

Karnataka Budget Analysis 2024-25

The Chief Minister of Karnataka, Mr. Siddaramaiah, presented the Budget for the state for the financial year 2024-25 on February 16, 2024.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Karnataka for 2024-25 (at current prices) is projected to be Rs 28,09,063 crore, amounting to growth of 9.4% over 2023-24.
- **Expenditure (excluding debt repayment)** in 2024-25 is estimated to be Rs 3,46,409 crore, an increase of 17% over the revised estimates of 2023-24. In addition, debt of Rs 24,974 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2024-25 are estimated to be Rs 2,63,428 crore, an increase of 16% as compared to the revised estimates of 2023-24.
- **Revenue deficit** in 2024-25 is estimated to be 1% of GSDP (Rs 27,354 crore), higher than the revised estimate for 2023-24 (0.54% of GSDP). In 2023-24, the revenue deficit is expected to be marginally higher than the budget estimate (0.49% of GSDP).
- **Fiscal deficit** for 2024-25 is targeted at 3% of GSDP (Rs 82,981 crore). In 2023-24, as per the revised estimates, fiscal deficit is expected to be 2.7% of GSDP, marginally higher than the budget estimate (2.6%).

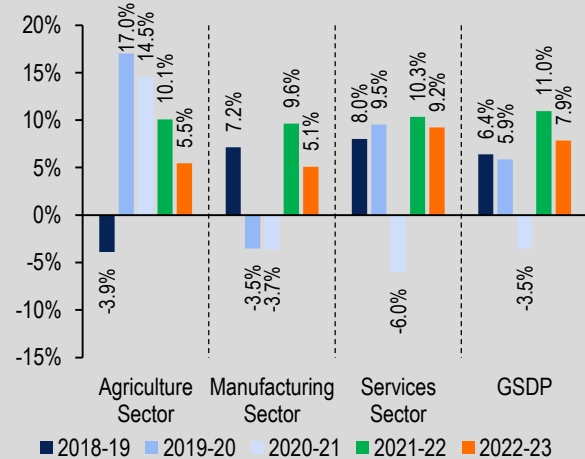
Policy Highlights

- **Agriculture:** New legislation will be enacted to establish a Marketing Development Assistance Fund, for the development of financially stressed Agricultural Produce Market Committees. A new scheme, the Karnataka Raitha Samruddhi Yojane, will be started to support farmers by consolidating existing schemes.
- **Economic Corridors:** Two dedicated economic corridors will be developed between: (i) Mangaluru port and Bengaluru, and (ii) Bidar and Bengaluru.
- **Pragati Path Scheme:** Under this scheme, road network of 9,450 km will be developed across 189 rural constituencies, at a cost of Rs 5,200 crore.
- **Labour:** New legislation will be introduced to provide livelihood security for platform-based gig workers, by levying a cess on certain online transactions.
- **Energy:** Installed power generation capacity will be increased from 32,000 MW to 60,000 MW over the next seven years.

Karnataka's Economy

- **GSDP:** In 2022-23, Karnataka's GSDP (at constant prices) grew at 7.9%, compared to 11% in 2021-22. In comparison, national GDP is estimated to grow by 7.2% in 2022-23.
- **Sectors:** The agriculture sector grew by 5.5% in 2022-23. In comparison, it witnessed 10% growth in 2021-22. Manufacturing sector grew by 5% in 2022-23. Services grew by 9% in 2022-23. In comparison, it grew by 10% in 2021-22.
- In 2022-23, agriculture, manufacturing, and services sectors are estimated to contribute 16%, 20%, and 64% to the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Karnataka in 2022-23 (at current prices) is estimated at Rs 3,31,981, an increase of 13% over 2021-22. India's per capita GDP in 2022-23 is estimated to be Rs 1,96,983.

Figure 1: Growth in GSDP and sectors in Karnataka at constant prices (2011-12)



Note: Agriculture includes mining and quarrying; Manufacturing includes construction and electricity. These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.

