CHAPTER I

FINANCES OF THE STATE GOVERNMENT

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Profile of Tamil Nadu

Tamil Nadu is the 11th largest state in terms of geographical area (1,30,058 sq.km) and the seventh largest by population. As per the census, the State's population increased from 6.24 crore in 2001 to 7.21 crore in 2011, recording a decadal growth of 15.54 *per cent.* The percentage of population below the poverty line in the State is 11.30 *per cent* as compared to the all-India average of 21.90 *per cent*. The State's growth rate of Gross Domestic Product (GSDP) in 2018-19 at current prices was 13.84 *per cent* as against India's growth rate of 11.20 *per cent*. General data relating to the State is given in **Appendix 1.1**.*

Gross State Domestic Product

The trends in the annual growth of India's Gross Domestic Product (GDP) and State's GSDP at current prices are indicated in **Table 1.1**.

Table 1.1: Trends in Gross Domestic Product and Gross State Domestic Product

	2014-15	2015-16	2016-17	2017-18	2018-19
India's GDP (₹ in crore)	1,24,67,959	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of GDP (*per cent*)	*10.99*	*10.46*	*11.55*	*11.28*	*11.20*
Per capita GDP (in ₹)*	1,03,024	1,13,798	1,26,941	1,41,258	1,57,083
GSDP (₹ in crore)	10,72,678	11,76,500	13,02,639	14,61,841	16,64,159
Growth rate of GSDP (*per cent*)	*10.75*	*9.68*	*10.72*	*12.22*	*13.84*
Per capita GSDP (in ₹)**	1,48,776	1,63,176	1,80,671	2,02,752	2,30,813

* Calculated based on the Population of 121.02 crore as per census 2011
** Calculated based on the Population of 7.21 crore as per census 2011
(Source: Central Statistics Office)

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Tamil Nadu (GoTN) during the current year (2018-19) and analyses critical changes in the major fiscal aggregates relative to the previous year (2017-18), keeping in view the overall trend during the last five years.

All receipts of GoTN are accounted for in the Consolidated Fund of the State constituted under Article 266 (1) of the Constitution of India. Expenditure therefrom is authorised by the State Legislature through Appropriation Act. Money so authorised by the Appropriation Act is required to be spent as per provisions contained in the Tamil Nadu Budget Manual, the Tamil Nadu Financial Code and instructions issued by the Finance Department from time to time.

Abbreviations used in this Report are listed in Glossary at Page 143

GoTN enacted the Tamil Nadu Fiscal Responsibility Act, 2003 (TNFR Act) and amended it from time to time (last amended in March 2017), to ensure long-term financial stability by eliminating revenue deficit, containing fiscal deficit through prudent debt management. It also fixed the timeframe for achieving the fiscal targets.

The structure of Government Accounts and the layout of Finance Accounts are shown in **Appendix 1.2**. The methodology adopted for assessment of the fiscal position of the State is given in **Appendix 1.3 - Part A**. The salient features of the TNFR Act, 2003 are given in **Appendix 1.3 - Part B**. A time series data on the State Government's finances are given in **Appendix 1.4**.

1.1.1 Summary of fiscal transactions in 2018-19

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2018-19) *vis-à-vis* the previous year (2017-18), while **Appendix 1.5** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of fiscal operations in 2018-19 *vis-à-vis* 2017-18

(₹ in crore)

Receipts	2017-18	2018-19	Disbursements	2017-18	2018-19		
Section-A: Revenue					**State Fund Expenditure**	**Central Assistance (including CS/CSS)**	**Total**
Revenue receipts	**1,46,280**	**1,73,741**	**Revenue expenditure**	**1,67,874**	**1,73,908**	**23,292**	**1,97,200**
Tax revenue	93,737	*1,05,534	General Services	60,451	72,425	25	72,450
Non-tax revenue	10,764	14,200	Social Services	59,790	55,537	14,665	70,202
Share of Union Taxes/Duties	27,100	**30,639	Economic Services	36,162	34,064	5,605	39,669
Grants from Government of India	14,679	***23,368	Grants-in-aid and Contributions	11,471	11,882	2,997	14,879
Section-B: Capital and Others							
Miscellaneous Capital Receipts	2	0	Capital Outlay	20,203	19,029	5,282	24,311
Recoveries of Loans and Advances	8,472	****6,913	Loans and Advances disbursed	6,517	6,478	0	$6,478
Public Debt receipts	45,722	$$47,936	Repayment of Public Debt	8,991	15,064	--	15,064
Contingency Fund	--	--	Contingency Fund	..	10	--	10
Public Account receipts	1,95,989	2,34,439	Public Account disbursements	1,84,209	2,23,930	--	2,23,930
Opening Cash Balance	38,522	47,193	Closing Cash Balance	47,193	43,229	--	43,229
Total	**4,34,987**	**5,10,222**	**Total**	**4,34,987**	**4,81,648**	**28,574**	**5,10,222**

* Includes SGST of ₹ 38,533 crore

** Includes CGST component of ₹ 7,562 crore and IGST component of ₹ 604 crore

*** Includes ₹ 3,151 crore being compensation for loss due to implementation of GST

**** Includes ₹ 251 crore being irrecoverable loans written off as loss in the process of restructuring of loans

$ Includes ₹ 2,461 crore being interest dues capitalised and treated as fresh loans through book adjustments.

$$ Includes ₹ 75 crore due to rectification of misclassification of borrowings as revenue receipts in March 2004 through book adjustment.

(Source: Finance Accounts for the respective years)

The significant changes that occurred during 2018-19, as compared to the previous year are enumerated in the succeeding sub paragraphs.

- **Revenue receipts** of the State increased by ₹ 27,461 crore (18.77 *per cent*) over the previous year. This was due to increase in the State's own tax revenue (₹ 11,797 crore), Grants from Government of India (GoI) (₹ 8,689 crore), State's share of Union taxes and duties (₹ 3,539 crore) and Non-Tax revenue (₹ 3,436 crore). Non-Tax revenue includes ₹ 2,461 crore of interest receipts through book adjustments being the capitalisation of interest dues as a part of restructuring of loans and advances taken up by the Government during the year.

- **Revenue expenditure** increased by ₹ 29,326 crore (17.47 *per cent*) over the previous year due to increase in expenditure on General Services by 19.85 *per cent* (₹ 11,999 crore), Social Services by 17.41 *per cent* (₹ 10,412 crore), Economic Services by 9.70 *per cent* (₹ 3,507 crore) and Grants-in-aid contributions by 29.71 *per cent* (₹ 3,408 crore) in 2018-19 as against 17.49 *per cent,* 8.13 *per cent,* 6.42 *per cent* and 7.98 *per cent* respectively in 2017-18.

- The buoyancy of the revenue expenditure with reference to revenue receipts decreased to 0.93 during 2018-19 from 2.22 during 2017-18. This indicated higher growth in revenue receipt in relation to the revenue expenditure. Revenue expenditure buoyancy with reference to GSDP increased from 0.78 in 2017-18 to 1.26 in 2018-19.

- **Capital expenditure** increased sharply by ₹ 4,108 crore (20.33 *per cent*) over the previous year as against 2.44 *per cent* decrease in 2017-18. The increase during the year was mainly due to the fact that the Development expenditure under Capital had increased by 21.17 *per cent* during the current year as against the growth rate of (-) 3.02 *per cent* during the previous year.

- Capital expenditure as a percentage of GSDP of the State was at 1.46 *per cent*. Compared to its neighbouring States of Karnataka and Kerala with capital expenditure at 2.55 *per cent* and 0.95 *per cent* respectively of GSDP, Tamil Nadu spent more on asset creation compared to Kerala but lesser than Karnataka.

- **Public Debt Receipts i.e., borrowings** increased by ₹ 2,214 crore (4.84 *per cent*) over the previous year mainly due to increase in the Internal Debt by 6.11 *per cent* over the previous year. The public debt includes borrowings of ₹ 75 crore under "6003 - Internal Debt - 103 - Loans from LIC of India" misclassified as revenue receipts in March 2004 identified during the year and rectified through book adjustment. This resulted in revenue deficit, fiscal deficit and borrowings being overstated to that extent during the year.

- The outstanding adverse balances under "6003- 109 - Loans from Other Institutions" were brought down from (-) ₹ 93.49 crore to (-) ₹ 60.73 crore through book adjustments, while clearing the adverse balances, the task taken up by the Government during the year. In the process, the additions of ₹ 35.47 crore accounted under 6003-109 was included through book adjustments among various other minor heads under '6003- Internal debt' and does not represent the actual borrowings of the Government to that extent.

- **Recoveries of loans and advances** during the year decreased by ₹ 1,559 crore (18.40 *per cent*). The recoveries include conversion of TANGEDCO[1]s loan of ₹ 4,563 crore as grants-in-aid under UDAY scheme and ₹ 251 crore of irrecoverable loans written off as loss during the year through book adjustments.
- **Loans and advances** disbursed during the year decreased marginally by ₹ 39 crore (0.60 *per cent*) from the previous year.
- Government consolidated / split up the existing loans amounting to ₹ 12,609.43 crore as fresh loans with new terms and conditions through book adjustments, in the process of restructuring of Loans and Advances made by the Government during the year.
- Government capitalised the interest dues amounting to ₹ 2,461.48 crore from certain loan recipient organisations and treated them as fresh loans. Albeit these resulted in understatement of Revenue deficit as well as inflation of loan disbursed to that extent during the year, these were merely book adjustments being carried out to cleanse the accounts.
- **Public Account receipts and disbursements** increased by ₹ 38,450 crore (19.62 *per cent*) and by ₹ 39,721 crore (21.56 *per cent*) respectively. Net receipts under Public Account decreased by ₹ 1,271 crore over the previous year.
- The net impact of these transactions led to a decrease of ₹ 3,964 crore in the cash balance at the end of the year over the previous year.

1.1.2 Review of the fiscal situation

The targeted timeline to eliminate revenue deficit and reduce fiscal deficit was extended by GoTN from time to time by amending the TNFR Act, 2003. In compliance with the provisions of TNFR Act, 2003, the State Government prepared a Medium Term Fiscal Plan (MTFP) for the period 2018-19.

Major fiscal variables provided in the budget based on recommendations of the Fourteenth Finance Commission (FFC) and as targeted in the TNFR Act, 2003 along with actuals thereof are given in **Table 1.3**.

---

[1] Tamil Nadu Generation and Distribution Corporation.

Table 1.3: Major targeted and projected fiscal variables and actuals of the State

Fiscal variables	2018-19				Actuals
	FFC targets for the State	Targets as prescribed in TNFR Act	Targets proposed in the Budget	Projections made in MTFP	
Revenue Deficit (₹ in crore)	--	Eliminate revenue deficit by 2019-20	17,490.58	25,334.85	23,459.44
Revenue Deficit / GSDP (in *per cent*)	--	--	*1.10*	*1.50*	*1.41*
Fiscal Deficit/GSDP (in *per cent*)	*3.00*	*3.00*	*2.79*	*3.17*	*2.84*
Primary Deficit / GSDP (in *per cent*)	---	--	*0.93*	*1.37*	*1.12*
Ratio of total outstanding debt of the Government to GSDP (in *per cent*)	*23.01*	*25.20*	*22.29*	*23.01*	*22.16*

(Source: (i) FFC recommendations; (ii) TNFR Act; (iii) State's MTFP and (iv) Budget Speech - 2018-19)

The revenue deficit increased from ₹ 6,408 crore in 2014-15 to ₹ 23,459 crore (1.41 *per cent* of GSDP) in 2018-19. The trend in the increase in Revenue Deficit over the past five years in indicative of the fact that the State would not be able to adhere to the TNFR target of eliminating revenue deficit by 2019-20.

During 2018-19, though the State could contain its revenue deficit within the target proposed in the MTFP, it failed to achieve the target proposed in the budget. The State was able to contain the fiscal deficit to GSDP as envisaged under the TNFR Act, 2003, FFC and MTFP but could not contain as envisioned in the budget.

The Revenue deficit of ₹ 23,459.44 crore was understated by ₹ 3,757.23 crore and the Fiscal Deficit of ₹ 47,335 crore was understated by ₹ 1,300.49 crore mainly due to

- Interest receipts brought into accounts through book adjustments due to capitalisation of interest dues as fresh loans (₹ 2,461.48 crore)[2],
- short contribution to Sinking Fund (₹ 1,142.38 crore),
- short transfer to other Reserve Funds (₹ 99.19 crore),
- short contribution to Guarantee Redemption Fund (₹ 62.28 crore),
- short contribution to Defined Contributory Pension Scheme (₹ 62.35 crore),
- Rectification of misclassification between Revenue and Debt heads ((-) ₹ 75.00 crore)[3],
- Write off of Central loans through book adjustments (₹ 9.29 crore) and
- Misclassification between revenue and capital expenditure ((-) ₹ 4.74 crore)

---

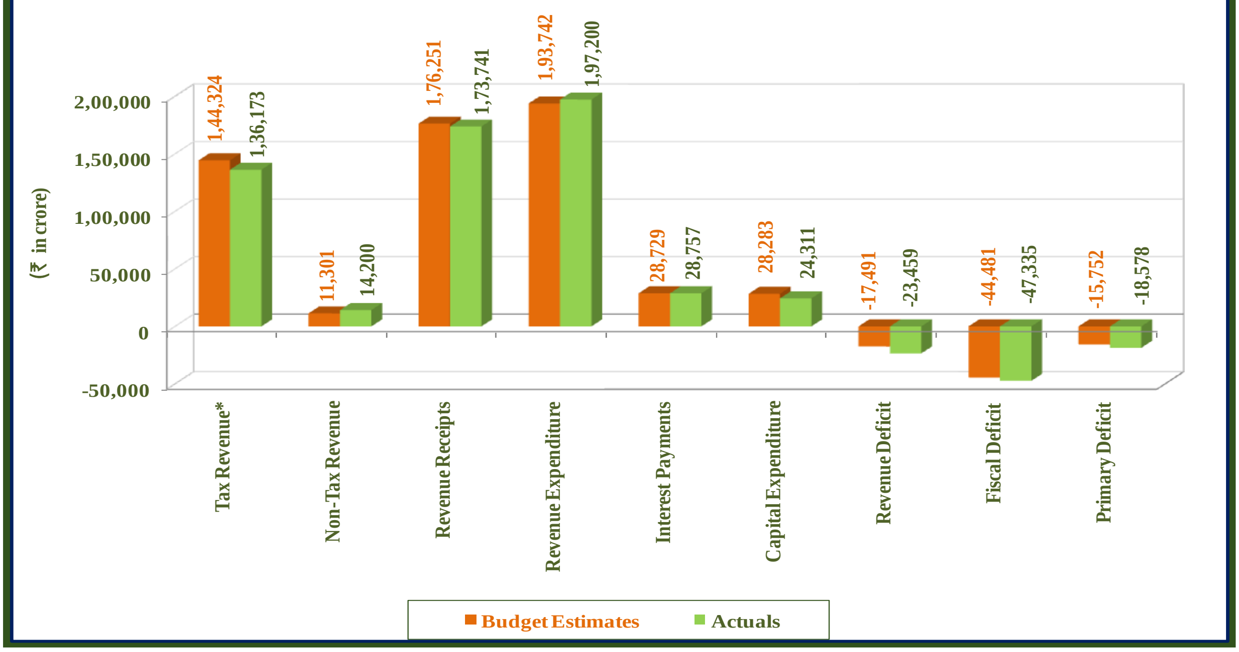
[2] Being a book adjustment with no actual cash inflow during the year.
[3] Being a book adjustment with no actual cash outgo during the year.

