

CHAPTER II

FINANCES OF THE STATE

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This chapter provides a comprehensive overview of the finances of the Government of Tamil Nadu (GoTN) during the current year (2023-24) and analyses critical changes in the major fiscal aggregates compared to the previous year (2022-23), keeping in view the overall trend during the last five years.

2.1 Summary of fiscal transactions in 2023-24 *vis-à-vis* 2022-23

Table 2.1 presents the summary of the State Government's fiscal transactions during the current year (2023-24) *vis-à-vis* the previous year (2022-23) and **Appendix 2.1** depicts the trends of fiscal indicators over the period 2019-20 to 2023-24.

Table 2.1: Summary of fiscal operations in 2023-24 *vis-à-vis* 2022-23

(₹ in crore)

Receipts	2022-23	2023-24	Disbursements	2022-23	2023-24
Section-A: Revenue					
Revenue receipts	2,43,749.34	2,64,596.66	Revenue expenditure	2,79,964.48	3,09,717.77
State's Own Tax revenue	1,50,222.75	1,67,278.40	General Services	99,096.70	1,13,335.69
Non-tax revenue	17,060.95	25,903.83	Social Services	88,967.59	1,01,245.51
Share of Union Taxes/Duties	38,731.24	46,072.27	Economic Services	71,974.59	71,572.86
Grants from Government of India	37,734.40	25,342.16	Grants-in-aid and Contributions	19,925.60	23,563.71
Section-B: Capital and Others					
Miscellaneous Capital Receipts	41.97	11.88	Capital Expenditure	39,529.91	40,500.20
			General Services	1,040.98	950.05
			Social Services	14,323.77	14,398.05
			Economic Services	24,165.16	25,152.10
Recoveries of Loans and Advances	1,078.10	4,024.47	Loans and Advances disbursed	7,260.82	8,845.11
Public Debt receipts	1,01,061.71	1,31,597.14	Repayment of Public Debt	27,104.39	43,564.79
Contingency Fund	..	..	Contingency Fund	..	5.47
Public Account receipts	4,79,342.00	5,44,412.09	Public Account disbursements	4,62,458.90	5,38,015.71
Opening Cash Balance	72,386.10	81,340.72	Closing Cash Balance	81,340.72	85,333.91
Total	8,97,659.22	10,25,982.96	Total	8,97,659.22	10,25,982.96

(Source: Finance Accounts of the respective years)

Table 2.2: Major Changes in key fiscal aggregates in 2023-24 compared to 2022-23

Revenue Receipts	✓ Revenue receipts of the State increased by 8.55 <i>per cent</i> ✓ Own Tax receipts of the State increased by 11.35 <i>per cent</i> ✓ Non-tax receipts increased by 51.83 <i>per cent</i> ✓ State's Share of Union Taxes and Duties increased by 18.95 <i>per cent</i> ✓ Grants-in-Aid from Government of India decreased by 32.84 <i>per cent</i>
Revenue Expenditure	✓ Revenue expenditure increased by 10.63 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 14.37 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 13.80 <i>per cent</i> ✓ Revenue expenditure on Economic Services decreased marginally by 0.56 <i>per cent</i> ✓ Expenditure on Grants-in-Aid increased by 18.26 <i>per cent</i>
Capital Receipts	✓ The capital receipts (Debt and Non-Debt Capital receipts) increased by 32.74 <i>per cent</i>. There was a decline in the miscellaneous capital receipts by 71.43 <i>per cent</i>.
Capital Expenditure	✓ Capital expenditure increased by 2.45 <i>per cent</i> ✓ Capital expenditure on General Services decreased by 8.74 <i>per cent</i> ✓ Capital expenditure on Social Services increased marginally by 0.52 <i>per cent</i> ✓ Capital expenditure on Economic Services increased by 4.08 <i>per cent</i>
Loans and Advances	✓ Disbursement of Loans and Advances increased by 21.82 <i>per cent</i> ✓ Recoveries of Loans and Advances increased by 273.29 <i>per cent</i>
Public Debt	✓ Public Debt Receipts increased by 30.21 <i>per cent</i> ✓ Repayment of Public Debt increased by 60.73 <i>per cent</i>
Public Account	✓ Public Account Receipts increased by 13.57 <i>per cent</i> ✓ Public Account Disbursements increased by 16.34 <i>per cent</i>
Cash Balance	✓ Cash balance increased by ₹3,993.19 crore (4.91 <i>per cent</i>) during 2023-24 over the previous year

The significant changes that occurred during 2023-24 as compared to the previous year are enumerated in the succeeding sub paragraphs.

- **Revenue receipts** of the State increased by 8.55 *per cent* (₹20,847 crore) over the previous year. Revenue receipts includes an amount of ₹4,574 crore towards compensation for losses on roll out of GST.
- **Revenue expenditure** increased by ₹29,753 crore (10.63 *per cent*) over the previous year mainly due to increased interest payment on market loans (₹41,418 crore), assistance to Electricity Boards (₹24,040 crore), increased payments towards 'Pension and other retirement benefits' (₹16,709 crore) and payments towards 'Women's Welfare' (₹6,411 crore).

- **Capital expenditure** increased marginally by 2.45 *per cent* (₹970 crore) during 2023-24 over the previous year, as compared to that of 6.81 *per cent* in 2022-23 over 2021-22.
- **Public Debt Receipts (borrowings) and repayment of public debt** increased by ₹30,535 crore (30.21 *per cent*) and ₹16,460.40 crore (60.73 *per cent*) respectively over the previous year.
- **Recoveries of loans and advances** increased by ₹2,946 crore (273.29 *per cent*) during the year due to repayment of loans taken by statutory corporations/Government companies (₹2,209.27 crore – under Economic Services) and Urban Development Authority (₹960.90 crore – under Social Services) from previous year.
- **Loans and advances** disbursed during the year increased by ₹1,584 crore (22 *per cent*) over the previous year mainly due to loans to the tune of ₹6,275 crore being extended to Public Sector and other undertaking under ‘Other Development Schemes’ in Urban Development during the year.
- **Public Account receipts and disbursements** increased by ₹65,070 crore (14 *per cent*) and ₹75,557 crore (16 *per cent*) respectively over the previous year. The net Public Account during the current year stood at ₹6,396 crore as against ₹16,883 crore during 2022-23. The decrease in the net Public Account is due to increase in the transfer to reserve funds and repayment of deposits and advances.
- The net impact of these transactions led to an increase of ₹3,993 crore in the cash balance at the end of the year over the previous year. However, this represents only a 4.91 *per cent* increase whereas in 2022-23 the increase was 12.37 *per cent* over the previous year.

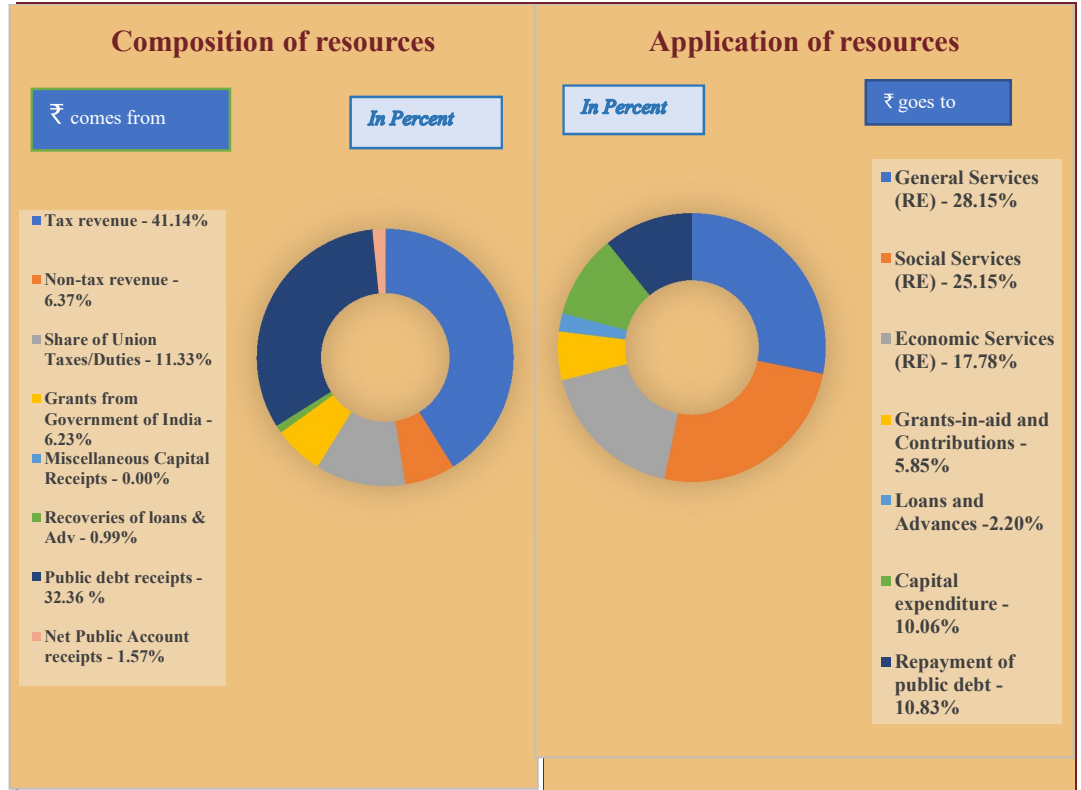
2.2 Sources and Application of Funds

Table 2.3: Details of Sources and Application of funds during 2022-23 and 2023-24

(₹ in crore)				
	Particulars	2022-23	2023-24	Increase/ Decrease
Sources	Opening Cash Balance with RBI	72,386	81,341	8,955
	Revenue Receipts	2,43,749	2,64,597	20,848
	Recoveries of Loans and Advances	1,078	4,024	2,946
	Miscellaneous Capital Receipts	42	12	(-) 30
	Public Debt Receipts (Net)	73,958	88,032	14,074
	Public Account Receipts (Net)	16,883	6,396	(-) 10,487
	Total	4,08,096	4,44,402	36,306
Application	Revenue Expenditure	2,79,964	3,09,718	29,754
	Capital Expenditure	39,530	40,500	970
	Disbursement of Loans and Advances	7,261	8,845	1,584
	Contingency Fund	..	5	5
	Closing Cash Balance with RBI	81,341	85,334	3,993
	Total	4,08,096	4,44,402	36,306

(Source: Finance Accounts of the respective years)

Exhibit 2.1: Composition and Application of resources



RE – Revenue Expenditure.

(Source: Finance Accounts)

2.3 Resources of the State

The resources of the State are described below:

- 1. Revenue receipts** comprise tax revenue (Own Tax revenue plus share of Union Taxes / Duties), non-tax revenue and grants from the Government of India (GoI).
- 2. Capital receipts** (debt and non-debt capital receipts) comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

- 3. Net Public Accounts receipts:** These are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

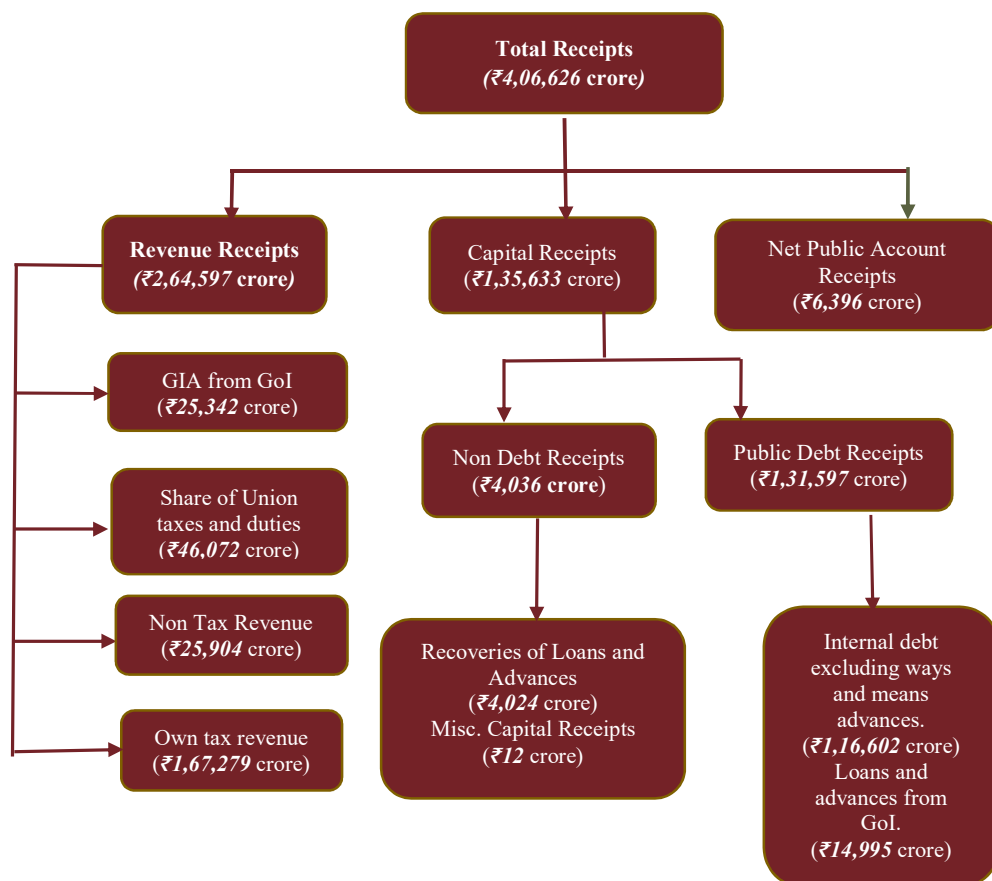
These are maintained in the Public Account established under Article 266 (2) of the Constitution and are not subject to vote by the State

Legislature. In this context, the Government acts as a banker. The balance after disbursements represents the fund available with the Government for use.

2.3.1 Receipts of the State

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 (net of disbursement made from it) is also utilised by the Government to finance its deficit.

Composition of receipts of the State during 2023-24



The total resources of the Government for the year amounted to ₹4,06,626 crore. Of this, revenue receipts were ₹2,64,597 crore, which constituted 65.07 *per cent* of total resources. Capital receipts (₹1,35,633 crore) and net Public Account receipts (₹6,396 crore) constituted 33.36 *per cent* and 1.57 *per cent* of the total resources respectively.

2.3.2 State's 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.

2.3.2.1 Trends and growth of Revenue Receipts

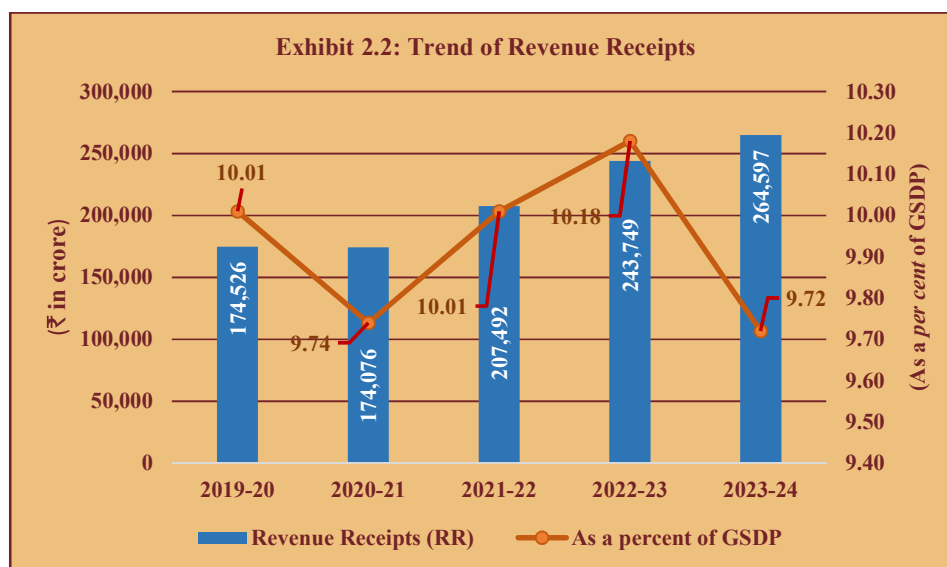
The trends and growth in the composition of revenue receipts with respect to GSDP over the five-year period are depicted in the **Table 2.4** below.

Table 2.4: Trend in Revenue Receipts

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR) (₹ in crore)	1,74,526	1,74,076	2,07,492	2,43,749	2,64,597
Rate of growth of RR (<i>per cent</i>)	0.45	(-) 0.26	19.20	17.47	8.55
Own Tax Revenue (₹ in crore)	1,07,462	1,06,153	1,22,866	1,50,223	1,67,279
State's share of Union taxes and duties (₹ in crore)	26,393	24,924	37,458	38,731	46,072
Non-Tax Revenue (₹ in crore)	12,888	10,422	12,117	17,061	25,904
Grants-in-aid from GoI (₹ in crore)	27,783	32,576	35,051	37,734	25,342
Own Revenue (Own tax and Non tax revenue) (₹ in crore)	1,20,350	1,16,575	1,34,983	1,67,284	1,93,183
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	0.51	(-) 3.14	15.79	23.93	15.48
Gross State Domestic Product (₹ in crore) (2011-12 series)	17,43,144	17,88,074	20,72,496	23,93,364	27,21,571
Rate of growth of GSDP (<i>per cent</i>)	6.93	2.58	15.91	15.48	13.71
RR/GSDP (<i>per cent</i>)	10.01	9.74	10.01	10.18	9.72

(Source of GSDP at current prices: Ministry of Statistics and Programme Implementation)

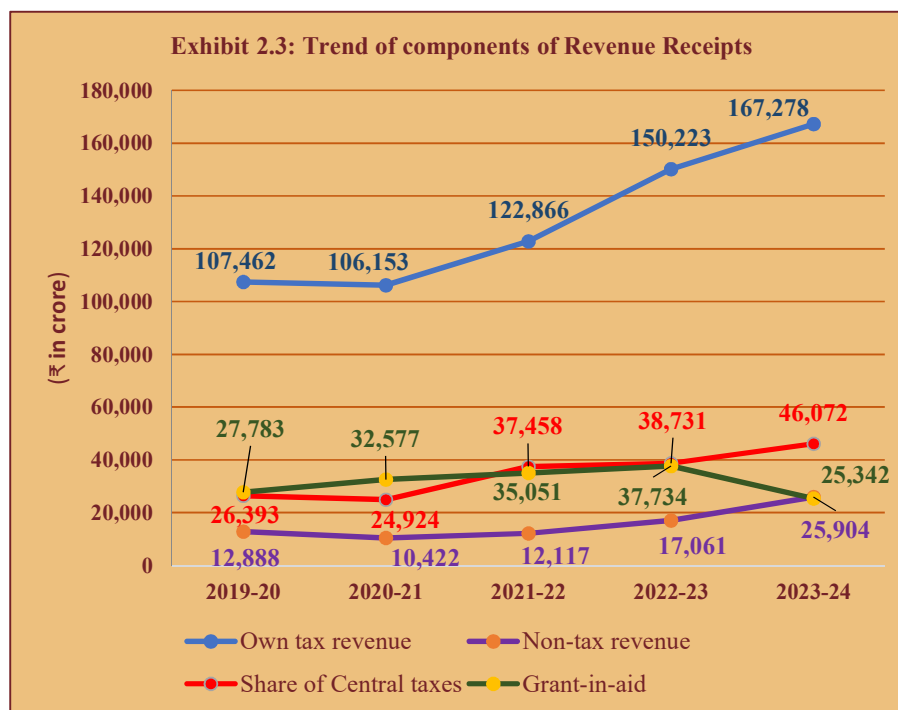
- The annual growth rate of revenue receipts decreased from 17.47 *per cent* (₹36,257 crore) in 2022-23 to 8.55 *per cent* (₹20,848 crore) in 2023-24.



