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STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

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- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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A REVIEW OF THE FINANCES OF KERALA 1990-2015

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ABSTRACT

This Paper attempts a review of the finances of Kerala Government with special emphasis on public expenditure. The foregoing analysis shows that there are serious flaws in the State's finances, reflected as budgetary imbalances mainly triggered by the ever increasing public expenditure. While the state's revenue receipts increases at a decent pace, revenue expenditure exceeds receipts leaving little resources for capital expenditure on the one hand and giving rise to growing deficits and debts on the other. Though the Government has dismissed suggestions that it was passing through a financial crisis, it seems as if the state is heading towards the inevitable, pushed further up by the falling rupee and the economic standoff at the centre. Thus the major components of expenditure that impact the finances of the state along with other contributories become the focal point of this paper.

KEYWORDS
finance, public expenditure, revenue receipts, financial crisis, deficits, debts.

INTRODUCTION
The financial position of Kerala has been worsening since the 1980s. Deficits and debts have started rising phenomenally since then. The growing deficit and debt burden hangs like the Damocles' sword over the state finances now. The analysis reveals that Kerala's fiscal stress originates from the revenue side of the account of which, revenue expenditure is the prime contributory factor. Hence this paper, mainly, attempts to analyse the major components of revenue expenditure contributing to the budgetary and fiscal strain so seriously felt in Kerala thereby help the Govt of Kerala improve the quality and direction of public expenditure essential to tide over the crisis on the road to aggregate fiscal discipline.

OBJECTIVES
1. To analyse the general fiscal situation of Kerala
2. To analyse the trend and growth of Public Expenditure of Government of Kerala.
3. To analyse the factors influencing Public Expenditure of Kerala.

PERIOD OF THE STUDY
This Paper attempts a review of the finances of Kerala Government during the last twenty five years from 1990 to 2015. The period coincided with the economic reforms of the 1990s, awards of five Finance C ommissions and four Five Year Plans and the first half of the12thPlan.

SOURCE OF DATA AND METHODOLOGY
The study is based on secondary data compiled primarily from the annual studies of State Finances conducted by the Reserve Bank of India (RBI) and yearly reports of the Finance Accounts of Government of Kerala, audited by the Comptroller and Auditor General of India. The other sources include, Economic Review published by the Government of Kerala and Budget Documents of Government of Kerala.
Percentages, averages, ratios, charts, diagrams, Annual Growth Rates, Average Annual Growth Rates, Compound Annual Growth Rates, Polynomial trend graphs and correlation analysis were used to analyse and interpret the data

