CHAPTER I

OVERVIEW OF THE FINANCES OF THE STATE

Chapter – I: Overview of the Finances of the State

This chapter provides a snapshot of Tamil Nadu's finances for 2024-25, covering demographics, economic indicators and the State's fiscal structure. It analyses trends in revenue and expenditure, debt levels, and fiscal deficits, highlighting persistent imbalances and reliance on borrowings. It also flags issues like high committed expenditure and low returns on investments.

1.1 Profile of Tamil Nadu

Tamil Nadu, with a geographical area of 1,30,060 Sq. km is the 11th largest State in India. It comprises of 38 Districts and 313 Taluks. As per the census 2011, the State's population was 7.21 crore, making it the seventh largest State in terms of population. As per population projections for India and States 2011-2036 by the National Commission on Population, Ministry of Health & Family Welfare, the projected population of the State in 2024-25 stands at 7.73 crore.

1.1.1 Demography of the State

The State's demographic details vis-à-vis national average are presented in **Table 1.1** below

Table 1.1: Demographic profile of the State

Parameters	Tamil Nadu	India
Rural Population *(per cent)* (Report of the Technical Group on Population)	*45.43*	*64.30*
Urban Population *(per cent)* (Report of the Technical Group on Population)	*54.57*	*35.70*
Population density (Population Projections for India and States 2011-2036) (per square km)	594	430
Females per 1,000 Males (Population Projections for India and States 2011-2036)	1,005	947
Infant Mortality Rate per 1,000 Live births (SRS Bulletin September 2025)	12	25
Maternal Mortality Rate per lakh women in the age group of 15-49 (SRS Special Bulletin on Maternal Mortality in India – 2021-23)	2	5
Total Fertility Rate (children per woman) (NFHS-5, 2019-21)	1.76	1.99
Life Expectancy at Birth (SRS Based Abridged Life Tables 2019-23), RGI of India, GoI	73.40	70.30
Population below Poverty Line (*per cent*) (Multidimensional Poverty Index, 2023, NITI Aayog), MoSPI	2.20	14.96
Literacy Rate (*per cent*) (PLFS 2023-24, Ministry of Statistics and Programme Implementation (MoSPI))	*85.50*	*80.90*
Labour Force Participation (*per cent*) (PLFS 2023-24, MoSPI)	*64.60*	*64.30*

1.1.2 Economy of the State

Gross State Domestic Product (GSDP) and per capita income (PCI) are important indicators of the State's economy as discussed in the succeeding paragraphs.

1.1.2.1 Gross State Domestic Product and Per capita income

Gross Domestic Product (GDP) refers to the total value of goods and services produced within a country, while GSDP measures the same at the State level, and both reflect economic development and overall progress. Trends of GSDP and GDP is given in **Table 1.2**. Year on year growth (Y-o-Y) of GSDP and GDP and GSDP contribution in GDP is given in **Chart 1.1** and per capita income (PCI) of the country and per capita income (PCI) of the State is depicted in **Chart 1.2**