1.1.3 Budget estimates and actuals

The Budget provides description of estimated revenue and expenditure for a particular fiscal year. The difference in actual receipts and expenditure against budget estimates due to unforeseen events or over/underestimation of revenue or expenditure at the stage of budget preparation, adversely impacts the desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters in 2018-19.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates *vis-à-vis* Actuals - 2018-19



* Tax revenue includes State's share of Union taxes and duties

(Source: Annual Financial Statement and Finance Accounts for 2018-19)

The variations between the estimates and actuals were as under.

- The actual tax revenue was less than the estimates by ₹ 8,151 crore (5.64 *per cent*).
- The increase of ₹ 2,899 crore under non-tax revenue when compared to the estimates includes interest receipts of ₹ 2,461 crore accounted through book adjustments owing to capitalisation of interest dues in the process of restructuring of loans and advances.
- Capital expenditure substantially fell short of the budget estimates. It was less than the estimate by ₹ 3,972 crore (14.04 *per cent*).
- Revenue deficit exceeded the budget estimate by 34.12 *per cent* and the fiscal deficit exceeded the budget estimate by 6.42 *per cent*.

1.1.4 Gender Budgeting

The Gender Budget Statement depicts the probable outlay for women in the total budget outlay. The State Government for the first time presented a Gender Budget Statement as part of annual budget document for the year 2018-19, quantifying the allocations that will benefit women fully or partly and classified the Statement into three categories *viz.*, Part A, B and C with a total budget provision (original) of ₹ 65,071.64 crore.

- Part A included schemes which has 100 *per cent* of the outlay towards women. Part B schemes has 40 *per cent* to 99 *per cent* of outlay which benefits women and Part C included schemes which were grouped sector-wise and the Government assumed that at least 30 *per cent* of the outlay will benefit women under this category.
- The total number of schemes under Part A, B and C in 2018-19 were 257, of which 59 schemes were under Part A, 175 schemes under Part B and 23 schemes under Part C.
- Out of ₹ 4,806.10 crore (7.39 *per cent*) allocated towards 59 Part A schemes, 80.43 *per cent* (₹ 3,865.99 crore) was towards Social Welfare and Nutrition Sector for which huge outlay was provided under Maternity Assistance Schemes, Destitute Women Pension Scheme and Marriage Assistance Schemes.
- Education, Sports and Culture, Social Welfare and Nutrition, Agriculture, Food Security under Other Economic Services, Welfare of SC/ST/OBC and Minorities and Energy Sector had major allocations under Part B category for which a total amount of ₹ 28,458.83 crore (43.73 *per cent*) budget allocation was made during the year

Under Part A Schemes, which has 100 *per cent* outlay towards women, it was noticed that:

- ₹ 615.01 crore was withdrawn by re-appropriation under 66 heads of accounts.
- In grant 45, *viz.*, Social Welfare and Nutritious Meal Programme Department the entire provision of ₹ 75.01 crore was withdrawn by re-appropriation under five schemes.
- The savings over provision, after an expenditure of ₹ 4,206.62 crore, was ₹ 634.40 crore, which was 12.70 *per cent* of the provision.
- Total provision of ₹ 2.20 crore for the construction of working women hostel was withdrawn by re-appropriation.

1.1.5 Non-implementation of major schemes announced in the Budget

The major schemes announced in the Budget, but not/partially implemented areas given in **Table 1.4**.

Table 1.4: Details of major schemes announced in the Budget

(₹ in crore)

Sl. No.	Scheme as announced in the Budget	Provision in Budget	Withdrawal through re-appropriation/ surrender
1	Investment into Tamil Nadu Infrastructure Fund under TNIPP Phase-2	270	270
2	Share Capital Assistance to State Transport Undertakings	600	600
3	Grants to Tamil Nadu Infrastructure Development Board for Project Preparation Fund	100	75

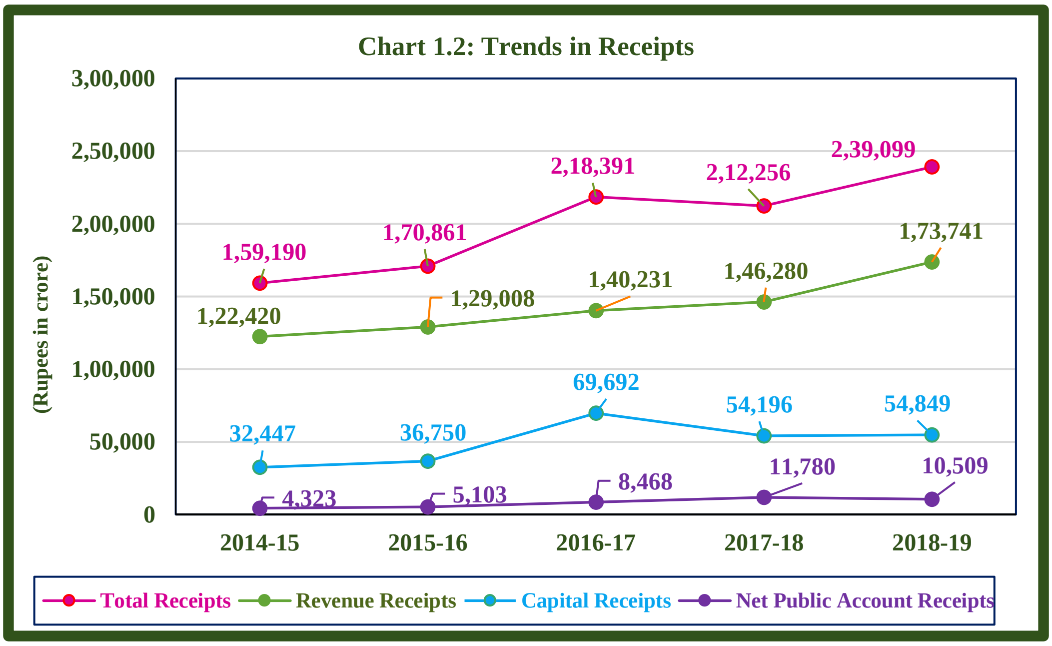
(Source: Budget Speech and Appropriation Accounts for 2018-19)

In respect of the first two items, the entire provision was withdrawn during the year and for the third item during the year only 25.00 *per cent* was utilised under the Scheme.

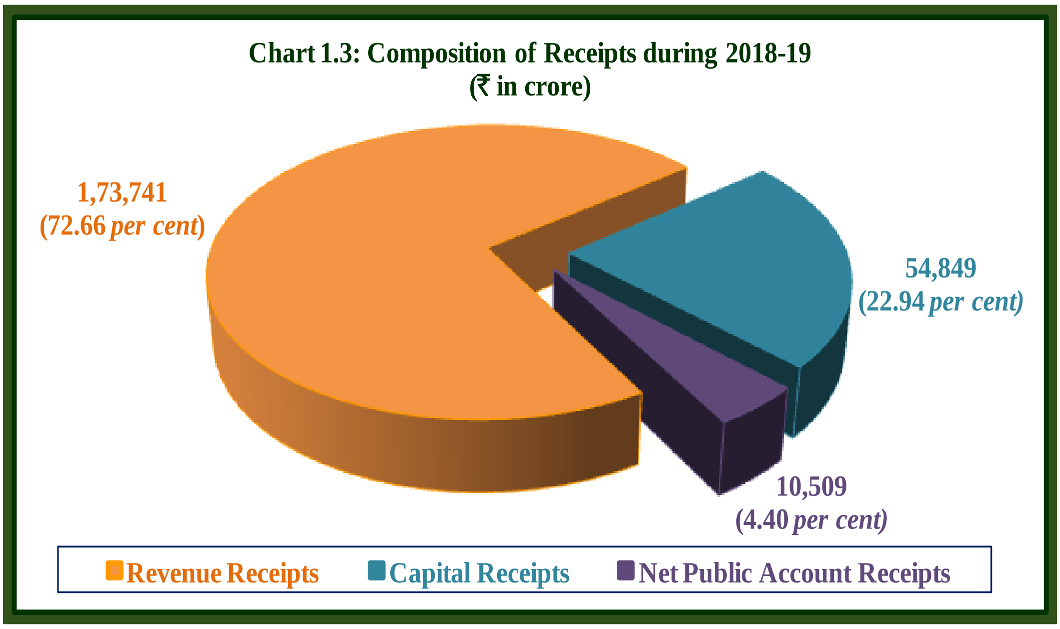
1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Besides, the fund available in the Public Account after disbursements is also utilised by the Government. **Chart 1.2** depicts the trends in various components of the receipts of the State during 2014-19. **Chart 1.3** depicts the composition of receipts of the State during the current year.



(Source: Finance Accounts for the respective years)



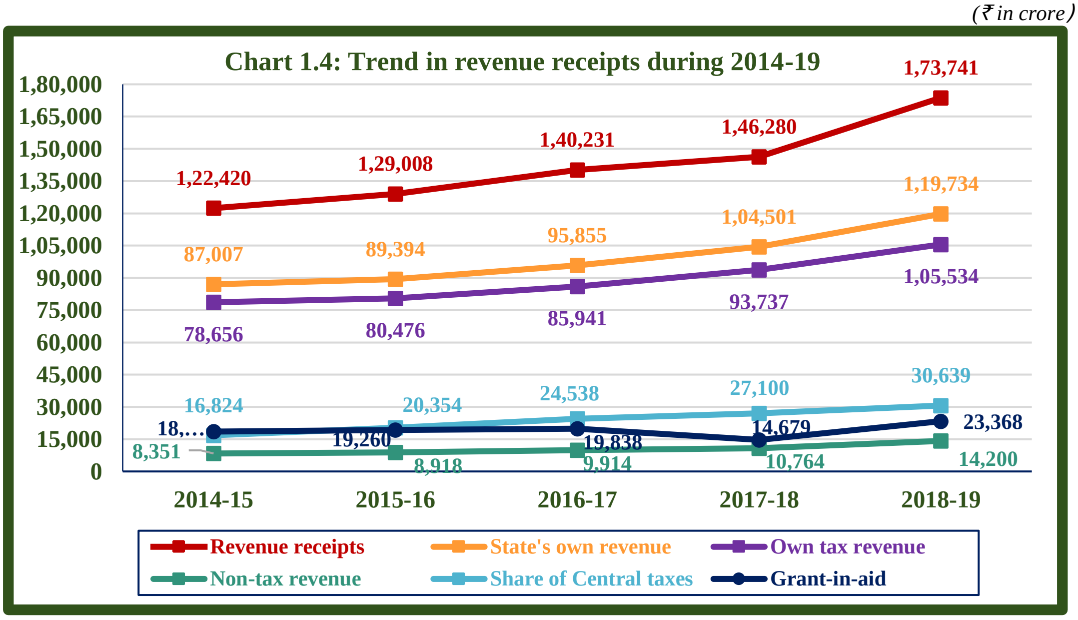
(Source: Finance Accounts for 2018-19)

- The total resources of the State Government in 2018-19 were ₹ 2,39,099 crore. Of these, revenue receipts were ₹ 1,73,741 crore, which constituted 72.66 *per cent* of total resources. The capital receipts (₹ 54,849 crore) and net public account receipts (₹ 10,509 crore) constituted 22.94 and 4.40 *per cent* of the total resources respectively.
- The total resources of the State increased by ₹ 26,843 crore (12.65 *per cent*) over the previous year due to increase in revenue receipts of ₹ 27,461 crore (18.77 *per cent*) and capital receipts of ₹ 653 crore (1.20 *per cent*), offset by the decrease of ₹ 1,271 crore (10.79 *per cent*) in net public account receipts.
- The State's tax revenue increased from ₹ 93,737 crore in 2017-18 to ₹ 1,05,534 crore in 2018-19 (increase of 12.59 *per cent*).
- The tax revenue increased by ₹ 11,797 crore in 2018-19 when compared to the previous year. The year on year growth in tax revenue, which ranged from 2.31 *per cent* to 9.07 *per cent* during 2014-18, increased to 12.59 *per cent* in 2018-19. The components-wise increase during the year could not be compared with the previous year due to implementation of GST which subsumed several taxes *viz*., Taxes on Goods and Passengers, Taxes on Sales, Trade etc.
- State's share of Union taxes and duties increased by ₹ 3,539 crore (13.06 *per cent*) over the previous year, which included IGST of ₹ 603.50 crore.

1.3 Revenue receipts

Statement-14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own taxes and non-tax revenues, central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2014-19 are presented in **Appendix1.4** and depicted in **Chart 1.4**.

