Chapter 31

Financial Resources for Redressal of Regional Imbalances

31.1 Supplementary Plan

1. It is clear from our analysis in the previous Chapters that there are considerable disparities in the level of infrastructure and other development from district to district and from one region to another. If the objective is one of achieving balanced development in all districts and regions, as is presently the determination of the State Government, all out efforts should be made by the Government for mobilizing additional financial resources for reducing the disparities through a well prepared **Special Development Plan** as proposed in this report, which will supplement the Annual Plans of the State. Development outlays will have to far exceed the present resources in sight, if the backlog is to be made up or substantially reduced.

2. In the past several years, Karnataka had substantial surplus on revenue account, which had enabled the State to go for a higher development effort through very large outlays for the Annual/Five Year Plans. Consequently, the per capita development expenditure was the highest at Rs.1,361 during the year like 1993-94 in comparison with most other States in the country. Corresponding to that, the tax effort [per capita States own tax revenue as per cent of per capita net State Domestic Product] was also the highest at 17.17 per cent. Until the beginning of the 1990's, the revenue mobilization coupled with the reduction in the revenue deficit by and large characterized the budgetary management. This has undergone the dramatic change now in recent years and it is not for the better. During 1999-2000, per capita development expenditure in Karnataka came down to the 7th place at Rs.2,265.86 in comparison with all other States. States like Gujarat had per capita development expenditure at Rs.3,241.61, Haryana Rs.3,059.00, Madhya Pradesh Rs.2,479.13, Maharashtra Rs.2,316.65 and Punjab Rs.2,591.20. Himachal Pradesh whose per capita development expenditure that year was Rs.5,030.00 is left out of comparison since it is a special category State.

31.2 Rising Revenue and Fiscal Deficits

3. Why has Karnataka come down in its development effort? The answer lies in its rising revenue deficits year after year in the period under reference as can be seen from the particulars given below:

Table – 31.1
Revenue Deficit

Rupees in Crore

Year	Amount Surplus [+] /Deficit [-]
1991-1992	[-] 178.66
1992-1993	[-] 170.02
1993-1994	[+] 114.91
1994-1995	[-] 296.13
1995-1996	[-] 213.66
1996-1997	[-] 578.90
1997-1998	[-] 415.87
1998-1999	[-] 1396.60
1999-2000	[-] 1573.21
2000-2001	[-] 2174.97
2001-2002	[-] 2624.09

Source : Budget Speeches of concerned years.

4. Within a decade, the revenue deficit rose from Rs.170.02 Crore in 1992 to Rs.2,624.09 Crore in 2002.

5. Our analysis of the revenue deficit reveals the pressure on the State revenues resulting from a larger proportion of the revenue being used for interest payment and higher salaries and wages. In order to maintain a reasonable level of capital expenditure under the plan, the State has resorted to borrowings to cover both revenue deficit and additions required for plan outlay. Consequently, the State's fiscal deficit has increased by more than ten fold [10] from Rs. –513 Crores in 1991 to Rs.-5,127 Crore in 2001-2002. As a proportion of State Net Domestic Product [SNDP] the fiscal deficit more than doubled from 2.50 in 1990-91 to 5.05 in 2001-2002. A summary of the Karnataka's financial position in relation to the fiscal deficit is presented in the table given below:

Table-31.2
Karnataka's Financial Position: Summary

Rupees in Crores

Economic Indicators	1990-91	1995-96	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Revenue Receipts	3759	8252	10225	11758	13532	15212	17328
Revenue Expenditure	3792	8087	10357	12988	14695	17154	19952
Capital Expenditure	4 80	1699	2143	2594	2618	2906	3324
Fiscal Deficit	-513 [- 2.50]	-1534 [- 3.06]	-2275 [- 3.58]	-3824 [- 5.01]	-3781 [- 4.46]	-4042 [- 4.41]	-5,12 [- 5.05]

[Figures in brackets are percent of fiscal deficit to SNDP [Supplied]

Source: Finance Department, Government of Karnataka, White Paper on Karnataka State's Finances [Kannada] 2000-2002. Committee's estimate.

6. The increasing revenue deficit has compelled the Government to resort to larger borrowings in order to show an overall smaller deficit varying from [-] Rs.37.21 Crore in 1991-92 to [-] Rs.286.05 Crore in 2001-02.

31.3 Shortfall in Plan Outlays

7. In turn, Karnataka's plan resources and plan **revised** approved outlays have fallen short of the approved outlay. During the VIII Five Year Plan the total shortfall amounted to about Rs.1,560 Crore. In the IX Plan, the shortfall was about Rs.2,170 Crore.

8. Table 3 presents the originally approved outlays and revised approved outlays for two Five Year Plans.

Table – 31.3
Shortfall in Plan Outlays, 1992-2002

Rupees in Crore

Year	Originally Approved Outlay	Revised/approved Outlay	Shortfall [-] or excess [+]
1992-93	1,915	2,003	+88
1993-94	3,025	2,797	-228
1994-95	3,275	2,800	-448
1995-96	3,575	3,100	-475
1996-97	4,360	3,660-3,760 [likely]	-500-600 [proposed]
VIII Five Year Plan Total Shortfall about Rs.1,560-1,660 Crore approximately			
1997-98	4,545	4,326	-219
1998-99	5,353	5,132	-221
1999-2000	5,888	5,321	-567
2000-2001	7,274	6,785	-489
2001-2002	8,588	7,904	- 684
IX Five Year Plan Total Shortfall			**about -2170**

Source : Budget speeches of concerned years

9. It is generally observed that the State proposed outlays for plans were higher not matched by the corresponding resources. In order to avoid a cut in the Central assistance which the Planning Commission has started imposing in case the State failed to fully implement the original approved outlay, the State has sent revised outlays for approval during December each year which have been approved by the Planning Commission in which case there has been no cut in the Central assistance.

10. We have also looked at some of the accounts figures available for same years both for revenue deficits and shortfall in outlays. As for revenue deficits, in some years they are less or marginally surplus in one year. In the case of plan outlays, revised approved outlays have been exceeded in some years. The net outcome is one of inefficient management of the finances and plan outlays allowing either an increase in borrowings to meet the actual expenditures or dip into the Ways and Means advances or cut into expenditures causing either great strain on the exchequer when compelled for the payment of the bills or less of development.

11. We thus see that resources for the plan, whether Annual or Five Year, are not coming on a scale that would be needed for achieving a higher growth in the State's economy. Almost all sectors suffer from inadequate resources notwithstanding some extra outlays becoming available either under this Centrally sponsored schemes or externally assisted projects under either bilateral agreements or from global financial institutions.

12. Apart from deficits and plan outlay shortfalls, which indicate the inadequacy of funds for development effort of the State, the proportion of funds transferred to the districts or Zilla Panchayats is getting reduced from year to year. This, again, points out the seriousness of the financial inadequacies both for providing for the basic minimum needs and also for the improvement of local sector, which is expected to make a dent on the imbalances that exists in the taluks and districts.