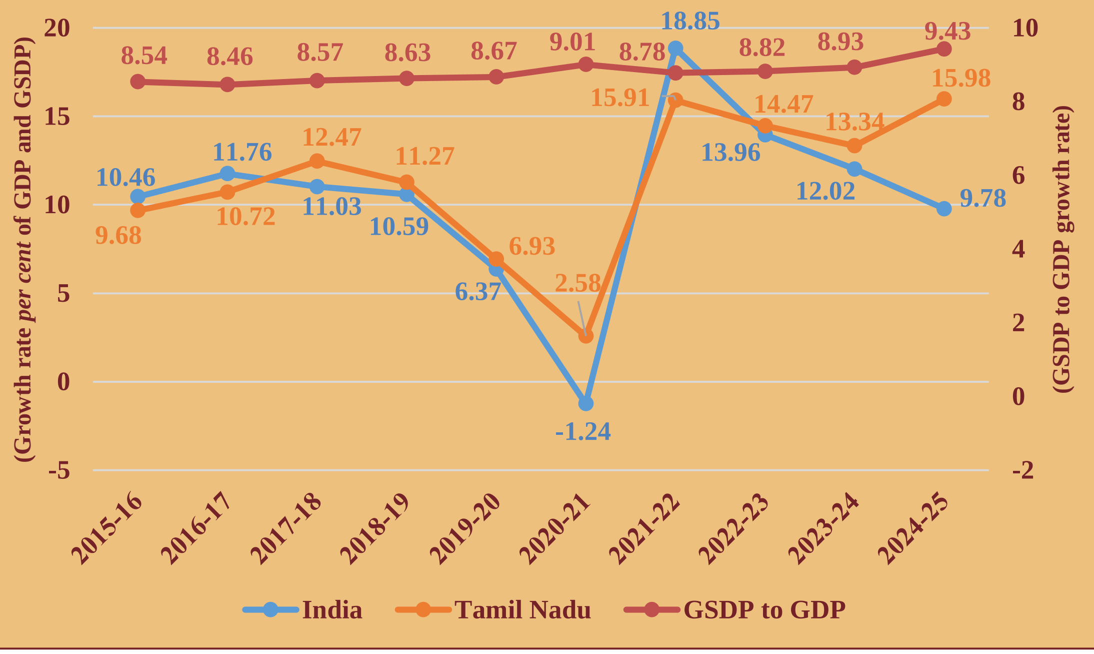
Table 1.2: Trends in GDP and GSDP (at current prices-2011-12 Series)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (FE)	2023-24 (FRE)	2024-25 (PE)
GDP (₹ in crore)	1,37,71,874	1,53,91,669	1,70,90,042	1,88,99,668	2,01,03,593	1,98,54,096	2,35,97,399	2,68,90,473	3,01,22,956	3,30,68,145
GSDP (₹ in crore)	11,76,500	13,02,639	14,65,051	16,30,209	17,43,144	17,88,074	20,72,496	23,72,469	26,88,963	31,18,590
PCI of India (in ₹)	94,797	1,04,880	1,15,224	1,25,946	1,32,341	1,27,244	1,50,906	1,69,145	1,88,892	2,05,324
PCI of Tamil Nadu (in ₹)	1,42,028	1,56,595	1,75,276	1,94,373	2,06,165	2,09,628	2,42,339	2,75,272	3,13,329	3,61,619

(Source: Ministry of Statistics and Programme Implementation (MoSPI))

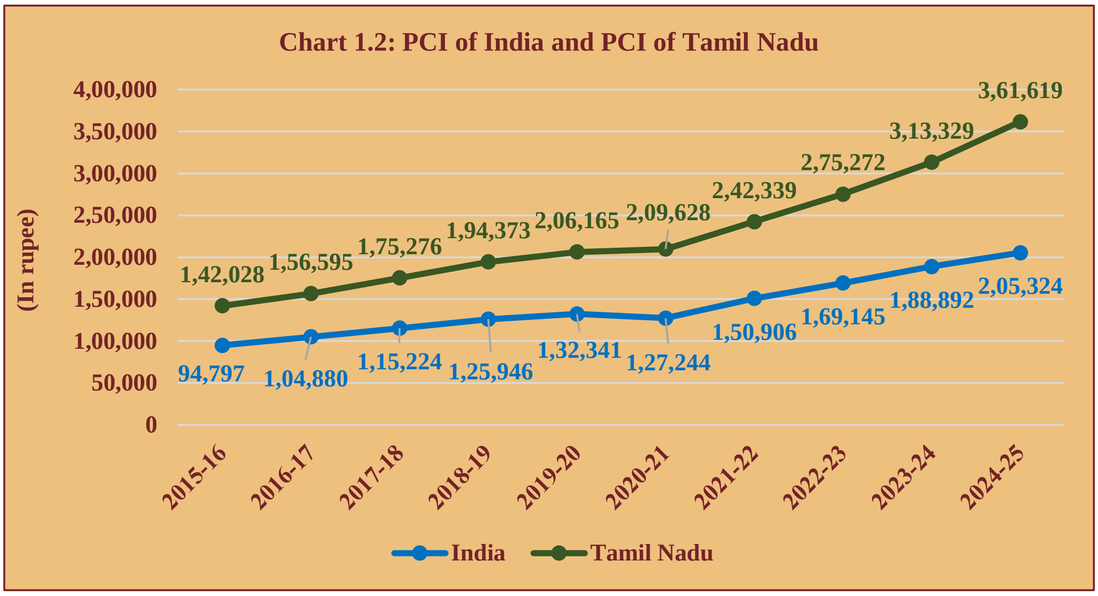
(**FE** – Final Estimate, **FRE** – First Revised Estimate, **PE** – Provisional Estimate)

