

CHAPTER I

OVERVIEW

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1.1 Introduction

This chapter provides a brief profile of the State and describes the basis and approach to the Report. The underlying data provides an overview of the structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficit/surplus.

1.2 Profile of Tamil Nadu

Tamil Nadu, with a geographical area of 1,30,060 Sq. Km is the 11th largest State in India. It comprises 38 Districts and 313 Taluks. As per the census 2011, the State's population was 7.21 crore, making it the seventh largest State in terms of population. As per population projections for India and States 2011-2036 by National Commission on Population, Ministry of Health & Family Welfare, the projected population of the State in 2023-24 stands at 7.71 crore. General and financial data relating to Tamil Nadu are provided in **Appendix 1.1**.

1.2.1 Gross State Domestic Product and Gross State Value Added of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

As per the United Nations System of National Accounts of 2008, Gross Value Added (GVA) is defined as the value of output less the value of intermediate consumption and is a measure of the contribution to Gross Domestic Product (GDP) made by an individual producer, industry or sector. Thus, GVA is considered a better indicator of economic growth compared to GDP and is used for economic analysis by GoI and international organisations like IMF and World Bank, as it ignores the impact of taxes and subsidies.

From a policymaker's perspective, it is vital to have a comparison of the GVA and GDP data of the nation with the Gross State Value Added (GSVA) and GSDP data of the State for better analysis and making policy interventions.

Trends in GSVA and GSDP compared to GVA and GDP, respectively are shown in **Table 1.1**.

**Table 1.1: Trends in GSVA and GSDP compared to the GVA and GDP
(at current prices)**

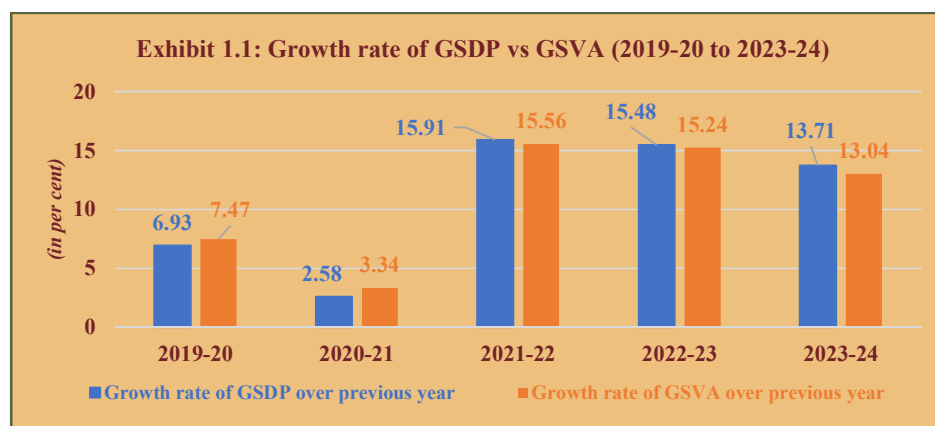
	(₹ in crore)				
Year	2019-20	2020-21	2021-22	2022-23	2023-24
India					
GDP (2011-12 Series)	2,01,03,593	1,98,54,096	2,35,97,399	2,69,49,646	2,95,35,667
Gross Value added (GVA)	1,83,81,117	1,82,10,997	2,16,35,584	2,46,59,041	2,67,62,147
Growth rate of GDP over previous year (in <i>per cent</i>)	6.37	(-) 1.24	18.85	14.21	9.60
Growth rate of GVA over previous year (in <i>per cent</i>)	7.02	(-) 0.93	18.81	13.97	8.53
Per capita GDP (in ₹)	1,49,915	1,46,301	1,72,422	1,94,879	2,11,725
Tamil Nadu State					
GSDP at current prices (2011-12 Series)	17,43,144	17,88,074	20,72,496	23,93,364	27,21,571
GSVA	16,01,332	16,54,821	19,12,324	22,03,808	24,91,136
Growth rate of GSDP over previous year (in <i>per cent</i>)	6.93	2.58	15.91	15.48	13.71
Growth rate of GSVA over previous year (in <i>per cent</i>)	7.47	3.34	15.56	15.24	13.04
Per capita GSDP (in ₹)	2,29,657	2,34,486	2,70,787	3,11,778	3,53,483

(Source: Central Statistical Office (CSO), Ministry of Statistics and Programme implementation, GoI)

During post Covid period i.e. 2021-22, there was a significant boost in the growth rate of GSDP (from 2.58 *per cent* to 15.91 *per cent*). The increase in growth rate was mainly due to growth in Industry and Services sectors during that period. The growth rate slightly showed a downward trend and stood at 15.48 *per cent* and 13.71 *per cent* during 2022-23 and 2023-24 respectively.