Sources: Ministry of Statistics and Programme Implementation; PRS.

Budget Estimates for 2024-25

- **Total expenditure (excluding debt repayment)** in 2024-25 is targeted at Rs 3,46,409 crore. This is an increase of 17% over the revised estimates of 2023-24. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 2,63,428 crore and net borrowings of Rs 80,272 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 16% over the revised estimates of 2023-24.
- **Revenue deficit** in 2024-25 is estimated to be 1% of GSDP (Rs 27,354 crore), higher than the revised estimates for 2023-24 (0.5% of GSDP). **Fiscal deficit** for 2024-25 is targeted at 3% of GSDP (Rs 82,981 crore), higher than the revised estimates for 2023-24 (2.7% of GSDP).

Table 1: Budget 2024-25 - Key figures (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Total Expenditure	2,92,125	3,27,747	3,17,836	-3%	3,71,383	17%
(-) Repayment of debt	15,942	22,441	22,441	0%	24,974	11%
Net Expenditure (E)	2,76,183	3,05,306	2,95,395	-3%	3,46,409	17%
Total Receipts	2,74,109	3,24,478	3,12,708	-4%	3,68,674	18%
(-) Borrowings	44,549	85,818	85,818	0%	1,05,246	23%
Net Receipts (R)	2,29,560	2,38,660	2,26,890	-5%	2,63,428	16%
Fiscal Deficit (E-R)	46,622	66,646	68,505	3%	82,981	21%
as % of GSDP	2.1%	2.6%	2.7%		3%	
Revenue Deficit	-13,496	12,523	13,951	11%	27,354	96%
as % of GSDP	-0.6%	0.5%	0.5%		1%	
Primary Deficit	18,195	32,619	37,962	16%	43,747	15%
as % of GSDP	0.8%	1.3%	1.5%		1.6%	
GSDP	21,81,217	25,67,340	25,67,340	0%	28,09,063	9%

Note: BE is Budget Estimates; RE is Revised Estimates. Fiscal deficit figures are as reported by the state, without adjustments to account for loans given by the Central government for capital expenditure. Sources: Annual Financial Statement, Karnataka Budget 2024-25; PRS.

Expenditure in 2024-25

- **Revenue expenditure** for 2024-25 is proposed to be Rs 2,90,531 crore, an increase of 21% over the revised estimate of 2023-24. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2024-25 is proposed to be Rs 52,903 crore, an increase of 3% over the revised estimate of 2023-24. Capital outlay indicates the expenditure towards creation of assets.
- In 2023-24, loans and advances given by the state are expected to be Rs 2,974 crore, lower than the revised estimates by 13%.

Expenditure on five guarantees

In 2023-24, the government launched four guarantee schemes under various departments. These are (i) Gruha Lakshmi, (ii) Gruha Jyothi, (iii) Shakthi, and (iv) Yuvanidhi. Along with the pre-existing scheme Annabhagya, these comprise five 'guarantees' provided to the public. In 2024-25, Rs 53,674 crore is proposed to be spent on these schemes. This is 47% higher than the revised estimates for 2023-24. More than half the allocation has been made towards the Gruha Lakshmi scheme. Under this scheme, women heads of families below the poverty line are given Rs 2,000 monthly. In 2024-25, this scheme has been allocated Rs 28,608 crore, which is 63% of the total estimated expenditure on social welfare and nutrition.

Sources: Karnataka Budget 2024-25; PRS.