Chart 1.1: Y-o-Y growth of GDP & GSDP and ratio of GSDP to GDP



(Source: Finance Accounts and MoSPI data)

The growth rate of GSDP (15.98 *per cent*) was significantly higher than the growth rate of GDP (9.78 *per cent*). From **Chart 1.1**, it can be seen that the decadal growth rate of GSDP was more than the GDP except for the years 2015-16, 2016-17 and 2021-22. The State share in National GDP was more than 8 *per cent* during the decade reaching a high of 9.43 *per cent* during the year 2024-25.

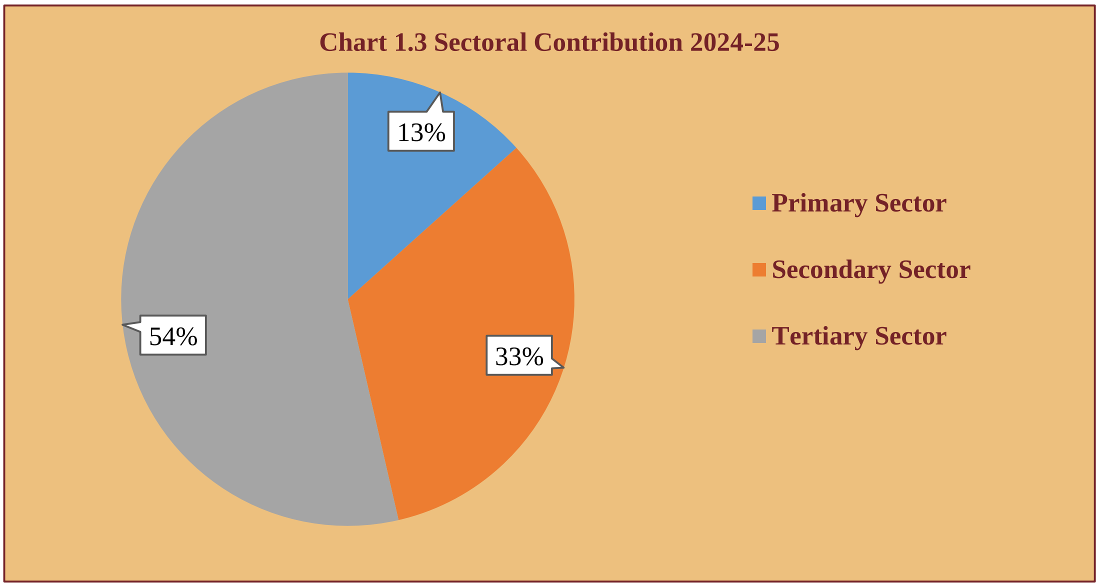


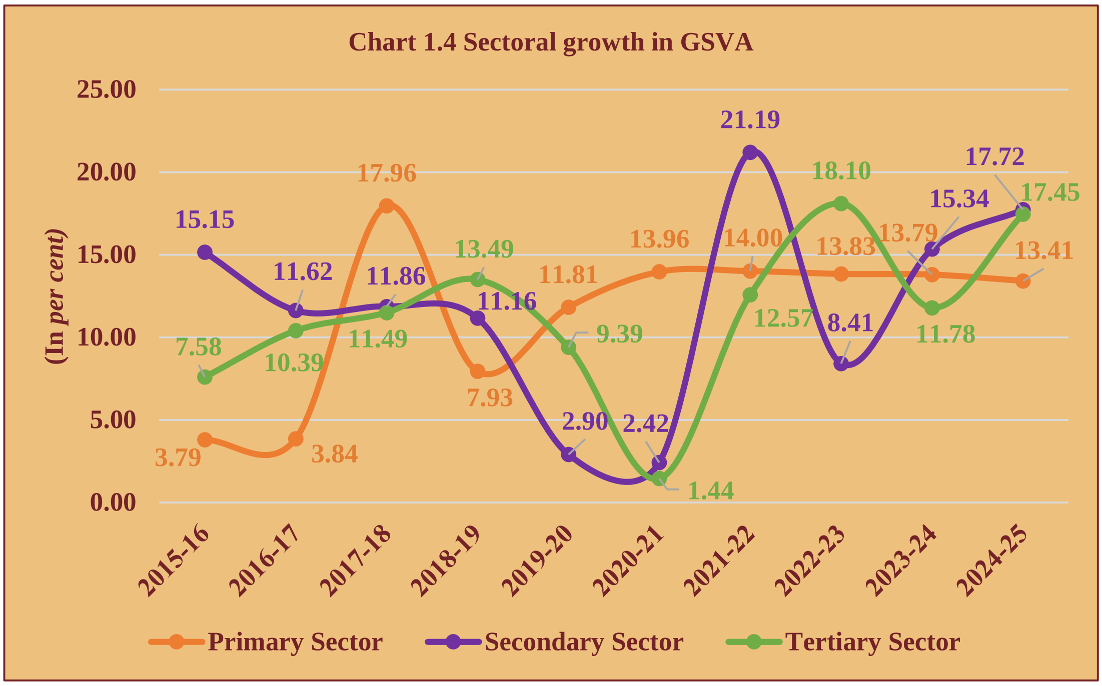
(Source: Finance Accounts and MoSPI data)

From **Chart 1.2**, it may be seen that the State's PCI was consistently and significantly higher than the National average during the period 2015-16 to 2024-25.