(₹ in crore)



(Source: Finance Accounts for the respective years)

- The annual growth rate of revenue receipts during 2018-19 stood at 18.77 *per cent*, which was higher than the growth rate of revenue receipts (12.77 *per cent*) in the General Category States (GCS) **(Appendix 1.1)**.
- The steep increase in revenue receipts was mainly due to increased receipts under SGST (56.71 *per cent*), Grants in aid from Government of India (₹ 8,689 crore) which includes increase in compensation for loss of revenue for rolling out of GST from ₹ 632 crore to ₹ 3,151 crore and increase in share of net proceeds by ₹ 3,539 crore.
- The growth rate of revenue receipts, which increased steeply from 4.31 *per cent* in 2017-18 to 18.77 *per cent* during 2018-19, is the highest in the last five years period, as given in **Table 1.5**.
- Grants-in-aid as a percentage of revenue receipts increased from 10.03 in 2017-18 to 13.45 in 2018-19.
- The non-tax revenue increased from 7.36 *per cent* in 2017-18 to 8.17 *per cent* in 2018-19 of revenue receipts.
- The central tax transfers decreased from 18.53 *per cent* in 2017-18 to 17.63 *per cent* during 2018-19 of revenue receipts.

The trends in revenue receipts relative to GSDP is presented in **Table 1.5**.

Table 1.5: Trends in revenue receipts relative to GSDP

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts (₹ in crore)	**1,22,420**	**1,29,008**	**1,40,231**	**1,46,280**	**1,73,741**
Rate of growth of Revenue Receipts (*per cent*)	*13.31*	*5.38*	*8.70*	*4.31*	*18.77*
Revenue Receipts/GSDP (*per cent*)	*11.41*	*10.97*	*10.77*	*10.01*	*10.44*
Rate of growth of GSDP (*per cent*)	*10.75*	*9.68*	*10.72*	*12.22*	*13.84*
Buoyancy Ratios[4]					
Revenue Buoyancy with reference to GSDP	1.24	0.56	0.81	0.35	1.36
State's own tax buoyancy with reference to GSDP	0.62	0.24	0.63	0.74	0.91
Revenue Buoyancy with reference to State's own taxes	2.00	2.33	1.28	0.48	1.49

(Source: Finance Accounts for the respective years and Central Statistics Office for GSDP figures)

- The revenue receipts as a percentage of GSDP ranged between 10.01 and 11.41 during 2014-19.
- The GSDP growth rate picked up to 13.84 *per cent* during 2018-19, which is more than the All India rate of 11.20. The rate of growth of revenue receipts, increased substantially to 18.77 *per cent* from 4.31 *per cent* during the previous year thus increasing the revenue buoyancy from 0.35 in 2017-18 to 1.36 in 2018-19. Revenue buoyancy with reference to State's own taxes increased from 0.48 in 2017-18 to 1.49 during the current year.

[4] See glossary.

1.3.1 State's own resources

The State's own tax and non-tax revenue receipts for the year 2018-19 *vis-à-vis* assessment made by FFC, its Budget and MTFP are given in the **Table 1.6**.

Table 1.6: State's actual tax and non-tax revenue receipts

(₹ in crore)

	FFC targets for the State	Targets proposed in the Budget	Projections made in MTFP	Actuals
Own Tax Revenue	1,68,564	1,12,616	1,14,730	1,05,534
Non-tax Revenue	14,561	11,301	13,303	14,200

(Source: FFC recommendations and Budget Speech - 2018-19)

Own tax revenue during 2018-19 fell short of the target fixed under FFC, Budget and MTFP while non-tax revenue exceeded the target fixed in the Budget and MTFP. The State's own tax revenue stood at ₹ 1,05,534 crore against the FFC target of ₹ 1,68,564 crore and the budget projection of ₹ 1,14,730 crore. The cost of collection was ₹ 327 crore during the year.

The increase in non-tax revenue as compared to targets fixed in the budget and MTFP was mainly due to book adjustments made under interest receipts by ₹ 2,461.48 crore in the restructuring of loans and advances made by the Government during the year.

1.3.1.1 Own tax revenue

The gross collection in respect of major taxes and duties are given in **Table 1.7**.

Table 1.7: Components and trend of State's own tax revenue

(₹ in crore)

Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Variation over previous year (in *per cent*)
State Goods and Service Tax	Nil	Nil	Nil	24,589	38,533	*56.71*
Taxes on Sales, Trade, etc.	57,191	57,522	63,234	46,356	42,701	*(-) 7.88*
State Excise	5,731	5,836	6,248	5,815	6,863	*18.02*
Taxes on Vehicles	3,829	4,233	4,854	5,363	5,573	*3.92*
Stamps and Registration Fees	8,362	8,721	7,237	9,195	11,066	*20.35*
Land Revenue	170	258	153	152	178	*17.11*
Taxes on Goods and Passengers	1,909	2,153	2,551	900	3	*(-) 99.67*
Other Taxes[5]	1,464	1,753	1,664	1,367	617	*(-) 54.86*
Total (Growth rate over previous year in *per cent*)	**78,656 (*6.70*)**	**80,476 (*2.31*)**	**85,941 (*6.79*)**	**93,737 (*9.07*)**	**1,05,534 (*12.59*)**	***12.59***

(Source: Finance Accounts for the respective years)

- The annual growth rate of own tax revenue during 2018-19 stood at 12.59 *per cent*, which was less than the average growth rate (12.72 *per cent*) of the GCS **(Appendix 1.1)**.

[5] Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

- The increase in growth rate of own tax revenue over the previous year was mainly due to increase in State Goods and Service Tax (56.71 *per cent*), Stamps and Registration Fees etc. (20.35 *per cent*), State Excise (18.02 *per cent*) and Land Revenue (17.11 *per cent*).
- Own tax revenue as a percentage of GSDP of the State during 2018-19 was 6.34 as compared to its neighbouring States of Karnataka and Kerala which were 6.31 *per cent* and 6.48 *per cent* respectively.

1.3.1.2 Goods and Services Tax

GoTN implemented the Goods and Services Tax (GST) Act with effect from 1 July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figure, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In Tamil Nadu, the revenue realised through the taxes since now subsumed into GST was ₹ 29,786.36 crore during the base year (2015-16). The revenue to be protected for any year was to be calculated by applying a growth rate of 14 *per cent* per annum.

The projected revenue for the year 2018-19 in accordance with the base year figure was ₹ 44,129.80 crore (₹ 29,786.36 x 1.14 x 1.14 x 1.14). Revenue figure under GST for the year 2018-19 has been depicted in Finance Accounts as per nature of receipts i.e. State Goods and Services (SGST) Tax, Input Tax Credit cross utilisation of SGST and IGST (Integrated Goods and Services Tax), Apportionment of IGST - transfer-in Tax component to SGST and Advance apportionment from IGST. Against the projected revenue of ₹ 44,129.80 crore, the revenue receipts of the State Government under GST during the year 2018-19 is given in **Table 1.8**.

Table 1.8: Projected and actual receipt on implementation of GST Act

(₹ in crore)

Period	Projected revenue*	Pre-GST taxes	SGST	IGST	Total tax collected	Compen-sation	Total including compen-sation	Deficit
1	2	3	4	5	6 =(3+4+5)	7	8 =(6+7)	9 = (2-8)
July 2017 to March 2018	29,032.77	3,356.30	15,882.32	8,706.99	27,945.61	632.00	28,577.61	455.16
April 2018 to March 2019	44,129.80	Nil	21,264.32	**17,268.77	38,533.09	3,151.00	41,684.09	2,445.71

* Projected based on a growth rate of 14 *per cent*

** Includes ₹ (-) 260.80 crore advance settlement adjusted during the year

(Figures excluding refunds, as worked out by GoTN)

As seen from **Table 1.8**, against the projected revenue of ₹ 44,129.80 crore for 2018-19, there was a shortfall of ₹ 2,445.71 crore and the receipt was ₹ 41,684.09 crore under the new tax regime, which worked out to a growth of 7.68 *per cent* as against the projected growth of 14 *per cent*.

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions to fulfil the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST Receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

1.3.1.3 Non-tax revenue

The details of collection of non-tax revenue during the period 2014-19 are given in **Table 1.9**.

Table 1.9: Components and trend of State's non-tax revenue

(₹ in crore)

Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Variation over previous year (in *per cent*)
Interest receipts	2,490	2,953	4,319	5,199	6,875	*32.24*
Dividends and Profits	99	140	185	159	156	*(-) 1.89*
Other non-tax receipts	5,762	5,825	5,410	5,406	7,169	*32.61*
Total	**8,351** ***(9.60)***	**8,918** ***(9.98)***	**9,914** ***(10.34)***	**10,764** ***(10.30)***	**14,200** ***(11.86)***	***31.92***

Figures in brackets indicate percentage of non-tax revenue to State's own resources.

(Source: Finance Accounts for the respective years)

- While the compound annual growth rate of non-tax revenue of the State during 2009-18 was marginally higher (9.98 *per cent)* when compared to GCS (9.88 *per cent)*, it was much more (31.91 *per cent)* than GCS (19.78 *per cent*) during 2018-19 **(Appendix 1.1)**.
- The non-tax revenue of the State increased by ₹ 3,436 crore in 2018-19 over the previous year. As a proportion of the State's own resources, the non-tax revenue which stood at 10.30 *per cent* in 2017-18 increased to 11.86 *per cent* in 2018-19.
- However, the actual increase of non-tax revenue was only ₹ 975 crore since ₹ 2,461 crore of interest dues to the Government were capitalised and accounted through 'book adjustments'.

1.3.2 Grants-in-aid from GoI

The Grants-in-aid received from GoI are given in **Table 1.10**.

Table 1.10: Grants-in-aid

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-plan Grants	6,078	5,832	6,757	*	*
Grants for State Plan Schemes	11,255	12,017	10,550	*	*
Grants for Central Plan Schemes	282	694	496	*	(-) 1
Grants for Centrally Sponsored Schemes	974	717	2,035	10,983	14,820
Others	-	-	-	3,696	**8,549
Total	**18,589**	**19,260**	**19,838**	**14,679**	**23,368**
Percentage of increase/decrease over previous year	*103.78*	*3.61*	*3.00*	*(-) 26.01*	*59.19*
Total grants as a percentage of Revenue Receipts	*15.18*	*14.93*	*14.15*	*10.03*	*13.45*

* Government did not provide grants under non-plan due to merger of non-plan/plan scheme.

** Includes ₹ 3,151 crore towards compensation on loss of revenue due to roll out of GST

(Source: Finance Accounts for the respective years)

- The grants-in-aid increased by ₹ 8,689 crore (59 *per cent*) over the previous year. As a percentage of revenue receipts, grants-in-aid, which stood at 10.03 in 2017-18, increased significantly to 13.45 in 2018-19.

1.3.3 Central tax transfers

Central Tax transfers during the last five years are given in **Table 1.11**.

Table 1.11: Central tax transfers

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
State's share of Union taxes and duties	16,824	20,354	24,538	27,100	30,639
CGST	*	*	*	383	7,562
IGST	*	*	*	2,736	604
Others	16,824	20,354	24,538	23,981	22,473
Percentage of increase over previous year	*6.13*	*20.98*	*20.56*	*10.44*	*13.05*

* Not Applicable

(Source: Finance Accounts for the respective years)

- The growth rate of State's share of Union taxes and duties, which stood at 10.44 *per cent* in 2017-18, increased to 13.05 *per cent* in 2018-19.
- The increase in growth rate is mainly attributable to increase in Corporation tax by ₹ 8,192 crore and CGST by ₹ 7,179 crore, partly offset by decrease in IGST from ₹ 2,736 crore in 2017-18 to ₹ 603.50 crore in 2018-19.

1.3.4 Optimisation of the FFC grants

Transfers from GoI to the State during 2018-19 on the recommendations of FFC are given in **Table 1.12**.

Table 1.12: Transfers on recommendations of FFC

(₹ in crore)

Particulars	Recommendation of the FFC	Actual release	Expenditure	Unutilised
(1)	(2)	(3)	(4)	(5)=(3-4)
Basic grants to Panchayat Raj Institutions	1,754	1,635	1,635	0.00
Basic Grants to Urban Local Bodies	1,462	1,363	1,363	0.00
Disaster Relief	786*	786*	786	0.00
Total	**4,002**	**3,784**	**3,784**	**0.00**

* Includes State's contribution of ₹ 78.60 crore

(Source: Information obtained from Finance Department)

- The FFC grants of ₹ 3,784 crore were fully utilised by the State.
- Actual release to PRIs and ULBs includes second instalment of ₹ 758 crore and ₹ 632 crore respectively for the year 2017-18.

1.3.5 Foregone revenue

Discounts, waivers and exemptions, deferments, write-off, etc., in the collection of Sales tax leading to revenue foregone by the State are given in **Table 1.13**.

Table 1.13: Discounts, waivers, exemptions, deferments and write-off in collection of Sales Tax

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Discount	0	0	0	0	0
Waiver	0	60	120	5	5
Exemption	8	4	0	0	0
Deferment	2,903	237	0	0	0*
Write-off	0	461	466	0	0
Total	**2,911**	**762**	**586**	**5**	**5**

* ₹ 1 lakh

(Source: Information furnished by the Commissioner of Commercial Taxes)

- Waivers, deferments and write-off of taxes registered a healthy decline over the last five years.

1.3.6 Arrears of revenue

The arrears of revenue as on 31 March 2019 in major revenue heads are detailed below in **Table 1.14**.