In 2023-24, the growth rate of GSDP at current prices was 13.71 *per cent* as against India's growth rate of 9.6 *per cent*. Further, the per capita GSDP of the State for the year was ₹ 3,53,483 while that of the country was ₹2,11,725.

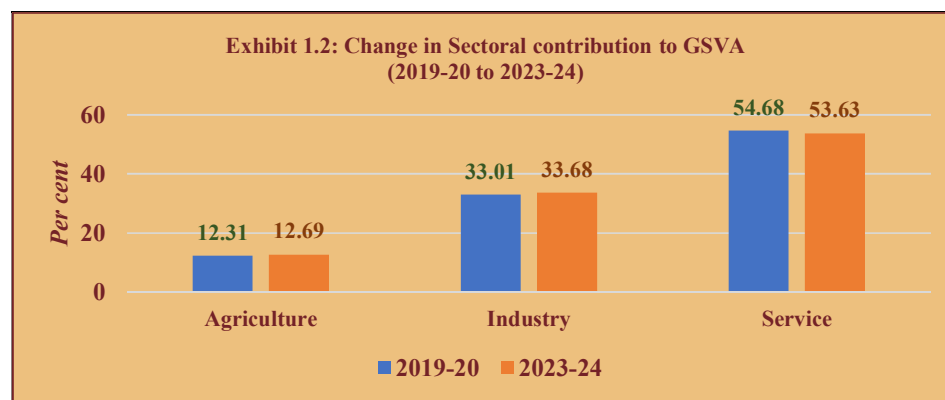
The trends of GSDP and GSVA for the period from 2019-20 to 2023-24 is indicated in **Exhibit 1.1**.



(Source: Ministry of Statistics and Programme Implementation)

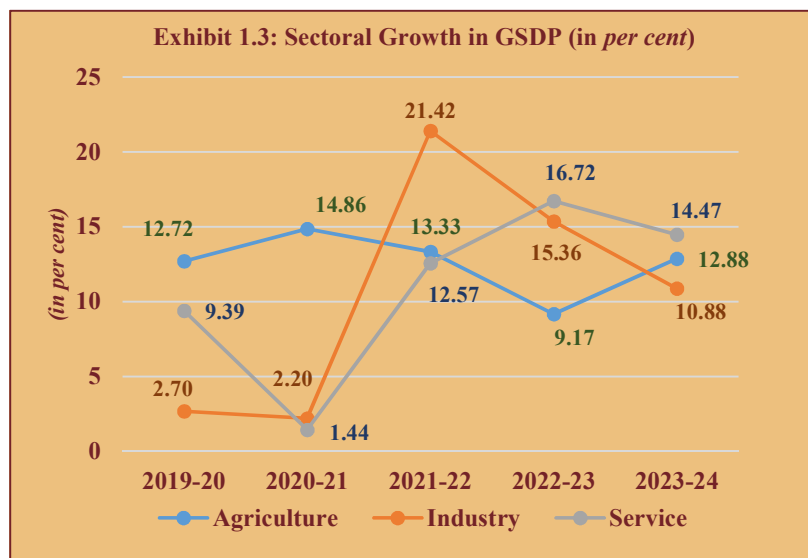
The growth rate of GSVA was more than growth rate of GSDP for 2019-20 and 2020-21 due to deceleration and contraction in growth of net taxes in 2019-20 and 2020-21 respectively. However, the growth rate of GSVA was less than growth rate of GSDP during the period 2021-22 to 2023-24.

Changes in sectoral contribution to the GSVA is important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which corresponds to the Agriculture, Industry and Service sectors. The Sectoral contribution to GSVA and Sectoral growth in GSDP during the period 2019-20 to 2023-24 are depicted in Exhibits 1.2 and 1.3.



(Source: Ministry of Statistics and Programme Implementation)

During the five-year period 2019-20 to 2023-24, the sectoral contribution of Agriculture Sector and Industry sector had increased marginally by 0.38 and 0.67 percentage points respectively. But there was a reduction of 1.05 percentage points in the Service Sector during the five-year period 2019-20 to 2023-24.



(Source: Ministry of Statistics and Programme Implementation)

From the above exhibit, it is seen that growth rate of Agriculture sector showed an increase, and Industry and Service sector's showed a decrease during the year 2023-24, when compared with the previous year. The decrease in growth rate of GSDP and GSVA during 2023-24 was due to deceleration in growth rate of Industry and Service sectors.

1.3 Basis and Approach to State Finances Audit Report

The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India. According to Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General (CAG) of India relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans, accounts (initial and subsidiary) rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. In Tamil Nadu, the accounts are compiled from the vouchers by Treasuries (primary compilation) and are furnished (along with the vouchers) to the Principal Accountant General (A&E) for secondary compilation. These accounts are audited independently by the Principal Accountant General (Audit - I) and certified by CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2023-24, for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for

evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;

- Results of audit carried out by the Office of the Principal Accountant General (Audit-I), Tamil Nadu;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Audit Reports of the CAG of India.