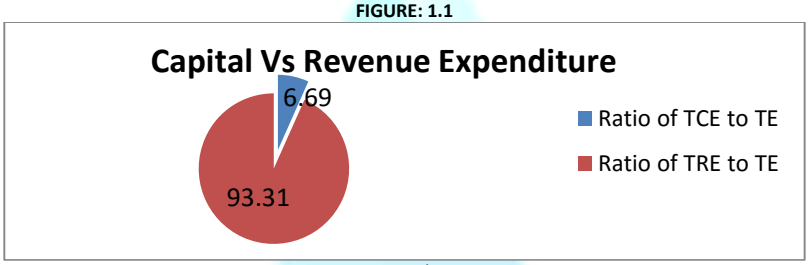
THE ANALYSIS OF FISCAL POSITION
The fiscal position is anlysed in terms of different fiscal indicators which are nothing but fiscal variables expressed as a percentage to Gross State Domestic Product (GSDP). Table1.1 shows that Gross Fiscal Deficits (GFD) to GSDP ratio was higher for Kerala than for AS (All States) during all the years. One positive aspect of the long term trends is that the GFD/GSDP ratio of Kerala after peaking during the third quinquennium has started declining, with slight ups and downs during the Subsequent periods. Obviously, there has been some effect for the Fiscal Responsibility Act of 2003 and the increasing application of the "carrot and stick" policies of the Union Finance Commission and the Central Government.
This trend also prevails exactly true in the case of Revenue Deficits (RD) as it rises above AS figures in all the years under study. However the Government of Kerala can be really proud of having kept RD under check and brought it down reasonably low, as mandated by the award of various Finance Commissions, though.
Coming to Total Capital Expenditure (TCE) to GSDP ratio a reverse trend is seen with the same impact as above signifying the fact that capital expenditure in the state is far below par compared to other state averages. This exposes the state's inability set apart funds for productive capital expenditure, hampering the process of infrastructural development. Adding fuel to fire, the ratio never recovered since its fall in the second quinquennium, while the AS was able to maintain the rising stride, intact. Though the percentage of capital expenditure to GSDP is very low, it is very encouraging to see in absolute terms the Government of Kerala had invested till March 2011 a sum of Rs 3087.52crore in various categories of public sector undertakings, even out of borrowed funds at interest of 7.3 to 8.4 with a rate of return of only 1.3 and too with adverse remarks of the CAG.
As against this, the Total Revenue Expenditure (TRE), the predominant component of the public expenditure of Kerala is continuously on the rise. The Revenue expenditure of Kerala stands out, bearing a very high proportion to GSDP in comparison to other Indian states. Though the TRE /GSDP ratio falls within internationally accepted limits, according to Indian standards, the ratio is thought of as bit high as it entails the much feared revenue expenditure mismatch leading to budgetary and fiscal imbalances to seriously disturb the financial stability of the state. In comparison with AS average, it stands taller as well; in all the periods under study, the state's ratio out grows All State's average by clear margin. In the last decade of the twentieth century, this awesome proportion was more visible .The ever growing revenue expenditure is a severe threat to sustainable development, which calls for drastic measures from the Government in the form of containment, compression and management of expenditure.
Though there was a drift in the growth of Total Revenue Receipts (TRR) at certain point of time the TRR/GSDP ratio of Kerala remains more or less stable and keeps pace with All State's average throughout, with slight ups and downs. The ratio not only depends on the state's revenue alone but also the volume of Central government funds coming through different agencies under different schemes. Unlike the other fiscal indicators, the TRR/GSDP ratio was quite high, particularly, during the 1990s and moved more or less in par with AS for the rest of the period ,though it shows a zig- zag trajectory towards the end. This is the aftermath of certain stringent measures taken by the Government in this direction since the Eightees.How ever the growing gap between revenue and expenditure is a matter of concern which calls for concerted efforts to enhance revenue mobilization process through demand for more central transfers and widening the Tax base.

TABLE 1.1: MAJOR FISCAL INDICATORS

	GFD/GSDP		RD/GSDP		TCE/GSDP		TRE/GSDP		TRR/GSDP		Debt/GSDP	
year	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States
1990-94	3.8	3.0	1.7	0.8	1.5	1.7	17.8	14.0	15.9	13.3	34.8	28.4
1995-99	4.7	3.8	2.7	1.8	1.3	1.5	16.0	13.7	13.3	11.9	33.2	27.4
2000-04	4.9	4.5	3.8	2.3	0.7	1.8	15.7	14.7	11.9	12.4	34.3	28.4
2005-09	3.1	2.5	2.0	-0.1	0.7	2.5	14.1	13.0	11.9	13.2	31.9	26.4
2010-11	3.1	2.2	3.5	-0.2	0.7	3.0	12.5	12.1	11.2	12.2	29.2	22.1
2011-12	3.2	2.3	1.7	-0.1	0.7	3.4	13.8	12.8	12.1	12.9	28.4	21.1
2012-13	3.1	2.1	1.6	-0.4	0.7	3.4	13.2	12.7	12.3	13.1	28.8	20.1
2013-14	3.0	2.2	1.7	-0.4	0.7	3.4	13.3	12.9	12.1	13.2	28.0	20.0
2014-15*	3.1	2.2	1.8	-0.4	0.7	3.4	13.1	12.1	12.2	13.2	26.7	20.0

Sources:
1. RBI, State Finances, Various Issues *revised estimates
2 Finance Accounts of Government of Kerala Various issues

FIGURE: 1.1



The Public debt of the state is also on a roll, recording a meteoric rise .The Debt/GSDP ratio shows an ominous picture when compared to AS figures. On an average it comes about 30 percent of GSDP as compared to the AS average of 23 percent. The quantum of public debt symbolizes the gravity of the crisis sensed by any government as it is the reservoir which accumulates the end products of all the fiasco originating from the revenue expenditure misalliance.
It is crystal clear that compared to the Other States, the performance of Kerala cannot be claimed Satisfactory in respect of most of the fiscal indicators such as Revenue and Fiscal deficits, Revenue Receipts, Revenue Expenditure, capital outlay and Public Debt as a ratio to GSDP.