Table 2: Expenditure budget 2024-25 (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Revenue Expenditure	2,15,584	2,50,933	2,40,731	-4%	2,90,531	21%
Capital Outlay	57,348	50,989	51,231	0%	52,903	3%
Loans given by the state	3,250	3,385	3,433	1%	2,974	-13%
Net Expenditure	2,76,183	3,05,306	2,95,395	-3%	3,46,409	17%

Sources: Annual Financial Statement, Karnataka Budget 2024-25; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2024-25, Karnataka is estimated to spend Rs 1,52,023 crore on committed expenditure, which is 58% of its estimated revenue receipts. This comprises spending on salaries (31% of revenue receipts), pension (12%), and interest payments (15%). In

2024-25, expenditure towards pensions is estimated to be 29% higher than the revised estimate for 2023-24. In 2022-23, as per actual figures, 45% of revenue receipts were spent towards committed expenditure.

Table 3: Committed Expenditure in 2024-25 (in Rs crore)

Committed Expenditure	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Salaries	50,061	68,247	65,003	-5%	80,434	24%
Pension	24,020	25,116	25,116	0%	32,355	29%
Interest payment	28,427	34,027	30,543	-10%	39,234	28%
Committed Expenditure	1,02,508	1,27,390	1,20,662	-5%	1,52,023	26%

Sources: Annual Financial Statement, Karnataka Budget 2024-25; PRS.

Sector-wise expenditure: The sectors listed below account for **64%** of the total expenditure on sectors by the state in 2024-25. A comparison of Karnataka's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Karnataka Budget 2024-25 (in Rs crore)

Sector	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	2024-25 Budgeted	% change from RE 23-24 to BE 24-25	Demand Provisions
Social Welfare and Nutrition	16,045	34,834	35,947	45,281	26%	<ul style="list-style-type: none"> Rs 28,608 crore has been allocated towards the Gruha Lakshmi scheme, 63% more than the budget estimates for 2023-24.
Education, Sports, Arts, and Culture	32,853	33,271	31,809	40,945	29%	<ul style="list-style-type: none"> Block grants worth Rs 22,209 crore will be provided for school education and literacy. Rs 1,553 crore has been allocated for the Aksharadasoha (Mid-day Meal Scheme).
Agriculture and Allied Activities	17,381	22,158	20,364	23,357	15%	<ul style="list-style-type: none"> Rs 9,744 crore has been allocated to the Annabhagya scheme. Interest subsidy scheme for crop loans, pledge loans, and self-help groups has been allocated Rs 1,576 crore.
Energy	14,827	22,662	21,060	23,100	10%	<ul style="list-style-type: none"> Rs 12,786 crore has been allocated for subsidies for the supply of free power to irrigation pumpsets. Rs 9,657 crore has been allocated towards the Gruha Jyothi scheme.
Irrigation and Flood Control	23,112	19,057	19,057	19,194	1%	<ul style="list-style-type: none"> Rs 15,410 crore has been allocated for capital outlay on medium irrigation.
Health and Family Welfare	12,539	14,761	14,400	16,356	14%	<ul style="list-style-type: none"> Rs 4,332 crore has been allocated towards medical education.
Transport	20,474	15,023	14,794	15,509	5%	<ul style="list-style-type: none"> Rs 7,212 crore has been allocated towards capital outlay on roads and bridges. Rs 5,015 crore has been allocated towards the Shakthi Scheme, which provides free bus travel to women.
Welfare of SC, ST, OBC, and Minorities	10,830	10,972	11,313	13,334	18%	<ul style="list-style-type: none"> Rs 5,125 crore has been allocated towards the welfare of scheduled castes. Rs 3,489 crore is allocated for the welfare of backward classes.
Police	8,538	10,011	9,638	11,572	20%	<ul style="list-style-type: none"> Rs 7,034 crore has been allocated for police establishments in existing districts.
Rural Development	11,498	9,494	9,564	10,304	8%	<ul style="list-style-type: none"> Mahatma Gandhi National Rural Employment Guarantee Scheme has been allocated Rs 2,390 crore. Grants worth Rs 2,241 crore will be provided to Gram Panchayats, as recommended by the 15th Finance Commission.
% of total expenditure on all sectors	62%	64%	64%	64%		

Sources: Annual Financial Statement, Detailed Budget Estimates of Expenditure, Karnataka Budget 2024-25; PRS.

