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IMPACT OF DEVELOPMENT EXPENDITURE ON GROSS STATE DOMESTIC PRODUCT IN KARANTAKA STATE

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ABSTRACT

Important features of the expenditure have been performing to enhance the capacity building of productive activities of different sectors of the economy. It indicates that expenditure on public infrastructure, human capital, science and technology can be growth and welfare also enhancing and improving capital and labour productivity. The quality of expenditure of states has modestly improved the enactment of Fiscal Responsibility and Budget Management FRBM. The states need to prioritize expenditure on physical, social infrastructure and economise on the allocation of resources.

KEYWORDS: Development Expenditure, Domestic Product, human capital, science and technology.

INTRODUCTION:

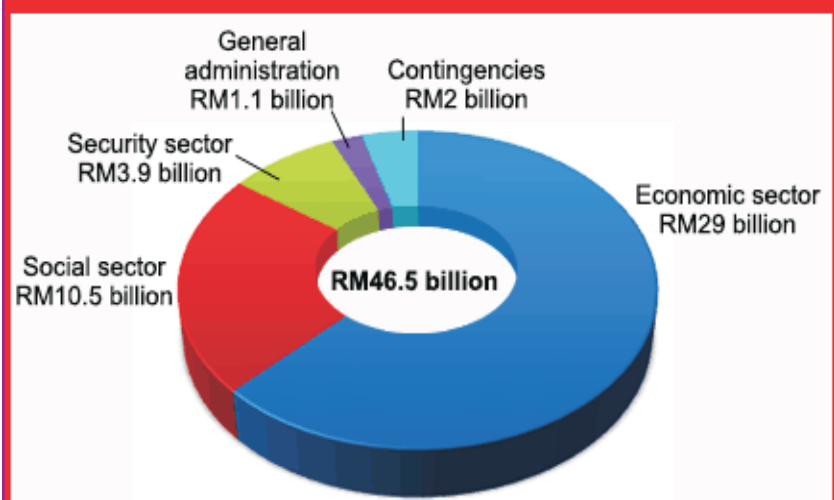
The share of development expenditure and non development expenditure has been constantly increasing at 70 per cent and 30 per cent respectively. The development expenditure constitutes economic services which constitute major expenditure on agriculture and allied services followed by irrigation and

flood control and power development and transport and communication and rural development and general economic services. The social services of development expenditure majorly constitutes, education, sports, arts and culture, Social security and welfare including SCs, STs and OBCs., Progress and development of Karnataka. Non-Development Expenditure constitutes revenue expenditure under general services which alone has a share of 22.55 per cent of aggregate expenditure, which consists of interest payments, servicing debts, pension and

miscellaneous general services, administrative services, fiscal services and organs of the state. Moreover, share of capital expenditure of Non Development constitutes 4.75 per cent, with sub category comprised of discharge of internal debt, repayment of loans of government of India, market borrowings and ways and means advances from RBI and general services.

According to Wagner's law the development of an industrial economy will be accompanied by an increased share of public expenditure in gross national product because of (i) social activities; (ii) administrative and protective actions; and (iii) welfare functions of the state (Wagner, 1892). In a general equilibrium framework,

Development Expenditure



public expenditure has been viewed as improving allocative efficiency through correction of market failures, redistributing resources equitably and promoting economic growth and stability to produce normative outcomes (Musgrave, 1959).

The Keynesian hypothesis reveals that public expenditure which promotes growth through an increase in aggregate demand in an economy operating at less than full employment. Keynes, however, emphasised “pump priming” without bringing in composition and quality of expenditure in his analysis. Furthermore, big increases in spending and government deficits raise the prospect of future tax increases with attendant impact on the macro economy.

Despite its importance from a ‘public good’ perspective, the quality of expenditure at the sub-national level has received less attention than it deserves. Analysis of the relationship between public expenditure and economic growth or State Finances: A Study of Budgets of 2015-16 development has engaged economists since the late 19th century. Diamond (1989) found empirical evidence that capital spending, particularly on health, housing and welfare have positive effect on growth. Endogenous growth theory turned attention to the macroeconomic effects of the quality of government spending, with investment in human capital, innovation, and knowledge being significant contributors to economic growth (Romer, 1986; Lucas, 1988; Rebelo, 1991).