ANALYSIS OF REVENUE

Revenue enhancement coupled with containment of expenditure is the sine qua non for fiscal robustness and sustainable development .In this direction, it is worth mentioning that the Kerala economy recorded appreciable growth in TRR over the years. However the growth cannot be said satisfactory when compared to the growth in TRR and RD. Accordingly it may be inferred from Table 1.2 that valiant attempts are required to further enhance the revenue of the state and fine tune the existing tax base to contain, at least, the Revenue Deficits which registers a phenomenal Average Annual Growth Rate (AAGR) of 18.38percent as against 14.84percent AAGR of TRR. Nevertheless it may be attributed to the ever increasing gap between revenue and expenditure. This phenomenon remains the same in absolute terms as well
Though not covered by the analysis, it may be noted that in the composition of TRR, Own Tax Revenue is the principal contributory with a Combined Annual Growth Rate (CAGR) of 14.25 percent. This is followed by the Share of central Transfers, Grants-in-aids and Non-Tax Revenue with a CAGR of 13.77, 12.27 and12.18 percent respectively**.** The Total Revenue receipts recorded a CAGR of 14.72 percent during the study period. The conspicuous growth of Own Tax Revenue, the predominant component, is primarily instrumental for the reasonably impressive growth in Total Revenue receipts. This phenomenon is also evident in absolute terms as well .This would compel GOK to concentrate more on enhancing the share of other components in consolidating the finances of the state.
There was a drift in the growth of Revenue at certain point of time. Revenue receipts declined in growth rate in 2005-06 over 2004-05 from14.3 percent to 13.3percent, which is mainly due to the introduction of the value added tax in 2005-06. Anyhow, the situation improved from 2006-07onwards as a result of the introduction of the better tax administration measures by the Government. It introduced a series of measures to augment revenue mobilization such as Check-post take overs, introduction of E-governance in the check posts, Computerization drive in taxation department, etc. The compensation made by the Centre for the loss of revenue incurred as a result of the introduction of VAT also helped improve Revenue Receipts.
However, it is quite alarming to see that despite of this impressive growth in RR almost keeping pace with RE, the revenue deficits continue to take the upward stride. It expected that the GST proposed to be implemented with effect from first April 2016 would be a break through reform in this regard.

ANALYSIS OF EXPENDITURE

The structure and composition of expenditure, major items of expenditure such as salary, pension interest and public debt are anlysed here.

CAPITAL EXPENDITURE

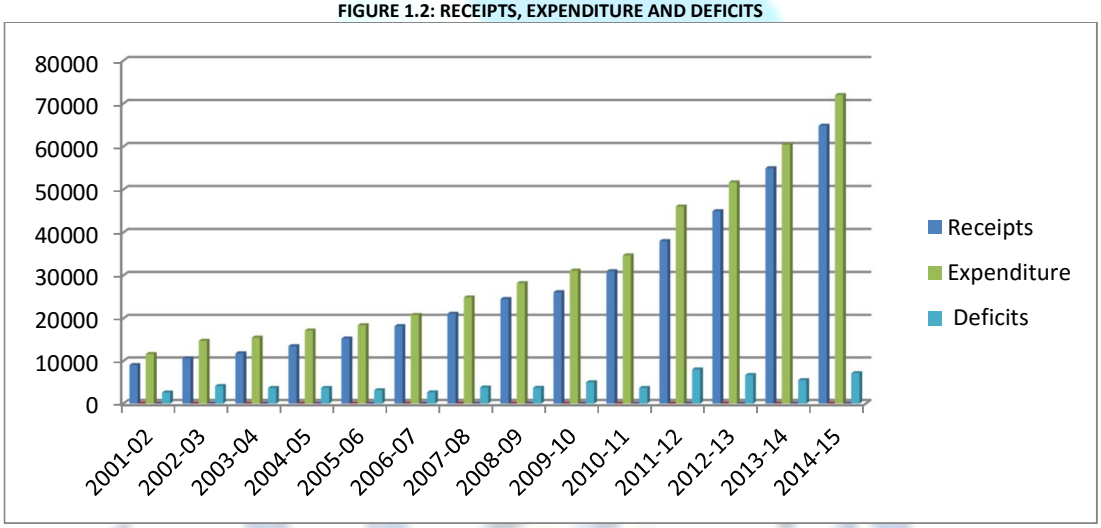
The composition of Total expenditure split into Capital and Revenue expenditure is presented in Figure 1.1. It is quite evident that TRE is the predominant component accounting for about 93.31percent of the total while the share of Capital Expenditure is only 6.69 percent. This exposes the inability of the govt to spare funds for productive investment. Low level of capital formation is a menace to sustainable development. Since the chunk of revenue is utilized for meeting current consumption there nothing left in the revenue side of the account, which forces the govt to resort to the easiest but dangerous option of borrowings to finance the so called productive investment, leading to a very likely debt trap. One of the ways to get through this fiasco is restructuring of expenditure based on quality and efficiency so that an optimum balance may be struck in between the competing revenue and capital components, availing more funds for productive Capital Expenditure.