The analysis is also carried out on recommendations of the Finance Commission (FC), in the context of Tamil Nadu State Fiscal Responsibility and Budget Management Act (TNFR Act), best practices and guidelines of the Government of India. An entry conference was held with State Finance Department on 19 June 2024 and exit conference was held on 22 November 2024.

Replies received from the Government during the exit conference have been incorporated suitably in the report wherever applicable.

1.4 Overview of Government Account Structure and Budgetary Processes

Government Accounts are defined by the twin principles of Fund based accounting and functional classification of transactions. Fund based accounting system involves sourcing and allocating all receipts and disbursements to one of the three Funds, viz., Consolidated Fund, Contingency Fund and Public Account. These Funds are created by the Constitution and function as instruments of public accountability. The details and purpose of each of these Funds are given below:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government*, Ways and Means advances extended by the Reserve Bank of India and all money received by the State Government in repayment of loans. No money can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.) constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

*(market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.)

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is an imprest which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation by the State Legislature. Expenditure from the Fund is recouped subsequently by debiting the functional major head concerned under the Consolidated Fund of the State. The corpus of this Fund in Tamil Nadu is ₹150 crore.

3. Public Accounts of the State (Article 266(2) of the Constitution of India)

Apart from the above, all other public money received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes re-payables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both are transitory heads pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

Budget documents

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the Government in respect of every financial year. This 'Annual Financial Statement' (AFS) constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consist of tax revenue (Own Tax revenue plus share of Union Taxes / Duties), non-tax revenue and grants from the Government of India.

Revenue expenditure consist of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

Capital receipts consist of Debt receipts and Non-debt receipts as explained below:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

Capital expenditure include expenditure on the acquisition of land, building, machinery, equipment and investment in shares.

Loans and advances include loans and advances given by the Government to PSUs and other parties.

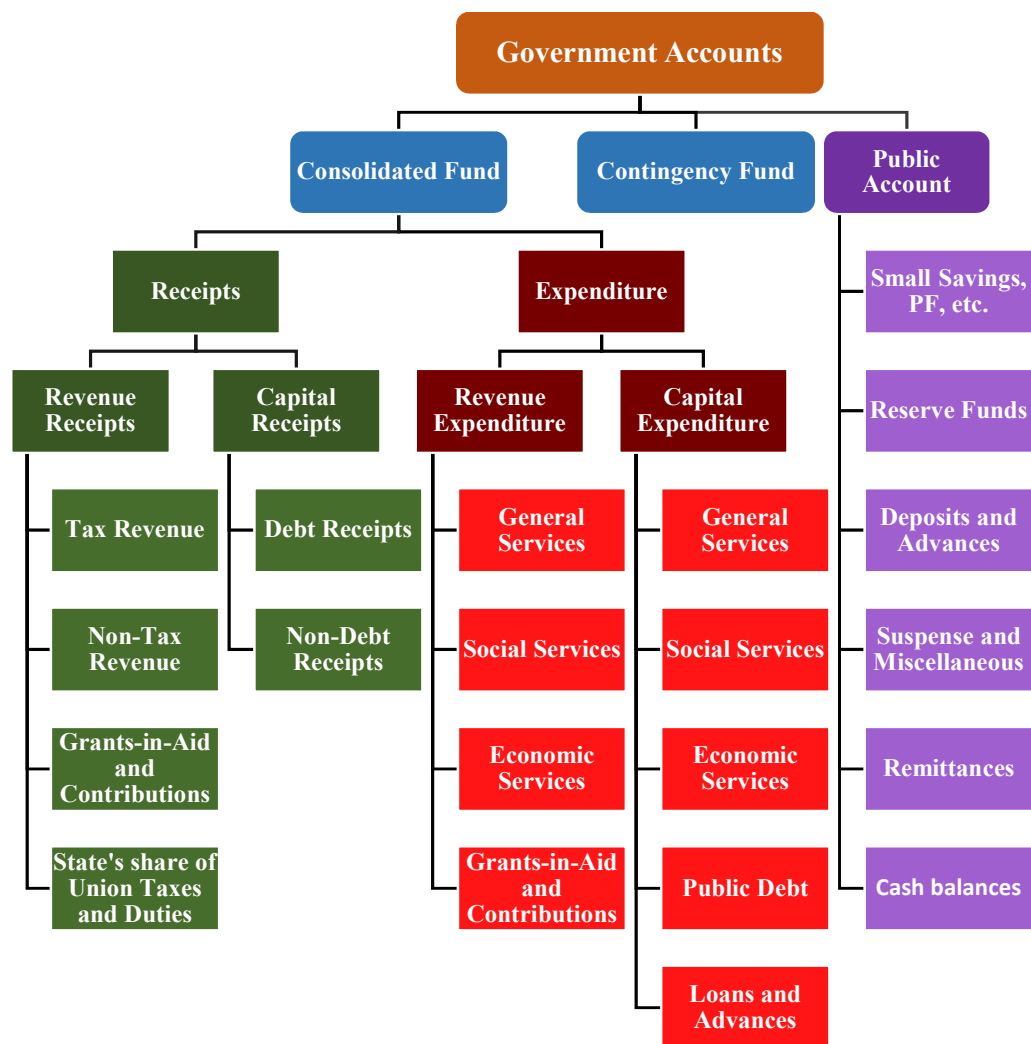
Accounting classification system in Government is functional and economic, as given below:

	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads (LMMH) by CGA	Function- Education, Health, etc.	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (3-digit) - Salary, Maintenance etc.
	Economic nature/Activity	Object Head (2-digit) - Pay, Periodical maintenance, etc.

The functional classification identifies the department, function, programme, scheme and object of the expenditure. Economic classification organises these payments as revenue, capital, debt, etc. It is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, “Pay” object head is revenue expenditure and “Major Works” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

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, revised in June 2021, are given in **Appendix 1.3 - Part B**.

Structure of Government Accounts



Public Debt and Public Liability

In this Report, 'Public Debt' comprises market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loans given by Central Government etc. and the major heads operated are 6003 and 6004 - Public Debt.

Further, the transactions under Public Account such as 'Small Savings, Provident Fund, etc.', 'Reserve Funds' and 'Deposit and Advances' are such that the Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transaction relating to 'Remittances' and 'Suspense', includes adjusting heads on remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, 'Public Liability' includes the transactions under major heads 8001 to 8554 ('Small Savings, Provident Fund, etc.', 'Reserve Funds' and 'Deposit and Advances') and major heads 6003 and 6004.

1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Tamil Nadu caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2023-24, in the form of an **Annual Financial Statement (AFS)** which constitutes the main Budget document, with estimates of expenditure,

- charged upon the Consolidated Fund of the State;
- the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State; and shall distinguish expenditure on Revenue Account from other expenditure.

In terms of Article 203, AFS is submitted to the State Legislature in the form of 54 Demands for Grants/ Appropriations and two 'Other Publications' (Debt Charges and Public Debt repayments). After approval, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.6 Snapshot of Finances

The **Table 1.2** provides the details of actual financial results *vis-à-vis* Budget Estimates (Revised) for the year 2023-24 *vis-à-vis* actual of 2022-23.

Table 1.2: Financial results *vis-à-vis* Budget Estimates (Revised) for the year 2023-24 *vis-à-vis* actual of 2022-23

(₹ in crore)						
Sl. No.	Components	2022-23 Actuals	2023-24 (BE Revised)	2023-24 Actuals	Percentage of actual to BE	Percentage of actual to GSDP ^s
1	Tax Revenue*	1,88,954	2,15,200	2,13,351	99.14	7.84
	(i) Own-Tax Revenue	1,50,223	1,70,147	1,67,279	98.31	6.15
	(ii) Share of Union taxes/duties**	38,731	45,053	46,072	102.26	1.69
2	Non-Tax Revenue	17,061	30,381	25,904	85.26	0.95
3	Grants-in-aid and Contributions***	37,734	26,996	25,342	93.87	0.93

State Finances Audit Report, Tamil Nadu for the year 2023-24

(₹ in crore)						
Sl. No.	Components	2022-23 Actuals	2023-24 (BE Revised)	2023-24 Actuals	Percentage of actual to BE	Percentage of actual to GSDP ^s
4	Revenue Receipts (1+2+3)	2,43,749	2,72,577	2,64,597	97.07	9.72
5	Recovery of Loans and Advances	1,078	2,612	4,024	154.06	0.15
6	Other Receipts	42	3	12	400	0
7	(i) Borrowings and other Liabilities ^(a)	90,841	94,167	94,423	100.28	3.47
	(ii) Net of opening and closing cash balance ^(b)	(-) 8,955	(-) 107	(-) 3,993	3731.78	(-) 0.15
	Total (i) + (ii)	81,886	94,060	90,430	96.14	3.32
8	Capital Receipts (5+6+7)	83,006	96,675	94,466	97.72	3.47
9	Total Receipts (4+8)	3,26,755	3,69,252	3,59,063	97.24	13.19
10	Revenue Expenditure	2,79,964	3,17,484	3,09,718	97.55	11.38
11	Interest payments	46,911	54,669	53,566	97.98	1.97
12	Capital Expenditure	39,530	42,532	40,500	95.22	1.49
13	Loan and advances	7,261	9,236	8,845	95.77	0.32
14	Total Expenditure (10+12+13)	3,26,755	3,69,252	3,59,063	97.24	13.19
15	Revenue Deficit ^{^^} : (4-10)	(-) 36,215	(-) 44,907	(-) 45,121	99.53	(-) 1.66
16	Fiscal Deficit ^{^^} {(4+5+6)-14}	(-) 81,886	(-) 94,060	(-) 90,430	99.53	(-) 3.32
17	Primary Deficit (16-11)	(-) 34,975	(-) 39,391	(-) 36,864	99.53	(-) 1.35
	Buoyancy Ratios					
	State Own Tax Revenue	1.44	0.88	0.83		

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account.