Receipts in 2024-25

- **Total revenue receipts** for 2024-25 are estimated to be Rs 2,63,428 crore, an increase of 16% over the revised estimate of 2023-24. Of this, Rs 2,03,393 crore (77%) will be raised by the state through its **own resources**, and Rs 59,785 crore (23%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (17% of revenue receipts) and grants (6% of revenue receipts).
- **Central Transfers:** In 2024-25, devolution, or the state's share in central taxes is estimated at Rs 44,485 crore, an increase of 10% over the revised estimates of 2023-24. Grants from the centre in 2024-25 are estimated at Rs 15,300 crore, an increase of 8% over the revised estimates for 2023-24.
- **State's own tax revenue:** Karnataka's total own tax revenue is estimated to be Rs 1,89,893 crore in 2024-25, an increase of 18% over the revised estimate of 2023-24. Own tax revenue as a percentage of GSDP is estimated at 6.8% in 2024-25, higher than the revised estimates for 2023-24 (6.2%). As per the actual figures for 2022-23, own tax revenue as a percentage of GSDP was 6.6%.

Table 5: Break-up of the state government's receipts (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 2023-24 to RE 2023-24	2024-25 Budgeted	% change from RE 2023-24 to BE 2024-25
State's Own Tax	1,43,702	1,73,303	1,60,303	-8%	1,89,893	18%
State's Own Non-Tax	13,914	12,500	12,000	-4%	13,500	12%
Share in Central Taxes	34,596	37,252	40,281	8%	44,485	10%
Grants-in-aid from Centre	36,867	15,355	14,196	-8%	15,300	8%
Revenue Receipts	2,29,080	2,38,410	2,26,780	-5%	2,63,178	16%
Non-debt Capital Receipts	481	250	110	-56%	250	127%
Net Receipts	2,29,560	2,38,660	2,26,890	-4.9%	2,63,428	16%

BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Karnataka Budget 2024-25; PRS.

- In 2024-25, **State GST (SGST)** is estimated to be the largest source of own tax revenue (46% share). SGST revenue is estimated to increase by 21% over the revised estimates of 2023-24. In 2022-23, actual SGST revenue was 15% higher than the budget estimate. In 2021-22, this figure was 9%.
- Revenue from state excise in 2024-25 is expected to see a 12% increase as compared to the revised estimates for 2023-24. State excise revenue is estimated to be 20% of Karnataka's own tax revenue.

Finance Commission (FC) Grants to Local Bodies

The 15th FC recommended local body grants for Karnataka worth Rs 10,996 crore between 2021-22 and 2023-24. A significant proportion of these local body grants are released upon certain conditions being met. Some of the grant conditions are: (i) online availability of annual urban local body (ULB) accounts, (ii) notifying floor rate of property tax, and (iii) improving air quality.

In the first two years of the FC grant period, ULB grants fell short of the recommended amount. Karnataka received 76% of ULB grants in 2021-22 and 61% in 2022-23. In 2022-23 it received 85% of the recommended rural local body grants. An inability to meet the grant conditions may have led to lower amounts being released. For 2023-24, 31% of the recommended local body grant amount for Karnataka has been released as of December 14, 2023.

Sources: Karnataka Budget 2023-24 and 2024-25; Unstarred question no. 1819, Rajya Sabha, December 19, 2023; PRS.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Head	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
State GST	61,403	76,150	71,367	-6%	86,475	21%
State Excise	29,920	36,000	34,500	-4%	38,525	12%
Stamps Duty and Registration Fees	17,726	25,000	20,000	-20%	26,000	30%
Sales Tax/ VAT	19,082	21,100	20,486	-3%	22,125	8%
Taxes on Vehicles	10,611	11,500	11,400	-1%	13,000	14%
Taxes and Duties on Electricity	3,052	2,049	1,149	-44%	2,006	75%
Land Revenue	364	104	104	0%	362	249%
GST Compensation Grants	20,288	2,350	1,191	-49%	0	-
GST Compensation Loans	0	0	0	-	0	-

Sources: Annual Financial Statement, Revenue Budget, and Karnataka Budget 2024-25; PRS.