(Source: Finance Accounts of the respective years)

The revenue receipts as a percentage of GSDP ranged between 9.72 and 10.18 during the five years.

The trend in components of revenue receipts is given below in **Exhibit 2.3**.



(Source: Finance Accounts of the respective years)

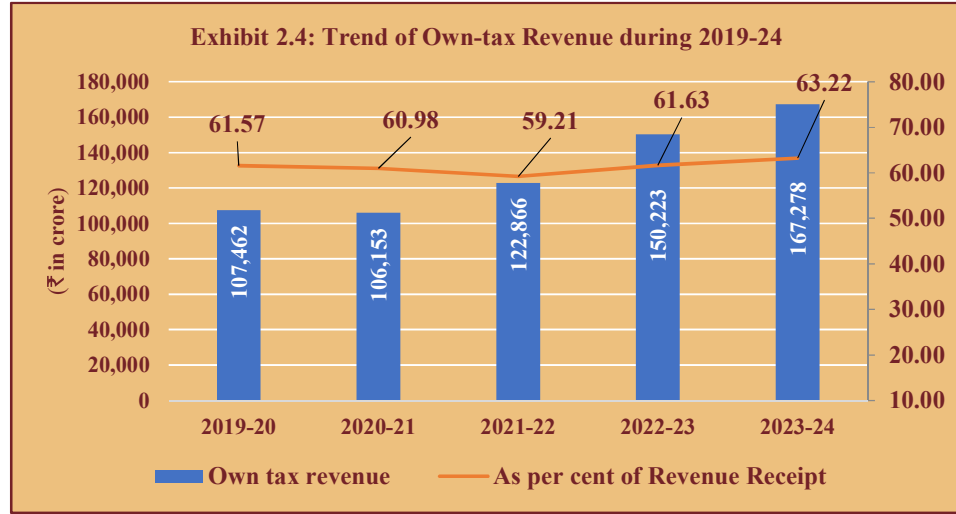
During the year, the components of revenue receipts i.e. own tax revenue, non-tax revenue and share of Central taxes showed an increase, in contrast to a decrease in GIA.

2.3.2.2 State's Own Resources

State's own resources comprise revenue from its own tax and non-tax sources, the details of which are discussed in the following paragraphs.

Own Tax Revenue

Own tax revenues of the State consist of State GST, State Excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, taxes on goods and passengers, etc. The growth of own tax revenue is given in **Exhibit 2.4**.



(Source: Finance Accounts of the respective years)

The own tax revenue has shown an upward trend from 2021-22 to 2023-24. The percentage of own tax revenue to total revenue receipts has remained around 60 per cent over the past five years.

Components of State's own tax revenue

The revenues from major taxes and duties are given in **Table 2.5**.

Table 2.5: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
State Goods and Service Tax	38,376	37,942	45,277	53,823	61,961	
Taxes on Sales, Trade, etc.	44,515	43,489	48,668	59,143	60,200	
State Excise	7,206	7,822	8,237	10,423	10,774	
Taxes on Vehicles	5,675	4,561	5,627	7,513	9,375	
Stamps and Registration Fees	10,856	11,675	14,331	17,560	19,013	
Land Revenue	258	211	205	248	256	
Taxes on Goods and Passengers	11	2	12	5	7	
Other Taxes	565	451	509	1,508	5,693	
Total	1,07,462	1,06,153	1,22,866	1,50,223	1,67,279	
(Growth rate over previous year in per cent)	(1.83)	((-) 1.22)	(15.74)	(22.27)	(11.35)	

(Source: Finance Accounts of the respective years)

- The annual growth rate of own tax revenue during 2023-24 increased by 11.35 *per cent* as against a growth rate of 22.27 *per cent* during the previous year.
- The decline in growth rate of own tax revenue by 10.92 percentage points was attributable to decline in the growth rate of Taxes on Sales, Trade etc, which increased by only 1.79 *per cent* as against an increase of 21.52 *per cent* during the previous year.
- Against the revised budget estimate of ₹63,338 crore, SGST collection was ₹61,961 crore (2.18 *per cent* decrease).

Non-tax revenue

Non-tax revenue consists of interest receipts, dividend and profits, mining and other departmental receipts etc. The details are given in **Table 2.6** below:

Table 2.6: Components of State's non-tax revenue

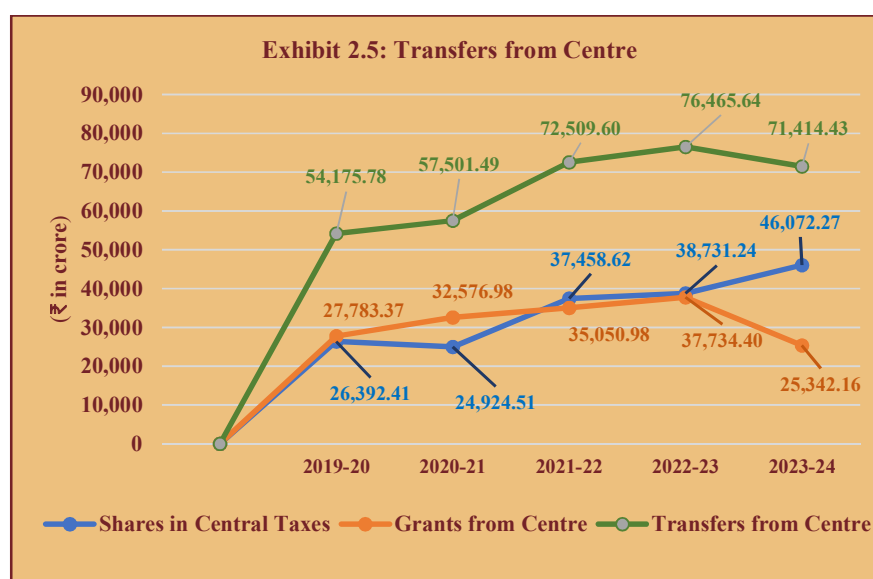
Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	(₹ in crore)
						Sparkline
Interest receipts	4,356	3,524	3,918	4,747	9,969	
Dividends and Profits	192	205	272	301	700	
Other non-tax receipts	8,340	6,693	7,927	12,013	15,235	
a) Major and Medium Irrigation	48	60	66	71	126	
b) Roads and Bridges	83	181	118	231	398	
c) Urban Development	781	829	743	1,092	1,469	
d) Education	1,793	1,650	1,065	2,206	1,470	
e) Non-Ferrous Mining	1,150	765	1,005	1,200	1,550	
f) Others	4,485	3,208	4,930	7,213	10,221	
Total	12,888	10,422	12,117	17,061	25,904	
Percentage of non-tax revenue to State's own resources	10.71	8.94	8.98	10.20	13.41	

(Source: Finance Accounts of the respective years)

- The non-tax revenue of the State increased by ₹8,843 crore (51.83 *per cent*) in 2023-24 over the previous year. As a proportion of the State's own resources, non-tax revenue increased from 10.20 *per cent* in 2022-23 to 13.41 *per cent* in 2023-24.

2.3.2.3 Transfers from the Centre

The trend of transfers from Centre for a period of five years (2019-20 to 2023-24) is given in **Exhibit 2.5** below:



(Source: Finance Accounts of the respective years)

The transfers from Centre, which had shown an increasing trend upto 2022-23, declined during the current year by ₹5,051 crore (6.61 *per cent*). The decrease in transfers from Centre was mainly due to decrease in release of compensation to the State Government for revenue losses on rollout of GST ((-) 71.79 *per cent*).

The details of State's share of Union taxes and duties, components of central tax transfers and grants-in-aid from GoI are given in **Tables 2.7 to 2.9**.

Table 2.7: State's share in Union taxes and duties - Actual devolution vis-à-vis FC projections
(₹ in crore)

Year	Finance Commission Projections	Projections in FCR*	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2015-16	4.023 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 4.104 <i>per cent</i> of net proceeds of shareable service tax (As per recommendations of XIV FC)	23,389	20,354	(-) 3,035
2016-17		26,992	24,538	(-) 2,454
2017-18		31,189	27,100	(-) 4,089
2018-19		36,084	30,639	(-) 5,445
2019-20		41,796	26,393	(-) 15,403
2015-20		1,59,450	1,29,024	(-) 30,426
2020-21	4.189 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of XV FC)	35,823	24,925	(-) 10,898
2021-22	4.079 <i>per cent</i> of net proceeds of all shareable taxes	26,864	37,459	10,595
2022-23		29,884	38,731	8,847
2023-24	4.079 <i>per cent</i> of net proceeds of all shareable taxes	33,627	46,072	12,445

* Finance Commission Recommendations

(Source: Details furnished by the Finance Department)

Share of union taxes and duties**Table 2.8: Components of Central Tax Transfers**

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24
Central Goods and Services Tax (CGST)	7,489.35	7,406.64	10,308.10	10,945.36	13,982.28
Integrated Goods and Services Tax (IGST)	--	--	--	--	--
Corporation Tax	8,998.76	7,520.26	10,912.73	12,982.89	13,828.96
Taxes on Income other than Corporation Tax	7,051.14	7,709.82	10,911.33	12,678.31	15,970.41
Customs	1,672.92	1,324.08	2,920.27	1,522.68	1,614.53
Union Excise Duties	1,163.13	837.75	1,753.77	477.69	610.97
Service Tax	0.00	108.04	609.98	60.56	8.59
Other Taxes *	17.11	17.92	42.44	63.75	56.53
Total Central Tax transfers	26,392.41	24,924.51	37,458.62	38,731.24	46,072.27
Percentage of increase over previous year	(-) 13.86	(-) 5.56	50.29	3.40	18.95
Revenue Receipts	1,74,526	1,74,076	2,07,492	2,43,749	2,64,597
Percentage of Central tax transfers to Revenue Receipts	15.12	14.32	18.05	15.89	17.41

* Includes Taxes on wealth, other taxes on Income and Expenditure and Other taxes and duties on commodities and services

(Source: Finance Accounts of the respective years)

The actual devolution of State's share of Union taxes and duties was greater than the projections made by the Fifteenth Finance Commission (XV FC) for the years 2021-22 to 2023-24.

Grants-in-aid from Government of India**Table 2.9: Grants-in-aid from GoI**

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24
Grants for Centrally Sponsored Schemes (CSS)	12,463.85	12,483.68	17,250.57	15,269.61	13,971.63
Finance Commission Grants	5,905.69	8,643.46	9,550.41	5,791.68#	6,250.76@
Other transfers/Grants to States/Union Territories with Legislature	9,485.73	11,449.84	8,250.00	16,673.11\$	5,119.76^
Total	27,783.37*	32,576.98	35,050.98	37,734.40	25,342.15
Percentage of increase over the previous year	18.89	17.25	7.59	7.66	(-) 32.84
Percentage of GIA to Revenue Receipts	15.92	18.71	16.89	15.48	9.58

@ Includes revenue deficit grant of ₹838.94 crore in 2023-24 and the balance ₹5,411.82 crore pertained to Grants to Rural and Urban Local Bodies and SDRF and SD MF grants.

Includes revenue deficit grant of ₹801 crore in 2022-23 and the balance ₹4,990.68 crore pertained to Grants to Rural and Urban Local Bodies and SDRF and SD MF grants.

^ Includes an amount of ₹4,574.20 crore being arrears in compensation for loss of revenue due to implementation of GST.

\$ Includes an amount of ₹16,215 crore being compensation for loss of revenue due to implementation of GST

* Includes Refund of (-) ₹71.90 crore in 2019-20

(Source: Finance Accounts of the respective years)

- The grants-in-aid decreased significantly by ₹12,392.25 crore (32.84 per cent) in the current year over the previous year.
- Percentage of grants-in-aid to revenue receipts, which was 15.48 per cent in 2022-23, decreased considerably to 9.58 per cent in 2023-24

mainly due to discontinuation of GST compensation to the States from July 2023 and non-receipt of Central share of ₹225 crore for the State Disaster Mitigation Fund for the year 2023-24.

Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure mandates that every State Government designate a Single Nodal Agency (SNA) to implement each Centrally Sponsored Scheme (CSS). The SNA will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the Government to ensure that the entire unspent amount is returned by all Implementing Agencies (IAs) to the Single Nodal Account of the SNA.

GoI had notified a procedure for the release of funds under CSS and for monitoring utilization of these funds released through SNA. As per the procedure, the State Government is required to transfer the Central share received along with the State share to the corresponding SNA's account.

In accordance with the directions of Ministry of Finance, GoI, funds received by the State Government under CSS are restricted for use by the State Government and should be transferred to the SNA's account along with State Share within a period of 30 days of its receipt. Any delay beyond 30 days in the transfer will result in the Government being liable to pay interest at the rate of 7 per cent per annum, effective from 1 April 2023.

As per the SNA Report (2023-24) of PFMS Portal, the State Government received ₹13,133.76 crore being SNA's Central Share of CSS during the year. The Government transferred Central share of ₹13,487.29 crore and State share of ₹12,198.81 crore including state top-up share of ₹17.26 crore to the SNAs during the year. As of 31 March 2024, the unspent amount in the SNA Accounts was ₹10,083.87 crore.

SNA Report revealed that there were delays, ranged between one day and 106 days, in release of GoI share and State Government share to SNA in seven schemes shared by the Central and the State. In three Central schemes, the delays ranged between one day and 24 days in release of GoI share. The details of schemes along with delays in transfer of funds are in **Appendix 2.2**.

Fifteenth Finance Commission Grants

Transfers from GoI to the State during 2023-24 on the recommendations of XV FC are given in **Table 2.10**

Table 2.10: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers	Recommendation of the XV FC 2023-24	Actual release by GoI	Short fall
		2023-24	2023-24
(i) Grants to PRIs			
(a) General Basic Untied Grants	1,116.40	1,116.40	Nil
(b) Performance (Tied Grants)	1,674.60	1,674.60	Nil
Grants to PRIs	2,791.00	2,791.00	Nil
(ii) Grants to ULBs			
(a) Grants to Million Plus cities for Solid Waste Management / Sanitation	331.00	325.20*	5.80
(b) Grants to Million Plus cities for improving Ambient Air Quality	129.00	12**	117.00
(c) Basic grant (Untied) to Non-Million Plus cities	391.20	384.17	7.03
(d) Tied Grant to Non-Million Plus cities	586.80	576.26	10.54
Grants to ULBs	1,438.00	1,297.63	140.37
Grants for Health Sector	846.18	838.94	7.24
Total for Local Bodies	5,075.00	4,927.57	147.61
State Disaster Response Fund	900.00	900.00	Nil
State Disaster Mitigation Fund	225.00	--***	225.00
Grand Total	6,200.18	5,827.57	372.61

* This does not include an arrear amount of ₹313 crore for the year 2022-23 received during 2023-24.

** This does not include an incentive grant amount of ₹3.09 crore released to Madurai Municipal Corporation for the year 2022-23 received during 2023-24.

*** This does not include ₹107.10 crore pertaining to 2022-23 received during 2023-24

(Source: Details as furnished by the State Finance Department)

There was a shortfall of ₹372.61 crore in release of XV FC grants to the State which included ₹225 crore allocated for State Disaster Mitigation Fund (as detailed in **Para 2.5.2.3**) and the remaining ₹147.61 crore for Local bodies.