TABLE 1.2: REVENUE RECEIPTS, REVENUE EXPENDITURE AND REVENUE DEFICITS (Rs. In crores)

Year	Revenue Receipts (Rs.)	AGR of TRR	Revenue Expenditure	AGR of TRE	Revenue Deficits	AGR of RD
1990-91	2402.93		2824.9		421.97	
1991-92	2852.13	18.69	3216.4	13.86	364.27	-13.67
1992-93	3318.73	16.36	3656.10	13.67	337.37	-7.38
1993-94	3922.05	18.18	4293.40	17.43	371.35	10.07
1994-95	4666.43	18.98	5066.30	18.00	399.87	7.68
1995-96	5423.56	16.23	5826.40	15.00	402.84	0.74
1996-97	6145.08	13.30	6788.10	16.51	643.02	59.62
1997-98	7124.15	15.93	8241.10	21.41	1116.95	73.70
1998-99	7200.59	1.07	9228.10	11.98	2027.51	81.52
1999-00	7943.81	10.32	11566.20	25.34	3622.39	78.66
2000-01	8730.86	9.91	11877.90	2.69	3147.04	-13.12
2001-02	9056.39	3.73	11662.10	-1.82	2605.71	-17.20
2002-03	10633.89	17.42	14756.10	26.53	4122.21	58.20
2003-04	11815.37	11.11	15495.70	5.01	3680.33	-10.72
2004-05	13500.48	14.26	17169.40	10.80	3668.92	-0.31
2005-06	15294.53	13.29	18423.70	7.31	3129.17	-14.71
2006-07	18186.58	18.91	20824.60	13.03	2638.02	-15.70
2007-08	21106.79	16.06	24893.63	19.54	3786.84	43.55
2008-09	24512.18	16.13	28223.85	13.38	3711.67	-1.99
2009-10	26109.35	6.52	31132.37	10.31	5023.02	35.33
2010-11	30990.95	18.70	34664.82	11.35	3673.87	-26.86
2011-12	38010.36	22.65	46044.62	32.83	8034.26	118.69
2012-13	44969.21	18.31	51675.65	12.23	6706.44	-16.53
2013-14	54966.85	22.23	60485.49	17.05	5518.64	-17.71
2014-15*	64842.35	17.97	71974.04	18.99	7131.69	29.23
AAGR		**14.84**		**14.68**		**18.38**
r=.99						
CAGR	14.72		13.83		11.97	

Source: Finance Accounts Govt.of Kerala Various Issues

FIGURE 1.2: RECEIPTS, EXPENDITURE AND DEFICITS



ANALYSIS OF TOTAL REVENUE EXPENDITURE (TRE)

As stated earlier, the Total Revenue Expenditure is the prime contributory factor responsible for the fiscal strain of the state. TRE rose from Rs 2824.9 crores in 1990-91 to the colossal figure of Rs 71974.04 crores in 2014-15, recording an awesome AAGR of 14.68 percent. Despite the fact that, in relative terms though, the AAGR of TRR is slightly favoring it in the race (Table 1.2), in almost all the years under study TRE was racing ahead of TRR, leaving huge revenue deficits. From 2010 onwards the propulsion of expenditure is felt more intense, to further aggravate the situation. The major components of TRE consist of Salary, interest and Pension which are analysed below.

