

Onam and the Kerala Exchequer's woes

Kerala's initiatives on welfare-oriented economic policies and the social developments it made during the changing governments have always been a subject of praise. Today, Kerala's exchequer is on the verge of an 'economic siege' due to the constrained finances and fiscal management practices adopted by the state. From having a share of 3% in the overall GSDP to witnessing it being slashed to 2%, a set of reasons emerge determining what could have led to this.

(a) **Treating off-budget liabilities as state debt:** - In order to boost its economic structure, Kerala sought financial assistance via KIIFB (2016) and KSSPL (2018) respectively. The Union Government during this period decided to clamp down further debts piling on its balance sheet by accounting for them on the respective borrowing state's balance sheets. This comes after repeated pleas made by the Kerala government to give a respite of providing debts up to 4.5% of GSDP;

(b) **Rationalization of shared-cost schemes:** - A shared-cost scheme talks about initiatives being largely funded by the union government but are executed on the ground level by the state governments. It is composed of two sections and they are Umbrella schemes and Central sponsored schemes. An umbrella scheme entails entire costs covered by the central government but projects assigned to Kerala have been reduced over the years. In a Central sponsored scheme, the central government furnishes 60% of the project cost while the state government must cover 40% of the costs. The Kerala government has repeatedly requested the Central government to consider splitting the costs in a 75:25 manner to which the latter has strongly rejected it citing that 93% of all off-budget liabilities are taken by the five South Indian states (Karnataka, Telangana, Andhra Pradesh, Kerala & Tamil Nadu) and therefore stricter measures must be imposed on ensuring strong fiscal management practices before deciding the next course of action.

Glossary

KIIFB – Kerala Infrastructure Investment Fund Board

KSSPL - Kerala Social Security Pension Limited