Deficits, Debt, and FRBM Targets for 2024-25

The Karnataka Fiscal Responsibility Act, 2002 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue deficit: It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue deficit of Rs 27,354 crore (or 1% of the GSDP) in 2024-25.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2024-25, the fiscal deficit is estimated to be 3% of GSDP. For 2024-25, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms.

As per the revised estimates, in 2023-24, the fiscal deficit of the state is expected to be 2.7% of GSDP. This is marginally higher than the budget estimate (2.6%). Fiscal deficit is projected to be lowered to 2% of GSDP by 2027-28.

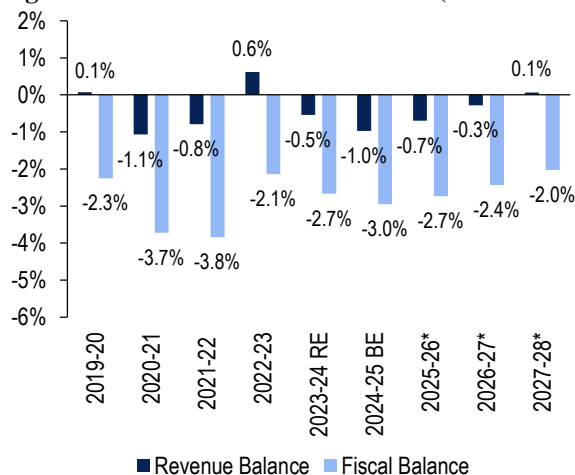
Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2024-25, the outstanding liabilities are estimated to be 24% of GSDP, higher than the revised estimate for 2023-24 (23% of GSDP). Outstanding liabilities rose significantly in 2021-22 (to 27% of GSDP), but have remained below 25% of GSDP since then.

Composition of Outstanding Liabilities

Karnataka's outstanding liabilities include public debt, public account liabilities, and off-budget borrowings. Between 2021-22 and 2024-25, the share of each of these components in the total liabilities has changed. The share of public debt is estimated to increase from 75% in 2021-22 to 78% in 2024-25. This is primarily due to an increase in open market borrowings (from 68% of total liabilities to 71%). The share of public account liabilities is estimated to decrease to 21% of total liabilities in 2024-25, from 25% in 2022-23 and 23% in 2023-24 (as per revised estimates). Off-budget borrowings are also estimated to decrease significantly, from Rs 17,306 crores in 2022-23 to Rs 7,507 crore in 2024-25. In March 2022, the central government decided to include states' off budget borrowings when deciding the net borrowing ceiling.

Source: Karnataka Budget 2024-25; PRS.

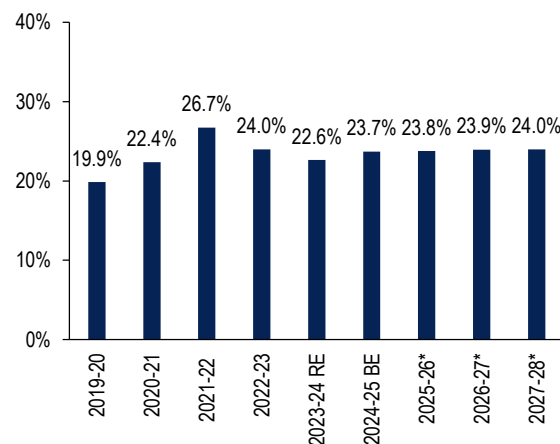
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: *Figures for 2025-26 onwards are projections; RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Karnataka Budget 2024-25; PRS.

Figure 3: Outstanding Liabilities (as % of GSDP)



Note: *Figures for 2025-26 and 2026-27 are projections; RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Karnataka Budget 2024-25; PRS.