It is also argued that in a knowledge-based economy, sustained investment in human capital would result in positive externalities which would perpetuate the growth process for a protracted period of time leading to overall economic development (Barro and Sala-i-Martin, 1992). As a result, this analysis represents finances with the specific objective of shedding light on its theme “Quality of Expenditure”. The quality of expenditure across Indian states and its impact on economic growth and equity are empirically explored through descriptive statistics and technical analysis. Thus it also dwells on the impact of FRBM implementation on expenditure quality at the state level.

Empirical evaluation of the impact of different categories of expenditure on growth and development has been largely inconclusive although a loose consensus has formed around the view that specific categories of government expenditure such as on public infrastructure, human capital, science and technology can be growth and welfare enhancing by improving capital and labour productivity (Tanzi and Zee, 1997). It has also been pointed out that public expenditure needs to encompass both growth and equity considerations (Pattnaik et al., 2005; Daniel et al., 2006).

Ricardian correspondence view would, however, imply that rational and infinitely lived taxpayers will anticipate higher taxes in future and save more. Consequently, aggregate demand would not change i.e., deficits “would have no first-order effect on the real interest rate, volume of private investment, etc. (Barro, 1979)”.

The unsustainable levels of fiscal deficits and public debt and their adverse macroeconomic implications, governments across countries have embarked upon corrective strategies to adjust key fiscal parameters to levels that are sustainable in the context of the state of the economy. These efforts are typically driven by rules that limit deficits, debt, expenditure or a combination thereof. Fiscal adjustment strategies have been attempted in the form of revenue enhancement or expenditure compression or usually, a combination of both. The presence of nominal rigidities sets up trade-offs – a quantity-centric fiscal adjustment invariably involves compromises in terms of qualitative aspirations of fiscal authorities. In view of the committed nature of certain categories of expenditure, the imperative of achieving quantitative targets forces the curtailment of expenditures that are regarded as ‘productive’ since they provide positive externalities in terms of enhancing growth and efficiency.

In recent years, however, prolonged periods of sluggish growth have brought these issues to the centre stage of the still unsettled debate on the optimal dynamics of fiscal consolidation. In this context, fiscal consolidation through quantity adjustments should not compromise on expenditure quality. Fiscal consolidation at the sub-national level in India has been undertaken under a rule based framework through the enactment of fiscal responsibility and budget management (FRBM) legislations, although there are subtle variations in terms of design and features across states. Resource constraints have forced cutbacks in outlays on social and physical infrastructure in the wake of inflexibilities in committed expenditures and subsidies, with near-term as well as more drawn out implications for societal welfare. Consequently, careful assessment of the

growth and efficiency enhancing effects of alternative mixes of government expenditure assumes critical importance if the best effects of fiscal rectitude have to be seized. In particular, it is imperative that states do not sacrifice growth inducing expenditures even as they put in place mechanisms for enhancing expenditure efficiency within the overall framework of fiscal consolidation.

2. OBJECTIVES OF THE STUDY:

The paper entitled the “Impact of Development Expenditure on Gross State Domestic product of Karnataka State” is an attempt for investigation based on the following objectives:

1. To analyse the influence of Development Expenditure on the increase of gross state domestic production of Karnataka State.
2. To examine the Non-Development Expenditure influence on the state domestic product.
3. To study the development path of Karnataka state by policy measures of the government.

3. HYPOTHESES:

The hypotheses are framed to test objectives and its effect on economic development and its policies of expenditure of Karnataka is as follows:

1. Development expenditure is positively working for increase of gross state domestic product.
2. Non development expenditure is a positive effect on the state economy.

4. METHODOLOGY:

The present piece of research investigation is based on secondary data of Public Finance of Karnataka State. In order to estimate the gross state domestic product of Karnataka State a multiple regression analysis model has been used for time series data during 2000-01 to 2015-16. The coefficient of variables of development expenditure and non development expenditure are used to predict the influence on the GSDP of state economy. The extent of influence is estimated by using the model.

$$GSDP = \beta_0 + \beta_1 (DE) + \beta_2(NDE) + u \dots\dots\dots(1)$$

$$GSDP = \beta_0 + \beta_1 (Revenue Expenditure) + \beta_2(Capital Expenditure) + u \dots(2)$$

In the above equation β_1, \dots, β_2 equal parameters and u equals error term.
 Dependent Variables : GSDP = Gross State Domestic Product Rs. in Crore

Independent Variables:

- DE = Development Expenditure of the state government Rs. in Crore.
- NDE = Non Development Expenditure of the state government Rs.in Crore.
- RE = Revenue Expenditure Rs in Crore
- CE = Capital Expenditure Rs.in Crore

5. HYPOTHESES TESTING:

The primary objective of the present study is to assess the role of development expenditure and non development expenditure in increasing of gross state domestic product of Karnataka State. The development expenditure is indicated by the growth of investment, number of units industries, agriculture services and employment and income generation of the state. The development expenditure has a positive impact on the promotion of growth of state GDP and employment opportunities in the state of Karnataka.