31.4 Inadequacy of Z. P. Funds

13. Some idea of inadequacy of funds transferred to the Zilla Panchayat from 1997-98 to 2000-2001 is given in the Tables below:

Table – 31. 4
Zilla Panchayat Outlays by District 1997-98 to 2000-2001

Rupees in Crore

District	1997-98			1998-99		
	State	Centre	Total	State	Centre	Total
1. Bangalore	18.17	17.50	35.67	18.17	18.76	36.93
2. Bangalore (R)	31.40	31.97	63.37	31.40	33.33	64.73
3. Chitradurga	37.77	43.07	80.84	24.38	32.34	56.72
4. Kolar	37.87	44.81	82.68	37.87	42.10	79.97
5. Shimoga	31.73	38.06	69.79	23.52	29.97	53.49
6. Tumkur	40.42	43.43	83.85	40.42	47.35	87.77
7. Davanagere				25.88	27.73	53.61
8. Mysore	46.59	42.94	89.53	31.58	28.68	60.26
9. Chickmagalur	24.99	23.84	48.83	24.99	25.77	50.76
10. D. Kannada	35.11	36.44	71.55	20.61	24.56	45.17
11. Hassan	29.74	30.20	59.94	29.74	34.37	64.11
12. Kodagu	12.67	11.53	24.2	12.67	13.50	26.17
13. Mandya	27.84	22.97	50.81	27.84	25.40	53.24
14. C.R. Nagar				15.02	14.84	29.86
15. Udupi				14.50	17.69	32.19
16. Belgaum	49.77	43.70	93.47	49.77	45.51	95.28
17. Bijapur	46.20	45.61	91.81	23.86	25.42	49.28
18. Dharwad	44.91	52.87	97.78	16.37	14.84	31.21
19. U. Kannada	22.71	21.35	44.06	22.71	23.67	46.38
20. Bagalkot				22.34	22.07	44.41
21. Gadag				11.70	13.76	25.46
22. Haveri				16.84	21.14	37.98
23. Gulbarga	44.38	44.91	89.29	44.38	44.74	89.12
24. Bellary	31.71	35.40	67.11	27.42	26.36	53.78
25. Bidar	24.24	20.03	44.27	24.24	23.02	47.26
26. Raichur	38.34	37.11	75.45	22.43	21.32	43.75
27. Koppal				15.91	16.79	32.70
Lumpsum	55.44		55.44	55.44		55.44
Total	**732.00**	**687.74**	**1419.74**	**732.00**	**715.03**	**1447.03**

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Table – 31.4 [Contd…]
Zilla Panchayat Outlays by District 1997-98 to 2000-2001

Rupees. in Crore

District	1999-2000			2000-2001		
	State	Centre	Total	State	Centre	Total
1. Bangalore	19.67	20.22	39.89	25.18	21.22	46.40
2. Bangalore (R)	33.40	29.60	63.00	40.27	30.55	70.82
3. Chitradurga	25.88	33.04	58.92	31.77	31.97	63.74
4. Kolar	39.87	42.34	82.21	48.31	37.23	85.54
5. Shimoga	25.02	29.73	54.75	30.50	27.97	58.47
6. Tumkur	43.42	44.83	88.25	52.50	45.68	98.18
7. Davanagere	27.38	29.75	57.13	33.53	28.21	61.74
8. Mysore	34.58	32.67	67.25	43.00	34.85	77.85
9. Chickmagalur	26.99	27.91	54.90	31.00	22.39	53.39
10. D. Kannada	23.77	25.35	49.12	29.31	27.77	57.08
11. Hassan	32.75	33.10	65.85	38.50	29.40	67.90
12. Kodagu	13.67	14.26	27.93	17.00	13.24	30.24
13. Mandya	29.84	26.62	56.46	39.52	25.17	64.69
14. C.R. Nagar	17.01	16.93	33.94	21.50	18.16	39.66
15. Udupi	14.84	17.05	31.89	18.56	18.12	36.68
16. Belgaum	52.77	46.69	99.46	64.25	50.10	114.35
17. Bijapur	26.36	26.18	52.54	32.94	26.97	59.91
18. Dharwad	18.87	18.00	36.87	23.76	17.47	41.23
19. U. Kannada	25.21	24.06	49.27	31.50	26.97	58.47
20. Bagalkot	24.34	21.45	45.79	30.02	22.66	52.68
21. Gadag	14.20	15.92	30.12	18.67	13.81	32.48
22. Haveri	19.84	24.13	43.97	25.39	22.51	47.90
23. Gulbarga	47.88	45.47	93.35	56.95	44.83	101.78
24. Bellary	29.42	28.40	57.82	36.03	28.98	65.01
25. Bidar	26.74	24.35	51.09	32.27	24.00	56.27
26. Raichur	24.93	20.91	45.84	31.19	24.74	55.93
27. Koppal	17.91	16.86	34.77	23.50	19.63	43.13
Lumpsum	55.44		55.44	55.44		55.44
Total	**792.00**	**735.82**	**1527.82**	**962.36**	**734.60**	**1696.96**

14. Practically, during 1997-98 and 1998-99 the outlay transfer to the Zilla Panchayat was, more or less, at the same level. During 1999-2000 and 2000-2001 there is a marginal increase by about Rs.160 Crore. It needs no further emphasis that Zilla Panchayat outlays should be adequate not only for a timely completion of the on-going schemes transfer to them but they should have larger lump sum amount providing flexibility at the Zilla Panchayat level for meeting their priority needs. On this score, we find that this amount is stagnant at Rs.55.44 Crore during all the four years.

15. The distribution of outlays based on the recommendations of the First State Finance Commission show that there is no appropriate relationship between population and outlay or between per capita income and outlay. In Annexures 1 and 2 particulars of per capita income, population ratio and outlay for different districts are depicted. From that we find that in several cases districts which have lower per capita income have lower allocation of resources. Again,

districts with higher per capita incomes have larger outlays. If we look into the population ratio and the corresponding outlays, it is found that districts with higher population have lesser resources and districts with a lower population have larger resources. However, it is not possible to draw any general conclusion about these relationships. It would appear that in so far as reduction in regional imbalances was not a mandatory Terms of Reference made to the First Finance Commission the devolution of resources to the Zilla Panchayats could not be decided from the angle of reducing the disparities. Therefore, HPC FRRI suggests that in future the State Government should include in the Terms of Reference the need for reduction in regional imbalances to be considered as a major criteria to be adopted by the State Finance Commission in working out the relative shares of outlays among the different districts.

16. Further, not only the proportion of districts plan outlay transfers to the district sector is distorted and inadequate, but they are also revealing a drastic decline as can be seen from details in Table-31.5 given below.