Table 1.14: Arrears of revenue as on 31 March 2019

(₹ in crore)

Sl. No.	Heads of revenue	Amount outstanding	Remarks
1	Sales Tax/ VAT	30,321.16	➢ Recovery through recovery certificate: ₹ 7,309.53 crore; ➢ Recovery at various other stages: ₹ 11,962.05 crore; ➢ Stayed by judicial authorities: ₹ 10,603.16 crore and ➢ Other stages/causes: ₹ 446.42 crore.
2	Stamp Duty and Registration fees	382.68	➢ Recovery through recovery certificate: ₹ 382.65 crore and ➢ Stayed by judicial authorities: ₹ 0.03 crore.
3	State Excise	33.63	➢ Recovery through recovery certificate: ₹ 19.10 crore; ➢ Recovery at various other stages: ₹ 8.11 crore; ➢ Stayed by judicial authorities: ₹ 0.69 crore and ➢ Other stages/causes: ₹ 5.73 crore.
4	Taxes on vehicles	0.53	➢ Recovery through recovery certificate: ₹ 0.31 crore and ➢ Stayed by judicial authorities: ₹ 0.22 crore.
5	Non-Ferrous Mining and Metallurgical Industries	4,866.14	➢ Recovery through recovery certificate: ₹ 391.17 crore; ➢ Recovery at various other stages: ₹ 1,271.79 crore; ➢ Stayed by judicial authorities: ₹ 3,183.76 crore and ➢ Other stages/causes: ₹ 19.42 crore
6	Electricity Taxes	662.27	➢ Recovery through recovery certificate: ₹ 166.86 crore; ➢ Recovery at various other stages: ₹ 60.96 crore; ➢ Stayed by judicial authorities: ₹ 393.68 crore; and ➢ Other stages/causes: ₹ 40.77 crore.
7	Urban Land Tax	183.22	➢ Recovery at various other stages: ₹ 162.38 crore; ➢ Stayed by judicial authorities: ₹ 17.09 crore and ➢ Other stages/causes: ₹ 3.75 crore
	Total	**36,449.63**	

(Source: Figures furnished by the department)

➢ As could be seen from **Table 1.14**, while 59.63 *per cent* of the outstanding amount was under recovery process, recovery of 38.95 *per cent* of the outstanding amount was under judicial stay and recovery action was yet to be initiated in respect of the remaining 1.42 *per cent*.

➢ The arrears as on 31 March 2019 represented 34.54 *per cent* of State's own taxes revenues. Effective action to recover these taxes on time would help reduce the revenue deficit of the State.

1.4 Capital receipts

Public debt receipts, recoveries of loans and advances and miscellaneous capital receipts are the capital receipts of the Government. The trends in growth and composition of capital receipts are given in **Table 1.15**.

Table 1.15: Trends in growth and composition of capital receipts

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Capital Receipts	**32,447**	**36,750**	**69,692**	**54,196**	**54,849**
Miscellaneous capital receipts	16	0	1	2	--
Recovery of loans and advances	1,351	684	3,548	8,472	6,913*
Public debt receipts	31,080	36,066	66,143	45,722	47,936
Rate of growth of public debt receipts	*25.25*	*16.04*	*83.39*	*(-) 30.87*	*4.84*
Rate of growth of non-debt capital receipts	*120.48*	*(-) 49.96*	*418.86*	*138.77*	*(-) 18.40*
Rate of growth of capital receipts	*27.57*	*13.26*	*89.64*	*(-) 22.23*	*1.20*

* Includes ₹ 251.31 crore of irrecoverable loans written off as loss to Government.

(Source: Finance Accounts for the respective years and Information on GSDP from Central Statistics Office)

- The recoveries of loans and advances during 2018-19 included the conversion of TANGEDCO's loan of ₹ 4,563 crore as Grants-in-aid under UDAY scheme.
- Public debt receipts increased from ₹ 45,722 crore during 2017-18 to ₹ 47,936 crore in 2018-19 due to increase (₹ 2,160 crore) in market loans under internal debt.
- Internal debt receipts of ₹ 45,596 crore under public debt receipts (₹ 47,936 crore) include an amount of ₹ 75 crore under 'Loans from Life Insurance Corporation of India' relating to rectification through book adjustments and not actual borrowings made by the Government.

1.5 Public account receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds and deposits and advances which do not form part of the Consolidated Fund, are accounted for in the Public Account, set up under Article 266 (2) of the Constitution of India and are not subject to vote by the State Legislature. Here the Government acts as a banker. The Public Account receipts for the period 2014-19 are given in **Table 1.16**.

Table 1.16: Trends in growth and composition of public account receipts

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Public Account Receipts					
Small Savings, Provident Fund, etc.	6,826	7,491	8,107	8,390	8,928
Reserve Fund	1,769	3,308	2,674	4,644	3,559
Deposits and Advances	32,820	40,022	36,989	44,180	53,633
Suspense and Miscellaneous	1,16,364	1,25,672	1,33,686	1,38,776	*1,68,319
Remittances	5,927	6,052	19	(-) 1	**
Total (a)	***1,63,706***	***1,82,545***	***1,81,475***	***1,95,989***	***2,34,439***
Public Account Disbursements					
Small Savings, Provident Fund, etc.	5,503	5,853	5,752	6,055	6,478
Reserve Fund	1,410	2,907	2,231	3,653	3,306
Deposits and Advances	30,298	35,876	32,584	36,106	42,998
Suspense and Miscellaneous	1,16,417	1,26,574	1,31,473	1,38,389	1,71,355
Remittances	5,756	6,232	967	6	(-) 207
Total (b)	***1,59,384***	***1,77,442***	***1,73,007***	***1,84,209***	***2,23,930***
Public Account Net (a)-(b)	**4,322**	**5,103**	**8,468**	**11,780**	**10,509**

* differs from **Appendix 1.5** by ₹ 1 crore due to rounding

** ₹ 8.75 lakh only

(Source: Finance Accounts for the respective years)

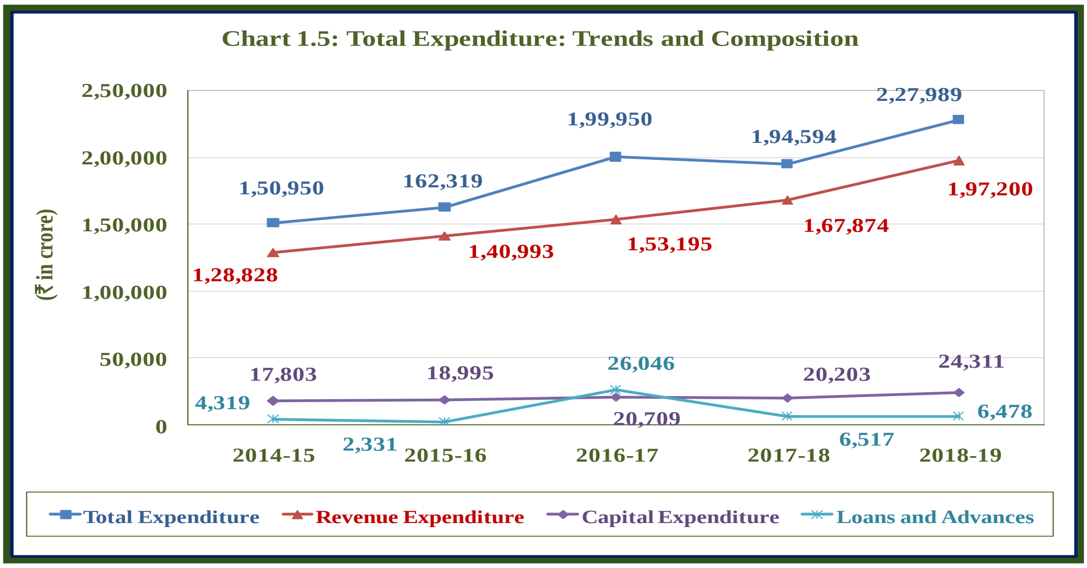
- The Public Account receipts increased substantially by 19.62 *per cent* in 2018-19 and stood at ₹ 2,34,438 crore.
- However, despite an increase in the Public Account Receipts, the contributions to / deposits under Reserve Fund had decreased by ₹ 1,085 crore during the current year.
- The net Public Account receipts, which was ₹ 4,322 crore during 2014-15 and showed an increasing trend up to 2017-18 (₹ 11,780 crore), decreased to ₹ 10,509 crore during the current year.

1.6 Application of resources

1.6.1 Growth and composition of expenditure

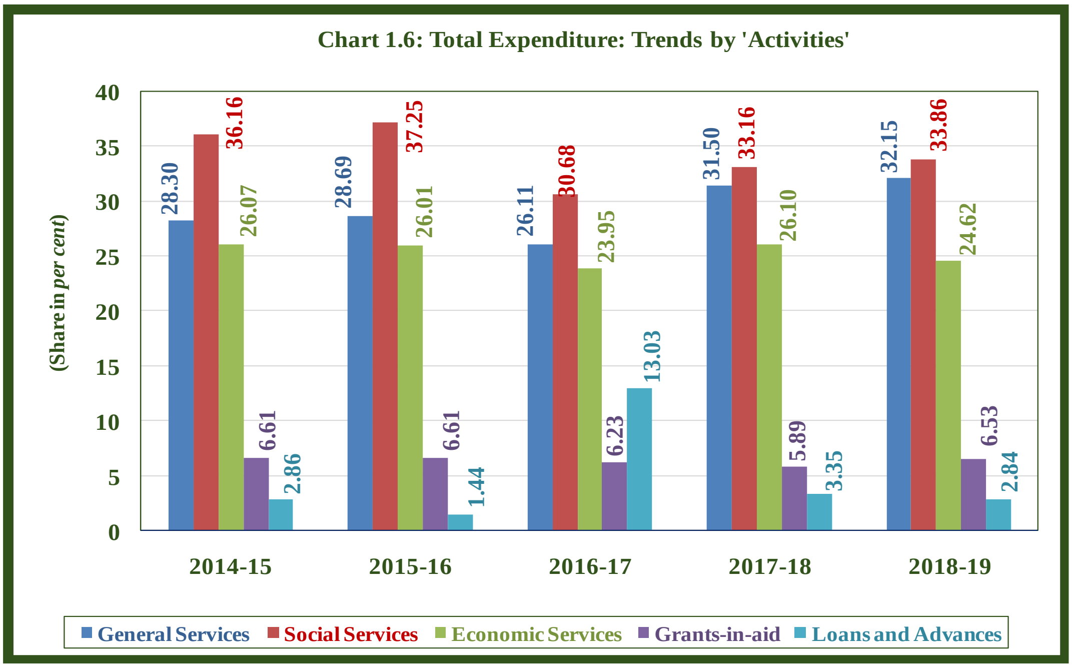
Chart 1.5 presents the trends in total expenditure[6] over a period of five years (2014-19) and its composition by activities is depicted in **Chart 1.6**.

6 Total expenditure includes revenue expenditure, capital expenditure and disbursement of loans and advances and excludes public debt repayment.



(Source: Finance Accounts for the respective years)

- Of the total expenditure of ₹ 2,27,989 crore during 2018-19, revenue expenditure (₹ 1,97,200 crore), capital expenditure (₹ 24,311 crore) and Loans and advances (₹ 6,478 crore) accounted for 86.50 *per cent*, 10.66 *per cent* and 2.84 *per cent* respectively.
- Capital expenditure increased substantially from ₹ 20,203 crore in 2017-18 to ₹ 24,311 crore in 2018-19, an increase of 20.33 *per cent* over the previous year. Capital expenditure was mainly on Roads and Bridges (₹ 7,073 crore), Urban development (₹ 4,433 crore) and irrigation (₹ 1,738 crore). Compared to 2017-18, the Capital expenditure on Power reduced from ₹ 781 crore to ₹ 195 crore, the Capital expenditure on Road Transport (Investment in STUs) reduced from ₹ 3,004 crore to ₹ 713 crore.



(Source: Finance Accounts for the respective years)

- The expenditure on General Services, Social Services and Economic Services during 2018-19 was 32.15, 33.86 and 24.62 *per cent* of the total expenditure and grew by 19.59, 19.65 and 10.51 *per cent* respectively over the previous year.
- The higher growth rate of expenditure on General Services in 2018-19 was mainly on account of increase in pension and other retirement benefits (₹ 7,270 crore) and interest payments (₹ 2,745 crore)
- The ratio of expenditure on social service to total expenditure marginally increased from 33.16 in 2017-18 to 33.86 in 2018-19.
- The share of loans and advances to the total expenditure had increased significantly during 2016-17 and stood at 13.03 *per cent* of total expenditure due to the State's participation in UDAY scheme for restructuring TANGEDCO. It, however, declined to 3.35 *per cent* of the total expenditure during the 2017-18 and further declined to 2.84 *per cent* during the current year.

1.6.2 Revenue expenditure

The trend of revenue expenditure of the State is given in **Table 1.17**.

Table 1.17: Trends in growth and composition of revenue expenditure

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts	1,22,420	1,29,008	1,40,231	1,46,280	1,73,741
Revenue Expenditure	1,28,828	1,40,993	1,53,195	1,67,874	1,97,200
Revenue Deficit/Surplus	(-) 6,408	(-) 11,985	(-) 12,964	(-) 21,594	(-) 23,459
GSDP	10,72,678	11,76,500	13,02,639	14,61,841	16,64,159
Revenue Receipt to GSDP (in *per cent*)	*11.41*	*10.97*	*10.77*	*10.01*	*10.44*
Revenue Expenditure to GSDP (in *per cent*)	*12.01*	*11.98*	*11.76*	*11.48*	*11.85*
Revenue surplus /deficit to GSDP (in *per cent*)	*(-) 0.60*	*(-) 1.02*	*(-) 1.00*	*(-) 1.48*	*(-) 1.41*

(Source: Finance Accounts for the respective years and information on GSDP from Central Statistics Office)

- The State has registered revenue deficit of ₹ 23,459 crore during 2018-19, which was on an increasing trend since 2014-15.
- The ratio of revenue expenditure to GSDP increased marginally from the previous year and stood at 11.85 *per cent* during the current year.

1.6.3 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.18** presents the trend in the expenditure on these components during 2014-19.