2.3.3 Capital receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

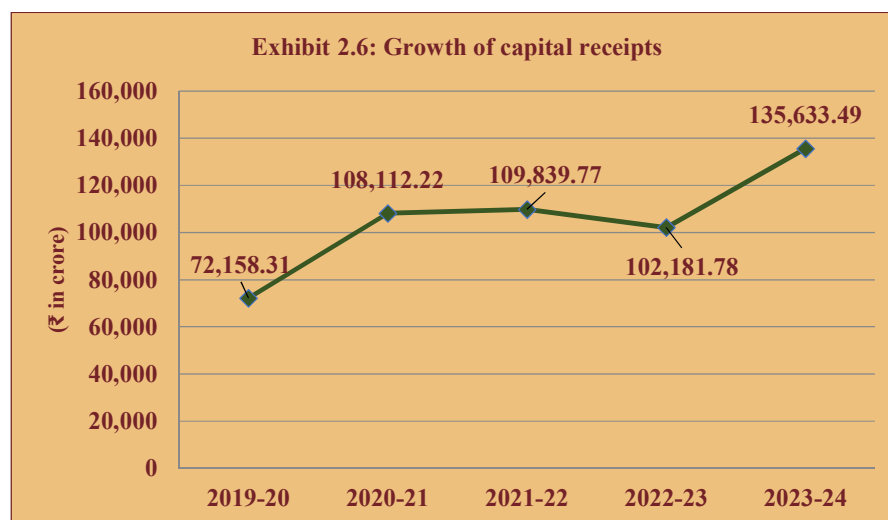
Table 2.11: Trends in growth and composition of capital receipts

Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts (₹ in crore)	72,158.31	1,08,112.22	1,09,839.77	1,02,181.78	1,35,633.49
Miscellaneous Capital Receipts (₹ in crore)	--	--	0.01	41.97	11.88
Recovery of Loans and Advances (₹ in crore)	5,384.01	5,245.25	5,354.77	1,078.10	4024.47
Public Debt Receipts (₹ in crore)	66,774.30	1,02,866.97	1,04,484.99	1,01,061.71	1,31,597.14
Internal Debt (₹ in crore)	64,784.61	91,997.03	90,842.61	90,806.43	1,16,602.22
Rate of growth of internal debt (per cent)	42.08	42.00	(-) 1.25	(-) 0.04	28.41
Loans and Advances from GoI (₹ in crore)	1,989.69	10,869.94*	13,642.38 [#]	10,255.28	14,994.92
Rate of growth of Loans and Advances (per cent)	(-) 14.96	446.31	25.51	(-) 24.83	46.22
Rate of growth of debt Capital Receipts (per cent)	39.30	54.05	1.57	(-) 3.28	30.21
Rate of growth of non-debt Capital Receipts (per cent)	(-) 22.12	(-) 2.58	2.09	(-) 79.08	260.37
Rate of growth of GSDP (per cent)	6.93	2.58	15.84	14.16	13.71
Rate of growth of Capital Receipts (per cent)	31.56	49.83	1.60	(-) 6.97	32.74

* includes ₹6,241 crore as back to back loan

[#]includes ₹8,095 crore as back to back loan, in lieu of GST compensation which are not to be repaid by the State

(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

- Public Debt receipts increased from ₹1,01,062 crore during 2022-23 to ₹1,31,597 crore in 2023-24.
- The increase in the growth rate of non-debt capital receipts is mainly due to the repayment of loans previously taken by statutory corporations and the government. The rise in the growth rate of loans and advances is attributed to loans obtained for the Chennai Metro Rail Project Phase II.

Additionally, the increase in the growth rate of debt capital receipts is due to a rise in market loans during the year.

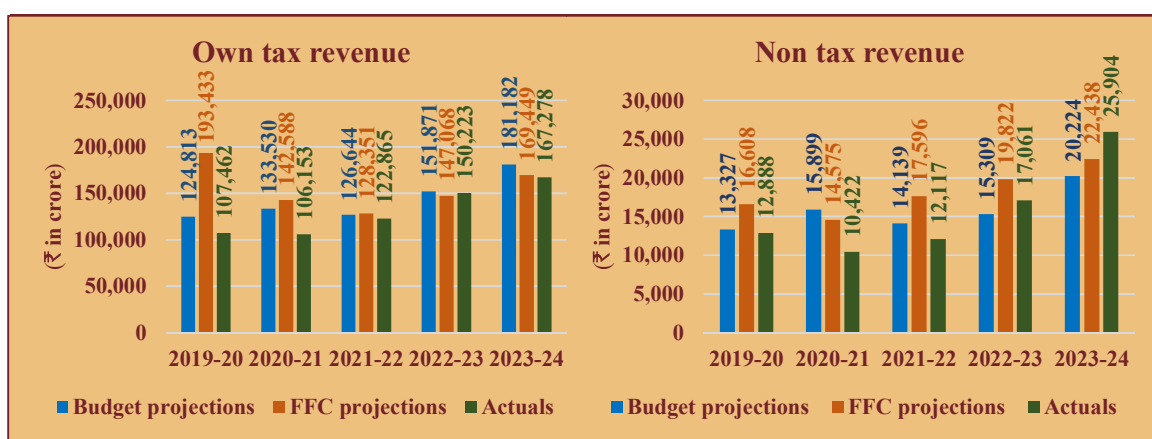
2.3.4 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax revenue.

Tax and non-tax receipts vis-à-vis projections

The State's own tax and non-tax revenue receipts for the period from 2019-20 to 2023-24 compared to projections made by the Central Finance Commission and Budget are given in **Exhibit 2.7**.

Exhibit 2.7: Tax and non-tax receipts vis-à-vis projections



(Source: FC recommendations and Budget Speeches of respective years)

During the year, State's own tax revenue receipts fell short, while non-tax revenue exceeded both the budget projections and target fixed under XV FC.

2.4 Application of resources

The State Government is responsible for incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This section gives the analysis of allocation of expenditure in the State.

2.4.1 Growth and composition of expenditure

The details of total expenditure, its composition, relative share of various sectors, trends, etc. are given below in **Tables 2.12, 2.13** and **Exhibits 2.8 and 2.9**.

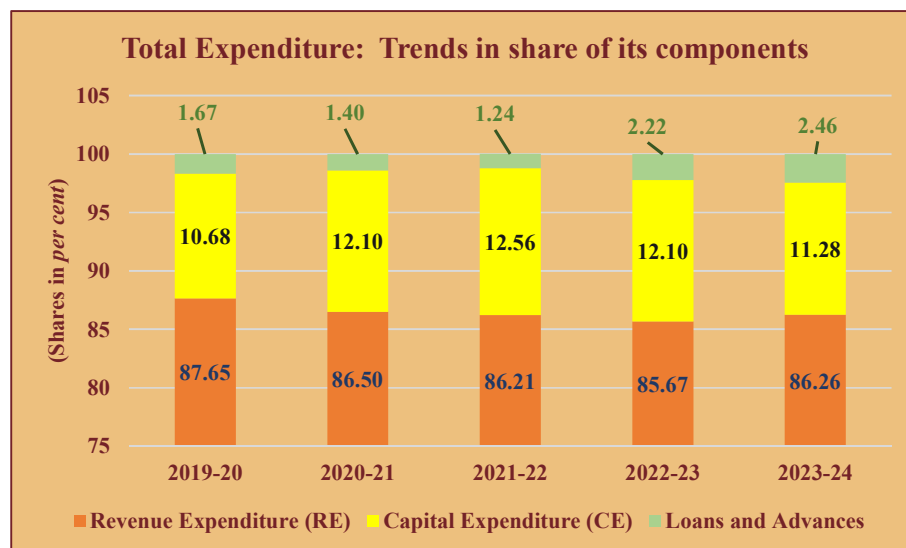
Table 2.12: Total expenditure and its composition

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	2,40,088.56	2,73,304.66	2,94,681.72	3,26,755.21	3,59,063.08
Revenue Expenditure (RE)	2,10,434.73	2,36,402.18	2,54,030.42	2,79,964.48	3,09,717.77
Capital Expenditure	25,631.58	33,067.65	37,010.78	39,529.91	40,500.20
Loans & Advances	4,022.25	3,834.83	3,640.52	7,260.82	8,845.11
TE/GSDP	13.77	15.28	14.22	13.65	13.19
RE/GSDP	12.07	13.22	12.26	11.70	11.38
Capital expenditure/GSDP	1.47	1.85	1.79	1.65	1.49
Loans and Advances/GSDP	0.23	0.21	0.18	0.30	0.33

(Source: Finance Accounts of the respective years)

Exhibit 2.8: Total Expenditure: Trends in share of its components



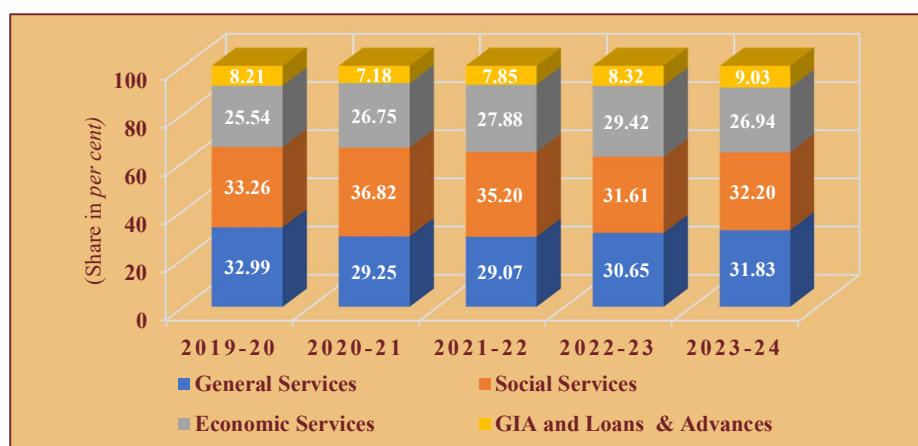
(Source: Finance Accounts of the respective years)

Table 2.13: Relative share of various sectors of expenditure

(in per cent)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
General Services *	32.99	29.25	29.07	30.65	31.83
Social Services *	33.26	36.82	35.20	31.61	32.20
Economic Services *	25.54	26.75	27.88	29.42	26.94
Others (Grants to Local Bodies and Loans and Advances)	8.21	7.18	7.85	8.32	9.03

(* Sum of revenue and capital expenditure under these services)

Exhibit 2.9: Total expenditure - Expenditure by activities

(Source: Finance Accounts of the respective years)

- Of the total expenditure of ₹3,59,063 crore during 2023-24, Revenue Expenditure (₹3,09,718 crore), Capital Expenditure (₹40,500 crore) and Loans and Advances (₹8,845 crore) accounted for 86.26 per cent, 11.28 per cent and 2.46 per cent respectively.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure constituted an average of 86.46 per cent (ranging from 85.68 per cent to 87.65 per cent) of the total expenditure during the period 2019-20 to 2023-24. The rate of growth of revenue expenditure has shown significant fluctuations during the five-year period from 2019 to 2024, ranging from 6.71 per cent to 12.34 per cent (in 2023-24, it was 10.63 per cent). The rate of growth of Revenue Expenditure and its ratio to Total Expenditure are indicated in **Table 2.14** and the sectoral distribution of Revenue Expenditure pertaining to 2023-24 is given in **Exhibit 2.10**.

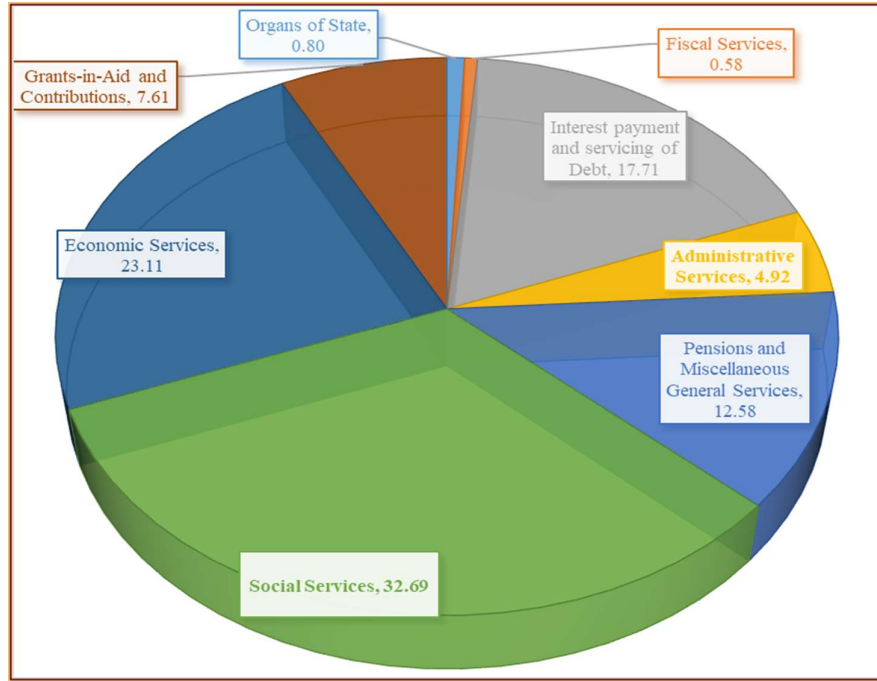
Table 2.14: Revenue Expenditure – Basic Parameters

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE) (₹ in crore)	2,40,088.56	2,73,304.66	2,94,681.72	3,26,755.22	3,59,063.08
Revenue Expenditure (RE) (₹ in crore)	2,10,434.73	2,36,402.18	2,54,030.42	2,79,964.48	3,09,717.77
Rate of Growth of RE (per cent)	6.71	12.34	7.46	10.21	10.63
Revenue Expenditure as percentage of TE	87.65	86.50	86.20	85.68	86.26
RE/GSDP (per cent)	12.07	13.22	12.26	11.84	11.38
RE as percentage of RR	120.58	135.80	122.43	114.86	117.05

(Source: Finance Accounts of the respective years)

Exhibit 2.10: Sector-wise distribution of revenue expenditure

(in per cent)



(Source: Finance Accounts 2023-24)

- During 2023-24, the growth rate of Revenue Expenditure increased by 10.63 per cent (₹32,307.86 crore) as against 10.21 per cent in the previous year. This was mainly due to increase of ₹9,069.58 crore, ₹6,654.88 crore and ₹6,453.63 crore in Social Security and Welfare (MH 2235), Interest payments (MH 2049) and Power (MH 2801) respectively. The Revenue Expenditure as a percentage of GSDP decreased from 11.84 per cent in 2022-23 to 11.38 per cent during the current year.
- The actual Revenue Expenditure was more than the assessment made in MTFP by ₹3,05,372 crore (1.42 per cent). The component-wise breakup is given in the subsequent paragraphs.

2.4.2.1 Major changes in Revenue Expenditure

Table 2.15 details significant variations in revenue expenditure for the State under various Heads of Accounts during the current year and the previous year.

Table 2.15: Variation in Revenue Expenditure during 2023-24 compared to 2022-23

(₹ in crore)

Major Head	Description	2023-24	2022-23	Increase (+) / Decrease (-)
2235	Social Security and Welfare	20,896.75	11,827.17	9,069.58
2049	Interest Payments	53,565.69	46,910.81	6,654.88
2801	Power	24,036.88	17,583.25	6,453.63

(₹ in crore)

Major Head	Description	2023-24	2022-23	Increase (+) / Decrease (-)
2071	Pensions and other Retirement Benefits	37,696.81	32,177.50	5,519.31
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	23,563.71	19,925.60	3,638.11
2202	General Education	43,728.12	42,615.28	1,112.84
2851	Village and Small Industries	2,418.18	1,702.45	715.73
2055	Police	10,299.93	9,609.47	690.46
2048	Appropriation for reduction or avoidance of debt	1,283.16	632.95	650.21
2225	Welfare of Scheduled Castes Scheduled Tribes Other Backward Classes and Minorities	4,262.15	3,626.29	635.86
2210	Medical and Public Health	13,574.82	13,018.51	556.31
2217	Urban Development	1,346.45	2,143.92	(-) 797.47
2852	Industries	856.37	1774.13	(-) 917.76
2505	Rural Employment	4,044.22	5,936.87	(-) 1,892.65
2401	Crop Husbandry	10,949.28	13,286.61	(-) 2,337.33
3456	Civil Supplies	11,208.29	13,767.56	(-) 2,559.27

(Source: Finance Accounts of the respective years)

- The increase in revenue expenditure under Social Security and Welfare was mainly due to payment of ‘Mahalir Urimai Thogai’ of ₹7936.54 crore
- Interest payments increased by 14 *per cent* due to increased interest payment towards market loan of ₹5,007.76 crore.
- The revenue expenditure on Power sector increased by 36.77 *per cent* was mainly due to increased assistance to Electricity Board by ₹6,464 crore.
- There was a decrease of ₹2,559 crore (18.59 *per cent*) in revenue expenditure for Civil Supplies due to non-inclusion of Pongal prize which was previously included.
- The expenditure was less in the scheme of Premium subsidy under Pradhan Mantri Fasal Bhima Yojana for agricultural crops contributed to decrease in revenue expenditure of ₹2,337 crore (17.59 *per cent*) in Crop Husbandry.
- There was also a decrease of ₹1,893 crore (31.88 *per cent*) in expenditure on the National Programme on Jawahar Grama Samridhi Yojana Scheme under Rural Employment.

2.4.2.2 Committed Expenditure

The committed expenditure of the Government on revenue account consists of interest payments, expenditure on salaries and wages and pensions. It has first charge on Government resources.

Apart from above, there are certain items of inflexible expenditure, which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike variable transactions such as capital expenditure. For example, the following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies - statutory devolutions to local bodies for pay and allowances (devolution / transfer for capital expenditure);
- (ii) Statutory requirements of contribution to Reserve Funds - Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/SDRF), etc.;
- (iii) Recoupment of Contingency Fund - Amount recouped within the year;
- (iv) Transfer of cess to reserve fund / other body, which are statutorily required;
- (v) Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs / spent by the State;
- (vi) Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - Interest Payment

Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure, along with its components, is depicted in **Table 2.16** and share of committed expenditure in revenue expenditure is shown in **Exhibit 2.11**.