Table – 31.5
Proportion of district sector outlays to plan outlays
1987-88 and 1990-91 to 2000-2001

Rupees in Crore

Year	Particulars	Plan Outlays	District Sector	
			Outlay	As %tage of
1987-88 (BE)	State	917	221	24.10
	Centre	215	144	66.98
	Total	**1132**	**365**	**32.24**
1990-91 (BE)	State	1145	293	25.59
	Centre	221	252	114.03
	Total	**1366**	**545**	**39.90**
1991-92 (BE)	State	1558	357	22.91
	Centre	379	318	83.91
	Total	**1937**	**675**	**34.85**
1992-93 (BE)	State	**2156**	**374**	**17.32**
	Centre	**466**	**296**	63.52
	Total	**2625**	**670**	25.52
1993-94 (BE)	State	**3025**	**471**	**15.57**
	Centre	**596**	**322**	54.03
	Total	**3621**	**793**	21.90
1994-95 (BE)	State	3383	538	15.90
	Centre	792	435	54.92
	Total	**4175**	**973**	23.31
1995-96 (BE)	State	3758	620	16.50
	Centre	890	480	53.93
	Total	**4648**	**1100**	23.67
1996-97 (BE)	State	4360	732	16.79
	Centre	951	541	56.89
	Total	**5311**	**1273**	**23.97**

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Year	Particulars	Plan Outlays	District Sector	
			Outlay	As %tage of
1997-98 (BE)	State	4545	732	16.11
	Centre	1090	688	63.12
	Total	**5635**	**1420**	**25.20**
1998-99 (BE)	State	5353	732	13.67
	Centre	1160	715	61.64
	Total	**6513**	**1447**	**22.22**
1999-2000 (BE)	State	5888	792	13.45
	Centre	1199	736	61.38
	Total	**7087**	**1528**	**21.56**
2000-2001 (BE)	State	7274	962	13.23
	Centre	1232	735	59.67
	Total	**8506**	**1697**	**19.95**

17.1990-91 the Central share of the State Plan outlay was less than the Central share of the District sector outlay as the Central share of JRY funds was released directly to then Mandal Panchayats.

18. The distressing feature of this declining trend is that up to 1991-92, the proportion increased to about 40 percent but thereafter the decline started touching 21.9 percent in 1993-94 and to 19.95 percent in 2000-2001 with a little improvement in one or two years in between.

19. If all these outlays are to be enhanced taking note of the deficiencies and the shortfalls in the facilities provided by Government, larger resource mobilization at the State level becomes imperative.

20. The State has to fund nearly 80 percent of the plan outlay from its own tax and non-tax revenues while Central assistance is stagnant around 20 percent and has recently been reported the Central assistance is being further reduced by about 20-25 percent in the current year.

31.5 State Finances in relation to GSDP

21. The following Table depicts the Karnataka’s revenues and expenditures as percent of GSDP Overall View.

Table-31.6

Karnataka’s Revenues & Expenditures as percent of GSDP

Overall View

[% of GSDP]

Year	State’s own Tax Revenue	State’s Own Non-tax Revenue	State’s Own Revenue	Total Revenue	Central Trans-fers	State’s Revenue Expendi-ture	State’s Capital Expen-diture
1985-86	9.30	3.08	12.38	17.43	5.05	18.07	2.4
1990-91	10.01	1.6	12.23	16.77	4.54	16.3	2.1
1995-96	10.34	1.9	12.76	16.74	3.99	15.85	3.0

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Year	State's own Tax Revenue	State's Own Non-tax Revenue	State's Own Revenue	Total Revenue	Central Trans-fers	State's Revenue Expendi-ture	State's Capital Expen-diture
1996-97	9.9	1.7	11.7	16.0	4.3	16.77	2.3
1997-98	9.79	1.3	11.71	16.20	4.48	15.81	2.1
1998-99	9.69	1.3	11.56	16.19	4.63	17.46	2.5
1999-2000	9.91	1.5	11.23	15.08	4.25	17.33	2.4
2000-2001	9.91	1.6	11.49	16.52	4.76	18.62	2.8

Source : Finance Department, Government of Karnataka Planning Department, Economic Survey 2000-2001

22. We find that the State's own Tax Revenue as a percent of SDP has more or less stagnated around 9-10 percent during 1985-86 – 2000-01. More or less the same story obtains in State's own Non-Tax Revenue, which has also been stagnant around 1.3-1.6 percent between 1991 and 2001. So much so, the total revenue of the State has also stagnated around 16-17 per cent of SDP. As already stated, Central Transfers have not been increasing as a proportion of SDP. Central Transfers are more or less stagnating around 4.5 per cent. As against the need for larger capital expenditure for larger investment for maintaining a sustained high growth rate, the State's Capital Expenditure has also stagnated around 2.1-2.8 per cent of SDP.

31.6 Rising Debt

23. The total debt stock of the State has risen from about Rs.848.48 Crore in 1991-92 to about Rs.26,271 Crore in 2001. As a proportion of the net State Domestic Product, this has risen from 3.2 per cent in 1991-92 to about 31 per cent in 2001. Revenue used for payment of interest on the debt has risen from 11.8 per cent to 27.2 per cent. Having realized the seriousness of the situation Government has put out a medium term fiscal plan for Karnataka for the period 2001-2005. According to this fiscal plan the consolidated fiscal deficit during this period is expected to decrease from 5.44 per cent of SDP in 2001 to 2.76 percent. The consolidated debt stock, after showing an initial increase is planned to reach 32.65 per cent in 2002. The debt service ratio is likely to rise to nearly 23 per cent by 2005.

24. These ratios hide the real magnitude of the amount involved. For example; as per the fiscal plan the total debt stock is likely to rise from Rs.26,271 Crore in 1999-2000 to Rs.46,364 Crore in 2004-2005. The debt service will rise from Rs.2,503 Crore to Rs.5,757 Crore during this period. In short, the revenue utilized for paying interest on debt more than doubles in a period of five years, with the salaries plus pension plus interest siphoning off as huge an amount as Rs.8,127 Crore to Rs.13,385 Crore as projected is sure to highlight the very serious financial situation.