Table 1.18: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries and wages	28,663 *(23.41)*	30,664 *(23.77)*	33,158 *(23.65)*	37,140 *(25.39)*	43,394 *(24.98)*
Salary grants*	5,392 *(4.40)*	5,712 *(4.43)*	6,088 *(4.34)*	6,819 *(4.66)*	7,792 *(4.48)*
Interest payments	14,550 *(11.89)*	17,391 *(13.48)*	20,533 *(14.64)*	26,012 *(17.78)*	28,757 *(16.55)*
Expenditure on pension	16,360 *(13.36)*	17,235 *(13.36)*	18,879 *(13.46)*	21,132 *(14.45)*	27,993 *(16.11)*
Subsidies	10,373 *(8.47)*	12,315 *(9.55)*	16,092 *(11.48)*	15,230 *(10.41)*	**18,922 *(10.89)*
Total	**75,338**	**83,317**	**94,750**	**1,06,333**	**1,26,858**
Total as a percentage of revenue receipts	***61.54***	***64.58***	***67.57***	***72.69***	***73.02***
Total as a percentage of revenue expenditure	***58.48***	***59.09***	***61.85***	***63.34***	***64.33***

Figures in the brackets indicate percentage to revenue receipts

* Salary grants are released to aided educational institutions and Urban Local Bodies towards meeting the expenditure on salaries of teachers and staff

** Includes ₹ 1,672 crore under central assistance schemes

(Source: Finance Accounts for the respective years)

- The committed expenditure (₹ 1,26,858 crore) which was on an increasing trend stood at 73.02 *per cent* of the total revenue receipts (₹ 1,73,741 crore) of the State during 2018-19, as against 72.69 *per cent* during 2017-18.
- The committed expenditure (₹ 1,26,858 crore) stood at 64.33 *per cent* of the total revenue expenditure (₹ 1,97,200 crore) of the State during 2018-19, as against 63.34 *per cent* during 2017-18.
- During 2018-19, expenditure on salaries and wages, inclusive of salary grants was ₹ 51,186 crore which accounted for 36.44 *per cent* of the revenue expenditure excluding interest payments and pension**.**
- The expenditure towards interest payments increased by ₹ 2,745 crore (10.55 *per cent*) during 2018-19 over the previous year. Increased interest payment may be attributable to the increase in interest payments towards market loans by 15.45 *per cent* during the current year.

1.6.3.1 Management of Defined Contributory Pension Scheme

GoTN launched Defined Contributory Pension Scheme (DCPS) for its employees from 1 April 2003. Under the scheme, employees contribute 10 *per cent* of their Basic Pay + DA and GoTN makes matching contribution. The employee contribution recovered from salary and the Government contribution debited from the Consolidated Fund are kept as a Deposit in Public Accounts (8342 Other Deposits-117 DCPS). The Fund balance is invested in 91 days Treasury Bills (T Bills) and continued to be reinvested on maturity. DCPS accounts of individual Government employees[7] are maintained by Government Data Centre (GDC). Every year GDC calculates the interest due at the notified rates and credits the interest to the DCPS Account of individual Government employee.

On creation of National Pension System (NPS) architecture, Pension Fund Regulatory and Development Authority (PFRDA) repeatedly requested (2008 and 2009) GoTN to join NPS. GoTN declined (2010) to join NPS architecture and initially cited non-enactment of PFRDA Act by the Parliament, to justify its decision to continue with the existing system of retaining the Pension Fund money in Public Accounts of the State. The State Government, even after a lapse of 15 years from the inception of the New Pension Scheme *viz*., Defined Contributory Pension Scheme (DCPS), has not designated a Fund Manager. During the year, out of the accumulated amount of ₹ 29,601.05 crore in the Fund since inception, the State Government invested ₹ 25,697.31 crore in 91 days non-competitive treasury bills and earned an interest of ₹ 1,331.66 crore**.** The Government allowed interest on the balances at a rate on par with GPF interest rate which was revised periodically and interest payment of ₹ 1,913.90 crore was made under DCPS which worked out to 43.72 *per cent* over and above the interest earned during the year.

1.6.3.2 Subsidies

Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate return on investments, poor recovery of user charges, assistance in cash/kind to individuals, etc., fall under the category of implicit subsidies[8]. Subsidies consumed 10.89 *per cent* of State's revenue.

(a) Explicit subsidies increased (24.24 *per cent*) substantially from ₹ 15,230 crore in 2017-18 to ₹ 18,922 crore in 2018-19. A list of schemes for which the State Government provided subsidy during 2014-19 is given in **Table 1.19**.

Table 1.19: List of schemes for which subsidy was given by the State Government

(₹ in crore)

Name of the scheme	2014-15	2015-16	2016-17	2017-18	2018-19
Social Safety Net - Food Security - Public Distribution System Support	5,000	5,300	5,500	6,000	7,989
Electricity - Compensation to Tamil Nadu Electricity Board (TNEB) due to reduction in tariff to domestic consumers	2,482	2,885	4,271	3,623	3,076
Value Added Tax Refund Subsidy for Promotion of Industries	600	1,000	1,600	1,600	2,000
Reimbursement of Social cost on student concessions in bus fares	448	480	505	541	764

[7] Including employees of Local Bodies and aided educational institutions.

[8] Subsidies which were not booked under the object head "11-Subsidies" under the relevant major head of account are "Implicit Subsidies".

Name of the scheme	2014-15	2015-16	2016-17	2017-18	2018-19
Free distribution of handloom clothes to the people below poverty line	519	484	472	484	468
National Agriculture Development Programme - Agriculture Department	75	135	186	204	147
Payment to TNEB on behalf of Powerloom weavers	269	312	386	387	343
Subsidy to farmers for Agricultural inputs	--	--	1,626	81	1
Subsidy to farmers for Horticultural inputs	--	--	152	4	--
Installation of Drip and Sprinklers Irrigation System in farmers' holdings in Ground Water Stresses Blocks	125	156	246	--	--
Other subsidies schemes	855	1,563	1,148	2,306	4,134
Total	**10,373**	**12,315**	**16,092**	**15,230**	**18,922**

(Source: Finance Accounts of the respective years)

(b) The expenditure on subsidy increased from ₹ 10,373 crore in 2014-15 to ₹ 16,092 crore in 2016-17, decreased to ₹ 15,230 crore during 2017-18 and substantially increased to ₹ 18,922 crore during 2018-19. The increase was mainly on account of enhanced subsidies on 'Social safety net - Food Security - Public Distribution' and 'Value added tax refund subsidy for promotion of industries by ₹ 2,389 crore.

(c) The subsidies extended include an amount of ₹ 1,672 crore under Central Assistance Schemes mainly towards Agricultural Sector and Fisheries and increased by 38 *per cent* over the previous year.

(d) Subsidies are to be booked in the accounts under the object head '11-Subsidies'. The State Government also provided implicit subsidies during 2014-19 which were not booked under the object head '11 - Subsidies' but were booked under (i) 09-Grants-in-aid (Laptop scheme and Marriage assistance scheme), (ii) 24-Materials and Supplies (grinders, mixies and fans), (iii) 10-Contributions (health insurance), etc.

Implicit subsidies in the form of marriage assistance, maternity assistance, free supply of laptop, uniform, etc., has come down from ₹ 6,156 crore in 2015-16 to ₹ 4,198 crore in 2018-19, some of which are given in **Table 1.19(a)**. Though**,** similar observations were made in the earlier Audit Reports, the Government continue to make provision under object heads other than '11-subsidies', while operating such schemes.

Table 1.19(a): Major implicit subsidies given during 2014-19

Name of the scheme	Expenditure incurred (₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Free supply of grinders, mixies, fans, etc.	1,262	2,000	933	0	0
Marriage Assistance Scheme - Distribution of four gram gold coins for Thirumangalyam	644	630	721	718	739
Free supply of uniforms to school children	425	382	410	390	384
Free supply of bicycles to students studying in Standard XI and XII in Government/ Government aided Higher Secondary Schools	218	235	250	16	382

Name of the scheme	Expenditure incurred (₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Free distribution of sheep/goat to the persons living below poverty line	197	194	29	194	193
Menstrual Hygiene Programme (Providing sanitary napkins free of cost to adolescent girls)	55	45	45	46	46
Free distribution of milch cows to each family living below poverty line	43	42	14	48	47
Free distribution of laptops	828	1,100	511	641	144
Dr. Muthulakshmi Reddy Maternity Assistance Scheme	619	600	928	646	900
Chief Minister's Comprehensive Health Insurance Scheme	758	928	593	1,734	1,363
Total	**5,049**	**6,156**	**4,434**	**4,433**	**4,198**

(Source: Detailed Appropriation Accounts of the respective years)

1.6.4 Financial assistance by State Government

(a) Local bodies

The 73rd and 74th Constitutional amendments gave Constitutional status to Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively and established a system of uniform structure, regular elections, regular flow of funds through Finance Commission, etc. In Tamil Nadu, there are 664 ULBs (12 Municipal Corporations, 124 Municipalities and 528 Town Panchayats) and 12,940 PRIs (31 District Panchayats, 385 Panchayat Unions and 12,524 Village Panchayats).

Consequent upon the 74th amendment to the Constitution, the State Legislature amended the Tamil Nadu District Municipalities Act, 1920 for transferring certain powers and responsibilities to ULBs. Out of the 18 functions enlisted in the Twelfth Schedule of the Constitution, 12 functions have been devolved to the Town Panchayats and 17 functions to Municipalities and Municipal Corporations of the State. In respect of Greater Chennai Corporation (GCC), 13 out of 18 functions have been devolved.

Eleventh Schedule of the Constitution of India empowered the State Legislatures to devolve 29 functions to PRIs. GoTN has delegated powers to the three tiers of Panchayats to supervise, assist and monitor the works, falling under the 29 subjects implemented by various departments.

The quantum of assistance provided during 2014-19 by way of grants to the local bodies is presented in **Table 1.20**.

Table 1.20: Financial assistance to Local Bodies

(₹ in crore)

Local Body	2014-15	2015-16	2016-17	2017-18	2018-19
Urban Local Bodies	4,142	4,083	5,020	4,585	6,047
Panchayat Raj Institutions	4,868	5,433	6,196	4,326	5,845
Total	**9,010**	**9,516**	**11,216**	**8,911**	**11,892**
Assistance as percentage of Revenue Expenditure	*6.99*	*6.75*	*7.32*	*5.31*	*6.03*

(Source: Finance Accounts for the respective years)

- During the year, assistance to ULBs and PRIs as a percentage of revenue expenditure, increased to 6.03 from 5.31 in the previous year.

(b) Other institutions

The quantum of assistance provided by way of grants to the other institutions during the current year and in the earlier years is presented in **Table 1.21**.

Table 1.21: Financial assistance to other institutions

(₹ in crore)

Financial Assistance to Institutions	2014-15	2015-16	2016-17	2017-18	2018-19
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	4,446	3,989	3,526	3,894	3,948
Development Agencies	899	610	1,192	2,066	2,607
Hospitals and Other Charitable Institutions	1,131	1,497	1,294	1,630	2,405
Other Institutions[9]	18,734	20,696	22,169	24,130	26,974
Total	**25,210**	**26,792**	**28,181**	**31,720**	**35,934**
Assistance as percentage of Revenue Expenditure	*19.57*	*19.00*	*18.40*	*18.90*	*18.22*

(Source: Finance Accounts for the respective years)

- Financial assistance to the other institutions increased from ₹ 25,210 crore in 2014-15 to ₹ 35,934 crore (42.54 *per cent*) in 2018-19. During 2018-19, financial assistance to Hospitals and other charitable institutions increased by ₹ 775 crore (47.55 *per cent*) over the previous year. As a percentage of revenue expenditure, financial assistance to other institutions marginally decreased from 18.90 in 2017-18 to 18.22 in 2018-19.

1.7 Quality of expenditure

The improvement in the quality of expenditure basically involves three aspects *viz*., adequacy of expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of public expenditure

Table 1.22 analyses the fiscal priority of the State Government with regard to development expenditure[10], social sector expenditure and capital expenditure during 2014-15, 2017-18 and 2018-19.

---

9 Institutions/agencies connected with water supply and sanitation, housing, social welfare, labour and employment, forestry and wildlife, agriculture and allied activities, industries and minerals, relief on account of natural calamities and village and small industries.

10 See glossary.

Table 1.22: Fiscal priority of the State in 2014-15, 2017-18 and 2018-19

(in *per cent*)

Fiscal Priority of the State		AE/ GSDP	DE#/AE	SSE/AE	CE/AE	Education/ AE	Health/ AE
General Category States' Average	2014-15	15.99	68.51	36.15	14.02	16.54	4.92
	2017-18	16.05	67.84	36.66	14.38	15.45	5.09
	2018-19	16.05	67.04	36.59	14.28	14.99	5.07
Tamil Nadu	2014-15	14.07	64.84	36.81	11.79	16.46	4.95
	2017-18	13.31	62.45	34.31	10.38	15.21	5.36
	2018-19	13.70	61.22	34.74	10.66	14.85	5.48
Karnataka	2018-19	13.25	75.96	39.41	19.24	12.06	4.66
Kerala	2018-19	15.23	50.21	33.73	6.24	16.33	5.96

\# Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure CE: Capital Expenditure

(Source: For GSDP, information from Central Statistics Office)

- In all the three years 2014-15, 2017-18 and 2018-19, the percentage of AE to GSDP was low in the State as compared to GCS.
- The development expenditure as a percentage of AE of the State was lower than the average of GCS during all the three years 2014-15, 2017-18 and 2018-19.
- Except the expenditure on Health, the development expenditure, capital expenditure, social sector expenditure and the expenditure on Education of the State as a percentage of AE was lower than the GCS in 2018-19.
- The proportion of capital expenditure to aggregate expenditure of the State at 10.66 during 2018-19 was less than the average of 14.28 in GCS.
- The expenditure on Education and Health Sector as a percentage of AE was higher than Karnataka State but was less when compared with the State of Kerala.

1.7.2 Efficiency of expenditure

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalisation measures. **Table 1.23** presents the trends in development expenditure relative to the aggregate expenditure of the State during 2014-19.