1.1.2.2 Sectoral contribution to GSVA

The sectoral contribution by various sectors during 2024-25 and sectoral growth in Gross State Value Added (GSVA) during the last 10 years are depicted in **Chart 1.3** and **Chart 1.4** respectively.



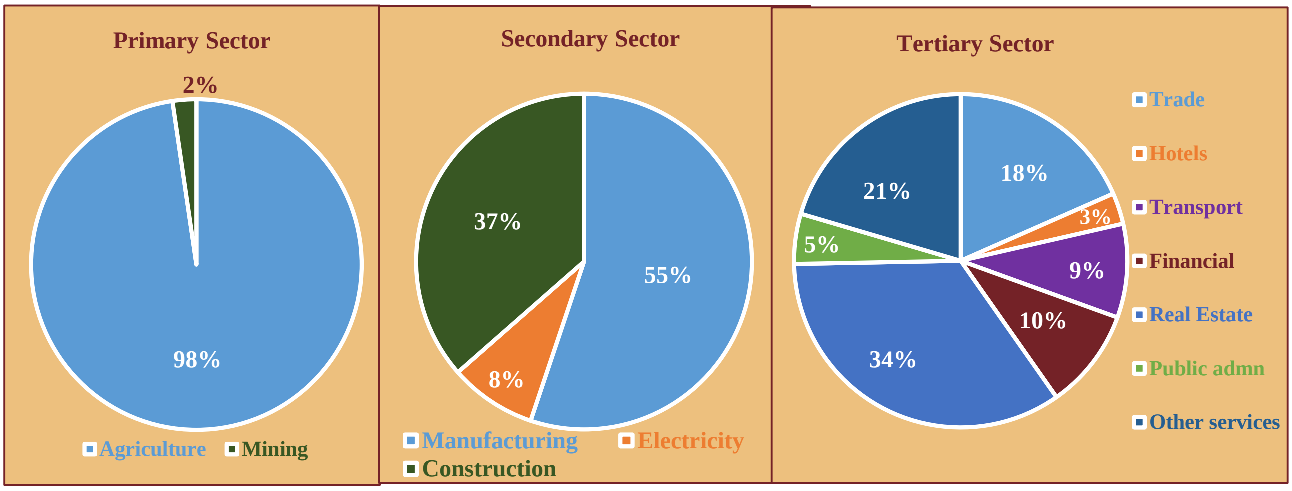


(Source: Finance Accounts and MoSPI data)

The contribution of the Secondary and Tertiary sectors exhibited fluctuations during the decade 2015-16 to 2024-25, whereas the Primary sector's share remained broadly stable from 2020-21 onwards. Compared to the previous year, the output of the Primary sector increased by 13.41 *per cent*, the Secondary sector by 17.72 *per cent* and the Tertiary sector by 17.45 *per cent*.