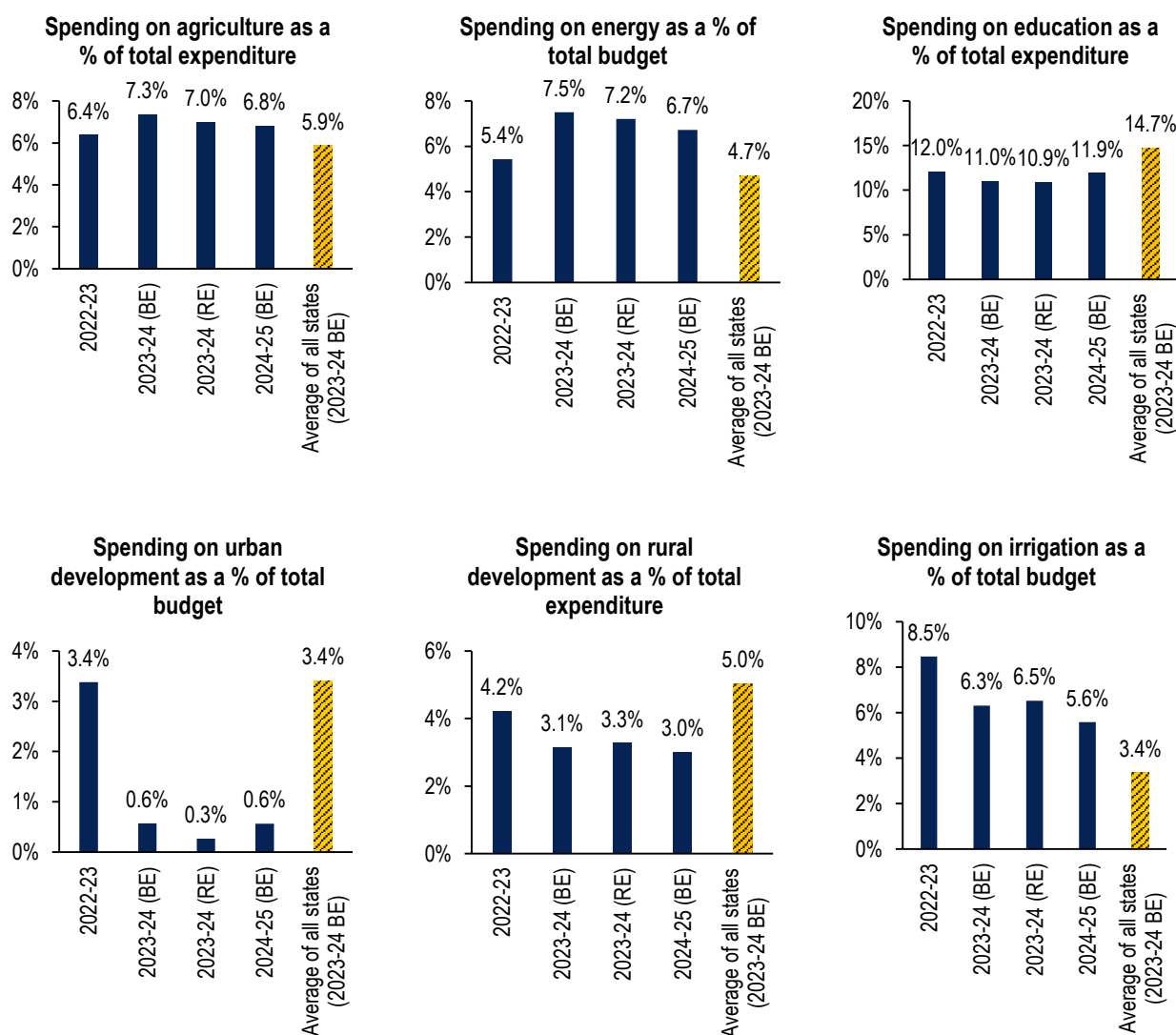
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As of March 31, 2023, the state's outstanding guarantee is estimated to be Rs 38,356 crore, which is 17% of Karnataka's revenue receipts in 2022-23.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Karnataka's expenditure in 2024-25 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Karnataka) as per their budget estimates of 2023-24.¹