Table 1.23: Development expenditure

(₹ in crore)

Components of Development Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Development Expenditure (a to c)	**97,869** ***(64.84)***	**1,04,739** ***(64.53)***	**1,34,991** ***(67.51)***	**1,21,518** ***(62.45)***	**1,39,564** ***(61.22)***
(a) Development Revenue Expenditure	77,192 *(51.14)*	84,749 *(52.21)*	89,277 *(44.65)*	95,952 *(49.31)*	1,09,871 *(48.19)*
(b) Development Capital Expenditure	16,739 *(11.09)*	17,941 *(11.05)*	19,959 *(9.98)*	19,356 *(9.95)*	23,453 *(10.29)*
(c) Development Loans and Advances	3,938 *(2.61)*	2,049 *(1.26)*	25,755 *(12.88)*	6,210 *(3.19)*	6,240 *(2.74)*

Figures in brackets indicate percentage of aggregate expenditure
(Source: Finance Accounts for the respective years)

- Development expenditure decreased from 62.45 *per cent* in 2017-18 to 61.22 *per cent* in 2018-19. During the five year's period from 2014-15 to 2018-19, while the development revenue expenditure declined from 51.14 *per cent* to 48.19 *per cent*, the development capital expenditure declined steeply from 11.09 *per cent* in 2014-15 to 9.95 *per cent* in 2017-18, but increased to 10.29 during the current year, which is indicative of the fact that the capital sector spending had been accorded priority during 2018-19.
- The expenditure on development loans declined significantly from 12.88 *per cent* of the aggregate development expenditure in 2016-17 to 2.74 *per cent* of aggregate expenditure during the year. The higher expenditure on loans during 2016-17 was on account of interest free loan to TANGEDCO under UDAY scheme.
- The actual development expenditure on loans and advances was much lesser than ₹ 6,240 crore and was only ₹ 3,779 crore. The development expenditure on loans and advances of ₹ 6,240 crore include ₹ 2,461 crore which does not represent the actual loan disbursed during the year but relates to interest dues capitalised as fresh loans in the process of restructuring of loans taken up by the Government during the year.

Table 1.24 provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected Social and Economic Services during 2017-18 and 2018-19.

Table 1.24: Efficiency of expenditure use in selected Social and Economic Services

(in *per cent*)

Social/Economic infrastructure	2017-18		2018-19	
	Ratio of CE to TE	Ratio of S&W to RE	Ratio of CE to TE	Ratio of S&W to RE
Social Services of which				
Education, Sports, Art and Culture	2.08	57.22	2.14	57.55
Health and Family Welfare	3.90	49.37	5.85	51.14
Water Supply, Sanitation, Housing and Urban Development	33.66	1.32	40.84	1.17
Total (Social Services)	**7.09**	**41.48**	**8.83**	**41.43**
Economic Services of which				
Agriculture and Allied Activities	6.79	15.14	7.21	15.67
Irrigation and Flood Control	43.13	25.68	52.04	27.69
Energy	8.05	0.01	2.33	1.21
Transport	66.22	12.56	64.69	21.21
Total (Economic Services)	**26.71**	**9.40**	**27.27**	**9.45**
Total (Social and Economic Services)	**15.93**	**29.39**	**16.80**	**35.40**

CE: Capital expenditure on the Sector/Service concerned; **TE**: Total expenditure on the Sector/Service concerned; **RE**: Revenue expenditure on the Sector/Service concerned; **S&W**: Salaries and Wages on the Sector/Service concerned

(Source: Finance Accounts for the respective years)

Expenditure on Social Services

- The capital expenditure on Social Services, as a percentage of total expenditure increased by 1.74 *per cent* over previous year.
- The ratio of expenditure on salaries and wages to revenue expenditure in respect of Water Supply, Sanitation, Housing and Urban Development under selected Social Services decreased from 1.32 *per cent* in 2017-18 to 1.17 *per cent* in 2018-19, while in respect of Health and Family Welfare it increased from 49.37 *per cent* to 51.14 *per cent* during the period.

Expenditure on Economic Services

- Capital expenditure on Economic Services, as a percentage of total expenditure of selected services, increased overall except under Energy, where the ratio substantially reduced to 2.33 *per cent* and under Transport by 1.53 *per cent*.
- There was also an increase of 0.05 *per cent* in the ratio of expenditure on salaries and wages to revenue expenditure under selected economic services.

1.8 Financial analysis of Government expenditure and investments

This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Financial results of irrigation projects

Ensuring the commercial viability of irrigation projects through realisation of adequate revenue by way of user charges would be prudent on the part of Government. It was observed that the revenue from irrigation projects (₹ 47 crore) was 3.25 *per cent* of the maintenance expenditure (₹ 1,446 crore) during 2018-19 as against 2.36 *per cent* in the previous year.

The financial results of five major and 52 medium irrigation projects are depicted in Appendix VIII of the Finance Accounts for 2018-19. The revenue realised from these projects during 2018-19 was ₹ 14 crore. After meeting the working and maintenance expenditure (₹ 297 crore) and interest charges (₹ 283 crore), these 57 projects suffered a net loss of ₹ 566 crore during 2018-19.

1.8.2 Incomplete projects

The department-wise information pertaining to incomplete projects for a period ranging between 1-8 years as on 31 March 2019 is given in **Table 1.25**.

Table 1.25: Department-wise profile of incomplete projects

(₹ in crore)

Department	No. of incomplete projects*	Initial budgeted cost	Revised total cost of projects**	Expenditure during the year	Cumulative actual expenditure as on 31 March 2019
Roads and Bridges , etc.	102	413.88	[$]413.88	120.54	177.46
Buildings	19	1,094.39	1,324.97	160.77	1,097.11
Total	**121**	**1,508.27**	**1,738.85**	**281.31**	**1,274.57**

* Only those projects scheduled to be completed before 31 March 2019 were included.

** Indicates the revised total cost of the projects as per the last revision by the State Government up to March 2019.

$ No revision of project cost, only delay in completion.

(Source: Collected from various sources by Accountant General (Accounts & Entitlements) and included in Appendix IX of Finance Accounts for 2018-19)

Failure to complete the projects in time leads to escalation of project costs and delays the accrual of the projects' benefits to the society at large. Delays also result in postponement of revenue realisation from the projects.

1.8.3 Investments and returns

Government invested (up to March 2019) ₹ 36,480 crore in statutory corporations, joint stock companies and co-operatives **(Table 1.26)**.

Table 1.26: Return on investments

Investment/Return/Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year (₹ in crore)	23,065	25,725	29,811	33,579	36,480
Return (₹ in crore)	97	156	185	153	135
Return (in *per cent*)	*0.42*	*0.61*	*0.62*	*0.45*	*0.37*
Average rate of interest on Government borrowing (in *per cent*)	*8.12*	*8.38*	*8.11*	*8.53*	*8.27*
Difference between borrowing interest rate and return on investment (in *per cent*)	*7.70*	*7.77*	*7.49*	*8.08*	*7.90*

(Source: Finance Accounts for the respective years)

Government invested (up to March 2019) in two Statutory corporations (₹ 24,421 crore), 58 Government companies (₹ 11,565 crore), five Joint Stock companies (₹ 1 crore) and 9,156 Co-operatives (₹ 493 crore).

During the year 2018-19, Government made additional investment of ₹ 531.47 crore in seven loss-making corporations/companies like Metropolitan Transport Corporation (Chennai) (₹ 233 crore), Tamil Nadu State Transport Corporation (Salem) Ltd (₹ 35 crore), Arasu Rubber Corporation Ltd (₹ 5 crore), TANGEDCO[11], Adyar Poonga Company[11], State Express Transport Corporation Tamil Nadu Limited[11] and Chennai Metro Rail Limited (₹ 258.47 crore).

The average rate of return was on a declining trend from 2016-19, from 0.62 *per cent* in 2016-17 to 0.37 *per cent* in 2018-19. The return on investment during 2014-19 was meagre compared to Government's average rate of borrowing of 8.27 *per cent* during the year.

1.8.4 Loans and advances by State Government

In addition to the investments in co-operative societies, corporations and companies, Government has also been providing loans and advances to many of these institutions/organisations.

During the year, the State Government took up the task of cleansing/ restructuring of past data under Sector "F - Loans and Advances" in the Government Accounts. The figures were earlier booked under numerous sub-heads of accounts resulting in ambiguity. Unrecoverable loans were written off and heads of account merged/split for greater accuracy and transparency in the Government accounts.

The restructuring of loans before migration to the envisaged Integrated Financial and Human Resource Management System (IFHRMS) is a positive step towards efficient loan management and monitoring.

Table 1.27 presents the outstanding loans and advances as on 31 March 2019 and interest receipts *vis-à-vis* interest payments during the last five years.

[11] The break-up of investment during the year 2018-19 was not available; only the amount cumulative investment till the year March 2019 was available.

Table 1.27: Average interest received on loans advanced by the State Government

(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Opening balance	16,636	19,604	21,251	43,749	41,794
Amount advanced during the year	4,319	2,331	26,046	6,517	6,478
Amount repaid during the year	1,351	684	3,548	8,472	6,913
Closing balance	19,604	21,251	43,749	41,794	41,359
Net increase (+)/decrease (-)	2,968	1,647	22,498	(-) 1,955	(-) 435
Interest receipts	130	186	1,372	1,484	2,703
Interest receipts as percentage of outstanding loans and advances	*0.72*	*0.91*	*4.22*	*3.47*	*6.50*
Interest payments as percentage of average outstanding fiscal liabilities of the State Government	*8.12*	*8.38*	*8.11*	*8.53*	*8.27*
Difference between interest payments and interest receipts (*per cent*)	*7.40*	*7.47*	*3.89*	*5.06*	*1.30*

(Source: Finance Accounts for the respective years)

- The recovery of loans and advances which was at ₹ 8,472 crore in 2017-18 reduced to ₹ 6,913 crore in 2018-19. This includes the conversion of TANGEDCO's loan of ₹ 4,563 crore as Grants-in-aid under UDAY scheme and ₹ 251 crore irrecoverable loans written off as loss by the Government during the year in the restructuring process of loans and advances.
- Loans advanced during the year includes ₹ 2,461.48 crore relating to capitalisation of the interest dues from certain loan recipient organisations and treating them as fresh loans through book adjustments.
- Major recipients of loans and advances were Chennai Metro Rail Corporation Limited (₹ 500 crore) and Loans to TN Urban Development Fund for implementing World Bank assisted Tamil Nadu Sustainable Urban Development Project (₹ 300 crore), Transport Corporations (₹ 1,322 crore) and TANGEDCO and others (₹ 333 crore).
- The interest receipts which was at ₹ 1,484 crore in 2017-18 had increased to ₹ 2,703 crore in 2018-19.

1.8.5 Cash balances and investment of cash balances

Table 1.28 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.28: Cash balances and investment of cash balances

(₹ in crore)

Sl. No.	Particulars	As on 31 March 2018	As on 31 March 2019
(a)	**General Cash Balance**		
1	Cash in Treasuries	0.00	0.00
2	Deposits with Reserve Bank of India	(-) 81.18	(-) 459.88
3	Remittances in Transit	16.80	16.80
	Total	**(-) 64.38**	**(-) 443.08**
4	Investments held in the Cash Balance Investment Account	18,585.03	11,008.09
	Total (a)	***18,520.65***	***10,565.01***
(b)	**Other Cash Balances and Investments**		
1	Cash with Departmental Officers *viz.*, Public Works and Forest Departments	4.16	4.16
2	Permanent advances for contingent expenditure with Departmental Officers	8.40	8.41
3	Investments of earmarked funds	28,660.23	32,651.59
	Total (b)	***28,672.79***	***32,664.16***
	Total (a) and (b)	**47,193.44**	**43,229.17**

(Source: Finance Accounts for the respective years)

- The State Government maintained the minimum required daily cash balance of ₹ 3.25 crore with the Reserve Bank of India during 2018-19. No ways and means advance or overdraft was taken during the year.
- The total cash balance as on 31 March 2019 decreased by ₹ 3,964 crore. The decrease over the previous year was mainly under investments held in the Cash Balance Investment Account.

1.9 Assets and liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5 Part B** gives an abstract of such liabilities and assets as on 31 March 2019, compared with the corresponding position on 31 March 2018. While the liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the Public Account and Reserve funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and cash balances.

The TNFR Act, 2003 defines the total liability of the State as 'the liabilities under the Consolidated Fund of the State and the Public Account of the State', which include loans and advances from the Central Government, open market borrowings, loans from financial institutions, Provident Fund balances of Government employees, Reserve funds, Deposits, etc.

The ratio of financial assets and liabilities as on 31 March 2019 was 0.76, indicating that asset creation was not keeping pace with the liabilities.

1.9.2 Financial assets

Loans and advances made by the Government form part of its financial assets. During 2016-17 under Ujjwal DISCOM Assurance Yojana (UDAY), a financial revival package for electricity distribution companies (DISCOMs), GoTN released ₹ 22,815 crore to TANGEDCO as interest free loan. As per the scheme guidelines, the loan amount would be converted as grant over a period of five years commencing from 2017-18. During 2018-19, as per the scheme guidelines, GoTN converted ₹ 4,563 crore as grants.

As the loan of ₹ 13,689 crore outstanding as of 31 March 2019 (₹ 22,815 crore - (₹ 4,563 x 2) crore) under UDAY would ultimately to be waived off by GoTN by releasing grants-in-aid over the next three years, the entire sum was not an asset in its real sense, despite being depicted under loans and advances.

Though an amount of ₹ 6,478 crore is accounted as loans disbursed during the year, the actual amount disbursed is only ₹ 4,017 crore. The balance amount of ₹ 2,461 crore relates to capitalisation of interest dues treated as fresh loans through book adjustments and hence to that extent does not form part of assets created in the real sense leading to the depiction of inflation of loans disbursed during the year.