The stated hypothesis is tested by fitting the multiple regression models.

FIRST HYPOTHESIS:

H₀ Null Hypothesis: The development expenditure has not positive impact on the growth of gross state domestic product in Karnataka

H₁ Alternative Hypothesis: Development Expenditure has a positive impact on the increase of gross state domestic product in Karnataka.

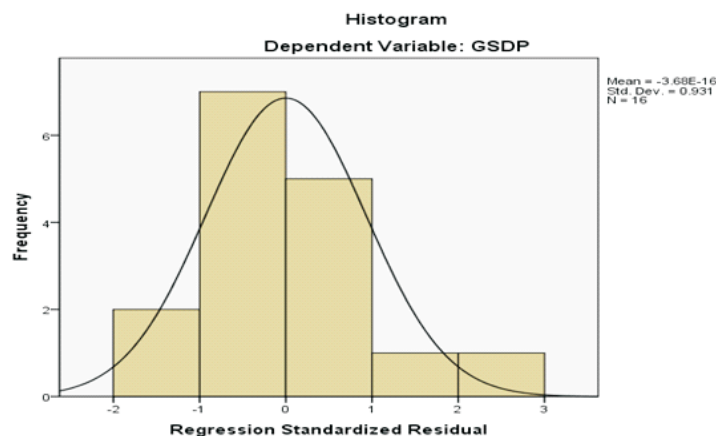
Table 1:- Determinants of GSDP by Development and Non Development Expenditure in Karnataka during 2000-01 to 2015-16

S.No	Indicators	Coefficients	t-Values	P-Values
1	Development Expenditure	5.643	2.443	0.030
2	Non Development Expenditure	8.570	1.220	0.244
	Constant	-64051.395	-1.502	0.157
	R Square	.942		
	F-Statistic	106.481		
	P-Value	0.000 ^a		
	Durbin-Watson	1.493		

a. Predictors: (Constant), NDE, DE

b. Dependent Variable: GSDP

The above Table indicate the multiple regression models consisting of development expenditure and non development expenditure in Karnataka as explanatory variable, Gross State Domestic product is dependent variable. The F value of the model 106.481 is statistically significant at 0.05 (P value < 0.05) and the individual regression coefficient of development expenditure and non development expenditure is statistically significant (P value < 0.05) and both has positive impact on state domestic product, From the sample data, there is enough evidence to reject the null hypothesis of not significant GSDP of state and its linear upward trend is justified. Hence, development expenditure and non development expenditure influence on gross domestic product generation over a time period 200-01 to 2015-16 is statistically positive.



The Skewness is necessary in order to guard against the consequences of the assumptions such as Development Expenditure Non-Development Expenditure and policy measures. A distribution is not symmetrical is called a skewed distribution could be positively skewed and excess tail is towards right hand side as would be clear from the diagram positive influence on the increasing of GSDP of Karnataka.

DEVELOPMENT EXPENDITURE:

The main reason for spectacular increase in the public expenditure during a substantial part of planning period has been the expansion in developmental activities over the years. The ratio of development expenditure to the total expenditure in India was 36.2 per cent in 1950-51 , however, over a period of decades the development expenditure has increased significantly as high as 58.7 per cent of public expenditure in 2013-14. The State accorded a very high priority in India to the development of infrastructure such as roads, railways, construction of canals, production of energy etc, create conducive environment for rapid economic development. The multi-dimensional development of the social overhead capital by the state gives incentive to the private sector to raise the output. The states accorded a high priority to large scale basic industries under the Mahalanobis strategy of development. The massive allocation of funds to the development of Iron and steel, heavy engineering, machine tools and chemicals industries which considerably strengthen the state's industrial structure.