31.7 Mid-Term Fiscal Plan, 2001

25. A summary table from Karnataka Medium Term Fiscal Plan 2001 [Finance Department, page 22] is reproduced below which reveals that the financial prospects in the coming three years are not so bright as to yield large surpluses both to avoid or reduce fiscal deficits or for financing the **Special Development Plan.**

Table-31.7

Karmataka Medium Term Fiscal Plan

[**Rs.Crore at current prices**]

Sl. No.	Item	1999-2000 Accts.	2000-2001 BE	2000-2001 RE	2001-2002 BE	2002-2003 Proj.	2003-2004 Proj.	2004-2005 Proj.
1.	Revenue Receipts	12410	15090	14429	17328	19680	22513	26105
	1(a) State's Own Tax Revenues	7744	9399	9214	10851	10266	13854	16435
	1(b) Non Tax Revenues	1115	1239	850	1304	1419	1551	1721
	1 I Resources from the Centre	3551	4452	4365	5173	6196	7108	7949
2.	Revenue Expenditure	14735	16626	16604	19952	2036	23719	25368
	2(a) Interest	2012	2393	2417	2849	3233	3847	4477
	2(b) Salaries	4576	5005	4765	5290	5789	6137	6499
	2 I Pensions	1539	1578	1569	1811	1880	2120	2410
	2(d)(i) Subsides (Food, Housing, Transport & Industry)	599	624	664	756	840	831	834
	2(d)(ii) Power Subsidy	771	878	879	2300	2339	2065	1415
	2(e)Major O&M (Roads, Buildings and Irrigation)	342	404	468	452	545	633	740
	2(I)Other O&M (Edn, Health, RD, WS, Agriculture & Forest)	1502	1827	1755	1835	2368	2839	3394
	2(g)Devolution to ULBs	416	537	510	676	756	863	1017
	2(h)Administrative Expenditure	470	438	441	455	487	516	548
	2(i) Other Revenue Expenditure	2509	2942	3136	3528	3701	3868	4034
3.	Revenue Deficit {(2)-(1)}	2325	1536	2175	2624	2336	1203	-737
4.	Capital Receipt (Non-debt)	145	168	163	202	202	202	202
5.	Capital Expenditure/*	1701	1707	1612	1947	2267	2837	4210
6.	Fiscal Deficit	4276	3767	4148	5127	5670	5665	5234
7.	Total Debt Stock	26271	26545	26545	31673	35465	41130	46364
8.	Debt Service	2503	2905	2934	3555	4061	4927	5757
9.	Salary+Pension+ Interest	8127	8976	8751	9950	11002	12104	13385
10.	Consolidated Revenue Deficit	2721	2072	2525	3296	3340	2277	295

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Sl. No.	Item	1999-2000 Accts.	2000-2001 BE	2000-2001 RE	2001-2002 BE	2002-2003 Proj.	2003-2004 Proj.	2004-2005 Proj.
11.	Consolidated Fiscal Deficit	5288	5601	6017	6926	6844	5841	4818
12.	Consolidated Capital Expenditure	2712	3695	3599	3832	3738	3767	4724
13.	Consolidated Interest	2407	2928	2766	3564	4218	4918	5510
14.	Consolidated Debit Stock	28406	31525	1525	38497	43474	49315	54132
15.	Off-budget Borrowings	1011	1987	1987	1885	1450	930	514
16.	Interest/Revenue	16.21%	15.86%	16.75%	16.44%	16.43%	17.09%	17.15%
17.	Consolidated Interest/Revenue	19.40%	19.40%	19.17%	20.57%	21.43%	21.85%	21.11%
18.	Debt Service/Revenue	20.17%	19.25%	20.33%	20.52%	20.63%	21.89%	22.05%
19.	(Salary +Pension +Interest) /Revenue	65.49%	59.49%	60.65%	57.42%	55.90%	53.77%	50.27%

/* Capital expenditure is actual expenditure on capital formation, and excludes debt servicing of off-budget borrowing, which is included in capital expenditure under budgetary definitions. Thus, in this table, the fiscal deficit does not equal the revenue deficit plus capital expenditure plus net loans advanced.

26. Recalling the rapid rise in the total debt stock which has touched Rs.26,271 Crore now, the Committee feels that it is high time for the State Government to analyze the impact of the growing debt. There is a need to find out how much of the debt incurred is of a directly productive nature in the sense of bringing a return on the capital invested and how much is unproductive in the sense of having an impact on the social development, as a whole, without any scope for levy of user charge for the facilities or services created by the debt finance. It is desirable that the State establishes a 'sinking fund' into which, each year, a prescribed proportion of revenues is put in it. Also, where it is found that there is no possibility of any form of recovery from the benefits conferred due to loan financed capital expenditure, this may be written off to maintain complete transparency in the matter of debt management. In order to make a detailed analysis and a re-classification of productive and un-productive debt, the Committee recommends setting up of a 'State Debt Commission' to examine these aspects and advise the Government suitably for better management of the State's debt, which is an integral part of State's fiscal policy.

31.8 Greater Reliance on Domestic Savings

27. The projected SDP / annual real growth in revenue receipts will hardly improve by 00.31 per cent between 2002 and 2005. In the projections of these new possibilities, non-tax revenues and their potential have not been fully captured perhaps due to its focus only on Tax reforms. According to the fiscal plan non-tax revenues are expected to decline from 1.06 % to 0.99 per cent in the next three years. It is surmised that the scope that exists for non-tax revenues through levy of appropriate user charges for water for irrigation and electricity for pump sets has to be examined by this Committee. The State can mobilize the required resources for financing a **Special Developmental Plan** for reducing regional imbalances only by wielding

the user charge instrument sensibly, the discussion of which will follow in the later pages. No doubt, there may be some scope for posing some projects, which are a part of the regional disparity redressal effort to the World Bank or other external assistance. The Committee in its judgment feels that greater reliance should be on mobilization of domestic resources through user charges for economic inputs than on borrowings.

31.9 Resource Transfers and Reform

28. Another important point which makes the Committee to feel so is that the resource transfer from the Center as per cent of SDP are likely to decline from 4.61 per cent to 4.56 per cent in the next three years. Added to this, the consolidated debt stock is likely to touch 31.03 per cent from 32.35 per cent in 2002 provided there is an immediate application of the corrective to the borrowing policy. It is quite unlikely that the borrowings will play a lesser role in the next ten years in Karnataka's State finances.

29. What are the prospects of rising more revenues from the tax and non-tax sources? On the tax revenue side, [own] the projected revenue in 2004-2005 is Rs.16,435 Crore as against Rs.7,774 Crore in 1999-2000. The projected non-tax revenues are more or less stagnant at a low level in relation to SDP. However, the scope does exist for massive resource mobilization from non-tax sources like user charges for water provided for irrigation and electricity provided for irrigation pump sets and a policy of rigorous disinvestments in State public enterprises along with a radical reduction in the subsidies given to them.

30. The Tax Reforms Commission appointed by the Government of Karnataka has submitted its Final Report in October 2001. Our Committee has briefly looked into both the First and the Final Report with a view to knowing if the Commission has in its Report assessed the financial impact of their Recommendations of restructuring the State's taxes on a diagnostic system so that our Committee may benefit from their ideas on the anticipated higher revenues which could become available for funding to some extent the **Special Development Plan** for redressal of regional imbalances.