1.9.3 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. The composition of fiscal liabilities during the last five years is presented in **Table 1.29** and for 2018-19 in **Chart 1.7.**

Table 1.29: Trends in outstanding fiscal liabilities

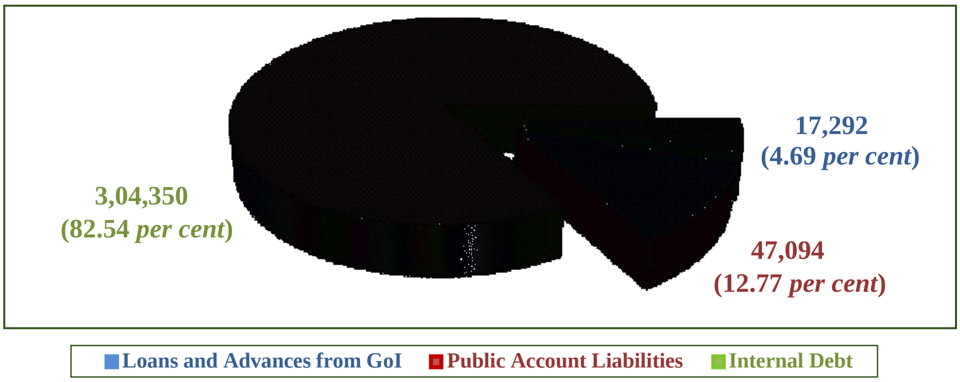
(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Internal Debt	1,51,736 *(79.09)*	1,80,693 *(81.02)*	2,37,701 *(83.88)*	2,72,634 *(83.50)*	3,04,350 *(82.54)*
Public Account Liabilities	27,213 *(14.19)*	28,934 *(12.97)*	31,355 *(11.06)*	37,749 *(11.56)*	47,094 *(12.77)*
Loans and Advances from GoI	12,898 *(6.72)*	13,403 *(6.01)*	14,338 *(5.06)*	16,135 *(4.94)*	17,292 *(4.69)*
Total	**1,91,847**	**2,23,030**	**2,83,394**	**3,26,518**	**3,68,736**
Fiscal Liabilities/GSDP (in *per cent*)	*17.88*	*18.96*	*21.76*	*22.34*	*22.16*
Fiscal Liabilities / Revenue Receipts (in *per cent*)	*156.71*	*172.88*	*202.09*	*223.21*	*212.23*
Fiscal Assets / Liabilities (in *per cent*)	*0.87*	*0.84*	*0.83*	*0.79*	*0.76*

Figures in brackets indicate percentage to outstanding fiscal liabilities

(Source: Finance Accounts for the respective years)

Chart 1.7: Composition of outstanding fiscal liabilities as on 31-03-2019 (₹ in crore)



(Source: Finance accounts for 2018-19)

- The share of internal debt, which constitutes a major component of outstanding fiscal liabilities has progressively increased in terms of value from ₹ 1,51,736 crore (79.09 *per cent*) in 2014-15 to ₹ 3,04,350 crore (82.54 *per cent*) in 2018-19. The percentage share of Loans and Advances from GoI has been on a declining trend from 2014-15.
- The internal debt outstanding as of March 2019 includes an amount of ₹ 75 crore adjusted (book adjustments) due to rectification of misclassification of borrowings as revenue receipts in March 2004 during the year due to which the increase in borrowing does not represent the actual borrowings to that extent.
- The outstanding fiscal liabilities had increased by 12.93 *per cent* from ₹ 3,26,518 crore at the end of 2017-18 to ₹ 3,68,736 crore at the end of 2018-19.
- The fiscal liabilities at the end of 2018-19 represented 212.23 *per cent* of the revenue receipts during the year as against 223.21 *per cent* of the revenue receipts during 2017-18.
- The outstanding liabilities as a percentage of GSDP was 22.16, which was well below the norm of 23.01 prescribed for the year 2018-19 as per FFC. However, the gradual decrease in the ratio of fiscal assets to fiscal liabilities from 0.87 in 2014-15 to 0.76 in 2018-19 reflects on the overall increase in the fiscal liabilities of the Government over the period of time.
- Public Account liabilities as a percentage of the total fiscal liabilities increased from 11.56 in 2017-18 to 12.77 in 2018-19. Internal debt at 82.54 *per cent* and GoI loans at 4.69 *per cent* of the fiscal liabilities was lower than that of the previous year 83.50 *per cent* and 4.94 *per cent* respectively.

1.9.4 Transactions under Reserve Fund

There were 24 Reserve Funds earmarked for specific purposes at the beginning of the year. Out of the 24 Reserve Funds, five Funds were inoperative for one to nine years. The total accumulated balance as on 31 March 2019 under Reserve Funds was ₹ 15,238 crore (₹ 15,115 crore in active funds and ₹ 123 crore in inoperative funds) out of which ₹ 6,954 crore (45.64 *per cent*) was invested. A few of the reserve funds are discussed below:

1.9.4.1 Consolidated Sinking Fund

The State Government has created a Consolidated Sinking Fund (CSF) in 2005-06 for amortisation of Open Market Loans, Government of India Loans and Special Securities issued to National Small Savings Fund availed of by the State Government. As per the Notification in Tamil Nadu Gazette, the Government may contribute at the rate of 0.5 *per cent* of the outstanding liabilities as at the end of the previous year, to CSF. During the year, the State Government contributed ₹ 490.21 crore to the Fund, which works out to only 0.15 *per cent* of the outstanding liabilities of ₹ 3,26,517.89 crore as on 1 April 2018. Due to the increased trend in the liabilities, the Government may initiate contributing more to this fund to tide over the future commitments adequately. As on 31 March 2019, CSF had a balance of ₹ 6,403.40 crore, of which ₹ 6,125.11 crore was invested in GoI securities.

1.9.4.2 Other Reserve Funds

There was short transfer of ₹ 99 crore to Reserve Funds during 2018-19, which resulted in understatement of Revenue and Fiscal Deficits to that extent. The short transfer which stood at ₹ 60 crore at the end of 2017-18 increased to ₹ 99 crore.

1.9.5 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended. As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and the outstanding guarantees for the last five years are given in **Table 1.30**.

Table 1.30: Guarantees given by Government of Tamil Nadu

(₹ in crore)

Guarantees	2014-15	2015-16	2016-17	2017-18	2018-19
Outstanding amount of guarantees	53,698	51,586	29,540	36,131	43,661
Percentage of outstanding amount guaranteed to total Revenue receipts of previous year	*49.70*	*42.14*	*22.90*	*25.77*	*29.85*
Percentage of outstanding amount guaranteed to GSDP	*5.01*	*4.38*	*2.27*	*2.47*	*2.62*

(Source: Finance Accounts for the respective years)

- GoTN constituted (March 2003) a "Guarantee Redemption Fund" for discharge of invoked guarantees. An amount of ₹ 118.38 crore being the contribution and ₹ 19.28 crore being gain on sale of securities were transferred to this Fund during the year, leaving a closing balance of ₹ 394.91 crore at the end of the year. As of 31 March 2019 an amount of ₹ 277.31 crore was invested in GoI Treasury bills out of the Fund.

- The risk weighted guarantees were well within the stipulations of the TNFR Act, 2003 (i.e. 75 *per cent* revenue receipts of the previous year or 7.50 *per cent* of GSDP whichever is lower). As a percentage of revenue receipts of previous year, it had increased from 25.77 in 2017-18 to 29.85 in 2018-19. Similarly, as a percentage of GSDP, it increased from 2.47 in 2017-18 to 2.62 in 2018-19.

1.9.6 Off-budget borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the liabilities shown in **Appendix 1.5**, companies/corporations borrow funds from the market/financial institutions for implementation of various State Plan programmes projected outside the State budget. These borrowings were repaid by the companies/corporates through funds specifically provided by Government and ultimately turn out to be liabilities on the State Government. These are termed as 'off-budget borrowings'. Though off-budget borrowings are not permissible under Article 293 (3), the State Government undertook such off-budget borrowings. Details of such borrowings collected from three agencies as on 31 March 2019 are given in **Table 1.31**.

Table 1.31: Details of off-budget borrowings

(₹ in crore)

Sl. No.	Name of Agency	Off-budget borrowings as of 31 March 2019	Borrowings repaid by Government during the year
1	Tamil Nadu Civil Supplies Corporation	4,500.00	0.00
2	Tamil Nadu Rural Housing and Infrastructure Development Corporation	514.54	98.33
3	Water and Sanitation Pooled Fund - Tamil Nadu Urban Infrastructure Financial Services Limited	261.76	50.07
Total		**5,276.30**	**148.40**

(Source: Information furnished by the Agencies)

As the State Government has undertaken to repay the principal and interest, the off-budget borrowings, which add to the fiscal liabilities of the State, are not captured in the Finance Accounts of the State. Such borrowings caused by budgetary constraints in financing current/planned expenditure defer this expenditure to future period. Besides, repayment of principal and interest through the budgets in future years not only prevents transparent depiction of deficit indicators but also adversely affects inter-generational equity.

Four[12] other Companies/Corporations have borrowed funds for implementing Government Schemes, but have so far repaid the loans from their own funds.

[12] Tamil Nadu Minorities Economic Development Corporation Limited, Adi Dravidar Housing and Development Corporation Ltd., Tamil Nadu Handloom Weaver's Co-operative Society Limited and Chennai Metropolitan Water Supply & Sewerage Board.

The Government has provided Guarantee for these Borrowings and only in case of default the Government would have to step in to discharge the liabilities.

1.10 Debt management

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability[13] of the State. This section assesses the sustainability of debt of the State Government in terms of (i) debt as a percentage of GSDP, (ii) rate of growth of outstanding debts, (iii) interest payments/revenue receipts ratio and (iv) net availability of borrowed funds[14] and the maturity profile of State Government debts. **Table 1.32** analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2014-15.

Table 1.32: Debt sustainability - indicators and trends

(₹ in crore)

Indicators of Debt Sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Rate of growth of outstanding debts* (percentage)	17.56	17.89	29.85	14.57	11.38
Debt*/GSDP (percentage)	15.35	16.50	19.35	19.75	19.33
Growth rate of GSDP (in *per cent*)	10.75	9.68	10.72	12.22	13.84
Average interest rate of outstanding debt (in *per cent*)	8.28	8.18	7.73	8.01	7.97
Burden of Interest Payments (Interest payment/Revenue Receipts) Ratio	11.89	13.48	14.64	17.78	16.55
Debt Repayment/Debt Receipts	20.88	18.31	12.40	19.66	31.43
Net debt available to the State	11,975	14,780	40,704	15,064	8,562
Maturity profile of internal debts and GoI loans (in years)					
0 - 1	3,861.10 *(2.35)*	4,430.49 *(2.28)*	7,116.24 *(2.82)*	13,051.10 *(4.52)*	14,828.00 *(4.61)*
1 - 3	10,852.42 *(6.59)*	18,916.28 *(9.74)*	27,876.98 *(11.06)*	28,238.09 *(9.78)*	30,138.55 *(9.37)*
3 - 5	25,932.68 *(15.75)*	28,235.97 *(14.55)*	30,136.44 *(11.96)*	39,235.11 *(13.59)*	49,015.59 *(15.24)*
5 - 7	29,586.51 *(17.97)*	36,951.50 *(19.04)*	46,513.48 *(18.46)*	52,617.82 *(18.22)*	62,426.15 *(19.41)*
7 and above	78,717.10 *(47.81)*	88,212.86 *(45.45)*	1,20,738.48 *(47.90)*	1,33,099.19 *(46.09)*	1,39,907.38 *(43.50)*
Year-wise details not available	15,684.65 *(9.53)*	17,348.55 *(8.94)*	19,657.00 *(7.80)*	22,528.01 *(7.80)*	25,326.25 *(7.87)*

* Excluding Public Account liabilities

Figures in brackets represent percentage to total outstanding internal debts and GoI loans

(Source: Finance Accounts for the respective years and information on GSDP from Department of Economics and Statistics)

13 See glossary.

14 See glossary.

- The outstanding debt grew by 11.38 *per cent* over previous year. When compared to previous year, the growth rate slowed down by 3.19 *per cent.*
- The burden of interest payments (interest payments/revenue receipts) continuously increased from 11.89 *per cent* in 2014-15 to 17.78 *per cent* in 2017-18, but marginally decreased to 16.55 *per cent* in 2018-19.
- The increase in debt repayment/debt receipts ratio was mainly due to increase in total debt repayments by ₹ 6,073 crore mainly due increase in the repayment of market loans by ₹ 5,906 crore during the year) as compared to debt receipts during the year which increased by ₹ 2,214 crore only.
- The net debt available to the Government decreased mainly due to increase in repayments under 'Public Debts' from ₹ 8,991 crore in 2017-18 to ₹ 15,064 crore in 2018-19.
- The net debt available to the Government was only ₹ 8,562 crore due to repayment of ₹ 15,064 crore and interest payments of ₹ 24,310 crore.
- The net debt available was only 17.86 *per cent* of the total borrowings during the current year as compared to 32.95 *per cent* during 2017-18 and 61.54 *per cent* during 2016-17. Considering the capital expenditure of only ₹ 24,311 crore during the year and the high fiscal deficit, it is indicative that the borrowing during the year was utilised for financing the revenue expenditure, thereby less prioritising the capital expenditure.
- Burden of repayments in any particular year will cause financial stress to that year's budget. The maturity profile of the State's debt indicates a year-on-year increase in its repayment burden. The Government is likely to face challenges during that periods.

The public debt sustainability of Tamil Nadu was analysed based on Domar's model. E.D Domar (1944) explained that a continuous Government borrowing results in an ever rising public debt, the servicing of which will require higher taxes which would destroy the economy. Hence, he assumed that the indebtedness degree needs to converge to a finite value, in order to avoid further increasing of the tax burden. Thus, Domar model concludes that for sustainability of public debt, the real growth of economy should remain higher than the real interest rates. The conditions to ensure the stability of public indebtedness are indicated in the **Table 1.33**.

Table 1.33: The dynamics of public debt depending on the interest rate (r), the growth rate of GDP (g) and the primary budget balance (s)

g-r/s	s<0 (primary deficit)	s>0 (primary surplus)
g-r>0 (strong economic growth)	Public debt will converge to a stable level greater than 0	Public debt will converge to a stable level lesser than 0 leading to public savings
g-r<0 (slow economic growth)	Public debt will increase indefinitely, without converging to a stable level	Undefined situation

Applying the analysis to Tamil Nadu showed that the public debt has converged to a stable level as shown in the **Table 1.34**.