The development expenditure also has risen rapidly due to accelerated increase in the amount of subsidies on food, fertilisers and petroleum. The magnitude of subsidies are reflecting in the annual budgets. The hidden subsidies are cheap higher education, free medical services in government hospitals, power supply to farmers and free irrigation facilities by the state governments. The expenditure on social services like on education, health are treated as an investment in man and is thus considered as a productive of human capital in Western countries. The importance of education and health services are facilitating long term economic development Public expenditure on education in India was just 3.9 per cent of GDP and only 1.1 per cent of Health public expenditure in 2013. The development expenditure share has been increased from 68.53 per cent in 1980-81 to 72.55 per cent in 2015-16. The development expenditure on education and health in Karnataka during 2015-16 accounts for 20.67 per cent and 9.37 per cent respectively.

NON DEVELOPMENT EXPENDITURE:

For the last three decades the relative importance of non development expenditure has declined, the absolute amount of expenditure under the non development heads had increased. Non development expenditure is considered desirable from administrative point of view and has tendency to increase with the growth of population and per capita income. However, it constitutes expenditure of general services, social services, economic services grant in aid, on revenue, capital and loans. The non development expenditure has been declined its share in aggregate expenditure from 31.17 per cent during 1980-81 to 27.45 per cent by 2015-16, which constitutes majorly interest payments and subsidies on various programmes and schemes. The aggregate expenditure has also been increased at 26.29 per cent in 2007-08 and 22.85 per cent in 2014-15 budget estimates. The annual growth rate and its trend of development expenditure and non development expenditure slightly at declining trend which can be seen from the table as well as trend graph.

Table -2: Trends in Developmental and Non Developmental Expenditure in Karnataka Rs. in Crore

Years	Development Expenditure	Percent in total	Non-Development Expenditure	Percent in total	Aggregate Expenditure	Percent Change
1980-81	892.27	68.53	409.68	31.47	1301.95	-
1990-91	4504.64	72.09	1743.57	27.91	6248.21	16.98
2000-01	12921.21	65.71	6742.44	34.29	19663.65	12.15
2001-02	14351.59	65.68	7500.27	34.32	21851.86	11.13
2002-03	14551.24	60.70	9421.93	39.30	23973.17	9.71
2003-04	15483.22	53.22	13607.47	46.78	29090.69	21.35
2004-05	19321.24	56.72	14742.56	43.28	34063.80	17.10
2005-06	22733.77	65.47	11990.24	34.53	34724.01	1.94
2006-07	29952.24	68.30	13899.82	31.70	43852.06	26.29
2007-08	34118.89	71.01	13926.45	28.99	48045.34	9.56
2008-09	37609.41	71.96	14651.53	28.04	52260.94	8.77
2009-10	43911.61	72.40	16743.57	27.60	60655.18	16.06
2010-11	52326.77	75.70	16800.19	24.30	69126.96	13.97
2011-12	61736.01	74.89	20700.28	25.11	82436.29	19.25
2012-13	68365.56	71.31	27508.52	28.69	95874.08	16.30
2013-14	76948.69	72.03	29883.18	27.97	106831.87	11.43
2014-15 BE	95262.61	72.58	35985.10	27.42	131247.71	22.85
2014-15 RE	93440.51	72.96	34637.35	27.04	128077.86	-2.42
2015-16	99208.60	72.55	37537.93	27.45	136746.53	6.77

Source: Government of Karnataka Accounts at A Glance, Finance Department, Bengaluru, 2016.

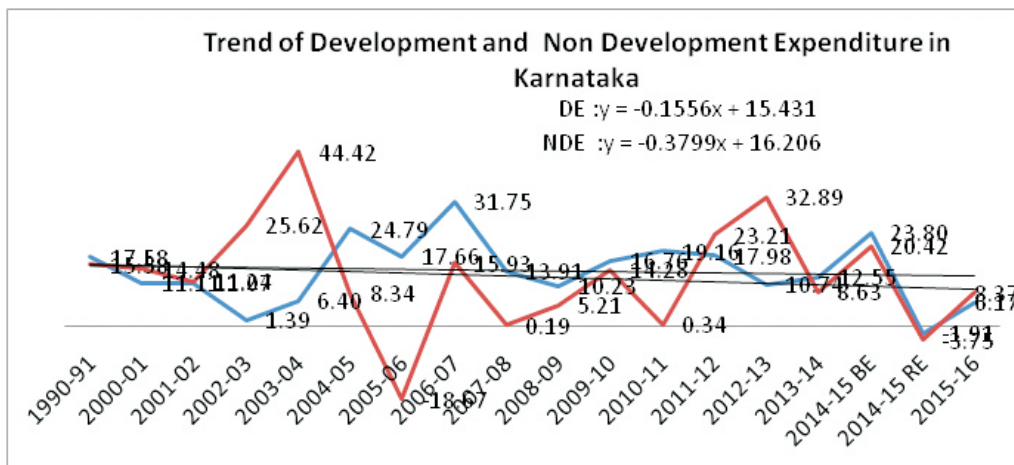


Table -3: Determinants of GSDP by Revenue Expenditure and Capital Expenditure in Karnataka.