Chart 1.5 shows the composition of each sector during financial year (FY) 2024-25, in terms of its major contributing segments.

Chart 1.5: Sector-wise distribution, FY 2024-25



(Source: Ministry of Statistics and Programme Implementation)

The Tertiary Sector, the largest contributor to the State's GSVA, recorded a growth of 17.45 *per cent* during the year. Within this sector, Real estate, ownership of dwellings and professional services remained the main contributors, registering a growth of 17.87 *per cent* over the previous year. This was followed by Trade, repair, hotels and restaurants, the second-largest contributor within the sector, which grew by 18.28 *per cent*.

The Secondary Sector, the second-largest contributor to GSVA, continued to be led by Manufacturing, followed by Construction. Manufacturing registered a growth of 16.42 *per cent*, while Construction grew by 17.33 *per cent* during the year.

In the Primary Sector, Crops and Livestock, the main contributors, recorded growth rates of 15.71 *per cent* and 9.75 *per cent* respectively compared to the previous year. Fishing and aquaculture as well as Mining and quarrying also exhibited an increasing trend during the year.

1.1.3 Snapshot of Finances

Table 1.3 shows the details of actual financial results of the State for the years 2023-24 and 2024-25 vis-a-vis Budget Estimates (BE), Revised Estimates (RE) and GSDP for the year 2024-25.

Table 1.3: Snapshot of Finances

(₹ in crore)

Sl. No	Components	2023-24 (Actuals)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	**Tax Revenue**	**2,13,351**	**2,44,928**	**2,45,244**	**2,32,717**	***95.01***	***7.46***
(i)	*Own Tax Revenue*	1,67,279	1,95,173	1,92,752	1,80,225	*92.34*	*5.78*
(ii)	*Share of Union taxes/duties*	46,072	49,755	52,492	52,492	*105.50*	*1.68*
2	Non-Tax Revenue	25,904	30,728	28,124	33,603	*109.36*	*1.08*
3	Grants-in-aid and Contributions	25,342	23,354	20,538	16,509	*70.69*	*0.53*
4	**Revenue Receipts (1+2+3)**	**2,64,597**	**2,99,010**	**2,93,906**	**2,82,829**	***94.59***	***9.07***
5	Recovery of Loans and Advances	4,024	4,800	3,940	3,816	*79.49*	*0.12*
6	Other Receipts	12	3	9	43	*1,433.33*	*0.00*
7	Borrowings and other liabilities*	90,430	1,08,690	1,01,348	1,01,344	*93.24*	*3.25*
8	**Capital Receipts (5+6+7)**	**94,466**	**1,13,493**	**1,05,297**	**1,05,203**	***92.70***	***3.37***
9	**Total Receipts (4+8)**	**3,59,063**	**4,12,503**	**3,99,203**	**3,88,032**	***94.07***	***12.44***
10	Revenue Expenditure	3,09,718	3,48,289	3,40,374	3,28,669	*94.37*	*10.54*
11	Interest payments	53,566	63,722	61,883	59,909	*94.02*	*1.92*
12	Capital Expenditure	40,500	47,680	46,766	47,108	*98.80*	*1.51*
13	Loans and advances	8,845	16,534	12,063	11,905	*72.00*	*0.38*
14	Appropriation to contingency fund	0	0	350	350	-	*0.01*
15	**Total Expenditure (10+12+13+14)**	**3,59,063**	**4,12,503**	**3,99,553**	**3,88,032**	***94.07***	***12.44***
16	**Revenue Surplus (-)/Deficit (+) (4-10)**	**45,121**	**49,279**	**46,468**	**45,840**[1]	***93.02***	***1.47***
17	**Fiscal Surplus (-)/Deficit (+) {(4+5+6)-15}**	**90,430**	**1,08,690**	**1,01,698**	**1,01,344**[2]	***93.24***	***3.25***
18	**Primary Deficit (+)/ Surplus(-) (17-11)**	**36,864**	**44,968**	**39,815**	**41,434**	***92.14***	***1.33***

** Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance.*

(Source: Finance Accounts and Annual Financial Statement)

[1] Post Audit adjusted Revenue Deficit is ₹45,946.17 crore.

[2] Post Audit adjusted Fiscal Deficit is ₹1,01,449.79 crore.

The variation between the Budget Estimates/Revised Estimates and Actuals under revenue receipts was largely attributable to lower realisation under Own Tax Revenue, mainly under State Goods and Services Tax (SGST) (0005) and Taxes on Sales, Trade, etc. (0040), reduced receipts under Grants-in-Aid from the Government of India particularly under MGNREGA and lower recovery of Loans and Advances under capital receipts. However, the actual receipt of the State's share of Union Taxes and Duties was broadly in line with the Revised Estimates.

Under Capital Receipts, no amount was realised against the Budget Estimate of ₹1,177 crore under the head of account "6215 - Loans for Water Supply and Sanitation", towards recovery of loans extended by the Government during 2024-25. During the Exit Conference held on 08 January 2026, the department stated that the recovery would be effected along with penal interest.

The details of State Government Finances for the FY 2015-16 to 2024-25 are given in ***Appendix 1.1***

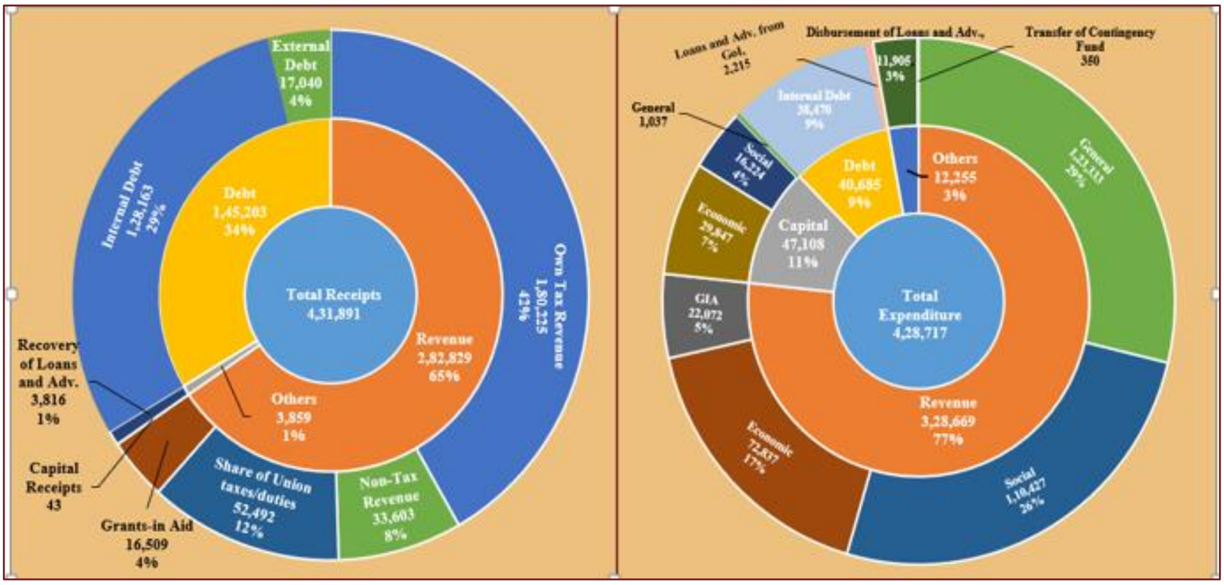
1.1.4 Source and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year is given in **Chart 1.6.**

Chart 1.6: Details of sources and application of funds during 2024-25

Sources of Fund **Application of Fund**

(₹ in crore)



(Source: Finance Accounts)

Appendix 1.2 provides details of receipts and disbursements and the overall fiscal position of the State during the current year as well as the previous year.