EXPENDITURE ON SALARY

Salary is in the nature a committed non- plan expenditure. As it is clear from Table1.3 that salary is the most dominant of all components of TRE, when taken individually, it accounts for about 36.39 percent of TRE, on an average. But it is quite encouraging to see that the percentage share shows a steady decrease; from 59.56 percent in 1990-91, it dwindled sharply to 36.39 percent in 2014-15.

The Annual Growth Rate of salary varies with wide fluctuations. After the sudden spurts in 2006-07 and 2011-12, the AGR bounced back to finally rest with an AAGR of 12.48 percent as against 14.68 percent AAGR of TRE. On the whole Growth rate of salary shows an upward trend. More over in absolute terms salary is reckoned to be an item of concern for the upcoming years, as the polynomial projections (see Figure 1.4) show that by 2018, salary is likely to cross the mammoth figure of Rs 38000 crores mark, with the expected salary revision already due entailing an additional burden of Rs 5275 crores from the year 2015-16 onwards. With the ever increasing trend and the huge size, salary undoubtedly, contributes to the meteoric rise of public expenditure. This fact is established by a correlation coefficient of 99.54percent between salary and TRE.

The two categories of staff which get same scale of pay, retirement benefits and monthly pensions are government staff recruited through Kerala Public Service Commission and teachers and non-teaching staff appointed by the managements of private aided educational institutions. A head wise breakup of the total salary expenditure for the year 2011--12 shows that Salary of staff of aided educational institutions, alone, accounts for about 33% of the total while it is 18.5 percent in

the case of Salary of staff of government educational institutions. The policy of revision of salaries and pensions once in 10 years as followed by central government, avoidance of wasteful expenditure on education, reducing staff strength, instituting open schools and resorting to out sourcing may be few options to keep this debacle under check. It is imperative that the GOK uphold the sanctity of legislative sanction while releasing funds in this regard beyond partisan considerations.

INTEREST

The role of interest payment on government borrowings need not be over emphasized as it is yet another important factor contributing to the massive growth of Revenue Expenditure of Kerala. . Interest plays a decisive role in escalating public expenditure because of its conspicuous growth (AAGR15.31 percent) and huge size (17.23 percent) it bears to TRE. Though the annual growth rate shows a decreasing trend, the AAGR is well above that of TRE, manifesting its ominous potential. As shown by the polynomial trend in Figure 1.4 interest is likely to get past the massive figure of Rs 13000 crores by 2018, rendering it an item of portentous proportions. The correlation coefficient between Interest and RE is as high as 99.14 percent, signifying the profound influence of Interest Payments in the escalation of public expenditure.

TABLE 1.3: SALARY,INTEREST,PENSION AND OTHER EXPENDITURE TO TOTAL REVENUE EXPENDITURE (TRE)

	Salary	Interest	Pension	Others	TRE	Public Debt
(Rs. In crores)	a	b	c	d	e = a + b + c + d	
1990-91	1682.65	340.62	334.62	467.01	2824.90	4716.86
1991-92	1383.59	483.39	390.68	958.74	3216.40	5472.93
1992-93	1419.46	542.51	430.88	1263.25	3656.10	6297.13
1993-94	1836.13	687.15	523.53	1246.59	4293.40	7198.66
1994-95	2194.25	819.67	626.11	1426.27	5066.30	8820.86
1995-96	2230.41	924.14	796.89	1874.96	5826.40	10113.54
1996-97	2616.66	1103.41	852.20	2215.83	6788.10	11420.91
1997-98	2803.26	1286.07	1018.20	3133.57	8241.10	12868.14
1998-99	3254.68	1446.24	1253.13	3274.05	9228.10	15700.28
1999-00	4502.86	1952.82	1899.70	3210.82	11566.20	20176.06
2000-01	4491.6	2257.76	2041.20	3087.34	11877.90	23918.97
2001-02	4200.8	2489.55	2001.58	2970.17	11662.10	26950.57
2002-03	4678.99	2946.76	2470.37	4659.98	14756.10	31060.27
2003-04	5067.09	3328.3	2694.10	4406.21	15495.70	37452.24
2004-05	5345.58	3612.53	2865.82	5345.47	17169.40	41877.88
2005-06	5607.78	3929.83	3193.21	5692.88	18423.70	45929.05
2006-07	8104	4189.7	3656.82	4874.08	20824.60	49875.19
2007-08	8293.66	4552.19	5362.42	6685.36	24893.63	55409.56
2008-09	9063.81	5004.03	5182.22	8973.79	28223.85	63269.67
2009-10	10145.65	5567.93	5363.94	10054.85	31132.37	70969.42
2010-11	11037.76	5689.66	5767.49	12169.90	34664.82	78673.24
2011-12	16027.5	6293.59	8700.30	15023.23	46044.62	89418.2
2012-13	16795.74	7045.40	8467.31	19367.20	51675.65	101247.6
2013-14	19279.78	7204.81	8866.89	25134.01	60485.49	116577.5
2014-15*	23190.25	9598.15	11370.14	27815.50	71974.04	131578.8
AAGR	12.48%	15.31%	16.76%	14.24%	14.68%	**16.37**%
Share in TRE	36.39%	17.23%	15.57%	30.31%		
share TRR	44.17%	20.82%	12.08%			
r=	99.54%	99.14%	99.17%	98.76%		99.34%