S.No	Indicators	Coefficients	t-Values	P-Values
1	Revenue Expenditure	7.242	3.643	.003
2	Capital Expenditure	1.190	0.117	.909
	Constant	-35158.138	-1.100	.291
	R Square	0.939		
	F-Statistic	99.822		
	P-Value	.000 ^a		
	Durbin-Watson	1.405		

- a. Predictors: (Constant) Capital Expenditure, Revenue Expenditure
- b. Dependent Variable: GSDP

7. HYPOTHESES TESTING:

The primary objective of the present study is to assess the role of revenue expenditure and Capital expenditure in increasing of gross state domestic product of Karnataka State. The revenue expenditure is indicated by the growth of investment, number of units industries, agriculture services and employment and income generation of the state. The revenue expenditure has a positive impact on the promotion of growth of state GDP and employment opportunities in the state of Karnataka.

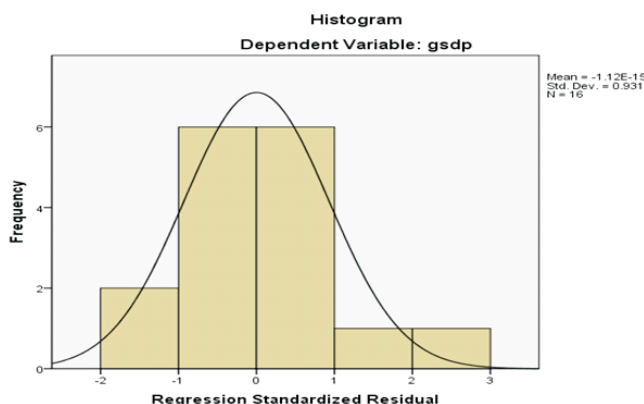
The stated hypothesis is tested by fitting the multiple regression models.

First Hypothesis:

H₀ Null Hypothesis: The revenue expenditure has not positive impact on the growth of gross state domestic product in Karnataka

H₁ Alternative Hypothesis: Revenue Expenditure has a positive impact on the increase of gross state domestic product in Karnataka

The above Table indicate the multiple regression models consisting of revenue expenditure and Capital expenditure in Karnataka as explanatory variable, Gross State Domestic product is dependent variable. The F value of the model 106.481 is statistically significant at 0.05 (P value < 0.05) and the individual regression coefficient of revenue expenditure and capital expenditure is statistically significant (P value < 0.05) and both has positive impact on state domestic product, From the sample data, there is enough evidence to reject the null hypothesis of not significant GSDP of state and its linear upward trend is justified. Hence, revenue expenditure and capital expenditure influence on gross domestic product generation over a time period 200-01 to 2015-16 is statistically positive.



The Skewness is necessary in order to guard against the consequences of the assumption. A distribution is not symmetrical is called a skewed distribution could be positively skewed and excess tail is towards right hand side as would be clear from the diagram.

TREND OF REVENUE RECEIPTS:

The state of Karnataka has a greater advantage that own tax revenue has been playing a major role in total revenue receipts that during 1980-81 it was a maximum of 50 per cent of the total revenue receipts and it has again increased by 60 per cent in 1990-91, further it has increased by 61 per cent in 2010-11, however, own tax revenue further has increased by 65.69 per cent during 2014-15. Therefore, there is an increasing trend continuously registered of own tax revenue of the state. It is a tremendous growth and development as far as own taxes are concerned in the state of Karnataka. As far as annual growth rate of own taxes are concerned , a maximum growth rate has registered at 27.86 per cent in 2004-05, which is followed by 25.82 per cent by 2010-11, again 25.06 per cent growth in 2006-07 respectively.