- **Agriculture:** Karnataka has allocated 6.8% of its total expenditure towards agriculture, which is higher than the average expenditure on agriculture by states (5.9%).
- **Energy:** Karnataka has allocated 6.7% of its total expenditure towards energy, which is higher than the average allocation by states (4.7%).
- **Education:** Karnataka has allocated 11.9% of its expenditure on education in 2024-25. This is lower than the average allocation for education by states in 2023-24 (14.7%).
- **Urban Development:** Karnataka has allocated 0.6% of its total expenditure towards urban development, which is lower than the average allocation for urban development by states (3.4%).
- **Rural development:** Karnataka has allocated 3% of its expenditure on rural development. This is lower than the average allocation for rural development by states (5%).
- **Irrigation:** Karnataka has allocated 5.6% of its expenditure towards irrigation. This is higher than the average allocation towards irrigation by states (3.4%).



Note: 2022-23, 2023-24 (BE), 2023-24 (RE), and 2024-25 (BE) figures are for Karnataka.

Sources: Annual Financial Statement, Karnataka Budget 2024-25; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry .

Annexure 2: Comparison of 2022-23 Budget Estimates and Actuals

The following tables compare the actuals of 2022-23 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Net Receipts (1+2)	1,89,977	2,29,560	21%
1. Revenue Receipts (a+b+c+d)	1,89,888	2,29,080	21%
a. Own Tax Revenue	1,26,883	1,43,702	13%
b. Own Non-Tax Revenue	10,941	13,914	27%
c. Share in central taxes	29,783	34,596	16%
d. Grants-in-aid from the Centre	22,281	36,867	65%
Of which GST compensation grants	5,000	20,288	306%
2. Non-Debt Capital Receipts	89	481	437%
3. Borrowings	72,000	44,549	-38%
Of which GST compensation loan	0	0	-
Net Expenditure (4+5+6)	2,51,541	2,76,183	10%
4. Revenue Expenditure	2,04,587	2,15,584	5%
5. Capital Outlay	43,573	57,348	32%
6. Loans and Advances	3,382	3,250	-4%
7. Debt Repayment	14,179	15,942	12%
Revenue Balance	-14,699	13,496	-192%
Revenue Balance (as % of GSDP)	-0.7%	0.6%	
Fiscal Deficit	61,564	46,622	-24%
Fiscal Deficit (as % of GSDP)	2.82%	2.1%	

Source: Karnataka Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Source/Head	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
State Excise	29,000	29,920	3%
Taxes and Duties on Electricity	2,823	3,052	8%
Sales Tax/ VAT	17,640	19,082	8%
State GST	53,220	61,403	15%
Stamps Duty and Registration Fees	15,000	17,726	18%
Taxes on Vehicles	8,007	10,611	33%
Land Revenue	43	364	752%

Source: Karnataka Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Health and Family Welfare	14,368	12,539	-13%
Water Supply and Sanitation	7,053	6,268	-11%
Agriculture and Allied Activities	17,039	17,381	2%
Social Welfare and Nutrition	15,528	16,045	3%
Education, Sports, Arts, and Culture	32,018	32,853	3%
Police	8,007	8,538	7%
Housing	3,659	4,031	10%
Irrigation and Flood Control	20,652	23,112	12%
Welfare of SC, ST, OBC, and Minorities	9,180	10,830	18%
Energy	12,226	14,827	21%
Rural Development	9,295	11,498	24%
Transport	12,105	20,474	69%
<i>of which Roads and Bridges</i>	10,276	15,376	50%
Urban Development	5,685	9,222	62%

Source: Karnataka Budget Documents of various years; PRS.