Source: Finance Accounts Govt. of Kerala Various Issues 1

The rising debt-service obligation is thus a key threat to sustainable development and intergenerational equity. Interest Payments need to be addressed with caution. The Govt has little control over this item because it is entirely made up of non-plan components, representing past commitments which are irreversible in nature. Evidences indicate that the weighted average cost of debt is very high while the rate of returns from the use of borrowed funds is very low, even not enough to service the cost of debt. Creative initiatives may be taken for restructuring the portfolio of borrowing of the state with least cost objective so as to reduce the intensity of the situation. The government should also see that it borrows money only on the basis of affordability and sustainability and not on availability .Moreover; the possibility of debt swapping, variable interest rates and relying on borrowings from the central government may also be looked into along with increased share from central pools.

EXPENDITURE ON PENSIONS

Expenditure on pensions of retired government staff and employees in the private aided educational institutions and others account for about 15.57 percent of the TRE. A person retiring from the service is eligible for a number of benefits such as monthly pension based on the number of years' service, commuted value of pension, gratuities, leave encashment benefits etc, requiring huge payouts from the exchequer.

Pension Payments are also non –plan commitments which are irreversible in nature as well. The Govt is to incur more and more on it year after year and hence it maintains an ever increasing trend. As it can be seen from Table1.3 that Pension shot up from Rs 334.62 crores in 1990-91 to Rs 11370.14 crores in 2014-15,recording an increase of about 24 times in a 25 year period. The growth rate was robust initially but there after came down a bit towards the middle and after 2007-08. Though it increased by ups and downs it ended up with an alarmingly high AAGR of 16.76percent, manifesting its ever increasing tendency to step up. The polynomial trend (Figure 1.4) too supports this view as the projected value is likely to reach the huge figure of Rs 17000 crores by 2018. For 2015-16, an amount of 2500 crore is worked out as pension revision commitment tentatively. The recent decision of the government to switch over from the present system of statutory defined benefit scheme (pension scheme) to contributory scheme w.e.f 1-4-2013 is a sound decision.

An alarmingly high Average Annual Growth Rate of 16.76 percent coupled with a relatively sizable share in the total of about 16 percent, Pension Payments turns itself into one of the prime factors influencing the growth of public expenditure of Kerala. The correlation coefficient of 0.99 bears out the solid influence of pension on public expenditure.

TABLE 1.4: BREAK UP PENSION FOR THE PERIOD 2006 -11 (AVERAGE)

1. Superannuation and retirement	52.23
2. Commuted value of pension	12.10
3. Gratuities	8.10
4. family pension	9.23
5. Pension to employees of the state aided institutions	15.13
6 Leave Encashment benefits	3.21

Salary, Interest and Pension together account for about 70.40 percent of TRE (Figure1.3) and eat away about 85 percent of TRR. More over these components grow much faster than TRE. All these signal the menacing growth and magnitude of these constituents which would further widen the gap between revenue and expenditure to intensify the financial squeeze haunting the state.