(b) There was a difference of ₹112 crore between the cash balance reported by AG (A&E) and RBI (details in Para 4.13)

\$ GSDP at current prices ₹27,21,571 crore; * includes SGST ₹61,690.29 crore; ** includes CGST ₹13,982.28 crore.

*** Includes compensation to State Government for Revenue losses on rollout of Goods and Services Tax ₹ 4,574.20 crore

(Source: Budget documents and Finance Accounts of the respective years)

During the year 2023-24, the revenue receipts of the State increased by 8.55 per cent over the previous year but fell short by 2.93 per cent of the budget (revised estimate). During the current year, there was an excess of revenue expenditure (₹3,09,718 crore) over revenue receipts (₹2,64,597 crore), thereby resulting into revenue deficit of ₹45,121 crore. The fiscal deficit over GSDP of the State stood at 3.32 per cent during the current year against achieving the target of 3 per cent by 2024-25.

The Buoyancy ratios for State Own Tax Revenue for the year 2023-24 stood at 0.83. These values, being below one, indicate that State Own Tax Revenue is growing at a slower rate than the growth rate of GSDP for that period.

1.7 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds. The assets comprise mainly the capital outlay, loans and advances given by the State Government and cash balances.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2022-23	2023-24	Per cent increase / decrease			2022-23	2023-24	Per cent increase / decrease
Consolidated Fund									
A	Internal Debt	5,67,635	6,42,594	13.21	a	Gross Capital Outlay	3,55,240	3,95,741	11.40
B	Loans and Advances from GoI	48,258*	61,332*	27.09	b	Loans and Advances	43,055	47,876	11.20
C	Contingency Fund	150	150	--	c	Contingency Fund	--	5	500.00
Public Account									
A	Small Savings, Provident Funds, etc.	33,884	35,199	3.88	a	Advances	8	8	--
B	Deposits	95,041	99,012	4.18	b	Remittance	11	16	45.45
C	Reserve Funds	14,020	9,599	(-31.53)	c	Suspense and Miscellaneous	400	463	15.75
D	Suspense and Miscellaneous	--	--	--	d	Cash balance (including investment in Earmarked Fund)	81,341	85,334	4.91
						Total	4,80,055	5,29,443	10.29
						Cumulative excess of expenditure over receipts	2,78,933	3,18,443	14.16
	Total	7,58,988	8,47,886	11.71		Total	7,58,988	8,47,886	11.71

* Loans and Advances of ₹61,332 crore in 2023-24 and ₹48,258 crore in 2022-23 includes GST compensation of ₹8,095 crore and ₹6,241 crore received during 2021-22 and 2020-21 respectively. GoI communicated that the back to back loan should not be treated as a debt of the State.

(Source: Finance Accounts of the respective years)

During the year, the assets increased by 10.29 *per cent* over the previous year whereas the liabilities increased by 11.71 *per cent*.

1.8 Fiscal Indicators

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. 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. Also it includes the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set for the financial year 2023-24

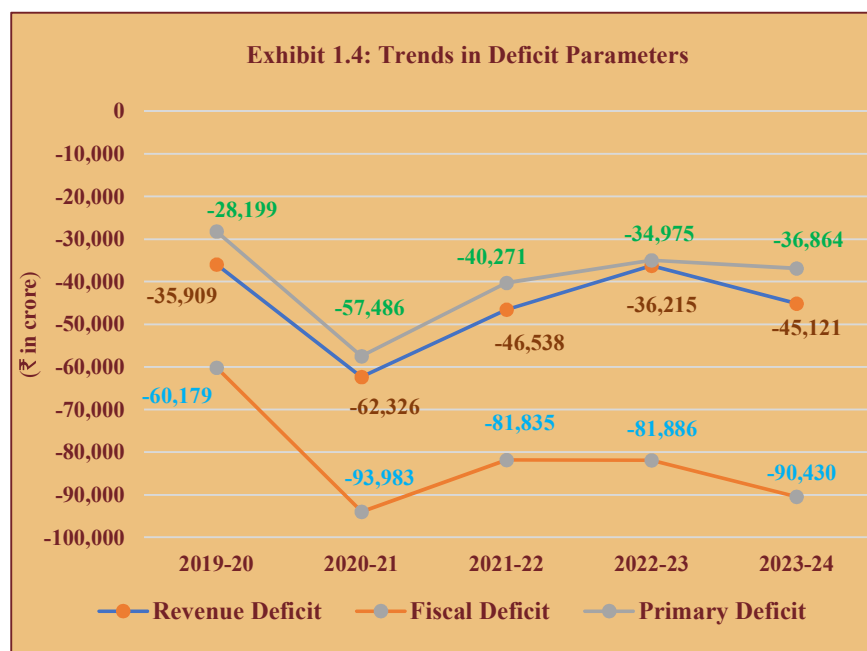
under TNFR Act, 2003. The targets fixed for each of the three key fiscal parameters are as under:

- (i) To eliminate the revenue deficit by 2025-26
- (ii) To achieve Fiscal Deficit-GSDP ratio at three *per cent* by 31 March 2025
- (iii) To achieve Debt-GSDP ratio at 29.10 *per cent*

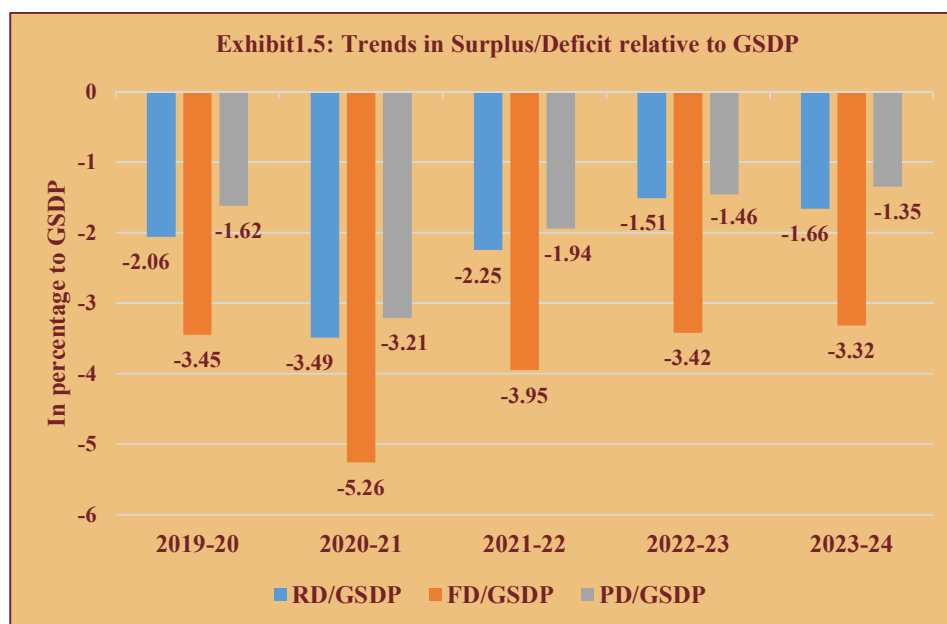
The achievement during 2023-24 against the above targeted fiscal parameters are discussed in the following paragraphs.

Fiscal trends

During the current year the State Government received Revenue Deficit grants amounting to ₹ 838.94 crore as part of the Finance Commission Grants to reduce or ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. All the revenue, primary and fiscal deficits increased considerably, when compared to the previous year (**Exhibits 1.4 to 1.6**). The debt including Off Budget Borrowing / GSDP ratio, increased from 24.35 *per cent* in 2019-20 to 28.83 *per cent* in 2021-22, decreased marginally to 28.39 during 2022-23 and stood at 28.00 *per cent* during the current year. The fiscal deficit to GSDP ratio decreased from the previous year and stood at 3.32 *per cent* during the current year.