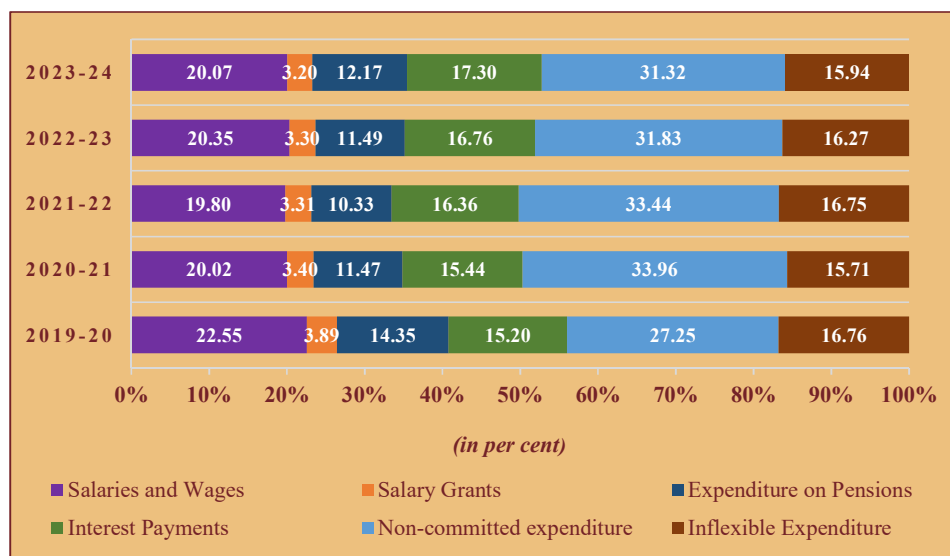
Table 2.16: Components of Committed and Inflexible Expenditure

(₹ in crore)					
Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries & Wages	47,447	47,333	50,293	56,970	62,170
Salary grants	8,190	8,027	8,416	9,248	9,922
Expenditure on Pensions	30,202	27,115	26,250	32,177	37,697
Interest Payments	31,980	36,497	41,564	46,911	53,566
Total – committed expenditure	1,17,819	1,18,972	1,26,523	1,45,306	1,63,355
Components of inflexible expenditure					
Expenditure from SDRF	707	1360	1088	329	2,013
Expenditure from SDMF	0	0	0	143	415
Revenue Expenditure from Central Assistances (included CSS/CS)	22,373	24,859	28,330	27,672	29,059
Devolution to local bodies (MH – 3604)	12,182	10,920	13,134	17,397	17,859
Total – Inflexible expenditure	35,262	37,139	42,552	45,541	49,346
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	27.19	27.19	24.24	23.37	23.50
Salary grants	4.69	4.61	4.06	3.79	3.75
Expenditure on Pensions	17.31	15.58	12.65	13.20	14.25
Interest Payments	18.32	20.97	20.03	19.25	20.24
Total-committed expenditure	67.51	68.34	60.98	59.60	61.74
Inflexible Expenditure	20.20	21.33	20.51	18.68	18.65
Total	87.71	87.67	81.49	78.29	80.39

(₹ in crore)					
Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	22.55	20.02	19.80	20.35	20.07
Salary grants	3.89	3.40	3.31	3.30	3.20
Expenditure on Pensions	14.35	11.47	10.33	11.49	12.17
Interest Payments	15.20	15.44	16.36	16.76	17.30
Total – committed expenditure	55.99	50.33	49.80	51.90	52.74
Inflexible Expenditure	16.76	15.71	16.75	16.27	15.94
Total	72.75	66.04	66.55	68.17	68.68
Non-Committed RE (RE-Committed – inflexible expenditure)	57,354	80,291	84,955	89,117	97,017
Percentage of RE	27.25	33.96	33.44	31.83	31.32
Percentage of TE	23.89	29.38	28.83	27.27	27.02
Subsidies	20,144	25,110	21,689	29,559	37,749
Subsidies as a percentage of Non-Committed Expenditure	35.12	31.27	25.53	33.17	38.91

(Source: Finance Accounts of the respective years)

Exhibit 2.11: Share of Committed expenditure in total Revenue Expenditure



(Source: Finance Accounts of the respective years)

- The committed expenditure (₹1,63,355 crore) increased by ₹18,049 crore mainly due to increase in expenditure on salaries and wages by 9.13 per cent (₹5,200 crore), pensions by 17.16 per cent (₹5,520 crore) and 'interest payments' by 14.19 per cent (₹6,655 crore).
- The expenditure on interest payments was 20.24 per cent of the total revenue receipts (₹2,64,597 crore) of the State during 2023-24, as against 19.25 per cent in 2022-23. As a percentage of revenue expenditure, interest payments increased from 16.36 per cent in 2022-23 to 17.30 per cent during the current year.
- The inflexible expenditure is statutory devolution to local bodies booked under the Major Head '3604', expenditure on SDRF, SD MF and revenue expenditure on CSS. As a percentage of revenue expenditure,

the inflexible expenditure ranged between 15.71 *per cent* and 16.76 *per cent* during 2019-20 to 2023-24. Further, the inflexible expenditure increased by 8.36 *per cent* during 2023-24 (₹49,346 crore) over the previous year (₹45,541 crore).

2.4.2.3 Defined Contributory Pension Scheme under National Pension System

GoTN launched Defined Contributory Pension Scheme (DCPS) for its employees from 1 April 2003. The scheme is applicable to all new entrants joining State Government Service on or after 2003. Under this system, employees contribute 10 *per cent* of their basic pay plus dearness allowance, which is matched by the State Government. Both the employer's and employee's contribution are initially transferred to the Public Account (Major Head '8342-117- Defined Contributory Pension Scheme').

DCPS accounts of individual Government employees¹ 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.

The expenditure on Pension and other Retirement benefits during the year in respect of State Government employees recruited on or before 31 March 2003 was ₹33,890.19 crore which is 10.94 *per cent* of total Revenue Expenditure of ₹3,09,717.77 crore.

On creation of National Pension System (NPS) architecture, Pension Fund Regulatory and Development Authority (PFRDA) requested (2008 and 2009) GoTN to join the NPS. However, GoTN declined (2010) to join the NPS architecture, initially citing the non-enactment of the PFRDA Act by parliament as justification for continuing with the existing system of retaining pension fund money in Public Account of the State.

The State Government has continued to operate DCPS without joining NPS and has not designated a fund manager even after 20 years. Out of total accumulation of ₹75,012.52 crore in the Fund as on 31 March 2024, an amount of ₹68,264.62 crore (₹36,509.99 crore during 2021-22, ₹20,128.65 crore during 2022-23, and ₹11,625.97 crore during 2023-24) was invested under "New Group Superannuation Scheme with Cash Accumulation Plan" with Life Insurance Corporation of India (LIC).

The interest amount of ₹3,625.98 crore received from LIC for the year 2020-21 (₹1,630.48 crore) and 2021-22 (₹1,995.50 crore) has been brought into the accounts of the State Government and reinvested in the same fund. However, the interest on investments in LIC amounting to ₹8,723.51 crore² (₹3,754.51 crore during 2022-23 and ₹4,969 crore during 2023-24), has been reinvested in LIC without being brought into the accounts by the State Government. This has resulted in understatement of Revenue Receipts by

¹ Including employees of Local Bodies and aided educational institutions.

² Interest amount of 2022-23 was not furnished by the Department.

₹8,723.51 crore. Previously, the State invested DCPS accumulations in both LIC and Treasury Bills, which yielded lower interest than the General Provident Fund rate. This issue was highlighted in previous SFAR reports. Currently, the State is investing DCPS accumulations solely in LIC, with interest rates aligned with the General Provident Fund rate, currently set at 7.1 *per cent*

During the year 2023-24, the employee's and the Government's contributions towards DCPS were ₹3,906.38 crore and ₹3,806.62 crore respectively. The Government's contribution to the NPS was less by ₹99.76 crore, which resulted in understatement of Revenue Expenditure to that extent.

An amount of ₹4,661.32 crore (including Management Charges of LIC of ₹70.10 crore) was credited to DCPS Fund as interest by allocating provision under MH 2049 – Interest payments during the year. The interest on DCPS has increased from ₹1,714.87 crore in 2017-18 to ₹4,661.32 crore in 2023-24.

2.4.2.4 Subsidies

Subsidies are disbursed explicitly, booked under the object head 'subsidies'. It is also disbursed implicitly³ by providing subsidised public service to the people. The subsidies extended during the period 2019-20 to 2023-24, as a *per cent* of Revenue Receipts and Revenue Expenditure are detailed in the **Table 2.17** below:

Table 2.17: Expenditure on subsidies during 2019-24

	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidies (₹ in crore)	20,144	25,110	21,689	29,559	37,749
Subsidies as a <i>percentage</i> of Revenue Receipts	11.54	14.42	10.45	12.13	14.27
Subsidies as a <i>percentage</i> of Revenue Expenditure	9.57	10.62	8.54	10.56	12.19

(Source: Finance Accounts of the respective years)

A list of schemes for which the State Government provided explicit subsidy during 2019-20 to 2023-24 is given in **Table 2.18**.

Table 2.18: List of schemes for which explicit subsidy was given by the State Government
(₹ in crore)

Name of the scheme	2019-20	2020-21	2021-22	2022-23	2023-24
Magalir Urimai Thogai	--	--	--	--	7,937
Public Distribution System Support	8,363	9,604	9,324	13,277	10,501
Compensation to Tamil Nadu Electricity Board (TNEB) due to reduction in tariff to domestic consumers	3,367	3,518	3,448	5,247	6,905
Investment promotion subsidy for industries	2,560	1,290	1,559	1,404	505

³ Subsidies which were not booked under the object head "11-Subsidies" under the relevant Major head of account are "Implicit Subsidies".

(₹ in crore)					
Name of the scheme	2019-20	2020-21	2021-22	2022-23	2023-24
Reimbursement of social cost on student concessions in bus fares	1,275	3,430	1,289	1,367	1,500
Reimbursement of loss due to issue of free bus passes to women	--	--	1,217	2,729	3,000
Free distribution of handloom clothes to the people below poverty line	484	479	488	770	500
Payment to TNEB on behalf of Power loom weavers	336	384	371	375	496
Subsidy to farmers for Agricultural inputs	183	1	--	--	--
Other subsidies schemes	3,576	6,404	3,993	4,390	6,405
Total	20,144	25,110	1,689	29,559	37,749

(Source: Finance Accounts of the respective years)

Explicit subsidies increased by 27.71 *per cent* over the previous year i.e. from ₹29,559 crore in 2022-23 to ₹37,749 crore in 2023-24. The increase was mainly due to the introduction of “Magalir Urimai Thogai Scheme”.

Implicit Subsidies

Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than its cost. It can be direct or in kind or as concessions. Some of the major implicit subsidies given in kind during 2023-24 are given in **Table 2.19**.

Table 2.19: Implicit subsidies given in kind during 2023-24

(₹ in crore)	
Name of the scheme	2023-24
Free Supply of Bicycles	511.62
Kind grant under National Health Mission	247.75
Production and Distribution of quality seeds	26.74
Free supply of food and cloth	7.18
Smart phones to hearing and visually impaired persons	6.40
Scheme for Supply of Sewing Machines	2.08
Grand Total	801.77

(Source: Finance Accounts 2023-24)

Some of the implicit subsidies in the form of cycle, quality seeds, sewing machines etc., amounts to ₹801.77 crore, which were wrongly classified as Grants-in-aid instead of subsidies. This has also been pointed out in the previous SFARs.

2.4.2.5 Recoveries under ‘Minor Head – 911’

As per Paragraph 3.10 under General Directions of ‘List of Major and Minor Heads of Account of Union and States’ (LMMH) issued by the Controller

General of Accounts (CGA), recoveries of overpayments pertaining to previous year(s) shall be recorded under distinct Minor Head 'Deduct- Recoveries of Overpayments' (code '911') under the relevant Major/Sub-major Head 'without affecting the gross expenditure under the functional Major/Sub-Major Head in the Appropriation Accounts'.

During the year, an unspent amount of ₹3,943.79 crore pertaining to 730 heads of account/Schemes, relating to previous years was remitted into the Government account under the Minor Head 911 "Deduct - Recoveries of overpayment". This includes 17 Centrally Sponsored Schemes (₹12.42 crore) and 109 Central Schemes Shared between Centre and States (₹1,135.36 crore). In 119 schemes (₹3,878.41 crore), remittances which were more than one crore constituted 98.34 *per cent* of the total remittances (**Appendix 2.3**). Three schemes where major remittances made were:

1. State's Share towards Premium Subsidy under Pradhan Mantri Fasal Bima Yojana (PMFBY) for Agriculture (₹1,227.37 crore);
2. Intra State Movement of Food Grains and Fair Price Shop Dealers margin under NFSA 2013 - State Share (₹452.69 crore);
3. Interest Subsidy to Co-operative institutions towards reduced interest for crop loans to the farmers (₹225.68 crore).

In the scheme "Interest Subsidy to Co-operative Institutions towards reduced interest for crop loans to the farmers (2425.00.108.KD)", the total expenditure was ₹2,244.09 crore for the period 2014-15 to 2023-24. The remittances made into the Government account under the 'Minor Head 911' was ₹1,216.68 crore. This indicates that the actual expenditure was inflated in the accounts during the year of drawal. This also inflated the revenue expenditure and revenue deficit to that extent during that period, apart from giving a wrong depiction of expenditure against these schemes.

2.4.2.6 State Finance Commission-Non-sharing of GST compensation with Local Bodies

Article 243-I and 243-Y of the Constitution of India makes it mandatory to the State Government to constitute a State Finance Commission (SFC) within one year of the commencement of the 73rd & 74th constitutional amendment act and thereafter on expiry of every five years. The mandate of SFC is to review the financial position of local bodies and submit its report and recommendations to Hon'ble Governor of Tamil Nadu and Hon'ble Chief Minister. The Government would also submit SFC reports along with Explanatory Memorandum on the Action Taken Report (ATR) on recommendations of SFC in the floor of the House. Based on the recommendations of SFC which have been accepted by the Government, a prescribed percentage will be devolved as grants to the third tier of Government *viz.* Local Bodies in Urban and Rural areas from the State's Own Tax Revenue funds. The State had constituted Six SFCs and Action Taken Notes on all SFCs were placed in the Assembly.

The Fifth SFC (2017-18 to 2021-22) in its report in Para 10.20 (December 2016) recommended that the Government should share 10 *per cent* of the

compensation that it received from the Centre for the shortfall in revenue collections of the State due to introduction of GST to the local bodies. The above recommendation was also accepted by the Government in their Action Taken Report (ATR) in March 2017.

Audit scrutiny of the records of Finance Department and Municipal Administration and Water Supply Department revealed that the Government of Tamil Nadu has received an amount of ₹50,700.60 crore during the last six years from 2018-19 to 2023-24 as detailed in **Table 2.19 (a)** below and has not transferred 10 *per cent* of the same to local bodies as recommended by 5th SFC and it was accepted by the Government.

Table 2.19 (a): GST compensation released by GOI

(₹ in crore)

Year	GST compensation to GoTN released by GOI	10 percent of GST compensation to be released to Local Bodies as per SFC recommendations and accepted by Government.
2018-19	3,151.00	315.10
2019-20	8,922.03	892.20
2020-21	10,602.83	1,060.28
2021-22	7,235.80	723.58
2022-23	16,214.83	1,621.48
2023-24	4,574.20*	457.42
Total	50,700.69	5,070.06

*Includes ₹3,529.28 crore for 2021-22 and ₹3.31 crore for 2018-19 and ₹1,041.60 crore from April 2022 to June 2022 towards compensation to State Government for revenue losses on rollout of Goods and Services Tax.

Thus, non-sharing of GST compensation as agreed by the Government deprived Local Bodies to that extent in execution of devolved functions. The Department admitted the same during Exit conference.

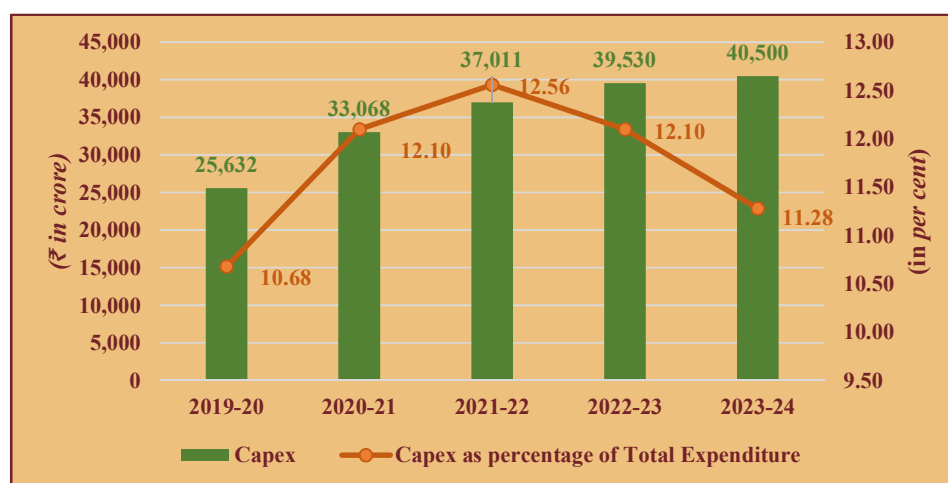
2.4.3 Capital expenditure

Capital Expenditure (Capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. Capex is being met from budgetary support and extra budgetary resources/off budget. In recent times, the infrastructure requirements have increased manifold and Special Purpose Vehicles (SPV) have been set up to carry out bulk of Capex.

During the year, the Government incurred ₹40,500 crore towards Capex, which increased by ₹970 crore (2.45 *per cent*) over the previous year. This was against the revised budget estimate of ₹42,532 crore. It constituted 1.49 *per cent* of GSDP and 30.78 *per cent* of the Public Debt receipts, which is indicative of the fact that most of the public debt receipts are utilised for either financing the deficits or repayment of debts.

As a percentage of total expenditure, the Capex decreased by 0.82 percentage points over the previous year. The trend in Capital expenditure during the period from 2019-20 to 2023-24 is shown in the **Exhibit 2.12** below.

Exhibit 2.12: Capital expenditure in the State



(Source: Finance Accounts of the respective years)

2.4.3.1 Major changes in Capital Expenditure

The major changes in Capital expenditure during 2023-24 compared to 2022-23 is given in **Table 2.20** below.

Table 2.20: Major changes in Capital Expenditure

Major Head	Description	(₹ in crore)		
		2022-23	2023-24	Increase (+) / Decrease (-)
4215	Capital Outlay on Water Supply and Sanitation	2,477.64	4,492.54	2,014.90
5054	Capital Outlay on Roads and Bridges	14,414.16	16,147.95	1,733.79
4202	Capital Outlay on Education, Sports, Art and Culture	586.31	1,009.55	423.24
4211	Capital Outlay on Family Welfare	174.48	573.86	399.38
4404	Capital Outlay on Dairy Development	43.47	289.31	245.84
4059	Capital Outlay on Public Works	821.52	496.19	(-) 325.33
4250	Capital Outlay on Other Social Services	626.56	126.26	(-) 500.30
4210	Capital Outlay on Medical and Public Health	1,201.20	642.16	(-) 559.04
5055	Capital Outlay on Road Transport	1,639.85	668.71	(-) 971.14
4217	Capital Outlay on Urban Development	8,210.71	6414.50	(-) 1,796.21

(Source: Finance Accounts of the respective years)

The increase in Capex under ‘4215-Capital Outlay on Water Supply and Sanitation’ was mainly due to setting up of 400 MLD Capacity Sea water Reverse Osmosis (SWRO) Desalination plant at Perur, Chennai for ₹527.26 crore under Urban Water Supply scheme and implementation of Jal Jeevan Mission for ₹1,635.14 crore under Rural Water Supply scheme. Major increases were noted in the areas of Roads and Bridges (₹1,733.79 crore) and Education, Sports, Art and Culture (₹423.24 crore). However, there were significant decreases in Urban Development (21.88 *per cent*), Road Transport (59.22 *per cent*) and Medical and Public Health (46.54 *per cent*).

