

Fiscal Health Performance Holds Key To Congress' Welfare Promises In Karnataka

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As the newly elected Congress government takes the power of the State Legislative in Karnataka under the chief ministership of Siddaramaiah and Deputy CM DK Shivakumar, the fulfillment of five poll promises/guarantees is likely to be the new government's top fiscal welfare priority.

What were the five guarantees promised by the Congress Party in the state?

1. Gruha Lakshmi: The scheme aims to provide two thousand rupees a month to every woman head of a house. "We are keeping money in the hands of women to ensure that they're in control and charge of their own life," says the party manifesto.
2. Yuva Nidhi: This scheme aims to provide support to the Youth of Karnataka for two years by paying ₹3000 to unemployed graduates and ₹1500 to unemployed diploma holders every month.
3. Anna Bhagya: Under this scheme, 10 kgs of rice will be provided per person per month to BPL families.
4. Gruha Jyoti: This scheme promises to provide 200 units of free electricity for every single household in the state.
5. Sakhi Programme: This scheme aims to provide free bus tickets for women to travel around Karnataka.



Watch Video At: <https://youtu.be/oxAuH5Tsx5U>

In a previously written [analysis](#), this author argued that in a largely urban-constituent-based voting population in Karnataka, most voters may prefer to go beyond identity-based markers to vote on key local socio-developmental issues, further seeing a complementary pull of an anti-corruption protest vote, and those voting for enhanced 'access equality' (especially, amongst the marginalised, socially poorer/low-income groups), and how that may ultimately determine the final electoral outcome in favor of the opposition.

The vitality of each of the above pre-poll promised schemes cannot be emphasised enough. Each of the schemes cover critical ends of essential social welfare and securing socio-economic security for the vulnerable and poorer sections of the state population (from providing direct benefit transfers to unemployment security to nutrition to power and mobility support for women).

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A promise of implementing these schemes could have also played an important role in mobilising the critical AHINDA vote (a Kannada acronym for Alpasankhyataru or minorities, Hindulidavaru or backward classes, and Dalitaru or Dalits) in favor of the Congress party. The Congress had a massive vote share amongst the socially marginalised and poorer income groups (from 88% Muslims to 63% Kuruba to 60% SC and 44% ST, all groups voted for the Congress).

Most of these groups felt economically insecure about their future under the BJP (amidst issues of price rise, unemployment, higher corruption, and reeled under a communal, electoral agenda). They registered their protest vote against the incumbent in the hope for change.

However, for the 'fiscal' cost of the '5 guaranteed' schemes to be managed, it would be essential for the newly elected Siddaramaiah government to focus the state's economic agenda towards higher growth, and better revenue prospects, in ensuring a redistributive welfare objective.

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On Growth

The state was quick to recover quickly post the pandemic-owing most of its higher GSDP performance to better 'service-led' growth. Services account for the highest share of Karnataka's Gross State Value Added (GSVA) at 64 per cent followed by industries (21

per cent) and agriculture (15 per cent).

Over the last three to four years, the growth has remained volatile for the state's agriculture and manufacturing sector, with most revenue income earned from services alone. The state is also leading the surge in services exports in the country as it occupies the top rank in software/ service exports and fourth in merchandise exports. During FY23, the share of Karnataka's GSDP in all India's GDP stood at 8.2 per cent.

The new government must continue to ensure a higher growth trajectory in 'services' while developing economic opportunities in other areas (from agriculture to industry) that will help the government in also providing enough fiscal space for the implementation and expansion of an eroded social welfare/safety net.

Monitoring Fiscal Deficit and Expanding the Tax Revenue Base

Most states in India, post-pandemic, have been struggling in managing high fiscal deficit levels. See the expenditure sheet from the Karnataka state budget documents from 2022-23.

Out of the total expenditure, around 7% of budgeted spending was spent till the 2022-23 budget towards the welfare of SC, ST, OBC, and Minorities, by the Bommai-BJP government. With the 5 schemes announced by the newly elected Congress government, this sectoral spending share is now likely to go up, along with the meagre spending allocation made earlier towards energy, transport, social welfare, and nutrition. Note: Only 2% of budgetary allocation was spent on this till 2022-23 with negative spending growth seen in areas of energy (-1%), transport (-1%), rural development (-1%), health, and family welfare (-2%).

As with other states, Karnataka's finances were ruptured by the pandemic with dwindling revenue and a spike seen in healthcare expenditure. From 2.37 per cent of GSDP in FY18, the state's fiscal deficit zoomed to 3.03 per cent in FY21. However, the state has since then been controlling the rise of fiscal deficit by attempting to contain revenue deficit (largely by cutting social welfare spending).

What about revenue?

Total revenue receipts for 2022-23 were estimated to be Rs 1,89,888 crore, a marginal increase over the revised estimate for 2021-22. Of this, Rs 1,37,824 crore (73%) were raised by the state through its own resources, and Rs 52,064 crore (27%) came from the centre. One isn't sure now how a 'BJP'-run union government will allocate 'grants in aid' or other centre-based spending towards the state government (now run by a Congress government).

The growth of software services in recent years has also helped in record-strong growth in tax revenue. The consumption of premium goods and services in urban areas has boosted its GST revenue as well. This is where the growth strategy of the new government will hold the key. On fiscal deficit, in FY23, the state managed to reduce its

fiscal deficit by ₹8,703 crores compared with the previous fiscal. Consequently, it revised the fiscal deficit to 2.8 percent of GSDP for FY23 against budget estimates of 2.82 percent. For FY24, the state has projected a fiscal deficit of ₹60,581 crore or 2.6 percent of GSDP, well below the 4 percent cap allowed by the Finance Commission.

Keeping the macro-health of the state's economic position in good shape will, therefore, be pivotal for the new Congress government to achieve its intended goals and pre-poll promises of social welfare for all communities across the state.

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