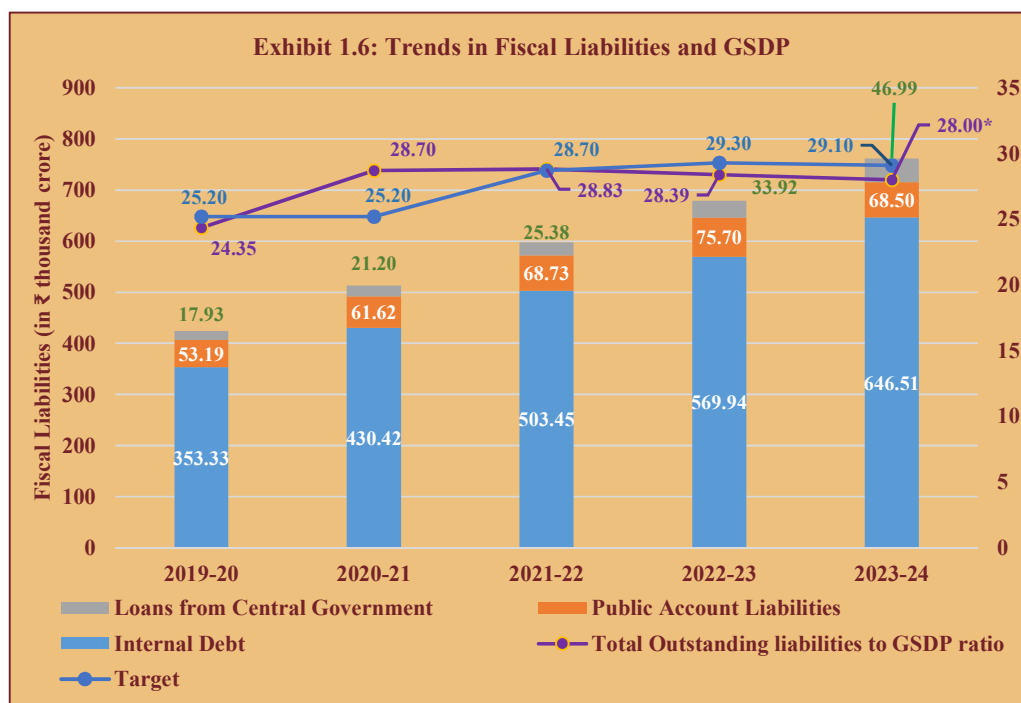
(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

The Fiscal Deficit as a percentage of GSDP stood at 3.32 *per cent* which was much higher than targets set under TNFR Act for 2023-24.

The Revenue deficit as a percentage of GSDP has increased by 0.15 percentage points over the previous year. The Primary deficit as a percentage of GSDP, however showed a declining trend from 2021-22.



* Loans from Central Government includes the back-to-back loans of ₹8,095 crore during 2021-22 and ₹6,241 crore during 2020-21 received from GoI in lieu of GST compensation which have not been considered as Debt for working out the indicator. However, off-Budget Borrowings have been factored in.

(Source: Finance Accounts of the respective years)

The State Government have passed the Fiscal Responsibility and Budget Management Act (FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and keeping the overall/outstanding debt to acceptable levels, establishing improved debt management and improving transparency in a medium-term framework. The Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

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 MTFP for the period 2023-24.

Major fiscal variables provided in the budget and as targeted in the TNFR Act, 2003 along with actuals thereof are given in **Table 1.4**.

Table 1.4: Compliance with provisions of State TNFR Act

Fiscal Parameters	Fiscal targets set in the Act/MTFP projection	Achievement				
		2019-20	2020-21	2021-22	2022-23	2023-24
GSDP at current prices (₹ in crore)		17,43,144	17,88,074	20,72,496	23,93,364	27,21,571
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Eliminate Revenue Deficit by 2025-26	(-) 35,909	(-) 62,326	(-) 46,538	(-) 36,215	(-) 45,121
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Reduce fiscal deficit to 3 per cent of GSDP by March 2025	(-) 60,179 (3.45)	(-) 93,983 (5.26)	(-) 81,835 (3.95)	(-) 81,886 (3.46)	(-) 90,430 (3.32)
Total outstanding liability * (₹ in crore)		4,24,447	5,13,223**	5,97,573**	6,79,554**	7,62,006**
Ratio of total outstanding liability to GSDP (in per cent)	29.10 per cent	24.35	28.70	28.83	28.39	28.00

* The total Outstanding Liabilities include Public Debt, Off Budget Borrowings and Public Account Liabilities.

** The back-to-back loans of ₹8,095 crore during 2021-22 and ₹6,241 crore during 2020-21 received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

(Source: (i) TNFR Act; (ii) Budget Speech and (iii) Finance Accounts of the respective years)

It is observed that the State has improved itself in only one variable viz., Debt to GSDP ratio. The revenue deficit has increased to ₹45,121 crore compared to previous year of ₹36,215 crore whereas the target is set to eliminate revenue deficit by 2025-26. Actual performance when compared to the target set in MTFP is given in **Table 1.5**.

Table 1.5: Actuals *vis-à-vis* projection in MTFP for 2023-24

(₹ in crore)

Sl. No	Fiscal Variables	Projection as per MTFP	Actuals (2023-24)	Variation (in per cent)
1	Own Tax Revenue	1,78,500	1,67,279	(-) 6.29
2	Non-Tax Revenue	17,868	25,904	44.97
3	Share of Central Taxes	37,571	46,072	22.63
4	Grants-in-aid from GoI	45,120	25,342	(-) 43.83
5	Revenue Receipts (1+2+3+4)	2,79,059	2,64,597	(-) 5.18
6	Revenue Expenditure	3,05,372	3,09,718	1.42
7	Revenue Deficit (-) / Surplus (+) (5-6)	(-) 26,313	(-) 45,121	71.48
8	Fiscal Deficit (-) / Surplus (+)	(-) 89,884	(-) 90,430	0.61
9	Debt-GSDP ratio (<i>per cent</i>)#	29.10	28.00*	(-) 1.10
10	GSDP growth rate at current prices (<i>per cent</i>)	18.92	13.71	(-) 5.21

* The back-to-back loans (₹8,095 crore during 2021-22 and ₹6,241 crore during 2020-21) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

Debt includes Internal Debt, Loans from GoI, Public Account Liabilities and Off Budget Borrowing (OBB).