2.4.3.2 Quality of capital expenditure

In the post-Fiscal Responsibility and Budget Management framework, the State is expected not only to keep its fiscal deficit at low levels but also to eliminate the revenue deficit and meet its capital expenditure/investment (including loans and advances) requirements from its own sources of revenue. In addition, the State Government is required to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

(i) Quality of investments in the companies, corporations and other bodies

As per Finance Accounts 2023-24, the State Government has invested ₹45,009.84 crore in one Statutory Corporation, 57 Government Companies, two Joint Stock Companies and 49 Co-operatives.

The details of investments made by the Government are given in **Table 2.21** below:

Table 2.21: Details of Investment made by the Government

Sl. No	Description	Number of entities	Investment at the end of the year (₹ in crore)
1	Tamil Nadu Warehousing Corporation	1	3.81
2	Government Companies	57	44,528.71
3	Joint Stock Companies	2	0.71
4	Co-operative Institutions	49	476.61
Total		109	45,009.84

(Source: Finance Accounts)

The average interest rate paid by the Government on its borrowings over the last five years (2019-20 to 2023-24) was 7.64 *per cent*, while the average rate of return on investments was only 0.73 *per cent*. This significant difference reduces the fiscal space available to the Government for allocating funds to other essential areas and could lead to financial strain.

The investments at the end of the year and the details of return on investment for the period 2019-20 to 2023-24 are given in **Table 2.22**.

Table 2.22: Return on Investment

Investment/return/ cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
Investment at the end of the year (₹ in crore)	39,866	41,578	42,167	44,526	45,010
Borrowings at the end of the year* (₹ in crore)	4,23,743	5,12,555	5,96,331	6,77,255	7,58,087
Return (₹ in crore)	160	174	256	294	700
Return (<i>per cent</i>)	0.40	0.42	0.61	0.66	1.56
Average rate of interest on Government Borrowings (<i>per cent</i>)	8.07	7.80	7.50	7.37	7.46
Difference between interest rate and return (<i>per cent</i>)	(-) 7.67	(-)7.38	(-) 6.89	(-) 6.71	(-) 5.90
Difference between interest on Government borrowings and return on investment (₹ in crore) #	3,057.72	3,068.46	2,905.31	2,987.69	2,655.59

Investment at the end of the year X Difference between interest rate and return

* After excluding back to back loans of ₹6,241 crore in 2020-21 and ₹14,336 crore in 2021-22, 2022-23 and 2023-24 from GoI in lieu of GST compensation shortfall which are not to be repaid by the State from its sources

(Source: Finance Accounts of the respective years)

During 2023-24, there was an increase in investment by the Government on account of investment of ₹396.90 crore in State Transport Corporations and ₹100 crore in State Industries Promotion Corporation of Tamil Nadu Limited.

Difference in figures of Government and PSUs

Statement 19 provides the details of investments made by the Government in respect of Companies, Corporations etc. while Statement 16 gives Minor/Sub Head wise capital expenditure incurred by the Government. It was observed that the investment details of 23 companies / Corporations as reflected in Section 2 - Statement 19 of Finance Accounts differed from those investments made by the Government as per Statement 16 of Finance Accounts (**Appendix 2.4**). The major difference in PSUs was observed in (i) Tamil Nadu Power Finance and Infrastructure Development Corporation, (ii) Tamil Nadu Sugar Corporation Limited (iii) Tamil Nadu State Transport Development Finance Corporation Limited (iv) Chennai Metro Rail Limited and (v) Tamil Nadu State Transport Corporation (Madurai) Limited.

The Government should take steps to reconcile the differences with the PSUs so that finance accounts give a true picture of investments made.

(ii) Quantum of loans disbursed and recovered during last five years

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.

Table 2.23 presents the outstanding loans and advances as on 31 March 2024 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.23: Outstanding loans and advances

Quantum of loans disbursed and recovered	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Opening balance of outstanding loans	41,359	39,997	38,587	36,872	43,055
Amount advanced during the year	4,022	3,835	3,640	7,261	8,845
Amount recovered during the year	5,384	5,245	5,355	1,078	4,024
Closing balance of outstanding loans	39,997	38,587	36,872	43,055	47,876
Net addition	(-) 1,362	(-) 1,410	(-) 1,715	6,183	4,821
Interest received	4	346	320	372	1,093
Interest receipts as a percentage of outstanding Loans and Advances given by the Government (<i>per cent</i>)	0.01	0.88	0.85	0.93	2.40
Average rate of Interest paid on the outstanding borrowings of the Government (<i>per cent</i>)	8.07	7.80	7.50	7.37	7.46
Difference between the rate of interest paid and interest received (<i>per cent</i>)	8.06	6.86	6.60	6.44	5.06

(Source: Finance Accounts of the respective years)

(iii) Capital locked in incomplete projects

The year wise age profile of the incomplete projects as on 31 March 2024 is shown in **Table 2.25** and the department-wise information is given in **Table 2.24**.

Table 2.24: Department-wise profile of incomplete projects

Department	No. of incomplete projects*	(₹ in crore)	
		Estimated cost	Expenditure during the year
Buildings	53	452.44	223.53
Irrigation	130	3,662.49	706.31
Roads and Bridges	500	11,071.25	2,062.59
Others	49	969.38	394.97
Total	732	16,155.56	3,387.40

Table 2.25 Age-wise profile of incomplete projects

Year	No. of incomplete projects*	(₹ in crore)	
		Estimated cost	Expenditure during the year
< 1 year	594	8,691.06	2,441.68
> 1 year	105	6,621.68	881.69
> 2 years	17	557.34	35.08
> 3 years	2	3.61	0.00
> 4 years	3	61.36	13.25
> 5 years	6	90.34	15.1
> 6 years	--	--	--
> 7 years	5	130.17	0.60
	732	16,155.56	3,387.40

* Only those projects scheduled to be completed before 31 March 2024 were included
(Source: Finance Accounts 2023-24)

The number of incomplete projects has significantly increased to 732 this year, compared to 167 in the previous year. Further, it was noticed that out of 11 projects with the total estimated cost of ₹220.51 crore delayed more than 5 years, 2 projects total costing of ₹81.10 crore and 9 projects total costing of ₹139.41 crore are pending with Irrigation and Buildings department respectively. Delays in completing projects lead to escalating costs and delay the benefits that these projects could provide to society. Effective measures must be taken to complete these projects promptly to avoid cost overruns due to time overruns.

Capital expenditure met from Reserve Funds

Capital expenditure (₹40,500.20 crore) as reported in the Finance Accounts depicts the net figures after adjusting (deducting) the amount (₹7.38 crore) met from the reserve funds.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. Expenditure priority of the State with regard to Health, Education and Capital expenditure are shown in **Table 2.26** below:

Table 2.26: Expenditure priorities

	TE/GSDP	CE/TE	Education/TE	Health/TE
	<i>(in per cent)</i>			
General category States (2019-20)	15.88	14.02	15.79	5.25
Tamil Nadu (2019-20)	13.77	12.35	15.98	5.13
General Category States (2023-24)	15.66	16.50	14.36	5.71
Tamil Nadu (2023-24)	13.19	13.74	12.82	4.95

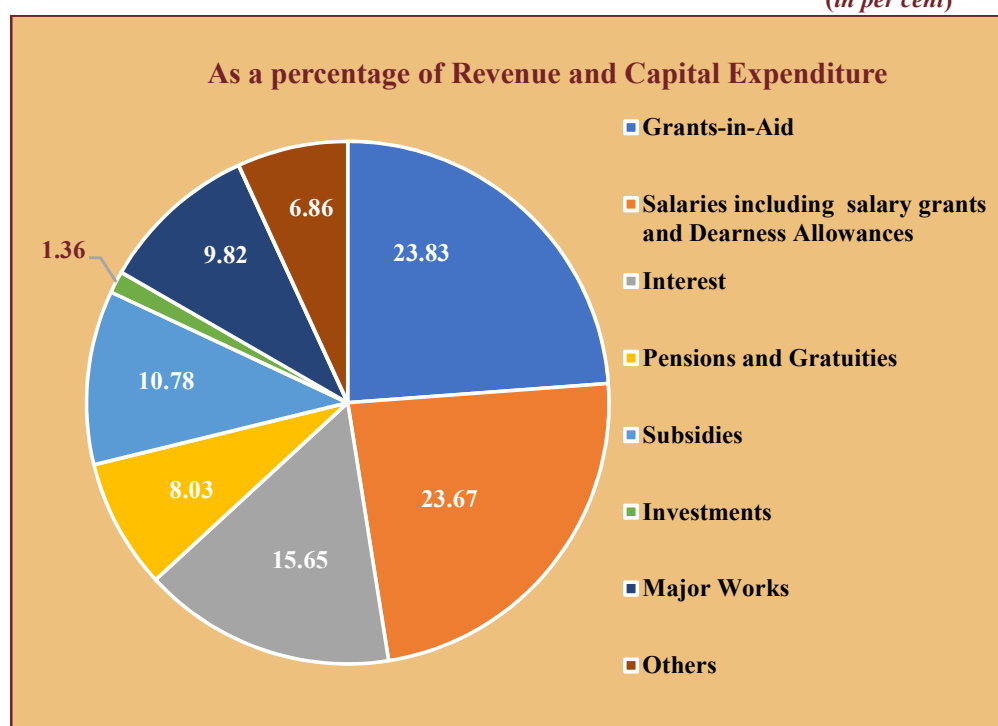
*AE: Aggregate Expenditure, CE: Capital Expenditure, which includes Loans and advances disbursed.
(Source: For GSDP: Central Statistics Office and data from Economic Advisor)*

2.4.5 Object head wise expenditure

The Object head wise expenditure during the year is depicted in **Exhibit 2.13** below.

Exhibit 2.13: Object head wise expenditure

(in per cent)



(Source: Finance Accounts 2023-24)

The expenditure incurred towards salaries and allowances, pensionary payments and interest commitments was 47.35 per cent of the total revenue and capital expenditure. The Government had not given adequate priority to capital expenditure, as only 11.56 per cent of the total expenditure was spent on capital expenditure. Out of 11.56 per cent, 9.82 per cent was spent on major capital works and 1.36 per cent was spent for making investments in Public Sectors and Other Undertakings.

2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these accounts. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are given in Table 2.27 below.

Table 2.27: Component-wise net Public Account balances as of 31 March of the year
(₹ in crore)

Sector	Sub-Sector	2019-20	2020-21	2021-22	2022-23	2023-24
I. Small Savings, Provident Funds	Small Savings, Provident Funds, etc.	(-) 26,475.22	(-) 29,352.41	(-) 32,032.78	(-) 33,884.02	(-) 35,199.41
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-) 113.42	(-) 113.42	(-) 113.42	(-) 1,198.57	(-) 134.23
	(b) Reserve Funds not bearing Interest	(-) 2,044.94	(-) 2,030.89	(-) 2,273.04	(-) 2,212.12	(-) 2,932.33
K. Deposits and Advances	(a) Deposits bearing Interest	(-) 9,323.98	(-) 8,014.50	(-) 7,643.95	(-) 9,992.02	(-) 9,875.27
	(b) Deposits not bearing Interest	(-) 15,235.43	(-) 22,096.51	(-) 26,667.81	(-) 28,410.75	(-) 20,355.71
	(c) Advances	7.67	7.64	7.62	7.57	7.57
L. Suspense and Miscellaneous	(b) Suspense	(-) 283.10	29.01	57.60	131.71	115.53
	(c) Other Accounts	3,692.59	5,841.15	15,108.59	14,402.40	10,460.59
	(d) Accounts with Governments of Foreign Countries	1.24	1.24	1.24	1.24	1.24
	(e) Miscellaneous	--	--	--	--	(-) 5,599.99
M. Remittances	(a) Money Orders, and other Remittances	(-) 0.51	(-) 0.48	5.47	5.55	5.55
	(b) Inter- Governmental Adjustment Account	8.56	8.48	8.83	5.02	10.01
Total		(-) 49,766.54	(-) 55,720.69	(-) 53,541.65	(-) 61,143.99	(-) 63,496.45

Note: (+) ve denotes debit balance and (-) ve denotes credit balances

(Source: Finance Accounts of the respective years)

Exhibit 2.14: Yearly changes in composition of Public Account balances

(₹ in crore)



(Source: Finance Accounts of the respective years)

- The net public account liability of the Government increased by 3.85 *per cent* from ₹61,143.99 crore in 2022-23 to ₹63,496.45 crore in 2023-24.
- The major contributions to the public account were from ‘small savings, provident fund, etc.’ and ‘Deposits and Advances’.

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

The total accumulated balance as on 31 March 2024 under Reserve Funds was ₹14,020.21 crore (includes ₹1,198.57 crore in interest bearing Reserve Funds and ₹12,821.64 crore under non-interest-bearing Reserve Funds). Some of the major Reserve Funds are discussed below.

2.5.2.1 Consolidated Sinking Fund

The State Governments have set up the Sinking Fund in line with the recommendations of the Twelfth Finance Commission (XII FC) for amortization of market borrowings as well as other loans and debt obligations. The fund is managed by the Reserve Bank of India.

The State Government established 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. 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 the CSF. During the year, the State Government contributed ₹1,283.16 crore to the Fund, which works out to 0.19 *per cent* of the outstanding liabilities of ₹6,91,590.72 crore as on 1 April 2023. Hence, there was a short contribution of ₹2,174.79 crore resulting in understatement of Revenue expenditure.

As on 31 March 2024, CSF had a balance of ₹4,383.60 crore with interest earned of ₹583.16 lakh on the investments. Given the increasing trend in liabilities, the Government should consider contributing the required amount as specified in the Act.

State Disaster Risk Management Fund

2.5.2.2 State Disaster Response Fund

In terms of the guidelines of the State Disaster Response Fund, the Centre and the States are required to contribute to the Fund in a certain proportion (75:25). The contributions are to be transferred to the Public Account (Major Head – 8121) and expenditures are incurred by operating Major Head – 2245.

The State Governments are required to pay interest to SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF

together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be utilised only for meeting the expenditure for providing immediate relief to the victims of a disaster. The provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/ State Plan Funds, etc.

During the year 2023-24, the State Government transferred ₹1,200 crore to SDRF Account towards natural calamities (Central share of ₹900 crore and State Share of ₹300 crore)

The details of expenditure charged to SDRF are given below in **Table 2.28**.

Table 2.28: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2023-24
2245- Relief on Account of Natural Calamities - 01- Drought.	800 – Other Expenditure	176.66
	911 - Deduct-Recoveries of Overpayments	(-) 2.34
	Sub Total	174.32
2245- Relief on Account of Natural Calamities - 02- Floods, Cyclones etc.	101 - Gratuitous Relief	2,070.64
	102 - Drinking Water supply	330.28
	105 – Veterinary Care.	2.22
	106 - Repairs and Restoration of damaged roads and bridges	9.95
	107 - Repairs and Restoration of damaged Government Office Buildings	4.91
	111 - Ex-Gratia payment to bereaved families	9.05
	113 – Assistance for Repairs / Re-construction of houses	15.57
	114 - Assistance to Farmers for purchase of Agricultural inputs	288.94
	117 - Assistance to Farmers for purchase of livestock	0.42
	118 - Assistance for repairs / replacement of damaged boats and equipment for fishing	30.11
	122 - Repairs and Restoration of damaged irrigation and flood control works	19.96
	190 - Assistance to Public Sector and other undertakings	50.00
	193 - Assistance to Nagar Panchayats / Notified Area Committees or equivalent thereof	10.00
	282 – Public Health	4.98
	800 - Other Expenditure	89.15
	911 - Deduct-Recoveries of Overpayments	(-) 1.68
	Sub Total	2,934.49
80- General	102 - Management of Natural Disasters, Contingency plans in disaster prone areas	1.11
	103 - Assistance to States from National Disaster Response Fund	0.18

(₹ in crore)		
Major Head of Account	Minor Head of Account	Expenditure during 2023-24
	800 - Other Expenditure	152.92
	911 - Deduct-Recoveries of Overpayments	(-) 0.90
	Sub-Total	153.31
	Grand Total	3,262.12
05 - State Disaster Response Fund	901- Deduct - Amount met from State Disaster Response Fund	2,013.16
08 - State Disaster Mitigation Fund	902- Deduct - Amount met from State Disaster Mitigation Fund	414.80

(Source: Finance Accounts 2023-24)

An expenditure of ₹2,013.16 crore has been defrayed from the Fund during 2023-24 and the available balance in the Fund as on 31 March 2024 was 'Nil'.

2.5.2.3 State Disaster Mitigation Fund

The State Disaster Mitigation Fund (SDMF) is constituted in the year 2021-22 under the section 48 (1) (c) of the Disaster Management Act, 2005. This fund is exclusively meant for the purpose of mitigation projects in respect of disasters covered under the State Disaster Response Fund (SDRF) / National Disaster Response Fund (NDRF). The Government of India will contribute 75 percent of the SDMF funds, while the State Government will provide the remaining 25 percent.

During the year 2023-24, the State Government transferred an amount of ₹142.80 crore to the fund as arrear of second instalment for 2022-23. It also included the State Government share of ₹35.70 crore. An amount of ₹225 crore as the share of Central Government and ₹75 crore as the corresponding State share for the year 2023-24 were yet to be transferred.

Government has spent ₹414.80 crore for disaster mitigation projects during 2023-24 and has 'Nil' credit balance as on 31 March 2024.

2.5.2.4 Guarantee Redemption Fund

The Guarantee Redemption Fund (GRF) was constituted in March 2003 for meeting the expenditure incurred towards discharging the guarantees invoked and is administered by the Reserve Bank of India. As per the guidelines of GRF scheme in Tamil Nadu, the State Government has to contribute an amount equivalent to at least 1/5th of the outstanding invoked guarantee and amount likely to be invoked as a result of the incremental guarantees issued during the year.

It is, however, open to the State Government to increase/decrease the contribution to the Fund at its discretion. Hence, the required contribution to the Fund cannot be assessed. The accumulated fund balance as on 31 March 2023 was ₹2,150.23 crore. During the year, the State Government had not invoked any guarantees and had contributed ₹1,143.41 crore including an amount of

₹191.50 crore realised towards gain on sale of securities during the year. The total accumulation of the Fund was ₹3,293.64 crore as on 31 March 2024 out of which ₹3,268.72 crore was invested in treasury bills.

