Repayment of NSSF	4322	628	844	844	974
c	Repayment of Negotiated Loans	1917	326	377	386	438
d	Repayment of Market borrowing					1617
e	Repayment - Others					
3	CENTRAL ASSISTANCE (a+b+c) - Grants	15512	2839	3917	3620	3230
a	Normal Central Assistance	2894	382	439	439	510
b	ACA for EAP	117	303	307	249	124
c	Others	12501	2154	3172	2932	2596
Total A : State Government's Resources (1+2+3)		167920	28381	32298	32578	35290
B						
1	Internal resources	6080	477	1142	749	1210
2	Extra Budgetary Resources	21816	2296	4629	4824	5530
3	Budgetary support					
Total B : PSEs (1+2+3)		27896	2773	5772	5572	6740
C						
Total C : Local bodies (i + ii)						
D Aggregate Plan Resources		195816	31154	38070	38150	41847

Components of other Schemes/Programmes for Annual Plan 2011-12			
(Rs. In crore)			
Sl. No.	Name of Projects/Programmes	2011-12	2012-13
		AP	estimate
1	AIBP	744.36	616.00
2	JNURM	575.00	564.59
3	NSAP	332.67	439.33
4	NPAG	-	
5	APDRP		
6	WGDP	29.07	29.16
7	Roads and Bridges	131.28	138.29
8	RSVY/BRGF	108.17	118.91
9	TSP	18.50	27.11
10	RKVY*	602.00	602.00
11	NE-GAP	14.91	7.68
12	Grant-in-aid (article 275)	41.50	53.34
13	Onetime ACA		
	Total	2597.46	2596.41

Annex-V

Estimates of Balance from Current Revenue

Sl No.	Items	XI Plan 2012-17 (Proj.)	Annual Plan					
			2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
			Actuals	Actuals	Actuals	Actuals	RE	AP/BE
			At Current Prices					
I. NON PLAN REVENUE RECEIPTS (1 to 4)		371269	37540	39547	44604	53426	61751	70004
1	Share in Central Taxes	71726	6779	7154	7360	9506	11075	13094
2	State's Own Tax Revenue	279618	25987	27646	30579	38473	45775	51821
3	Non Tax Revenues	13734	3291	3096	3266	3190	2962	2961
4	Non Plan Grants From Centre (4.1 to 4.4)	6192	1482	1652	3400	2257	1939	2128
4.1	Revenue Deficit Grant / Performance Incentive Grant							
4.2	Central Share of Calamity Relief / Disaster Relief Fund		71	289	1699	125	127	137
4.3	Grants for Local Bodies		89	266	178			
4.4	Other Non-Plan Grants	6192	1323	1097	1523	2132	1812	2174
II. NON PLAN REVENUE EXPENDITURE (5 to 9)		301711	28996	31066	35166	38678	45255	56047
5	Non Developmental Expenditure (5.1 to 5.4)	107293	10582	12062	14034	13627	17065	23474
5.1	Interest Payments	40818	4506	4532	5213	5641	6000	7500
5.2	Pension Payments	34919	3241	4113	3408	4070	5660	6980
5.3	Salaries	22615	1953	2284	2489	2788	3866	7170
5.4	Others	8941	883	1133	2923	1128	1539	1824
6	Developmental Expenditure (6.1 to 6.2)	142021	16487	17425	19427	23151	25394	29266
6.1	Salaries	59865	5976	6931	6960	7230	9198	10430
6.2	Others	82155	10512	10495	12467	15922	16196	18836
7	Pay and DA revision (Not included in 5.3 and 6.1)	17345						
8	Statutory Transfers to Local Bodies	35053	1926	1578	1705	1900	2796	3307
8.1	Urban Local Bodies	22090	1926	1578	1705	1900	2796	3307
8.2	Rural Local Bodies	12962						
9	Plan Transfers to Local Bodies & PSEs (Excl. CSS)							
9.1	Urban Local Bodies							
9.2	Rural Local Bodies							
9.3	Public Sector Enterprises (PSEs)							
III. BCR without ARM (I-II)		69558	8544	8481	9438	14748	16496	13956
IV. ARM								
V. BCR with ARM (III + IV)		69558	8544	8481	9438	14748	16496	13956