Therefore, a continuous positive growth is established by own tax revenue by the government of Karnataka. The share of central taxes are concerned, it represents a continuous declining trend orderly by 20.1 per cent in 1980-81, 16.96 per cent in 1990-91, again 16.33 per cent in 2010-11, and it has slightly increased to 21.36 per cent of total revenue receipts of the government. Annual growth rate of central taxes are concerned, a maximum growth rate has registered at 29.16 per cent in 2010-11, The share of non tax revenue is also registered a study declining trend such as 29.48 per cent in 1980-81, further it has declined to 13.82 per cent in 1990-91, and nearly 11.2 per cent by 2000-01 and ultimately is has declined to a level of 5.8 per cent by 2010-11. Thus, total revenue receipts have been slightly declined due to the low performance of share of central taxes as well as non tax revenue.

The function of the tax system is mainly to generate revenue to the government to meet the cost of development. The revenue productivity of the tax system in Karnataka is reasonable to meet its developmental expenditure and although there is some scope for further improving the yield of the tax system, the emphasis will have to be on improving the economic efficiency of the tax system. Although an enhancing revenue productivity would be the most important objective in any scheme of fiscal reform. At the same time, the economy is opened for many reasons, it is necessary to ensure that revenues are collected in the manner that does environment not create additional costs to the business and to maintain the competitive in the economy. In restructuring the tax system to enhance revenue productivity in Karnataka, therefore, it is an indispensable to minimise inefficiencies and unintended consequences of tax policy.

Table -4:Trends in Revenue Receipts in Karnataka (Rs. in Crore)

Years	State's Own Tax Revenue	AGR	Share in Central Taxes	AGR	Total Tax Receipts	AGR	Total Non-Tax Receipts	AGR	Total Revenue Receipts	AGR
1980-81	474.68	-	197.71	-	672.41	-	281.05	-	953.46	-
1990-91	2331.12	17.25	660.35	12.82	2992.47	16.10	517.20	6.29	3892.18	15.10
2000-01	9042.68	14.52	2573.89	14.57	11616.51	14.53	1659.97	12.37	14822.72	14.31
2001-02	9853.27	8.96	2623.38	1.92	12485.61	7.48	1093.43	-34.13	15321.26	3.36
2002-03	10439.71	5.95	2786.20	6.21	13231.86	5.98	1277.67	16.85	16168.75	5.53
2003-04	12570.13	20.41	3244.81	16.46	15835.35	19.68	2958.37	131.54	20759.88	28.40
2004-05	16072.32	27.86	3878.44	19.53	19978.62	26.16	4472.34	51.18	26569.66	27.99
2005-06	18631.55	15.92	4213.42	8.64	22844.97	14.35	3874.71	-13.36	30352.05	14.24

2006-07	23301.03	25.06	5374.33	27.55	28675.36	25.52	4098.41	5.77	37286.94	22.85
2007-08	25896.76	11.14	6779.23	26.14	32765.99	14.27	3357.66	-18.07	41151.14	10.36
2008-09	27645.66	6.75	7153.77	5.52	34799.43	6.21	3158.99	-5.92	43290.68	5.20
2009-10	30578.61	10.61	7359.97	2.88	37938.58	9.02	3333.80	5.53	49155.70	13.55
2010-11	38473.11	25.82	9506.32	29.16	48005.25	26.53	3358.28	0.73	58206.23	18.41
2011-12	46475.96	20.80	11075.04	16.50	57571.80	19.93	4086.86	21.70	69806.27	19.93
2012-13	53753.56	15.66	12647.14	14.19	66416.36	15.36	3966.11	-2.95	78176.22	11.99
2013-14	62603.54	16.46	13808.27	9.18	76428.27	15.07	4031.89	1.66	89542.53	14.54
2014-15 BE	69869.75	11.61	16560.01	19.93	86441.37	13.10	4473.73	10.96	111038.6	24.01
2014-15 RE	68554.09	-1.88	15410.00	-6.94	83962.21	-2.87	4465.33	-0.19	108907.7	-1.92
2015-16 BE	76445.39	11.51	24789.79	60.87	101246.69	20.59	5206.17	16.59	116360.3	6.84

Source: Government of Karnataka Accounts at A Glance, Finance Department, 2016.