FIGURE 1.3

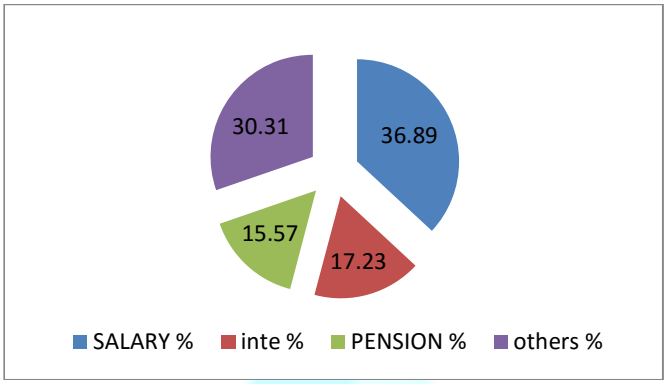
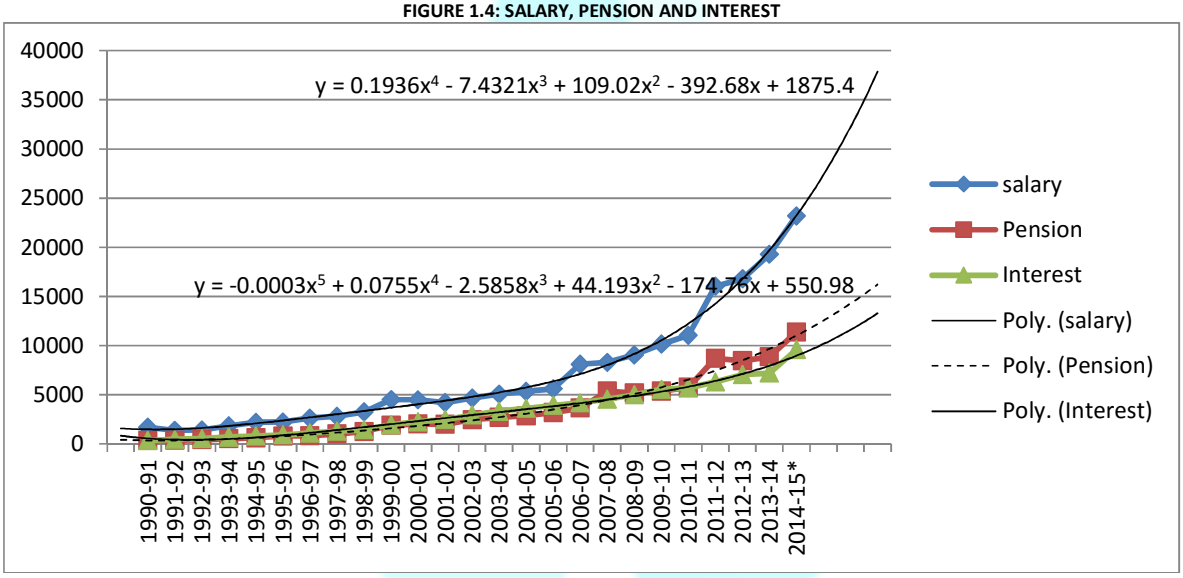


FIGURE 1.4: SALARY, PENSION AND INTEREST



PUBLIC DEBT AND REVENUE EXPENDITURE

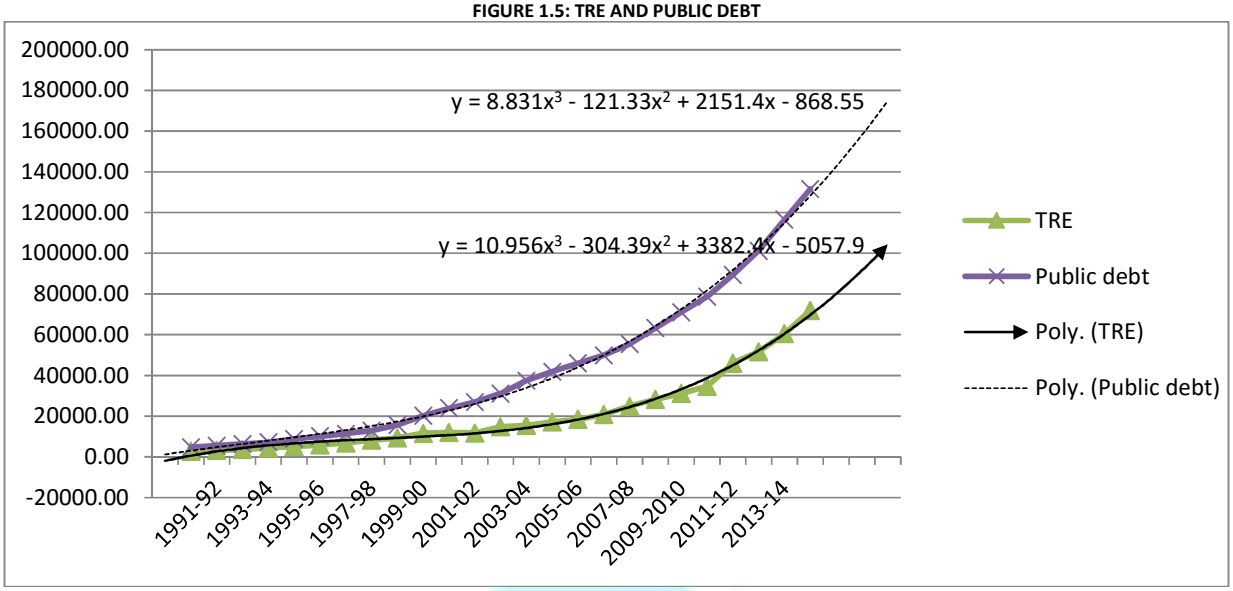
The topic of public debt is a hot topic of debate and so is public expenditure. There for it is important to know the role of public debt in the growth of public expenditure and Vice Versa. There is a bi-directional causality between public debt and public expenditure .This is because increase in public expenditure attracts public debt and increase in debt entails more public expenditure in the form of interest charges for servicing the debt.