(Source: (i) MTFP, (ii) Finance Accounts and GSDP figures from Central Statistics Office)

It may be seen from the above table that there was a significant increase in receipts under non-tax revenue and Share of Central Taxes against the MTFP projection for the year 2023-24. On the other hand, the revenue and fiscal deficits were more than that projected in the MTFP. This was due to significant decrease in GIA from GoI and marginal decrease in own tax revenue against MTFP projections. As per TNFR Act, revenue deficit should be eliminated by 2025-26. However, revenue deficit stood at (-) ₹45,121 crore (71.48 *per cent* higher than MTFP projections).

1.9 Deficits and Total Debt after examination in audit

This section gives an overview of the impact of the audit findings on various fiscal parameters based on the analysis of the Finance and Appropriation Accounts.

As per the TNFR Act, the State Government must ensure compliance to the targets fixed for the fiscal indicators such as deficits, ceiling on debt and on guarantees, etc. The Revenue Deficit and the Fiscal deficit of the State are affected by various factors such as misclassification of revenue expenditure as capital expenditure and off-budget fiscal operations. Besides, deferment of clear-cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, Sinking Fund and Guarantee Redemption Fund, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at the actual deficit figures, the effect of misclassification of revenue

expenditure/ capital outlay and / or any such misclassification needs to be considered and the impact of such irregularities needs to be reversed.

1.9.1 Post audit Analysis

Scrutiny of transactions during the year revealed that, revenue deficit and fiscal deficit were affected by certain accounting adjustments as detailed in **Table 1.6**.

Table 1.6: Under/Over statement of Revenue and Fiscal Deficit

Particulars	Impact on Revenue Deficit (Understated (+) / overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+) / overstated (-)) (₹ in crore)
Short transfer of interest	(+) 96.04	(+) 96.04
Un-recouped Contingency Fund	(+) 5.47	(+) 5.47
Short transfer of contribution to National Pension System (NPS)	(+) 99.76	(+) 99.76
Total	(+) 201.27	(+) 201.27

(Source: NTFA of Finance Accounts and Post audit analysis)

The fiscal deficit of the State during the year would increase from ₹ 90,430 crore (Refer **Para 1.8**) to ₹ 90,631.27 crore, if short transfer of interest, un-recouped Contingency Fund and short transfer of contribution to NPS were taken into account as mentioned in **Table 1.6**. It is pertinent to mention here that if the impact as mentioned above is considered, the effective Revenue Deficit would be ₹ 45,322.27 crore and FD-GSDP ratio at 3.33 *per cent*.

1.9.2 Trends in fiscal liabilities

Analysis of the total outstanding debts / liabilities of the State Government in terms of (i) debt as a percentage of GSDP and (ii) rate of growth of outstanding Government debts are detailed in **Table 1.7**.

Table 1.7: Total outstanding debts / liabilities

	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Total outstanding debts/ liabilities including OBB	4,24,447	5,13,223*	5,97,573*	6,79,554*	7,62,006*
Rate of growth of outstanding liabilities (<i>in per cent</i>)	14.87	20.92	16.44	13.72	12.13
Ratio of total outstanding liabilities including OBB to GSDP (<i>in per cent</i>)	24.35	28.70	28.83	28.39	28.00

* The back-to-back loan of ₹8,095.25 crore received during 2021-22 and ₹6,241 crore received during 2020-21 from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

(Source: Finance Accounts of the respective years)

The outstanding debt including OBB grew by 12.13 *per cent* over previous year which was marginally lower than the growth rate of 2022-23 which stood at 13.72 *per cent*. Considering the growth rate of capital expenditure by 2.45 *per cent* (as compared to 6.81 *per cent* during the previous year) during the year and the high fiscal deficit, it is indicative that the borrowing during the year was utilised for financing the revenue expenditure.

The growth rate of capital expenditure for the last three years, showed a decreasing trend which was 11.92 *per cent* (2021-22), 6.81 *per cent* (2022-23) and 2.45 *per cent* (2023-24), indicating more utilisation of borrowed money for financing the revenue expenditure. To the extent of reduced capital formation, debt acts as a 'burden' on future generations.

The debt/GSDP ratio (**28.00 *per cent***) was within the target of 29.10 *per cent* as per MTFP.