Table 1.34: Analysis of debt sustainability using Domar's model

Year	Real Growth Rate *(G)	Real Interest rate (R)	Rate spread (G-R)	Primary deficit (-)/ Surplus (+) (₹ in crore)	Remark
1	2	3	4	5	6
2014-15	4.92	2.13	2.79	(-) 12,613	As g-r>0 and s<0, public debt has converged to a stable level.
2015-16	8.24	2.66	5.58	(-) 15,236	
2016-17	7.15	3.01	4.14	(-) 35,637	
2017-18	7.68	3.58	4.10	(-) 13,828	
2018-19	8.17	4.44	3.73	(-) 18,578	

* Real growth rate is calculated at real GDP. Real growth rate are GSDP at constant prices taken from the Economic Survey 2018-19. Real interest rate is interest *minus* inflation.

(Source: Finance Accounts of the respective years)

Even though the primary deficit increased over the time, as 'g' was greater than 'r', the public debt was sustainable. From the table above, it is evident that Tamil Nadu has so far been able to stabilise its debt level. An area of concern is the increase in the primary deficit which had increased by 47 *per cent* during the last five years, thus, requiring attention of the State Government. Another area of concern is the real interest rate, which had been on an increasing trend resulting into decline in the rate spread. This is indicative of the fact that if the increase in real interest rate is not contained, and if the primary deficit keeps on increasing at a steady pace, the State may witness a situation where public debt will increase indefinitely without converging to a stable level in the near future.

Other factors such as Public Account liabilities and force majeure events[15] and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State[16].

15 Like current Corona virus crisis and its effect on GSDP.

16 As these cannot be anticipated or determined statistically, they have not been factored in the analysis.

1.11 Fiscal imbalances

Three key fiscal parameters, *viz*., revenue, fiscal and primary deficits, indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government Accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied as important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set for the financial year 2018-19 under TNFR Act, 2003.

1.11.1 Trends in deficits

Charts 1.8 and **1.9** present the trends in deficit indicators over the period 2014-19.

Chart 1.8: Trends in deficit indicators relative to GSDP

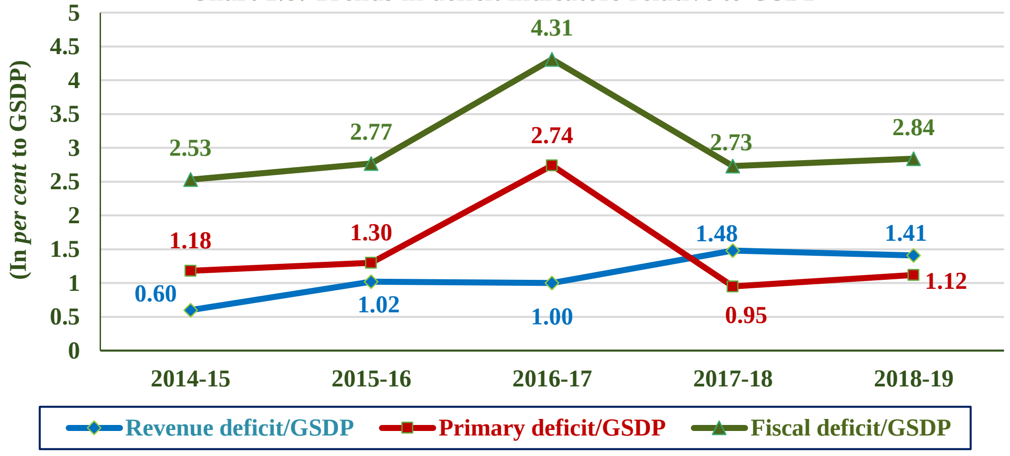
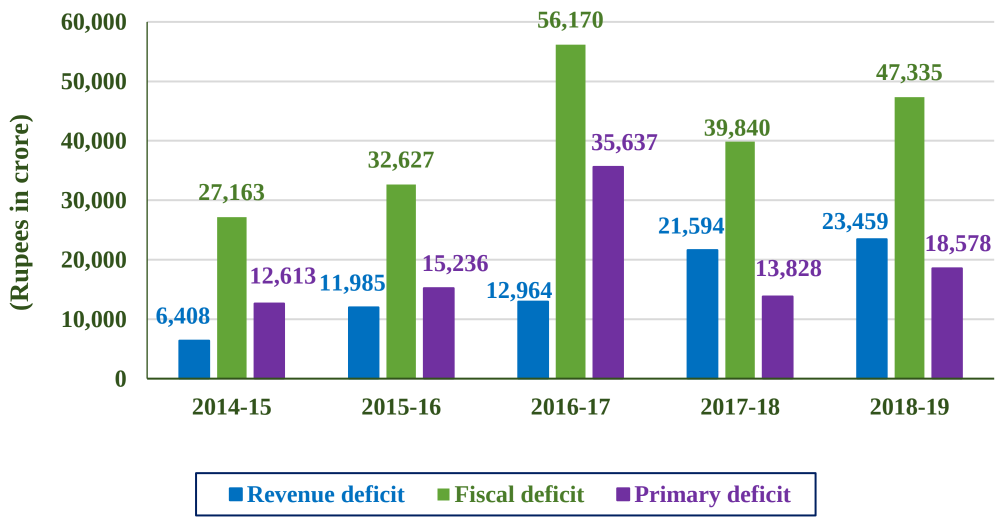


Chart 1.9: Trends in deficit indicators



(Source: Finance Accounts for the respective years and Central Statistics Office)

- The revenue deficit was on an increasing trend from ₹ 6,408 crore during 2014-15 to ₹ 23,459 crore in 2018-19. During the current year, revenue deficit increased by ₹ 1,865 crore (8.64 *per cent*) over the previous year. The revenue deficit as a percentage of revenue receipts was 13.50 *per cent*.
- The primary deficit, which was at ₹ 12,613 crore in 2014-15, increased to ₹ 35,637 crore in 2016-17, decreased to ₹ 13,828 crore in 2017-18 and again increased to ₹ 18,578 crore in 2018-19 mainly due to increase in the fiscal deficit by 18.81 *per cent.*
- The fiscal deficit, which was on an increasing trend from 2014-15, stood at ₹ 56,170 crore in 2016-17. In 2017-18, it decreased to ₹ 39,840 crore, but again increased to ₹ 47,335 crore in 2018-19. Considering the capital expenditure of only ₹ 24,311 crore, the high fiscal deficit is indicative of the fact that the borrowing during the year was utilised for the financing revenue expenditure, thereby less prioritising the capital expenditure.

1.11.2 Composition of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit had undergone a compositional shift as reflected in **Table 1.35**.

Table 1.35: Composition of fiscal deficit and its financing pattern

(₹ in crore)

Sl.No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Decomposition of Fiscal Deficit		**27,163**	**32,627**	**56,170**	**39,840**	**47,335**
1	Revenue Deficit	6,408	11,985	12,964	21,594	23,459
2	Net Capital Expenditure	17,787	18,995	20,708	20,201	24,311
3	Net Loans and Advances	2,968	1,647	22,498	(-) 1,955	(-) 435
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	23,144	27,623	34,993	36,023	32,278
2	Loans from GoI	762	505	935	1,797	1,157
3	Special Securities issued to National Small Savings Fund	190	595	(-) 1,749	(-) 1,749	(-) 1,777
4	Loans from Financial Institutions	496	739	23,763	660	1,215
5	Small Savings, Provident Fund, etc.	1,323	1,638	2,355	2,334	2,450
6	Deposits and Advances	2,522	4,145	4,405	8,074	10,635
7	Suspense and Miscellaneous	(-) 53	(-) 902	2,213	388	(-) 3,037
8	Remittances	172	(-) 180	(-) 948	(-) 7	207
9	Reserve Funds	359	401	443	991	253
10	Contingency Fund	19	(-) 19	19	..	..
	Total	**28,934**	**34,545**	**66,429**	**48,511**	**43,381**
11	Overall Surplus(+)/ Deficit (-) (Cash Balance)	1,771	1,918	10,259	8,671	(-) 3,954

* All these figures are net of disbursements/outflows during the year

(Source: Finance Accounts for the respective years)

- The revenue deficit and fiscal deficit increased by ₹ 1,865 crore and ₹ 7,495 crore respectively during 2018-19.
- The fiscal deficit was largely managed by market borrowings, loans from other financial institutions and GoI and from the proceeds of small savings and deposits and advances.

1.11.3 Quality of deficit/surplus

The decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The bifurcation of the primary deficit **(Table 1.36)** would indicate the extent to which the deficit had been on account of enhancement in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.36: Primary Deficit/Surplus - Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue surplus	Primary deficit (-)
1	**2**	**3**	**4**	**5**	**6 (3+4+5)**	**7 (2-3)**	**8 (2-6)**
2014-15	1,23,787	1,14,278	17,803	4,319	1,36,400	9,509	12,613
2015-16	1,29,692	1,23,602	18,995	2,331	1,44,928	6,090	15,236
2016-17	1,43,780	1,32,662	20,709	26,046	1,79,417	11,118	35,637
2017-18	1,54,754	1,41,862	20,203	6,517	1,68,582	12,892	13,828
2018-19	1,80,654	1,68,443	24,311	6,478	1,99,232	12,211	18,578

(Source: Finance Accounts for the respective years)

- The primary revenue expenditure and capital expenditure increased by 18.74 *per cent* and 20.33 *per cent* in 2018-19 over the previous year.
- The loans and advances disbursed include an amount of ₹ 2,461 crore accounted through book adjustments due to capitalisation of interest dues treated as fresh loans disbursed during the year. Due to this, the actual loans disbursed is only ₹ 4,017 crore, which was 38.36 *per cent* lower than the previous year.
- During the year 2018-19, the non-debt receipts increased by ₹ 25,900 crore. The non-debt receipt was not enough to meet the primary expenditure mainly due to increase of primary revenue expenditure by ₹ 26,581 crore.
- Capital expenditure as a percentage of primary expenditure increased from 11.98 in 2017-18 to 12.20 in 2018-19.

1.12 Follow-up action by State Government

The Audit Report on State Finances for the year ended 31 March 2018 pointed out pending regularisation of an excess expenditure of ₹ 1,099.58 crore pertaining to 2012-17. Together with the excess of ₹ 77.55 crore during 2017-18, ₹ 1,177.13 crore relating to 2012-18, remained to be regularised (March 2019).

Similarly, cases of misappropriation, shortage, theft and loss persisted despite being pointed out in earlier Audit Reports as discussed in **Paragraph 3.6** of Chapter III of this Report.

1.13 Conclusion

Fiscal position: The revenue deficit was on an increasing trend from ₹ 6,408 crore in 2014-15 to ₹ 23,459 crore (1.41 *per cent* of GSDP) in 2018-19. During 2018-19, though the State could contain its revenue deficit within the target proposed in the MTFP, it failed to achieve the target proposed in the budget. Further, due to book adjustments made towards capitalisation of interest dues as fresh loans, write off of central loans and rectification of misclassification between revenue receipts and public debt receipts and short transfers towards various reserve funds, the overall net revenue deficit was understated by ₹ 3,757 crore and fiscal deficit understated by ₹ 1,300 crore during the year. Though, the State could contain the fiscal deficit to GSDP as envisaged under the TNFR Act, 2003, FFC and MTFP, it exceeded the target proposed in the budget.

Revenue receipts of the State increased by ₹ 27,461 crore (18.77 *per cent*) over the previous year and stood at ₹ 1,73,741 crore. It includes ₹ 2,461 crore of interest receipts accounted through book adjustments in the process capitalisation of interest dues from certain loan recipient organisations. The annual growth rate of revenue receipts (18.77 *per cent)* during 2018-19 was higher than the growth rate (12.77 *per cent*) of revenue receipts in General Category States. The growth rate of revenue receipts, which increased steeply from 4.31 *per cent* in 2017-18 to 18.77 *per cent* during 2018-19, is the highest in the last five years. The revenue receipts as a percentage of GSDP ranged between 10.01 and 11.41 during 2014-19. Revenue buoyancy with reference to State's own taxes increased from 0.48 in 2017-18 to 1.49 during the current year.

Revenue expenditure: Of the total expenditure of ₹ 2,27,989 crore during 2018-19, revenue expenditure (₹ 1,97,200 crore) accounted for 86.50 *per cent*. The committed expenditure (₹ 1,26,858 crore) stood at 64.33 *per cent* of the total revenue expenditure (₹ 1,97,200 crore) of the State during 2018-19, as against 63.34 *per cent* during 2017-18.

Capital expenditure increased sharply by ₹ 4,108 crore (20.33 *per cent*) over the previous year as against 2.44 *per cent* decrease in 2017-18. The proportion of capital expenditure to aggregate expenditure of the State at 10.66 during 2018-19 was less than the average of 14.28 in General Category States.

Adequacy and priority of expenditure: In 2018-19, while the aggregate expenditure as a percentage of GSDP increased over the previous year, the development expenditure as a percentage of aggregate expenditure declined over the previous year.

Investments and returns: Government invested (up to March 2019) ₹ 36,480 crore in statutory corporations, joint stock companies and co-operatives. The average rate of return was on a decreasing trend from 0.62 *per cent* in 2016-17 to 0.37 *per cent* in 2018-19. The return on investment during 2014-19 was meagre compared to Government's average rate of borrowing of 8.27 *per cent* during the year.

Debt Management: Out of the total borrowings of ₹ 47,936 crore, the net debt available to the Government was only ₹ 8,562 crore (17.86 *per cent*) due to repayment of public debt of ₹ 15,064 crore and interest payments of ₹ 24,310 crore. The net debt available to the Government decreased mainly due to increase in repayments under 'Public Debts' from ₹ 8,991 crore in 2017-18 to ₹ 15,064 crore in 2018-19. The outstanding fiscal liabilities increased from ₹ 3,26,518 crore at the end of 2017-18 to ₹ 3,68,736 crore at the end of 2018-19. The fiscal liabilities at the end of 2018-19 represented 212.23 *per cent* of the revenue receipts during the year as against 223.21 *per cent* of the revenue receipts during 2017-18. However, the outstanding liabilities as a percentage of GSDP was 22.16, which was well below the norm of 23.01 prescribed for the year 2018-19 by FFC.