31. As per the final Report [page 341] "the analysis of the tax structure as a whole in Karnataka and the studies of individual tax resources undertaken in the two Reports of the Tax Reforms Commission have been made with a long term as well as immediate perspective. Basic structural issues have come to the fore particularly in the case of commodity taxes, which account for most of the State's own tax revenue, in the wake of the imminent change over to value added taxation [VAT]. As there are many unresolved concerns for States and for the country in such areas, our discussions have focused not merely on actions that should be taken at the State level but also on the direction in which the country as a whole should move. We have, therefore, made suggestions about the stand that should be adopted by the State Government in inter-state and inter-governmental discussions. We have also recommended measures that could be adopted in the transitional period in the course of reform process itself. Where feasible, we have tried to project the time frame within which major changes could be implemented. In areas in which Central tax powers impinge on State Tax policies we have proposed amendments that could be advocated by the State. Reform is not, however, a one-shot affair. We believe, therefore, that the Finance Department and all tax collecting departments should continuously evaluate their own effectiveness and performance. We have suggested the establishment of a permanent Review mechanism ….. a framework for diagnosing tax system ….. is given ….. to guide them in such assessment."

32. "Their Report has pointed out that the aim should be to set up a structure that would respond satisfactorily to growth in gross domestic product. This could eventually be the test of success of the reform agenda [page 346.]"

33. We do not find any quantitative assessment of the improvement of the revenues in their Report as a result of restructuring. We have noted the medium term fiscal plan for Karnataka 2000-2001 to 2004-2005, which has projected that revenue deficits, will be eliminated and a savings of Rs.737 Crore can be expected by 2004-2005. In spite of this, there is likely to be a fiscal deficit of about Rs.5,234 Crore. The total debt stock is projected to rise from Rs.31,673 Crore in 2001-2002 to Rs.46,364 Crore in 2004-2005. Even then, the proportion of the debt to GSDP may not exceed 35-40 per cent. The debt service as per cent of revenue may touch 22.05 per cent during this period. If one were to go by the debt income ratio and the debt service ratios, it is not likely that the State will get into a debt trap. However, if the debt continues to grow at the current rate, the Committee fears that by 2010 which is terminal year of our **Special Development Plan** the threat of a debt trap may surface causing irreversible damage to the State finances.

34. There are great expectations for more revenue resources from the introduction of the value added tax [VAT] and the tax on the service sector. Some experts hope now that the Central Government is permitting the levy of tax on services, this can bring substantial revenues to the State. At the same time, the introduction of value added tax [VAT] "in the initial couple of years there could be a loss of revenue which has been explicitly provided for" in the proposed fiscal plan. In short, the prospects of mobilizing larger financial resources from tax avenues appeared to be limited.

35. As for the tax potential in the service sector, the final Report of the Expert Group on taxation of services [2001] has assessed the potential tax base of the services sector at Rs.63,675 Crore in 1999-2000 for the country, as a whole. No separate potential of the service sector is available for Karnataka. Assuming that the State's share in the total tax from services in the country will be at least five per cent, which is the present position in the case of all Central transfers to States, Karnataka may expect about Rs.4,000 Crore to be the potential tax base of service sector. On this basis, a ten per cent levy on services may bring in about Rs.400 Crore. If this materializes, we may assume that the **Special Development Plan** can to some extent depend on tax resources in its implementation.

31.10 Limited Scope for Tax Hike

36. Therefore, our Committee feels strongly that there is limited scope for mobilizing additional revenues through State's own tax revenue and also by borrowings to finance the **Special Development Plan.** However, as argued in this Report, the State has a great potential for levy of user charges for economic inputs and also for reducing the subsidies to public undertakings by a vigorous programme of privatization. Thus, the reliance for financial resources to finance the **Special Development Plan** which has an equalization grant component, would depend more on non-tax revenues. It would be better the State Government realizes this early and act on the non-tax resources side, if it is serious about the objective of balanced development.

37. It is not clear why the Government is not acting on the side of user charges and restructuring/disinvesting in the State public undertakings? There is a talk of political compulsions being the reason. HPCFRRI would reiterate that people's interests cannot be sacrificed. Political systems exist for the people, and not people for political systems. There ought to be a **lakshmana rekha** and if this is disrespected the state will have to face a crisis of unfathomed dimensions.

31.11 Non-Tax Resources: Returns from Irrigation Investment

38. To give some idea of the scope for revenues in this area we present below a **brief** account of what obtains at the present juncture.

31.12 Returns From Irrigation Investment

39. First, Investment in Irrigation. Total investment on major and minor irrigation rose from Rs.38.8 Crore in 1975-76 to Rs.2,240 Crore in 2000-2001. The total investment in irrigation over a period of 25 years is Rs.13,908.8 Crore out of which South Karnataka accounts for only Rs.3,696.8 Crore whereas North Karnataka accounts for Rs.10,212 Crore, almost three times that of South Karnataka. Details are given in the table given below:

Table-31.8
Investment on Major and Minor Irrigation 1975-76 to 2000-2001

Rupees in Crore

Year	North Karnataka		Total	South Karnataka	Total
	Belgaum Division	Gulbarga Division			
1975-76	18.38	6.34	24.72	14.07	38.79
1976-77	21.6	9.89	31.49	19.74	51.23
1977-78	27.52	15.67	43.19	23.77	66.96
1978-79	35.23	21.86	57.09	32.4	89.49
1979-80	39.44	28.12	67.56	33.79	101.35
1980-81	37.24	27.77	65.01	31.95	96.96
1981-82	39.9	32.11	72.01	33.18	105.19
1982-83	39.4	29.87	69.27	44.96	114.23
1983-84	40.95	34.46	75.41	47.96	123.37
1984-85	41.82	35.1	76.92	62.55	139.47
1985-86	44.68	36.37	81.05	74.26	155.31
1986-87	52.23	43.94	96.17	73.97	170.14
1987-88	44.72	36.2	80.92	56.09	137.01
1988-89	56.98	44.36	101.34	64.85	166.19
1989-90	68.67	53.27	121.94	85.62	207.56
1990-91	75.85	67.24	143.09	99.43	242.52
1991-92	405.44	93.52	198.96	153.91	352.87
1992-93	123.66	127.58	251.24	226.91	478.15
1993-94	203.58	205.27	408.85	243.62	652.47
1994-95	214.06	214.01	428.07	254.27	682.34
1995-96	260.7	292.17	552.87	291.45	844.32
1996-97	439.27	471.45	910.72	390.74	1301.46
1997-98			1276.3	328.22	1604.52
1998-99			1402.48	317.31	1719.79
1999-00			1736.94	290.32	2027.26
2000-01			1838.37	401.5	2239.87
Total			**10211.98**	**3696.84**	**3908.82**

Source: Irrigation Department and Planning Department , Government of Karnataka

40. In so far as canal water from such huge investment is supplied without any user charge, it can only result in inefficient use of water apart from no returns. As per the latest estimate nearly Rs.1,50,000 form the cost of creating one acre of irrigated land. Thus, in equity those whose lands are irrigated by canal water reap larger benefits depending upon the extent of land irrigated.