2.5.2.5 Funds outside Consolidated Fund/Public Account of the State and dedicated Funds.

Article 265 of the Constitution of India prohibits arbitrary collection of tax. It states that “no tax shall be levied or collected except by authority of law”. The term “authority of law” means that tax proposed to be levied must be within the legislative competence of the Legislature imposing the tax. Further, Article 266 (1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

“Green Tax” is being collected by the Revenue Department from all outstation vehicles entering the Nilgiris hill station through two toll gates from December 2017. Based on the administrative order of the District Collector, Udhamandalam, the said tax is being levied to fund the improvement projects of Environment and Tourism Department. Out of the total amount of ₹8.38 crore collected till November 2024, the Revenue Department spent an amount of ₹2.91 crore for meeting wages and scheme expenses and the balance amount of ₹5.47 crore was held in a savings bank account opened in the name of the District Collector, Udhamandalam. However, the order to collect Green Tax lacks legal framework under any Act or Rules notified by the Government of Tamil Nadu.

Moreover, the audit observed that there is another tax under the same name, “Green Tax,” levied by the Transport Department of the Government of Tamil Nadu under the Tamil Nadu Motor Vehicle Taxation Act, 1974. This tax is imposed on older motor vehicles that have reached a specified number of years after their registration, and it is intended to help control air pollution.

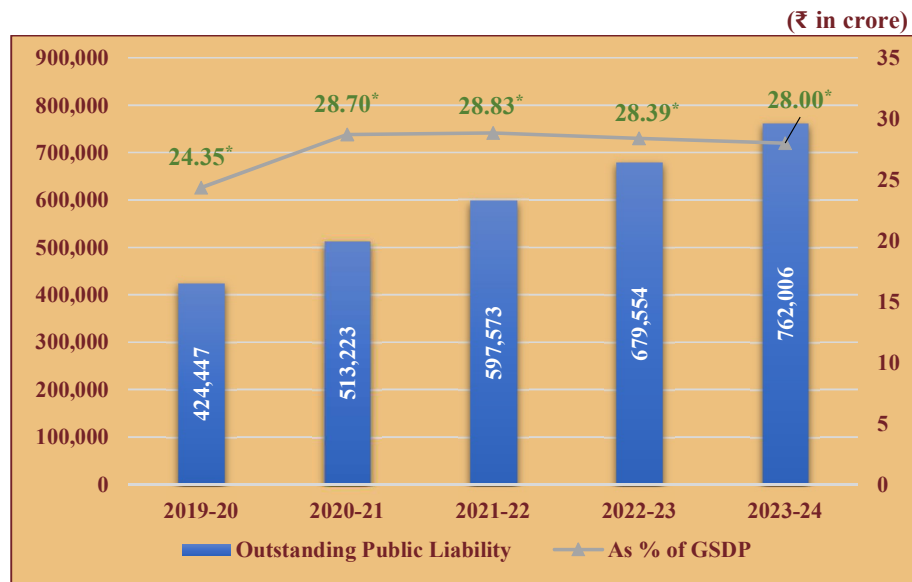
Therefore, the levy and collection of the tax, as well as the retention of the collected funds in a savings bank account by the Revenue Department of Nilgiris District through an administrative instruction, lack any legal framework under an Act or Rules notified by the Government of Tamil Nadu and also, the collected tax is kept outside the Consolidated Fund. This action is ultra vires to the constitutional provisions of Articles 265 and 266.

2.6 Public Liability Management

Management of public liability is the process of establishing and executing a strategy for managing the Government's liabilities in order to raise the required amount of funding, to achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Trend analysis of outstanding liability (includes internal debt of the State Government, loans and advances from GoI and Public Account liabilities) and in terms of debt as a percentage of GSDP for the period 2019-20 to 2023-24 is given in **Exhibit 2.15**.

Exhibit 2.15: Outstanding Public Liability and its percentage to GSDP



* Back to back loans of ₹6,241 crore in 2020-21 and ₹14,336 crore in 2021-22, 2022-23 and 2023-24 from GoI in lieu of GST compensation shortfall which are not to be repaid by the State from its sources are excluded and ₹703.78 crore, ₹668.42 crore, ₹1,241.96 crore, ₹2,298.50 crore and ₹3,919.10 crore of Off-budget Borrowings from 2019-20 to 2023-24 respectively are included as Debt for working out Outstanding Public Liability.

(Source: Finance Accounts of the respective years)

2.6.1 Liability profile: Components

Total liabilities of the State Government typically constitute internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund, loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities. The component-wise liability trend is given in **Table 2.29** and breakup of outstanding liability at the end of 2023-24 is shown in **Exhibit 2.16**.

Table 2.29: Component wise liability trends

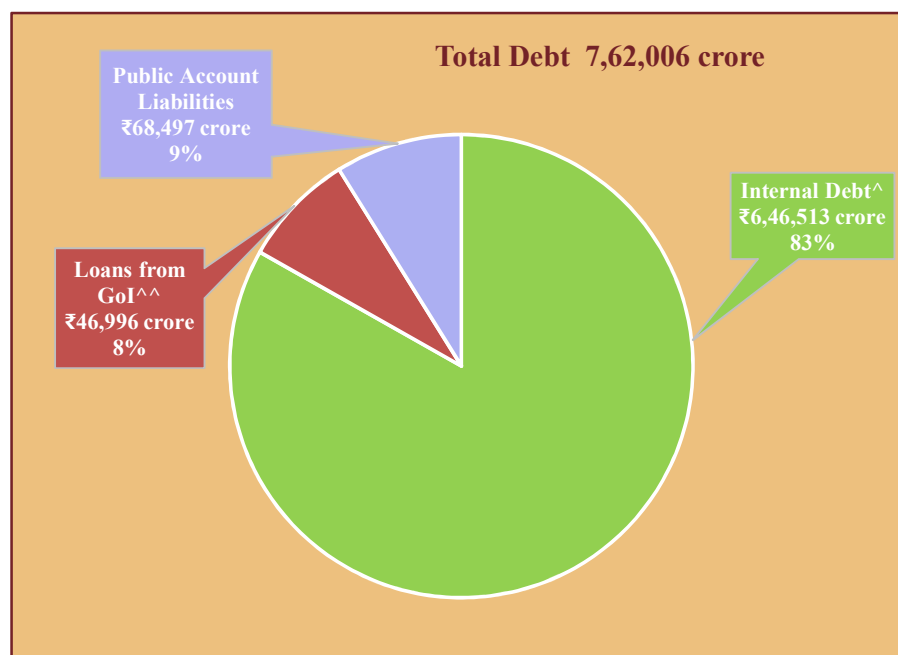
Components of Fiscal Liability		2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Overall Liability (A+B)		4,24,447	5,13,223	5,97,573	6,79,554	7,62,006
A. Public Debt (₹ in crore)	Internal Debt (including off-budget) *	3,53,329	4,30,416	5,03,447	5,69,934	6,46,513
	Loans from GoI (excluding back to back loan) **	17,925	21,199	25,395	33,922	46,996
B. Public Account Liabilities (₹ in crore)		53,193	61,608	68,731	75,698	68,497
Rate of growth of outstanding total liability (percentage)		14.87	20.92	16.44	13.72	12.13
Liability/GSDP (per cent)		24.35	28.70	28.83	28.39	28.00
Total Receipts (₹ in crore)		1,87,208	2,44,197	2,48,996	2,28,906	2,75,517
Total Repayments (₹ in crore)		1,32,202	1,49,143	1,57,125	1,47,982	1,94,686
Net Funds Available (₹ in crore)		55,006	95,054	91,871	80,924	80,831
Repayments/ Receipts (per cent)		70.62	61.07	63.10	64.65	70.66

* ₹703.78 crore, ₹668.42 crore, ₹1,241.96 crore, ₹2,298.50 crore and ₹3,919.10 crore of Off-Budget Borrowings from 2019-20 to 2023-24 respectively are included as Internal Debt for working out Outstanding Public Liability.

** Back to back loans of ₹6,241 crore in 2020-21 and ₹14,336 crore in 2021-22, 2022-23 and 2023-24 from GoI in lieu of GST compensation shortfall which are not to be repaid by the State from its sources are excluded from Loan from GoI.

(Source: Finance Accounts of the respective years)

Exhibit 2.16: Break up of outstanding liabilities at the end of the Financial Year 2023-24



[^]Internal Debt after including off-budget borrowing of ₹3,919.10 crore.

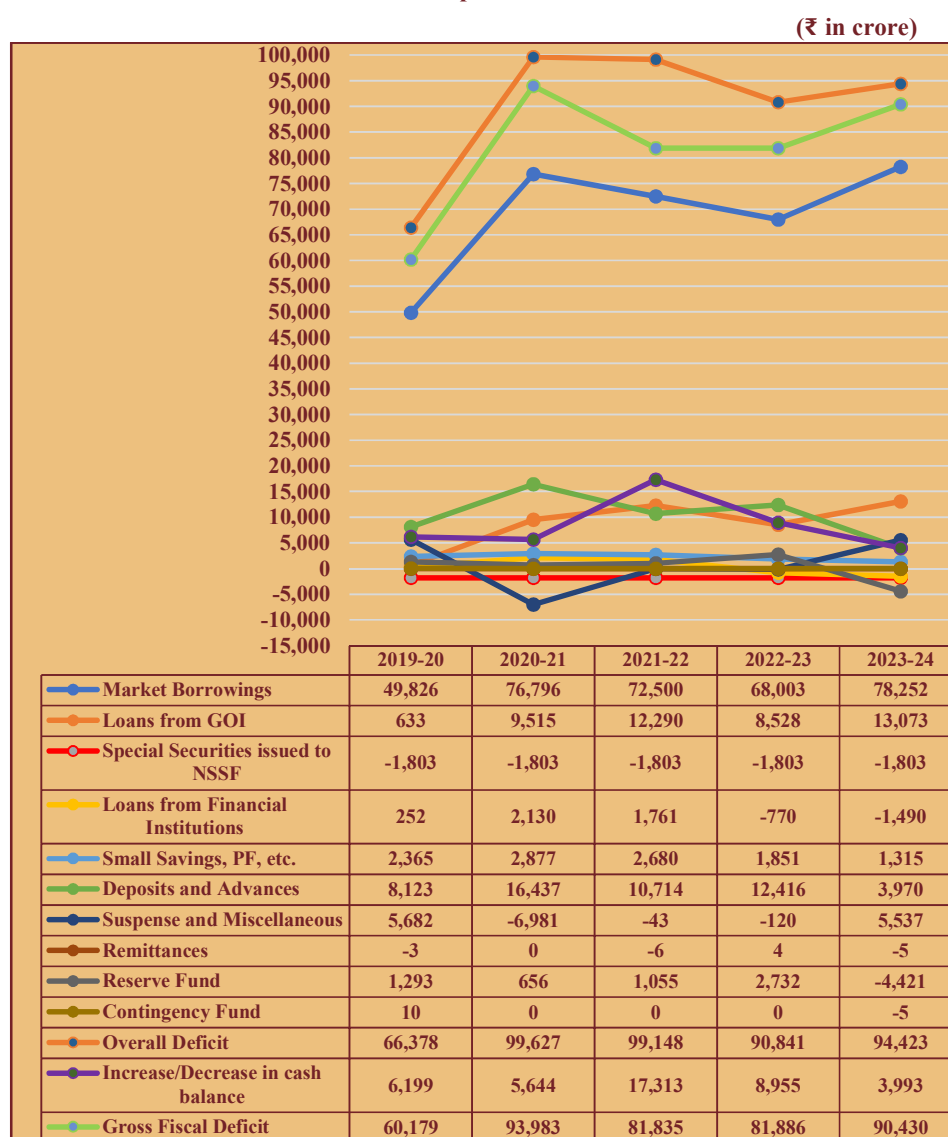
^{^^}Loan from GoI after excluding back to back loan of ₹14,336 crore.

(Source: Finance Accounts 2023-24)

- The internal debt after excluding back to back loan of the Government increased by 13.44 *per cent* from ₹5,69,934 crore at the end of 2022-23 to ₹6,46,513 crore at the end of 2023-24.
- The outstanding liability including off-budget increased from ₹6,79,554 crore in 2022-23 to ₹7,62,006 crore in 2023-24 and GSDP increased from ₹23,93,364 crore in 2022-23 to ₹27,21,571 crore in 2023-24. The ratio of outstanding liability to GSDP declined during the current year by 0.61 percentage points which is indicative of the fact that the liability had not increased at the same pace at which the GSDP had increased during the current year.

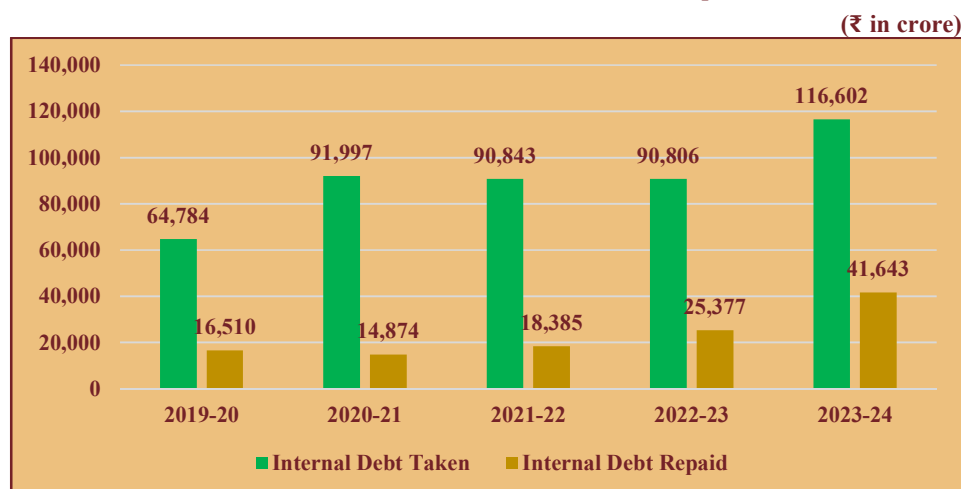
The component-wise debt trends and the repayments of internal debt *vis-à-vis* internal debt taken are shown below in **Exhibits 2.17 and 2.18**.

Exhibit 2.17: Component wise debt trends



(Source: Finance Accounts of the respective years)

Exhibit 2.18: Internal debt taken vis-à-vis repaid



(Source: Finance Accounts of the respective years)

Internal debt receipts increased from ₹64,784 crore in 2019-20 to ₹1,16,602 crore in 2023-24 and repayment of internal debt had also increased in similar proportion from ₹16,510 crore to ₹41,643 crore.

2.6.1.1 Off Budget Borrowings

TNFR Act, 2003 defines total liabilities as “the liabilities under the Consolidated Fund of the State and the Public Account of the State”. The borrowings made by the Corporation(s) / Agencies for implementing various State Plan programmes, for which the principal and the interest are paid by the State Government are not captured in the Finance Accounts of the State. These borrowings indirectly add to the liabilities of the State. The details of such outstanding borrowings are given in **Table 2.30**.

Table 2.30: Details of outstanding Off-Budget Borrowings

(₹ in crore)

Sl. No	Name of the Agency	Off-Budget borrowings as of 31 March 2023	Off-Budget Borrowings during the year	Borrowings repaid by Government during the year	Off-Budget borrowings as of 31 March 2024
1	Tamil Nadu Rural Housing and Infrastructure Development Corporation	308.71	---	51.45	257.26
2	Water and Sanitation Pooled Fund – Tamil Nadu Urban Infrastructure Financial Services Limited	380.14	80.48	---	460.62
3	Tamil Nadu Water Resources Conservation and River Restoration	1,609.69	1,591.53	---	3,201.22
Total		2,298.54	1,672.01	51.45	3,919.10

(Source: Budget documents and details furnished by the Finance Department)

Though the repayment of principal and interest is made through the budget, the outstanding Off-Budget borrowings do not form part of the outstanding debt liability. As per the Note to Finance Account (NTFA) 2023-24, the outstanding

liability of the Government as on 31 March 2024 was ₹7,72,423 crore that does not include the Off-Budget borrowing of ₹3,919.10 crore as of 31 March 2024. If Off-Budget borrowings were taken into account, the outstanding liability would be ₹7,62,006 crore (excluding back to back loan) and debt - GSDP ratio would stand at 28.00 *per cent*. Since these borrowings are not depicted in the Finance Accounts each year, there is a lack of transparency in the actual outstanding borrowings of the Government at the end of year. Hence, true picture of the liability of the Government cannot be ascertained through books of accounts.

2.6.1.2 Composition of fiscal deficit and financing pattern

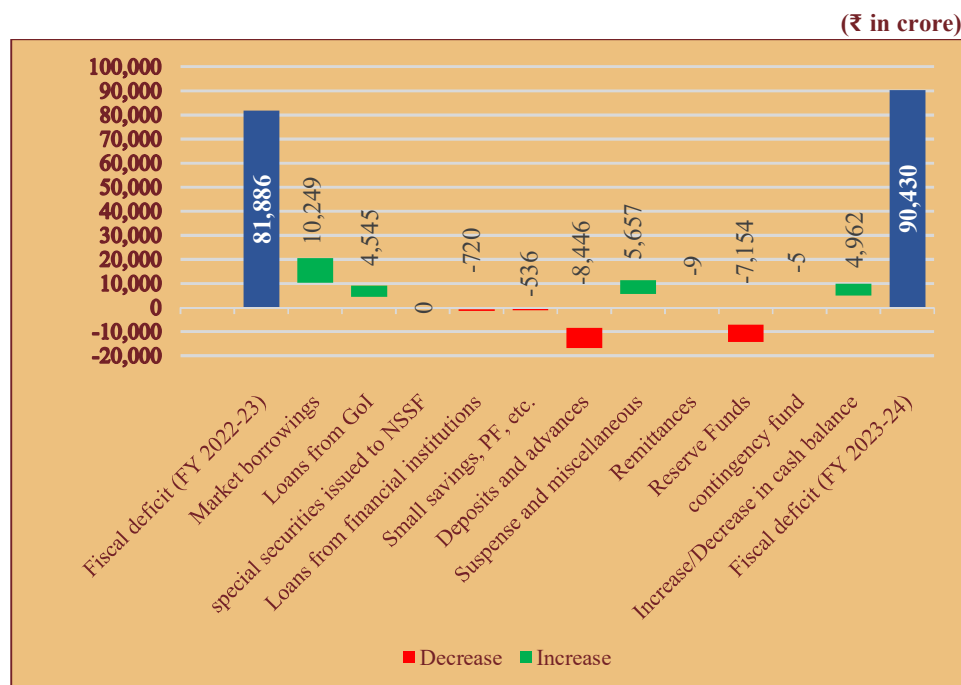
The components of Fiscal deficit and the financing pattern of the deficit are shown in **Table 2.31** and Financing of fiscal deficit expressed through a waterfall Chart is shown in **Exhibit 2.19**.