1.1.5 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. ***Appendix 1.3*** gives an abstract of such liabilities and assets, as on 31 March 2025, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the Public Account and Reserve Funds. Assets comprise mainly of Capital Expenditure, and loans and advances given by the State Government and cash balances. A summarised position of assets and liabilities, for the financial years 2023-24 and 2024-25, is given in **Table 1.4.**

Table 1.4: Summarised position of assets and liabilities

(₹ in crore)

Liabilities					Assets				
		2023-24	**2024-25**	***Per cent* increase/ decrease**			**2023-24**	**2024-25**	***Per cent* increase/ decrease**
Consolidated Fund									
A	Internal Debt	6,42,594.00	7,32,287.63	*13.96*	A	Gross Capital Expenditure	3,95,740.93	4,42,848.89	*11.90*
B	Loans and Advances from GoI*	61,331.57	65,256.70	*6.40*	B	Loan and Advances	47,875.80	55,965.11	*16.90*
Contingency Fund		**150.00**	**500.00**	***233.33***		Contingency Fund (Corpus)	0.00	350.00	
						Contingency Fund (un-recouped)	5.47	0.00	
Public Account									
A	Small Savings, Provident Fund, etc.	35,199.41	36,212.81	*2.88*	A	Advances with Departmental officers	7.56	7.56	*0.00*
B	Deposits	99,011.63	1,08,294.10	*9.38*	B	Remittances	15.65	9.94	*(-) 36.49*
C	Reserve Funds	9,598.63	11,929.08	*24.28*	C	Suspense and Miscellaneous	462.96	284.89	*(-) 38.46*
D	Remittances	0.00	0.00			**Cash balances (including investment in Earmarked funds)**	**85,333.91**	**1,02,373.78**	***19.97***
E	Suspense and Miscellaneous	0.00	0.00			**Total**	**5,29,442.28**	**6,01,840.17**	***13.67***
						difference on account of rounding - off			
						Deficit in Revenue Account	**3,18,442.96**	**3,52,640.17**	***10.74***
	Total	**8,47,885.24**	**9,54,480.34**	***12.57***			**8,47,885.24**	**9,54,480.34**	***12.57***

* Loans and Advances of ₹65,256.70 crore in 2024-25 and ₹61,331.57 crore in 2023-24 includes GST compensation of ₹3,437 crore and ₹10,045 crore received during respective years. GoI communicated that the back to back loan should not be treated as a debt of the State.

(Source: Finance Accounts of the respective years)

During the year, Loans and Advances disbursed by the State government increased by 16.90 *per cent* over the previous year. The major portion of the Loans and Advances disbursed were utilised towards Social Services (58.62 *per cent*) and Economic Services (39.67 *per cent*), reflecting the State's prioritization of welfare-oriented programmes and growth-supporting activities.

1.2 Consolidated Fund of the State

All revenues received by the State Government, all loans raised by the State Government, ways and means advances extended by the Reserve Bank of India and all money received by the State Government in repayment of loans form part of the Consolidated fund of the State.