Table 1.3 shows that public debt is having more annual growth rate than revenue expenditure and there for has its AAGR at 16.37 percent, which is much higher than the AAGR of TRE. Though there is marked difference in their AAGR, both of them grow more or less in a similar fashion to have a perfectly positive correlation of 99.34 percent, showing that public debt is an important factor responsible for the growth of revenue expenditure.

Public Debt increases by leaps and bounds when compared to the growth of public expenditure and so does the ratio of Debt to TRE. The AGR of public debt varies between 8.59 percent and 28.59 percent. The AGR of TRE also various between -1.82 percent to 26.53 percent, with great ups and downs . Public debt is likely to reach the colossal figure of Rs 1, 75000 crores by 2018(Figure 1.5) while public expenditure is to go past Rs. 100000 corers by the same period (Figure 1.5).Let us not forget the recent sovereign debt Crisis of Greece.

The debt burden of the state is assessed by the ratio of debt to Gross State Domestic Product. Comparative analysis of ratios of southern states indicates that it is the highest in Kerala. There is widening gap between the sustainable level of debt and actual level of debt in the state. While recognizing the challenges in determining an appropriate debt target, cross-country analysis and simulations suggest that 'a ratio in the range of 60-65 percent of GDP might be suitable for India' [3], seem to be an arbitrary ceiling. Nevertheless there is something to cheer for the state Government as the Domar Gap (GSDP growth rate minus Weighted Average Cost of Capital) is getting widened towards closing period.

FIGURE 1.5: TRE AND PUBLIC DEBT



Effective public debt management is the cornerstone of financial stability and sustainable fiscal policy. The main objective of public debt management is to ensure that the government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. The risks inherent in the government's debt structure should be carefully monitored and evaluated. These risks should be mitigated to the extent feasible by modifying the debt structure, taking into account the cost of doing so. The debt manager's task is to assess the magnitude of these risks (market risk , rollover risk, liquidity risk and Credit risk) or the sensitivity of outcomes to changes in the risk factors, and develop a strategy for managing the trade-off between expected cost and risk.Though the Kerala Government seemed to have advanced a few steps forward in this regard, it has yet to travel miles to realize the true objective of public debt management.

CONCLUSION

The growth of public expenditure is, invariably, a universal phenomenon and more particularly true in a welfare democracy like India. The government cannot do away with public expenditure; instead it has to incur heavy doses of it to address the increasingly complex developmental challenges of varied types as well as to discharge the functions of the sovereign. Consequently deficits and debts are the order of the day which jeopardise the foundations of the finances of the union and state governments in India. Corollary to the above, the situation in Kerala, too, is not different. It is imperative that the GoK take up this matter with utmost care to keep the upcoming menace at bay and consolidate the finances of the state, concentrating more on containing, reprioritising and rationalising the predominant components of revenue expenditure viz salary, interest and pension on the one hand and initiating a much vigorous campaign for revenue enhancement and deficit reduction packages on the other.

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