Table 2.31: Components of fiscal deficit and its financing pattern
(₹ in crore)

Particulars		2019-20	2020-21	2021-22	2022-23	2023-24
Composition of Fiscal Deficit		60,179	93,983	81,835	81,886	90,430
1	Revenue Deficit	35,909	62,326	46,538	36,215	45,121
2	Net Capital	25,632	33,067	37,011	39,488	40,488
3	Net Loans and Advances	(-) 1,362	(-) 1,410	(-) 1,714	6,183	4,821
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	49,826	76,796	72,500	68,003	78,252
2	Loans from GOI	633	9,515	12,290	8,528	13,073
3	Special Securities issued to NSSF	(-) 1,803	(-) 1,803	(-) 1,803	(-) 1,803	(-) 1,803
4	Loans from Financial Institutions	252	2,130	1,761	(-)770	(-) 1,490
5	Small Savings, PF, etc.	2,365	2,877	2,680	1,851	1,315
6	Deposits and Advances	8,123	16,437	10,714	12,416	3,970
7	Suspense and Miscellaneous	5,682	(-) 6,981	(-) 43	(-) 120	5,537
8	Remittances	(-) 3	--	(-) 6	4	(-) 5
9	Reserve Fund	1,293	656	1,055	2,732	(-) 4,421
10	Contingency Fund	10	--	--	--	(-) 5
11	Overall Deficit	66,378	99,627	99,148	90,841	94,423
12	Increase/Decrease in cash balance	6,199	5,644	17,313	8,955	3,993
13	Gross Fiscal Deficit	60,179	93,983	81,835	81,886	90,430

(Source: Finance Accounts of the respective years)

Exhibit 2.19: Financing of fiscal deficit



(Source: Finance Accounts 2023-24)

The increase in fiscal deficit was mainly due to increase in market borrowings and Loans from GoI to meet the expenditure (**Table 2.32**).

Table 2.32: Receipts and Disbursements under components financing the fiscal deficit
(₹ in crore)

Sl. No	Particulars	Receipt	Disbursement	Net
1	Market Borrowings	1,13,001	34,749	78,252
2	Loans from GoI	14,995	1,922	13,073
3	Special Securities issued to NSSF	--	1,803	(-) 1,803
4	Loans from Financial Institutions	3,601	5,091	(-) 1,490
5	Small Savings, PF, etc.	9,304	7,989	1,315
6	Deposits and Advances	1,18,711	1,14,741	3,970
7	Suspense and Miscellaneous	4,11,345	4,05,808	5,537
8	Remittances	0*	5	(-) 5
9	Reserve Fund	5,051	9,472	(-) 4,421
10	Contingency Fund	--	5	(-) 5
11	Total / Overall Deficit	6,79,008	5,81,580	94,423
12	Cash balance	81,341	85,334	3,993
13	Total / Gross Fiscal Deficit	5,94,667	12,48,494	90,430

*Actual Receipt under Remittances stands for (-) ₹17.19 lakh

(Source: Finance Accounts 2023-24)

2.6.2 Debt profile: Maturity and Repayment

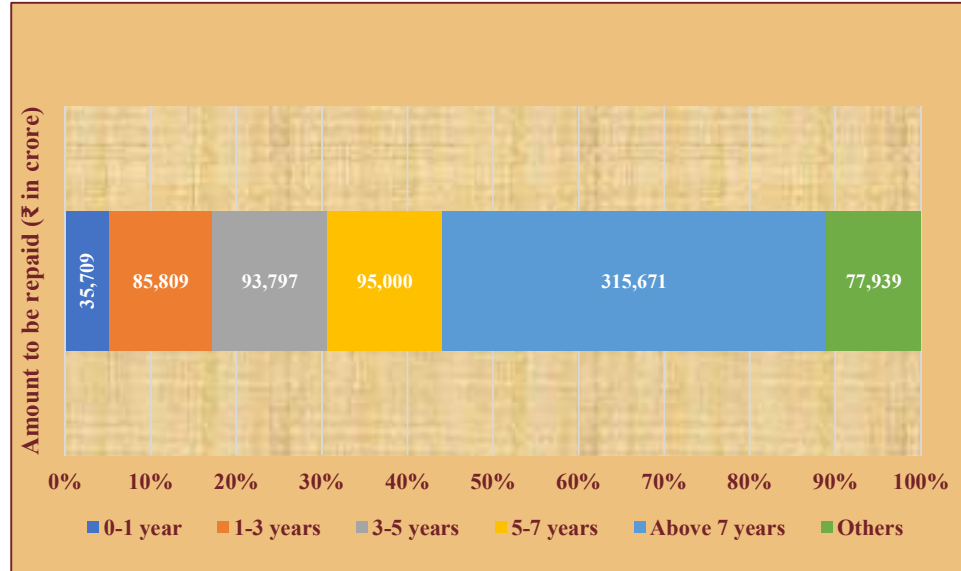
Debt maturity and repayment profile indicate commitment on the part of the Government for debt repayment or debt servicing. The details of debt and debt repayment period are shown in **Table 2.33** and **Exhibit 2.20**.

Table 2.33: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0-1 years	35,709	5.07
>1 to 3 years	85,809	12.19
>3 to 5 years	93,797	13.33
>5 to 7 years	95,000	13.50
Above 7 years	3,15,671	44.84
Others ⁴	77,939	11.07
Total	7,03,925	100.00

(Source: Finance Accounts)

Exhibit 2.20: Repayment Schedule of Public Debt



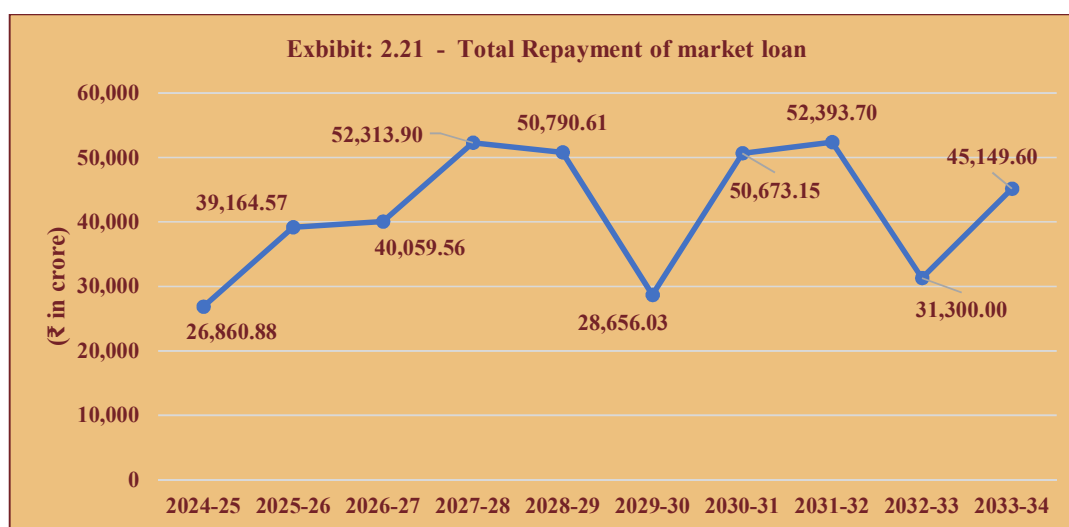
(Source: Finance Accounts)

The details of repayment of principal and interest of the outstanding market loan in the next 10 years (2024-25 onwards) are shown in **Table 2.34** and **Exhibit 2.21** below:

⁴ Payment schedule of this amount is not being maintained by the Accountant General (A&E).

Table 2.34: Repayment of Debt and interest

Year	Repayment of (₹ in crore)		
	Market loans	Interest	Total
2024-25	24,850.00	2,010.88	26,860.88
2025-26	36,350.00	2,814.57	39,164.57
2026-27	37,175.00	2,884.56	40,059.56
2027-28	48,695.32	3,618.58	52,313.90
2028-29	46,970.00	3,820.61	50,790.61
2029-30	26,685.50	1,970.53	28,656.03
2030-31	47,377.00	3,296.15	50,673.15
2031-32	49,000.00	3,393.70	52,393.70
2032-33	29,100.00	2,200.00	31,300.00
2033-34	42,000.00	3,149.60	45,149.60
Total	3,88,202.82	29,159.18	4,17,362.00



(Source: Finance Accounts 2023-24)

Over the next ten years, the above exhibit indicates that the State's repayment of outstanding market loans along with interest shows a fluctuating trend. The State's liability on account of interest would be ₹29,159.18 crore and the principal amount would be ₹3,88,202.82 crore over the next 10 years.

2.7 Debt Sustainability Analysis (DSA)

Debt sustainability is defined as the ability of the State to service its debt in the current and future years. DSA considers the feasibility of meeting debt related financial obligations during a period beginning with the present and is a crucial aspect for assessing the financial health of an economy. A high level of debt raises a number of challenges. A high debt level is generally associated with higher borrowing requirements and therefore, a higher risk of rollover crisis (being unable to fulfil borrowing requirements or being able to do so at high interest rates).

DSA has been carried out on the basis of fiscal and debt parameters, Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

- (A) Analysis of variations in debt sustainability indicators for the period 2019-20 to 2023-24 is shown below in **Table 2.35** and **Exhibit 2.22**. The details of workings for the preparation of **Table 2.35** are shown in **Appendix 2.5**.

Table 2.35: Trends in debt Sustainability indicators

S.No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1	Overall Liabilities or Overall Debt # (₹ in crore)	4,24,447	5,13,223	5,97,573	6,79,554	7,62,006
2	Rate of Growth of Overall Debt (per cent)	14.87	20.92	16.44	13.72	12.13
3	GSDP (in nominal terms) (₹ in crore)	17,43,144	17,88,074	20,72,496	23,93,364	27,21,571
4	Nominal GSDP growth (per cent)	6.93	2.58	15.91	15.48	13.71
5	Overall Debt/GSDP (per cent)	24.35	28.70	28.83	28.39	28.00
6	Maturity profile of all kinds of Public Debts (₹ in crore)					
6a	0-2 years	30,139	40,235	62,766	74,968	77,126
6b	2-5 years	82,724	1,15,385	1,21,517	1,35,138	1,38,189
6c	5-10 years	1,92,952	2,10,289	2,19,113	1,99,015	2,14,753
6d	Over 10 years	38,098	52,571	85,355	1,43,123	1,95,919
6e	Others *	26,637	38,709	53,185	63,649	77,939
7	Repayment to Gross Borrowings (per cent)	87.78	76.07	79.85	84.81	89.67
8	Net borrowings available as a percentage of Gross Borrowings	12.22	23.93	20.15	15.19	10.33
9	Interest payments on Overall Debt (₹ in crore)	32,050	36,560	41,641	47,031	53,808
10	Effective rate of interest on Overall Debt (per cent)	8.42	8.16	7.70	7.61	7.84
11	Revenue Expenditure (RE) (₹ in crore)	2,10,435	2,36,402	2,54,030	2,79,964	3,09,718
12	Interest payment to Revenue Receipts (per cent)	18.36	21.00	20.07	19.29	20.34
13	Revenue Deficit/Surplus (₹ in crore)	(-) 35,909	(-) 62,326	(-) 46,538	(-) 36,215	(-) 45,121

S.No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
14	Primary Revenue Balance (PRB) (₹ in crore)	(-) 3,859	(-) 25,766	(-) 4,897	10,815	8,687
15	Primary Balance (PB) (₹ in crore)	(-) 28,129	(-) 57,423	(-) 40,194	(-) 34,855	(-) 36,622
16	PB/GSDP (<i>per cent</i>)	(-) 1.61	(-) 3.21	(-) 1.94	(-) 1.46	(-) 1.35
17	Difference between RoI and effective rate of interest on Overall Debt	(-) 8.35	0.64	0.86	(-) 0.79	5.74
18	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	0	0	0	0	0
19	Debt Stabilisation (Quantum spread + Primary balance) (₹ in crore)	(-) 34,187	(-) 84,718	8,384	15,895	6,213
20	Domar Criteria					
A	GSDP (in constant terms) (₹ in crore)	12,43,836	12,44,650	13,42,817	14,51,929	15,71,368
B	Real Growth (in constant terms)	3.25	0.07	7.89	8.13	8.23
C	Inflation based on CPI (<i>per cent</i>)	5.72	6.81	5.67	5.96	5.41
D	Effective Rate of interest	8.42	8.16	7.70	7.61	7.84
E	Real effective rate of interest (Effective rate of interest-Inflation)	2.70	1.35	2.03	1.65	2.43
F	Growth Interest Differential (Real growth-Real effective rate of interest)	0.55	(-) 1.28	5.86	6.48	5.80

[#]Overall Liabilities = Public Debt + Public Account Liabilities (excluding Suspense, Remittance and Cash Balance) after excluding the back-to-back loan of ₹8,095 crore in 2021-22 and ₹6,241 crore in 2020-21 and including off-budget ₹703.78 crore, ₹668.42 crore, ₹1,241.96 crore, ₹2,298.50 crore and ₹3,919.10 crore from 2019-20 to 2023-24 respectively.

* Maturity profile of Public Account Liabilities not available.

PRB: Revenue Receipts-Revenue Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

PB: Total Receipts (net of borrowings) -Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

Effective Rate of Interest: {Interest Payments}/[(Average Outstanding Debt of Previous and Current Financial Year (Excluding Non-Interest Bearing Liabilities)]

Liquidity Management: Amount availed against SDF, WMA & OD

Quantum Spread: Interest Spread × Debt

Return on Investment (RoI) as measured by effective rate of interest receipts.

RoI = Interest Receipts/Average of Outstanding Loans and Advances Disbursed of Previous and Current Financial Year × 100.

(Source: Finance Accounts of the respective years)

The following indicators depicts the debt sustainability position of the state for the period from 2019-20 to 2023-24 -

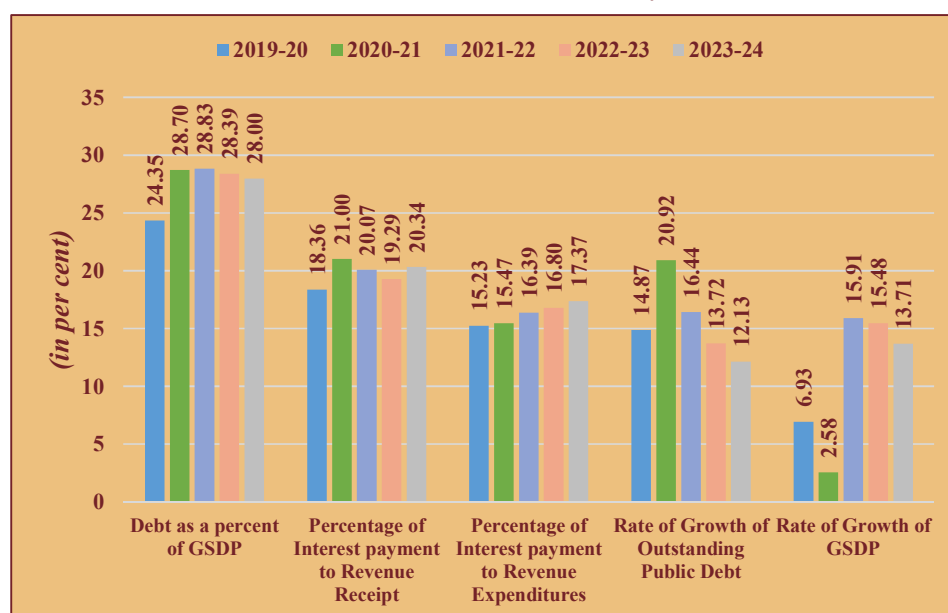
Sl. No.	Indicator	Explanation	Interpretation
1.	Debt as percentage of GSDP	Measures the State's financial leverage i.e. its capability to repay its debt.	A declining debt-GSDP ratio is an indication of progress toward debt stability. Debt-GSDP ratio has increased from 24.35 <i>per cent</i> in 2019-20 to 28.83 <i>per cent</i> in 2021-22 and then decreased to 28.00 <i>per cent</i> in 2023-24 which indicates that the state is advancing towards debt stability. In the report of the Fifteenth Central Finance Commission, the Debt Path of States was suggested for the years from 2020-21 to 2025-26. The Debt to GSDP ratio percentage is within the limit prescribed by the Commission in the last three years 2020-21 to 2022-23. During the year 2023-24, the debt to GSDP percentage was 28.00 <i>per cent</i> as against the prescribed limit of 29.10 <i>per cent</i>. The above indicates the State has consistently maintained the Debt to GSDP ratio over the last four years.
2.	(a) Rate of nominal growth should be more than rate of growth of debt. (b) Domar Model - Rate of real growth should be more than real rate of interest	Assess the sustainability in aggregate sufficient condition and test the essential condition that real growth must exceed real interest rate.	(a) The rate of nominal growth was less than the rate of growth of debt during the three years (i.e.) 2019-20 to 2021-22. The rate of nominal growth which was exceeding the rate of growth of debt during 2022-23, got declined during 2023-24. The rate of nominal growth lesser than the rate of growth of debt during 2023-24 points towards a need to improve the State's liquidity position so as to maintain a sustainable debt path. (b) As per Domar Model, the rate of real growth (g) was more than the rate of real interest (r) in four years (2019-20, 2021-22, 2022-23 and 2023-24). However, during 2020-21, the "g" was less than "r" due to slow down of economy on account of COVID-19. The positive Domar Gap ($g-r>0$) for the year 2023-24, indicates that the GSDP growth is feasible for debt servicing.