41. In contrast, the dry-land farmers suffer from lack of adequate income due to irregular and uncertain monsoons and also frequent exposure to severe drought. In particular the drought affected talukas are more in North Karnataka.

42. Here, the distinction between North and South Karnataka is less important from the viewpoint of efficient management of irrigation investment. Water is an input and improves the income in irrigated areas as compared to dry-land farming which is estimated by experts to bring a return of about Rs.200 or less even from use of improved dry-land technology, while irrigated farming brings a profit of about Rs.10,000 per acre. Again, free water has led to wasteful use of precious resource like water. Even under such a situation since 1984, notwithstanding several policy recommendations made by the Planning Department and outside experts as well as the State Planning Board of Karnataka to impose user charges, nothing has been done to make irrigation a commercial undertaking and apply reasonable user charges for canal water provided for irrigation. The usual observation in the Budget speech has been that even the organization and management expenditure has not been recovered. The tax on water imposed in 1985 and remains unrevised since then in Karnataka is shockingly very low or even negligible when compared to the neighbouring States like Andhra Pradesh and Maharashtra, the details of which are given below.

Table-31.9

Tax on Water for Irrigation in Karnataka, Andhra Pradesh and Maharashtra

(In Rupees)

Type of use Water	**Andhra Pradesh (1997)**	**Maharashtra (1999)**	**Karnataka (1985)**
1. Major & Medium Irrigation Paddy – First Crop	494.23	110	86.49
Paddy – Second Crop	370.67	330	98.84
Khariff	247.11	220	51.48
2 Seasons	864.00	165	98.84
Horticulture	-	748	98.84
Sugar (12 months)	-	2890	370.5
Sugar (12-18 months)	-	2890	555.75
2. Minor Irrigation	-	Confirmed Completion	2/3 1/3 (upper reach) (lower reach)
Paddy – First Crop	247.11	110	43.24 21.62
Paddy – Second Crop	247.11	330	49.42 24.71
Khariff	148.27	220	25.74 12.87
2 Seasons	864.8	165	49.42 24.71
Horticulture	-	748	49.42 24.71

Source: **Finance Department, White Paper on Karnataka State Finances [Kannada] 31.03.2000**

43. The rates fixed in 1984-85 in Karnataka vary from Rs.86-98 for the first and the second crop of paddy and Rs.370 to Rs.555 for sugarcane. In Maharashtra, the corresponding rates are Rs.110-330 for paddy and Rs.2,890 for sugarcane [18 months]. In Andhra Pradesh, the rates for paddy are Rs.370-494 and Rs.864 for two seasons as against Rs.98.84 in Karnataka. Unless irrigation investment brings a return of at least 8 to 10 per cent let alone 16 per cent expected from investment in private sector now it has become almost a dead investment. Even after allowing for depreciation at a very nominal rate for irrigation investment it should be possible to aim at imposing user charges ranging from say 6 per cent in the first year reaching 10 per cent in the fourth year. This can easily result in additional revenue of more than Rs.1,000 Crore per annum for funding the **Special Plan**, each year. It is incredible that even such low rates of tax are not paid and accumulated arrears run into several thousand Crore.

31.13 State Public Undertakings: Losses to become Savings – Disinvestment

44. Table-31.10---- presents aggregates of financial parameters of State Public Sector Undertakings.

Table-31.10

Karnataka: Aggregates of Financial Parameters of SPSUs

Rs. in Crore

Year	State Equity	Other Equity	Total Equity	State Debt	Other Debt	Total Debt	Total Invest-ment	Accum-ulated Losses
1	2	3	4	5	6	7	8	9
1990-91	2,142.23	144.78	2,287.01	3,053.96	3,280.91	6,334.87	8,621.88	1,138.22
1991-92	2,563.84	151.50	2,715.34	3,043.08	3,616.13	6,659.21	9,374.55	1,203.52
1991-93	2,932.40	157.41	3,089.81	3,179.33	4,329.11	7,508.44	10,598.25	1,299.73
1993-94	3,474.58	191.36	3,665.94	3,149.26	5,164.35	8,313.61	11,979.55	1,281.81
1994-95	3,910.61	201.12	4,111.74	2,989.00	6,333.81	9,322.82	13,434.55	1,561.17
1995-96	4,403.68	205.50	4,609.17	4,426.15	6,558.26	10,984.41	15,593.58	1,658.73
1996-97	4,636.77	205.75	4,842.53	4,361.06	7,555.83	11,916.90	16,759.42	1,815.90
1997-98	5,435.56	440.06	5,875.61	4,828.67	8,207.35	13,036.01	18,911.63	2,698.93
1998-99	4,714.85	176.50	4,891.35	4,295.33	7,968.52	12,263.85	17,155.20	1,681.34
1999-00	4,714.85	802.12	5,557.02	15,551.69	15,551.69	15,551.69	21,108.72	1,617.62

Contd...

Table-31.10

Rupees in Crore

Year	**Net Worth**	**Capital Employed**	**Total Revenue Earned**	**Direct Expense**	**Contribut ion**	**Gross Margin**	**Profit Be fore Inter-est**	**Net Profit (+) Net & Taxes**	**Con-tribut -ion to Exche - quer**
1	11	12	13	14	15	16	17	18	19
1990-91	2,244.97	8,482.98	7,397.96	3,502.74	3,895.22	3,255.78	451.28	74.77	2.76
1991-92	2,422.05	9,201.31	8,857.68	3,891.79	4,965.89	4,149.63	449.26	110.63	3.65
1992-93	2,786.24	10,376.60	10,831.11	4,464.18	6,366.93	5,538.21	451.01	-83.77	4.17
1993-94	3,411.48	14,242.08	10,801.97	5,179.43	5,622.54	4,730.23	615.53	-56.98	5.21
1994-95	3,643,93	12,724.24	11,224,72	5,888.76	5,335.96	4,007.18	790.73	65.20	5.32
1995-96	4,094.56	14,707.89	13,854.63	9,046.74	4,807.89	5,730.62	964.46	84.43	3.63
1996-97	4,338.98	15,767.57	16,104.41	7,561.06	8,543.35	6,816.50	955.99	-49.28	8.28
1997-98	4,612.52	16,701.16	16,033.12	9,486.16	6,546.96	4,822.37	1,576.32	79.28	5.38
1998-99	5,114.60	17,449.06	14,312.97	7,738.12	6,574.85	4,367.77	1,433.79	-1.59	5.12
1999-00	5,382.63	20,298.56	-	-	-	-	-	28.95	6.26

Source: Karnataka State Bureau of Public Enterprises, (Reports for 1990-91 to 1999-2000)

45. The second area important is in transforming the huge losses from State public undertakings into larger savings. In the 80 State Public Undertakings in Karnataka, the total capital employed rose from Rs.8,483 Crore in 1991 to Rs.20,298 Crore in 2000. Of this, State equity has risen from Rs.2,142 Crore to Rs.4,715 Crore during this period. On a total investment exceeding Rs.20,298 Crore the State has accumulated losses amounting to Rs.1,682 Crore. Every year, the loss is of the order of about than Rs.1,800 Crore including hidden subsidies.