CAPITAL RECEIPTS

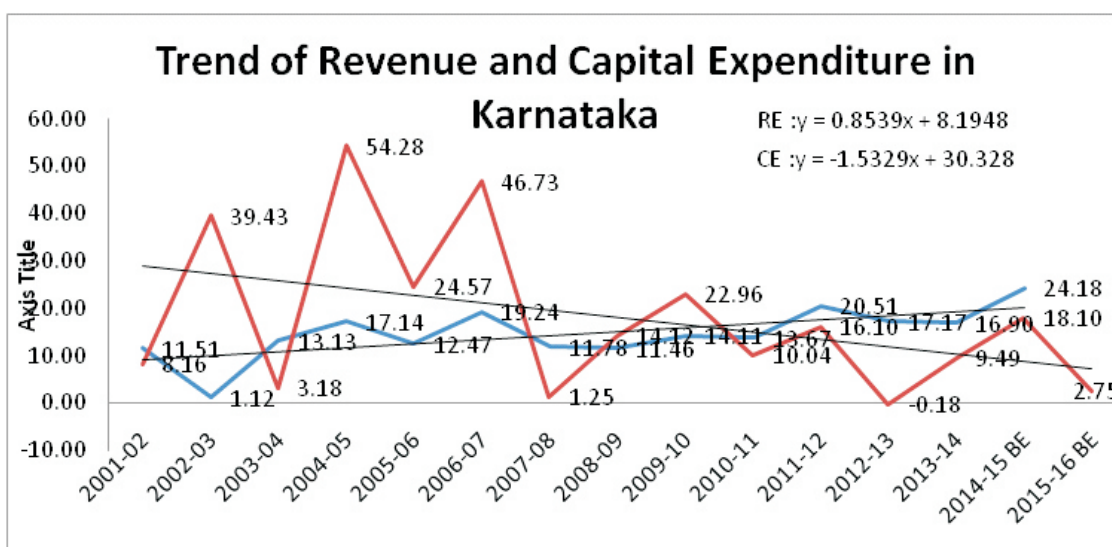
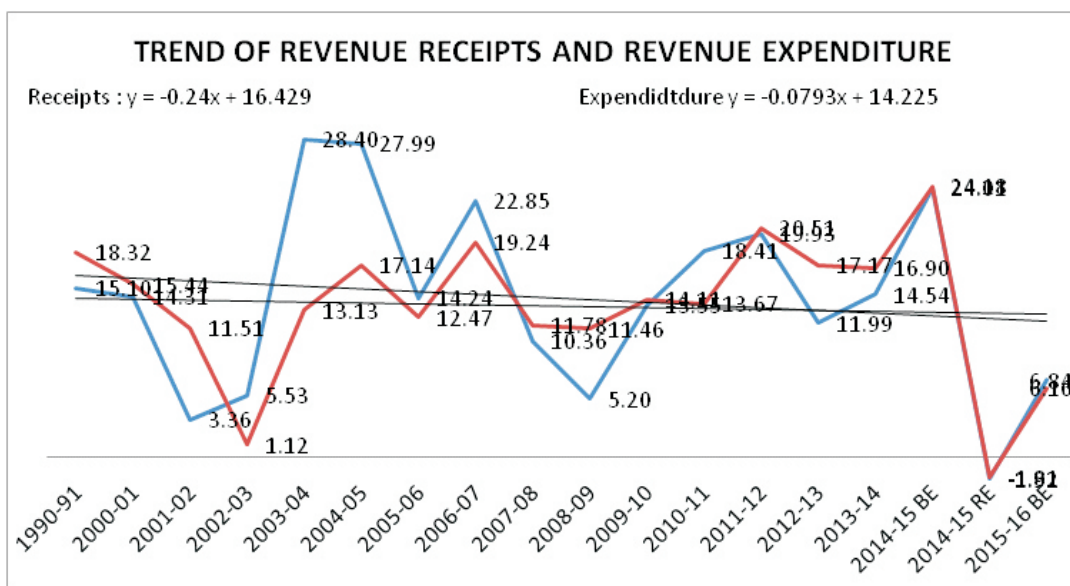
Capital receipts include loans from Government of India, internal debt - ways & means, open market loans (net), public account, recoveries of loans & advances and contingency funds . Capital receipts of Rs.22509.88crore in 2015-16(BE) account for an increase of 3.78 per cent over 2014-15(RE) level. Loans from the Government of India account for Rs. 1724.93 crore i.e. 7.66 per cent of the capital receipts and are expected to increase by 28.96 per cent as compared to the previous year. There is a decrease in internal debt-open market loans (Net) by 2.88 per cent in 2015-16 as compared to the previous year whereas recovery of loans and advances has increased by 50.89 per cent.