Sl. No.	Indicator	Explanation	Interpretation
3.	(a) Primary balance (PB) should be in surplus (b) Primary revenue balance (PRB) should be in surplus and adequate enough to meet interest payments (IP)	From the point of view of the revenue account, the primary deficit must be declining and sufficient surplus must be generated to repay current debt stock.	(a) The primary balance which was consistently in deficit and was fluctuating over the five years (2019-20 to 2023-24) indicates that debt is trending towards unsustainable path. (b) The primary revenue balance was in deficit for the initial three years (2019-20 to 2021-22) and thereafter it exceeded and continued positive during 2022-23 and 2023-24 which indicates a transition of the status of debt from an unsustainable to sustainable path from 2022-23 onwards.
4.	(a) Interest payment (IP) as percent to revenue receipts (RR) should decline over time (b) Interest payment (IP) as percent to Revenue Expenditure (RE) should decline over time)	Interest payment as percent of GSDP, revenue receipts as well as revenue expenditure should be falling over time so that more resources are left for other productive purposes.	(a) Rising interest payments to revenue receipts ratio is not a good indicator for debt sustainability. This ratio was fluctuating over the period of five years from 2019-20 to 2023-24. During the year 2023-24, debt servicing costs accounted for 20.34 <i>per cent</i> of the State's revenue receipts when compared to 19.29 <i>per cent</i> during 2022-23. The increase in debt servicing costs was a cause of concern for the State. (b) Similarly, an increase in the ratio of interest payments to revenue expenditure is not a good indicator for debt sustainability. The ratio of interest payments to revenue expenditure was on an increasing trend during the five-year period from 2019-20 to 2023-24. The ratio increased from 15.23 <i>per cent</i> in 2019-20 to 17.37 <i>per cent</i> in 2023-24. During 2023-24, debt servicing costs constitute 17.37 <i>per cent</i> of the State's revenue expenditure, consequently leaving insufficient resources available for other productive purposes.
5.	Composition and structure of debt i.e. maturity profile (M) and cost of borrowing(C).	Maturity profile captures redemption pressure on the State's debt; higher maturity means lower redemption pressure in future. Typically,	The maturity profile of public debt for the last five years indicates that the maximum redemption pressure (around 58 <i>per cent</i> of public debts) for repayment of debt will occur only after five years. As a result, the State's fiscal space increased to that

Sl. No.	Indicator	Explanation	Interpretation
		longer the horizon of debt, the lower the roll over risk. Cost effective financing pattern (fixed/floating coupon rate) enable the State to mobilise more resources thereby reducing interest payment burden for better finances management.	extent. The longer maturity of public debt reduces the roll over risk and enables the State to attract lower interest rates.
6.	Liquidity	No of occasions, a State resorted to Ways and Means Advances. (WMA) and Overdraft (OD) facility to manage short-term funding gaps reflects their liquidity position.	During the last five years, the State Government had not resorted to Ways and Means Advances. (WMA) and Overdraft (OD) facility to manage short-term funding gaps reflects their liquidity position.
7.	Fiscal Imbalance (FB) = Quantum spread + PB	FB equals to zero indicates that Debt/GSDP ratio would remain constant. While Positive FB signals fall in Debt/GSDP ratio and vice-versa.	During the last five years, the fiscal imbalance was negative for the initial two years (2019-20 and 2020-21) and turned positive from the year 2021-22 onwards. The positive Fiscal Imbalance indicate fall in Debt to GSDP ratio and is indicating that the State is currently in a stable condition to repay its debt.

The trend of debt sustainability indicators of the State explained above is exhibited in the chart below (**Exhibit 2.22**).

Exhibit 2.22: Trends of Debt Sustainability indicators



(Source: Finance Accounts of the respective years)

- (B) An analysis on debt sustainability was carried out based on a study by E.D Domar⁵ [Domar 1944]. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for Government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

g-r (g – real economic growth rate; r – real interest rate)	PB (Primary Balance) < 0 Primary Deficit	PB (Primary Balance) >= 0 Primary Surplus
g – r > 0 (strong economic growth)	Real economic growth exceeds real interest rate provided that the PD registered is stable and consistent with debt/GSDP then the debt is sustainable.	Real economic growth exceeds real interest rate and records PS then debt/GSDP ratio shall decrease and debt tends towards stable level therefore sustainable.
g – r < 0 (slow economic growth)	Real economic growth is lower than real interest rate and records PD. Then debt tends to increase without limitations and becomes unsustainable.	Real economic growth is lower than real interest rate and records PS. Then debt is no longer sustainable provided that is not decreased in the medium or long run.

The results of applying the above parameters in the case of Tamil Nadu, are shown in **Table 2.36**.

Table 2.36: Debt Sustainability analysis based on Domar model

Year	Real Growth (g)	Real Interest (r)	g – r (Domar Gap)	Primary Deficit (-) / Surplus(+) (₹ in crore)	Remarks
2019-20	3.25	2.70	0.55	(-) 28,129	Real economic growth exceeds real interest rate provided that the PD registered is stable and consistent with debt/GSDP then the debt is sustainable.
2020-21	0.07	1.35	(-) 1.28	(-) 57,423	Real economic growth is lower than real interest rate and records PD. Then debt tends to increase without limitations and becomes unsustainable.
2021-22	7.89	2.03	5.86	(-) 40,194	Real economic growth exceeds real interest rate provided that the PD registered is stable and consistent with debt/GSDP then the debt is sustainable.
2022-23	8.13	1.65	6.48	(-) 34,855	
2023-24	8.23	2.43	5.80	(-) 36,622	

Note: Real Growth rate calculated for GSDP at constant prices

Real Interest rate is the average interest rate adjusted for inflation of Tamil Nadu

The State has made significant progress in maintaining a sustainable Debt to GSDP ratio and achieving positive nominal growth that exceeds the debt growth. The improved primary revenue balance, fiscal imbalance and positive

⁵ Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

Domar Gap indicate a capacity for effective debt servicing. However, rising interest payments present a potential risk that warrants attention. Overall, the State's stable economic condition and favourable maturity profile suggest it is well-positioned to manage its debt, reflecting a positive trend in fiscal health over recent years.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not a sustainable practice.

The trends in the utilisation of borrowed funds during the period 2019-20 to 2023-24 are shown in **Table 2.37** and **Exhibit 2.23**.

Table 2.37: Utilisation of borrowed funds

		(₹ in crore)				
Year		2019-20	2020-21	2021-22	2022-23	2023-24
Total Borrowings (Public Debt)	A	66,774	1,02,867	1,04,485	1,01,062	1,31,597
Repayment of earlier borrowings (Principal) (percentage)	B	17,866 (26.75)	16,229 (15.78)	19,737 (18.89)	27,104 (26.82)	43,565 (33.10)
Net capital expenditure (percentage)	C	25,632 (38.39)	33,067 (32.14)	37,011 (35.42)	39,488 (39.07)	40,488 (30.77)
Net loans and advances (percentage)	D	(-) 1,362 (-) 2.04)	(-) 1,410 (-) 1.37)	(-) 1,714 (-) 1.64)	6,183 (6.12)	4,821 (3.66)
Portion of Revenue expenditure met out of net available borrowings (percentage)	E = A-B-C-D	24,638 (36.90)	54,981 (53.45)	49,451 (47.33)	28,287 (27.99)	42,723 (32.47)

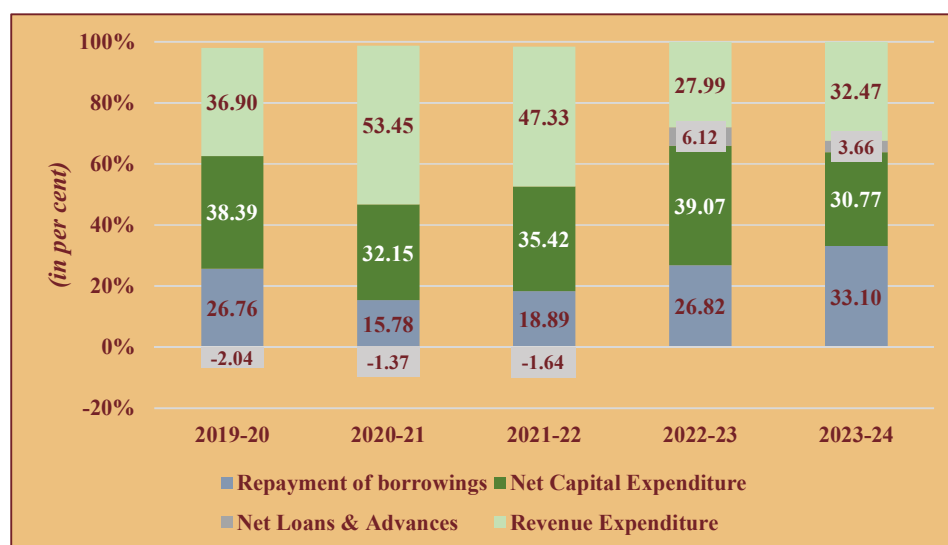
(Source: Finance Accounts of the respective years)

- 32.47 per cent of the borrowed funds was utilised for revenue expenditure.
- Borrowings increased by 30.21 per cent which was utilized for financing the fiscal deficit.

According to the Finance Commission, States receive revenue deficit grants to reduce and ultimately eliminate their revenue deficits, enabling all borrowings directed toward capital expenditure. The GoTN received post-devolution revenue deficit grants of ₹3,010 crore, ₹801 crore, and ₹838.94 crore in the years 2021-22, 2022-23, and 2023-24 respectively.

As per TNFR Act, revenue deficit should be eliminated by 2025-26. Though Revenue Deficit had decreased during 2022-23, it increased substantially by 24.59 per cent during 2023-24. The trend of Revenue Deficit for the last five years indicates that the State may not adhere to the TNFR target of eliminating revenue deficit by 2025-26.

Exhibit 2.23: Trends of utilisation of borrowed funds



(Source: Finance Accounts of the respective years)

2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to cap on the guarantees.

As per Article 293 of the Constitution of India, limits for giving guarantees by the State Government have to be fixed by the State Legislature. Tamil Nadu Fiscal Responsibility Act 2003 prescribes (i) a cap on total outstanding guarantees to 100 *per cent* of total Revenue Receipts of the preceding year or 10 *per cent* of GSDP, whichever is lower and (ii) a cap on risk weighted guarantees to 75 *per cent* of total Revenue Receipts of the preceding year or 7.5 *per cent* of GSDP, whichever is lower.

In comparison with the cap prescribed above, the total amount of outstanding guarantees of the State Government as on 31 March 2024 was ₹1,22,269.91 crore which is 50.16 *per cent* of the total revenue receipts (₹2,43,749.34 crore) of the year 2022-23 and 4.49 *per cent* of the GSDP (₹27,21,571 crore at current prices). No guarantee was invoked during the year. Further, as against the estimated receivable Guarantee Fees of ₹1,359.41 crore, Guarantee Fees received by the Government was ₹1,071.83 crore. Thus, there was a short collection of Guarantee Fees of ₹287.58 crore.

The details of outstanding amount of guarantees for the period 2019-20 to 2023-24 are given below in **Exhibit 2.24**.

Exhibit 2.24: Guarantees given by the State Government



(Source: Finance Accounts of the respective years)

2.7.3 Management of Cash Balances

As per the agreement with the Reserve Bank of India, the State has to maintain a minimum daily cash balance of ₹3.25 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for WMA to the State Government is ₹3,601 crore with effect from 31 March 2022. The limit of SWMA is revised by the Bank from time to time. The State Government invests its surplus cash balance in short term and long term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund.

The State Government maintained the minimum daily cash balance with RBI during 2023-24 and no WMA/ SWMA/ OD was availed during the year.

The details of cash balance and their investments during the year 2023-24 are shown in **Table 2.38** below:

Table 2.38: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2023	Closing balance on 31 March 2024
A. General Cash Balance		
Cash in treasuries	--	--
Deposits with Reserve Bank of India	(-) 59.17	(-) 110.02
Deposits with other Banks	--	--
Remittances in transit – Local	16.80	16.80
Total	(-) 42.37	(-) 93.22
Investments held in Cash Balance investment account	14,123.55	10,103.03
Total (A)	14,081.18	10,009.81

(₹ in crore)		
	Opening balance on 1 April 2023	Closing balance on 31 March 2024
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	4.16	4.16
Permanent advances for contingent expenditure with department officers	7.35	7.21
Investment in earmarked funds	67,248.03	75,312.73
Total (B)	67,259.54	75,324.10
Total (A + B)	81,340.72	85,333.91
Interest realized	4,747.10	9,968.76

(Source: Finance Accounts 2023-24)

Cash Balances and investments at the end of the current year increased by ₹3,993 crore over the previous year.

The Government had earned an interest of ₹98.60 crore during 2023-24 from the investments made in GoI Securities for ₹3,253 crore (Consolidated Sinking Fund) and Treasury Bills for ₹3,785 crore (including Guarantee Redemption Fund for ₹3,269 crore) besides DCPS investment in LIC for ₹68,265 crore and deposits of ₹10 crore with SBI.

The general cash balance would have gone negative had the entire budget provision of ₹4,46,888.25 crore was utilized without leaving the unspent (savings) provisions of ₹33,302.53 crore.

The trend of cash balance investment account of the Government during the period 2019-20 to 2023-24 is shown in **Table 2.39**.

Table 2.39: Cash Balance Investment Account (Major Head-8673)
(₹ in crore)

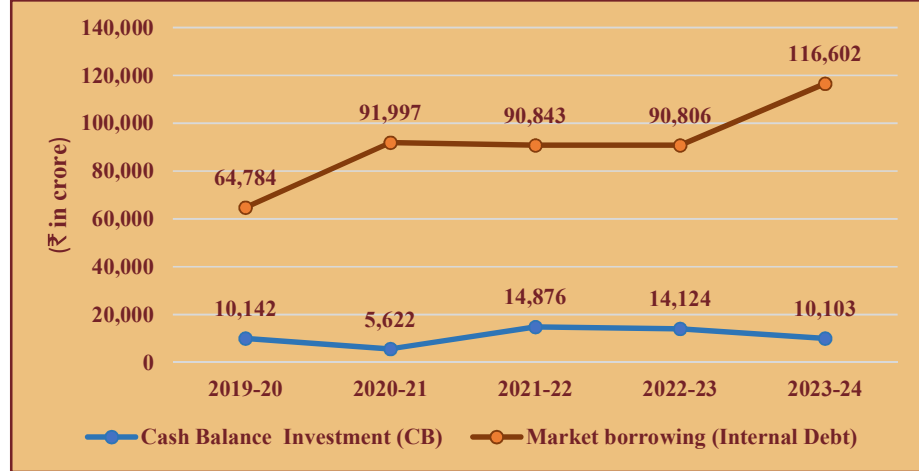
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2019-20	11,008.09	10,141.94	(-) 866.15	300.72
2020-21	10,141.94	5,622.30	(-) 4,519.64	214.51
2021-22	5,622.30	14,875.95	9,253.65	120.58
2022-23	14,875.95	14,123.55	(-) 752.40	130.32
2023-24	14,123.55	10,103.03	(-) 4,021	98.60

(Source: Finance Accounts of the respective years)

The trend analysis of the cash balance investment of the State Government during 2019-20 to 2023-24 revealed that the investment at the end of 2019-20 was ₹10,142 crore, which was increased to ₹14,876 crore and ₹14,124 crore at the end of 2021-22 and 2022-23 respectively. As of March 2024, it decreased considerably to ₹10,103 crore. Though, Government is getting an average yield of interest rate of 4.29 *per cent* from Treasury investment, it paid interest at an average rate of 7.08 *per cent* towards outstanding public debt thereby leading to fiscal imbalances.

Exhibit 2.25 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2019-20 to 2023-24. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Exhibit 2.25: Market loans vis-à-vis Cash Balance



(Source: Finance Accounts of the respective years)

General cash balance of ₹10,010 crore includes cash balance investment of ₹10,103 crore and Deposits with RBI and remittance in transit was (-) ₹93 crore.

A positive 'net cash balance investment' denotes that the Government had invested that amount in Treasury Bills (MH 8673) and a negative 'net cash balance investment' indicates that the Government has credited back into Government Account from the Treasury Bills by way of Maturity or Discount during the month.

An increase in market borrowings was observed during 2023-24, which reduces the cash balance available for investments due to the higher interest payments for these borrowings.

2.8 Conclusion

State's Own Resources:

Own tax revenue: The annual growth rate of own tax revenue during 2023-24 increased by 11.35 *per cent* as against a growth rate of 22.27 *per cent* during the previous year. Own tax revenue as a percentage of Revenue Receipts during 2023-24 was 63.22 *per cent* as against 61.63 *per cent* during the previous year.

(Para 2.3.2.2)

Non-tax revenue: The non-tax revenue of the State increased by ₹8,843 crore (51.83 *per cent*) in 2023-24 over the previous year.

(Para 2.3.2.2)

State's performance in mobilization of resources:

During the year, the State's own tax revenue receipts decreased, while non-tax revenue receipts increased beyond the targets set under the XV Finance Commission and the budget projections.

(Paragraphs 2.3.4)

Revenue expenditure:

During 2023-24, the Revenue Expenditure witnessed an increase of ₹32,307.86 crore (10.63 *per cent*) during the year as against an increase of 10.21 *per cent* during the previous year. As a percentage of GSDP the Revenue Expenditure decreased from 11.84 *per cent* in 2022-23 to 11.38 *per cent* during the current year.

(Paragraph 2.4.2)

Committed Expenditure on Interest Payment as a percentage of Revenue Expenditure was on increasing trend during the five years period and increased from 15.20 *per cent* in 2019-20 to 17.30 *per cent* in 2023-24.

(Paragraph 2.4.2.2)

Capital Expenditure:

Capital expenditure increased by 2.45 *per cent* during the year. As a percentage of total expenditure, capital expenditure decreased by 0.82 *per cent* during the current year.

(Paragraph 2.4.3)

Funds Kept outside the Consolidated Fund:

Green Tax for outstation vehicles entering the Nilgiris hill station was levied without any legal framework and was kept outside the Consolidated Fund of the State.

(Paragraph 2.5.2.5)

2.9 Recommendations

- (i) The State Government should mobilise its resources to minimise dependence on borrowings.
- (ii) Committed expenditure on interest payments, which are on increasing trend, requires utmost attention of the State Government.
- (iii) The State Government should bring all taxes inside the Consolidated Fund of the State.