46. The State Government does not get even 0.1 per cent return on the capital employed. Following the economic reforms, at least now the State Public Undertakings should realize the imperative of surpluses for re-investment for modernizing technology and expansion, if nothing else. The Committee feels very unhappy that Government finds money in thousands of Crores of Rupees for meeting the losses of these undertakings. This seems to be for 1.6 lakh employees when there is unemployment of nearly 35 lakhs in the State. They have no funds for reducing the serious imbalances in basic minimum needs and other related gainful activity in North Karnataka, which has a population of more than 2.5 Crore.

47. It will be seen that massive funds running into thousands of Crore of Rupees are spent year after year on loss incurring **undertakings.** Even a few which are showing some profits have negligible or marginal profits. Continued negligence in this area can only lead to bankruptcy of the SPSUs with greater adverse effect on State's fiscal stability. State Government should act without procrastination. Any PSU considered strategic [say about 10] may be retained in the public sector and restructure them, if justified. The remaining 70 undertakings should be disinvested or privatized fully. At least, this would stop the draining of about Rs.1,800 Crore, each year.

48. We note with satisfaction that the present Government has set up a Public Sector Restructuring Commission [PSRC] recently for looking into this matter. The High Power Committee had the opportunity of going through three or four reports of the Restructuring Commission on undertakings like Karnataka State Construction Corporation, Chamundi Machine Tools Limited, Mysore Match Company and Karnataka Telecom Limited. After a very detailed analysis, the Commission has recommended winding up of Mysore Match Company apart from disinvestment of its shares, complete disinvestment in the holdings of Chamundi Machine Tools Limited and a voluntary winding up of Karnataka State Construction Corporation and also completing the process of winding up of Karnataka Telecom Limited. The Commission obviously has not much teeth; because, it is only a recommendatory body. In all these recommendations a voluntary retirement scheme [VRS] has also been suggested to take care of the interest of employees. This, in itself, will imply that the budgetary funding will be necessary in the reconstruction process. This apart, Government is yet to take a final decision and start the process of winding up or disinvesting. There is also no clear cut disinvestment policy framed by the Government. Any Disinvestment Policy, if it is to succeed, should also provide for an effective Disinvestmet Agency in the Department of Finance so that administrative departments do not put the stumbling blocks for disinvestment. The Disinvestment Commission should also be entrusted with the responsibility of determining the price at which equity is to be sold and also the appointment of Finance Advisers as well as suggesting the time of disinvestment. The funds realized from disinvestment should not be used for reducing the fiscal deficit thereby delinking disinvestments from budgetary pressures. The funds, thus realized, should be made available for investment in the social sectors like primary and secondary education and rural health sector.

31.14 Funds for Civic Bodies

49. Any assessment of the State finances should not be confined only to the fiscal deficit. Scope for raising the loans, getting revenues through levy of user charges, levy of service tax apart from possible economy in non-plan expenditures are equally important. The State's financial responsibility does not end here. We have, earlier, referred to the subsidies given by the States to some of its State Government undertakings. These may be either hidden or open subsidies and are not often reflected in the presentation of the budget. Moreover, the State Government has the responsibility of providing adequate funds to urban local bodies, like City and Town Municipal Councils (CMCs and TMCs). The rural local bodies like the Zilla Panchayat and the Taluk Panchayat are covered under the devolution of resources from the States on the recommendation of the State Finance Commission. The State Finance Commission also recommends the funds to be given to the urban local bodies. In this context, as a sample case, the Committee has studied the position relating to the arrears of payments due from urban local bodes like the CMCs, TMCs in respect of payments for the electricity purchased from the Karnataka Power Transmission Corporation Limited [KPTCL]. Similarly, there are Bangalore Water Supply and Sewerage Board [BWSSB], Karnataka Urban Water Supply **Development** Board [KUWSDB], which come under the category of Government undertakings, and they have to make payments to KPTCL for the electricity drawn for their use. There are other Central and State Government undertakings which take power from KPTCL for their use. For want of time the HPC FRRI has not been able to look in to the situation, which obtains in similar other urban bodies in the state and also the state level organizations or the Regional or the District Level organizations which have similar relationship in the context of their revenues and their shares in the State Government allocations.

50. The seriousness of this problem will be appreciated when we see how adversely inadequate allocations by the State Government to these urban local bodies, BWSSB and the like have affected the finances of KPTCL. The following table shows the arrears due to KPTCL from them.

Table-31.11

Amounts due to KPTCL from Government Undertakings / Statutory Bodies/ Social Responsibility Schemes / etc.

Sl. No.	Category	Amount in Crores of Rupees
1	Central and State Government Public Undertakings	95.46
2	KUWSDB-BWSSB	177.07
3	Grama Panchayats	120.33
4	CMC/sTMC/s/Corporations	13.92
5	Bhagyajyothi-Kutirajyothi Schemes	46.40
6	PWD Lift Irrigation Schemes	15.69
	TOTAL [1 to 6]	468.87
7	Irrigation pump sets	473.95
8	Private Consumers [Others]	230.13
	GRAND TOTAL [1 to 8]	1,172.95

Source: KPTCL and KERC.

51. These agencies have no elastic Tax resources and even with some scope for taxation, they follow the populist policy and always look to the Government for additional grants. Even in situations where Bangalore Mahanagara Palike (BMP) or a similar organization raises funds from the market as loans on Bonds for its development projects, they totally ignore the repayment responsibility in the absence of a proper charging principle for providing the services funded out of such loans. Again, this burden falls on the State Government as BMP looks to Governments for grants to manage the loan. The Committee feels that unless the State Government provides adequate funds to the urban local bodies, BWSSB, KUWS & DB and the like, it will not be in a position to implement effectively the reforms proposed for KPTCL which is compelled to seek hikes in electricity charges repeatedly which is justly resented by the consumers. All this will only go to show how the pressure on the State resources is operating in different spheres. The government finds it difficult to meet all these demands.

31.15 Appropriate User Charges for Power

52. As against Rs.4,662 Crore of approved revenue receipts for 2000-2001 for KPTCL nearly one-third of this revenue would be the arrears alone due from the Government Undertakings/Statutory Bodies/Government schemes. To the extent that Government does not reform its undertakings, statutory local bodies and provides them adequate grants both for their maintenance expenditure and development programmes, any talk of ensuring KPTCL functioning efficiently, no matter whatever is the directive of the KERC in respect of tariff levels, would be futile and delusive.