Table -5:Trends in Capital Receipts in Karnataka (Rs. in Crore)

Years	Total Capital Receipts	AGR	External Public Debt	AGR	Foreign Loans & Advances	AGR	Capital Expenditure	AGR
1980-81	646.13	-	625.8	-	20.01	-	172.32	-
1990-91	1150.39	5.94	777.38	2.19	373.01	33.98	654.83	14.28
2000-01	3472.45	11.68	3371.22	15.80	101.23	-12.23	1946.90	11.51
2001-02	5916.94	70.40	5882.24	74.48	34.70	-65.72	2105.67	8.16
2002-03	10454.03	76.68	9526.03	61.95	928.00	2574.35	2935.99	39.43
2003-04	13934.26	33.29	13869.97	45.60	64.29	-93.07	3029.40	3.18
2004-05	10019.07	-28.10	9972.22	-28.10	46.85	-27.13	4673.70	54.28
2005-06	5787.10	-42.24	5663.55	-43.21	123.55	163.71	5821.92	24.57
2006-07	3605.91	-37.69	3545.93	-37.39	59.97	-51.46	8542.57	46.73
2007-08	2654.53	-26.38	2356.68	-33.54	52.07	-13.17	8648.94	1.25
2008-09	8829.94	232.64	8592.15	264.59	56.64	8.78	9870.26	14.12
2009-10	8616.01	-2.42	7990.86	-7.00	555.36	880.51	12136.68	22.96

2010-11	6946.92	-19.37	6713.74	-15.98	161.38	-70.94	13355.16	10.04
2011-12	9687.53	39.45	9357.95	39.39	240.40	48.97	15505.65	16.10
2012-13	13655.31	40.96	13464.66	43.88	157.61	-34.44	15478.47	-0.18
2013-14	17484.03	28.04	17286.81	28.39	109.28	-30.66	16946.79	9.49
2014-15 BE	25209.99	44.19	25042.26	44.86	92.73	-15.14	20013.78	18.10
2014-15 RE	22364.98	-11.29	22229.53	-11.23	60.45	-34.81	18880.05	-5.66
2015-16 BE	23161.14	3.56	22949.93	3.24	91.21	50.89	20563.62	8.92

Source: Government of Karnataka Accounts at A Glance, Finance Department, Bangalore, 2016.



8. Impact of Public Expenditure on the growth with implementation of Fiscal Responsibility and Budget

Management (FRBM)

The aggregate expenditure has been increasing on education with 15.5 per cent, about 3.8 per cent on health, nearly 6.6 per cent on roads, bridges, energy etc. The committed expenditure has also been increasing on interest payment with 7.3 per cent, pension with 8.6 per cent and administrative expenditure of 4.7 per cent. The total expenditure of GSDP to pre-FRMB was 16.1 per cent, and it has increased to 17.7 per cent of post FRMB in the state of Karnataka. The Revenue expenditure as a per cent of GSDP has also increased from 13.7 per cent to 14.3 per cent. The development expenditure has also been increased from 11.4 per cent to 12.4 per cent and non development expenditure also increased from 4.4 per cent to 4.6 per cent. Therefore, there is positive impact of implementation of FRBM on the growth of public expenditure as well as growth of economy as a whole.

9. CONCLUSION

The ratio of development expenditure to the total expenditure was 36.2 per cent in 1950-51, however, over a period of decades the development expenditure has increased significantly as high as 60 per cent of public expenditure in 2015-16. The non development expenditure has been declined its share in aggregate expenditure from 31.17 per cent during 1980-81 to 27.45 per cent by 2015-16. The state of Karnataka has a greater advantage that own tax revenue has been playing a major role in total revenue receipts that during 1980-81 it was a maximum of 50 per cent of the total revenue receipts and it has again increased by 60 per cent in 1990-91, further it has increased by 61 per cent in 2010-11, however, own tax revenue further has increased by 65.69 per cent during 2014-15. The variability explained by development expenditure and non development expenditure accounts for 94 per cent and revenue receipts and capital receipts also explained by 93.9 per cent in estimation of State Gross Domestic Production in Karnataka. There is positive impact on GSDP by implantation of FRBM in the state. Development expenditure and Revenue expenditure are significant factors for the increasing of SDPD in the state of Karnataka.

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