53. Our Committee hopes that with a high growth rate which Karnataka has registered and may continue to register in the coming years, there would be greater buoyancy in revenues resulting from the restructuring of the State tax system as recommended by the Tax Reforms Commission. To that extent we expect that the fiscal deficit will be reduced and that there would be larger savings in revenues will finance larger development in the Annual Plans. However, the Committee feels that Special Development Plan for reducing the regional balance, as

recommended by us will need massive additional resources which can be mobilized in the non-tax sector.

54. The Committee is quite clear in its perception of resource mobilization for equalization grants for the implementation of a **'Special Development Plan'.** There is some apprehension that such an approach may lead to a reduction in the current level of finance available for development in the different districts or taluks which are either at the level of the State average or above the State average. We hasten to remove any such fears. In our dispensation, we are not even for a moment, suggesting that the developed taluks or districts should be made to stagnate at the current level. These should also grow for which finances are to be provided in the regular Annual Plans. However, the backward taluks should get more by way of an equalization grant from the additional resources mobilized to make up the backlog.

31.16 External Assistance

55. At the time of submission of our Report we have noted that there are a large number of projects with external assistance NABARD, HUDCO etc. that are being implemented now in both the backward and developed taluks of North and South Karnataka. Due to the time constraint, it has not been possible for us to make a thorough study of all these projects to assess their impact, especially, on backward taluks. We are, however, allowing for these projects investments/expenditures to be pooled together in relation to the nature of the deficiency, or backlog which is, expected to be made up by these projects. It would be perfectly legitimate to show these resources as being mobilized and allocated to financing the **'Special Development Plan'.**

56. The views of HPC FRRI on the scope for mobilizing the required financial resources for backing the **Special Development Plan** through non-tax resources on the lines discussed above should not be interpreted to mean that if these non-tax resources are not rationalized and maximized, the corresponding funds will not become available and therefore the proposal of a **Special Development Plan** to supplement the normal effort becomes invalid. We are reiterating this to impress on the Government that out of the total plan resources, the required proportion will have to be first set aside or pre-empted for financing the **Special Development Plan.** Only the balance of the plan resources shall be allocated among the different sectors to benefit all the taluks in the State. Thus, to the extent that additional resources are mobilized by a sincere attempt by the Government, any reduction in the flow of resources for the normal plan will not take place. Otherwise, Government shall have to accept and honour the federal principle of transferring resources from better off regions to worse off regions for maximizing the total welfare of the people of their State. The Committee would like to remind the Government that it cannot insist on the transfer of resources from the Center from the better off States to the poorer States while they would not observe the same principles in the distribution of resources among the better off and the backward areas within the State itself.

Annexure : 31.1

Zilla Panchayat Per Capita Outlay and per Capital Income by Districts, 1997-98

SI. No.	District	1997-98 (Cr. Rs)	Population 1998	Share of Population	Per capita outlay (Rupees)	Per capita income 1997-98
1.	Bangalore (U)	35.67	6281708	12.02	56.78	25740
2.	Bangalore (R)	63.37	1853026	3.55	341.98	12215
3.	Chitradurga	80.84	2569275	4.92	314.64	10989
4.	Davanagere					
5.	Shimoga	69.79	2121281	4.06	329.00	13970
6.	Kolar	82.68	2480993	4.75	333.25	10013
7.	Tumkur	83.85	2602502	4.98	322.19	9011
8.	Mysore	89.53	3686501	7.06	242.86	14576
9.	C.R. Nagar					
10.	Chickmagalur	48.83	1102682	2.11	442.83	17609
11.	Hassan	59.94	1759428	3.37	340.68	12346
12.	Kodagu	24.20	506086	0.97	478.18	24623
13.	Mandya	50.81	1835893	3.51	276.76	11081
14.	D. Kannada	71.55	2980155	5.70	240.09	20167
15.	Udupi					
16.	Belgaum	93.47	4069826	7.79	229.67	13377
17.	Bijapur	91.81	3399302	6.51	270.08	10049
18.	Bagalkot					
19.	U. Kannada	44.06	1341209	2.57	328.51	12019
20.	Dharwad	97.78	3991093	7.64	245.00	10397
21.	Gadag					
22.	Haveri					
23.	Gulbarga	89.29	3043857	5.83	293.34	9516
24.	Bellary	67.11	2284598	4.37	293.75	12200
25.	Bidar	44.27	1504223	2.88	294.30	7861
26.	Raichur	75.45	2831914	5.42	266.43	8688
27.	Koppal					
	Lumpsum	55.44				
	Total	**1419.74**	**52245552**		**271.74**	**13621**

Contd..

Annexure Table : 31.1

Zilla Panchayat Per Capita Outlay and Per Capital Income by Districts, 2000-2001

SI. No.	District	2000-2001 (Cr. Rs)	Population 2001	Share of Population	Per capita outlay (Rupees)	Per capita income 1998-99
1.	Bangalore (U)	46.40	6523110	12.49	71.13	28305
2.	Bangalore (R)	70.82	1877416	3.59	377.22	12508
3.	Chitradurga	63.74	1510227	2.89	422.06	11181
4.	Davanagere	61.74	1789693	3.43	344.98	11612
5.	Shimoga	58.47	1639595	3.14	356.61	15246
6.	Kolar	85.54	2523406	4.83	338.99	10992
7.	Tumkur	98.18	2579516	4.94	380.61	11936
8.	Mysore	77.85	2624911	5.02	296.58	15632
9.	C.R. Nagar	39.66	964275	1.85	411.29	11433
10.	Chickmagalur	53.39	1139104	2.18	468.70	17262
11.	Hassan	67.90	1721319	3.29	394.46	10859
12.	Kodagu	30.24	545322	1.04	554.53	25573
13.	Mandya	64.69	1761718	3.37	367.20	11182
14.	D. Kannada	57.08	1896403	3.63	300.99	29962
15.	Udupi	36.68	1109494	2.12	330.60	13831
16.	Belgaum	114.35	4207264	8.05	271.79	13738
17.	Bijapur	59.91	1808863	3.46	331.20	10543
18.	Bagalkot	52.68	1652232	3.16	318.84	12970
19.	U. Kannada	58.47	1353299	2.59	432.06	13581
20.	Dharwad	41.23	1603794	3.07	257.08	14861
21.	Gadag	32.48	971955	1.86	334.17	9922
22.	Haveri	47.90	1437860	2.75	333.13	10132
23.	Gulbarga	101.78	3124858	5.98	325.71	11078
24.	Bellary	65.01	2025242	3.88	321.00	14914
25.	Bidar	56.27	1501374	2.87	374.79	9231
26.	Raichur	55.93	1648212	3.15	339.34	9866
27.	Koppal	43.13	1193496	2.28	361.38	11335
	Lumpsum	55.44				
	Total	**1696.96**	**52733958**		**321.80**	**14909**

*** Latest information available**

Note : For the year 1998 projected Population is used;
Source : Directorate of Economics and Statistics.

Source: Economic Survey, 1999-2000 and 2000-2001.