1.2.1 Revenue Receipts

Trends and growth of Tamil Nadu's revenue receipts with respect to GSDP over the 10 years period (2015-16 to 2024-25) are shown in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Receipts	**1,29,008**	**1,40,231**	**1,46,280**	**1,73,741**	**1,74,526**	**1,74,076**	**2,07,492**	**2,43,749**	**2,64,597**	**2,82,829**
Tax Revenue	**1,00,830**	**1,10,479**	**1,20,837**	**1,36,173**	**1,33,855**	**1,31,077**	**1,60,324**	**1,88,954**	**2,13,351**	**2,32,717**
Own Tax Revenue	80,476	85,941	93,737	1,05,534	1,07,462	1,06,153	1,22,866	1,50,223	1,67,279	1,80,225
State's share in Union taxes and duties	20,354	24,538	27,100	30,639	26,393	24,924	37,458	38,731	46,072	52,492
Non-Tax Revenue	**8,918**	**9,914**	**10,764**	**14,200**	**12,888**	**10,422**	**12,117**	**17,061**	**25,904**	**33,603**
Grants-in aid from GoI	**19,260**	**19,838**	**14,679**	**23,368**	**27,783**	**32,577**	**35,051**	**37,734**	**25,342**	**16,509**
State's Own Revenue (Own Tax and Non-Tax Revenue)	89,394	95,855	1,04,501	1,19,734	1,20,350	1,16,575	1,34,983	1,67,284	1,93,183	2,13,828
GSDP (2011-12 series)	11,76,500	13,02,639	14,65,051	16,30,209	17,43,144	17,88,074	20,72,496	23,72,469	26,88,963	31,18,590
Year-on-year growth rates (in *per cent*)										
Revenue Receipts	*5.38*	*8.70*	*4.31*	*18.77*	*0.45*	*(-) 0.26*	*19.20*	*17.47*	*8.55*	*6.89*
State's Own Tax Revenue	*2.31*	*6.79*	*9.07*	*12.59*	*1.83*	*(-) 1.22*	*15.74*	*22.27*	*11.35*	*7.74*
GSDP	*9.68*	*10.72*	*12.47*	*11.27*	*6.93*	*2.58*	*15.91*	*14.47*	*13.34*	*15.98*
Buoyancy Ratios[3]										
State's Own Tax Revenue Buoyancy w.r.t GSDP	0.24	0.63	0.73	1.12	0.26	*(-)* 0.47	0.99	1.54	0.85	0.48

(Source: Finance Accounts for Revenue Receipts and MoSPI for GSDP figures)

Revenue Receipts continued to grow (6.89 *per cent*) but not as fast as the State's economy (15.98 *per cent*). The State relied mainly on its own tax and non-tax revenues, showing financial strength despite decreased grants from GoI.

[3] Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable

The Buoyancy ratio for State Own Tax Revenue with respect to GSDP for the year 2024-25 stood at 0.48. This value, being below one, indicates that State's Own Tax Revenue grew at a slower pace than the growth in GSDP during the year.

Revenue Receipts as a percentage of GSDP and contribution from various sources in revenue receipts is given in **Chart 1.7** and **Chart 1.8** respectively.

Chart 1.7: Revenue Receipts as a percentage of GSDP

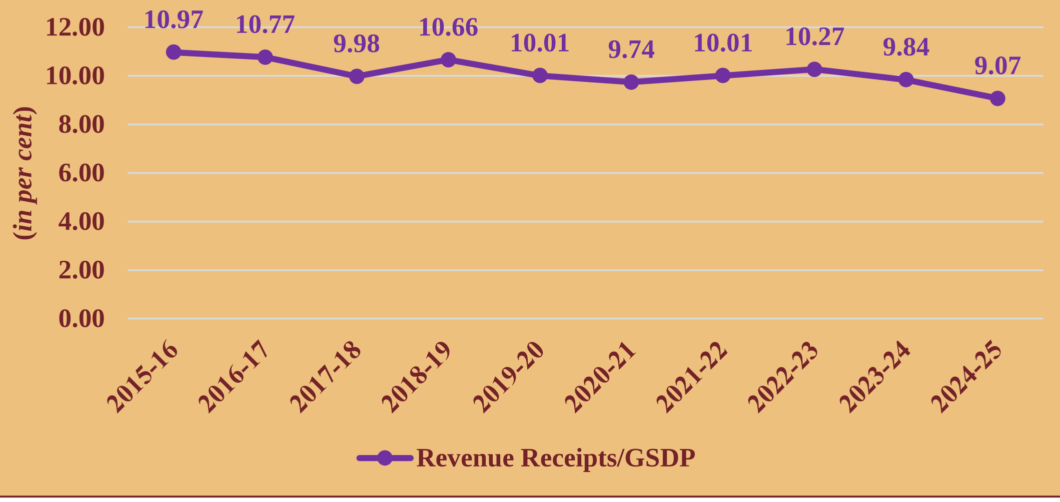
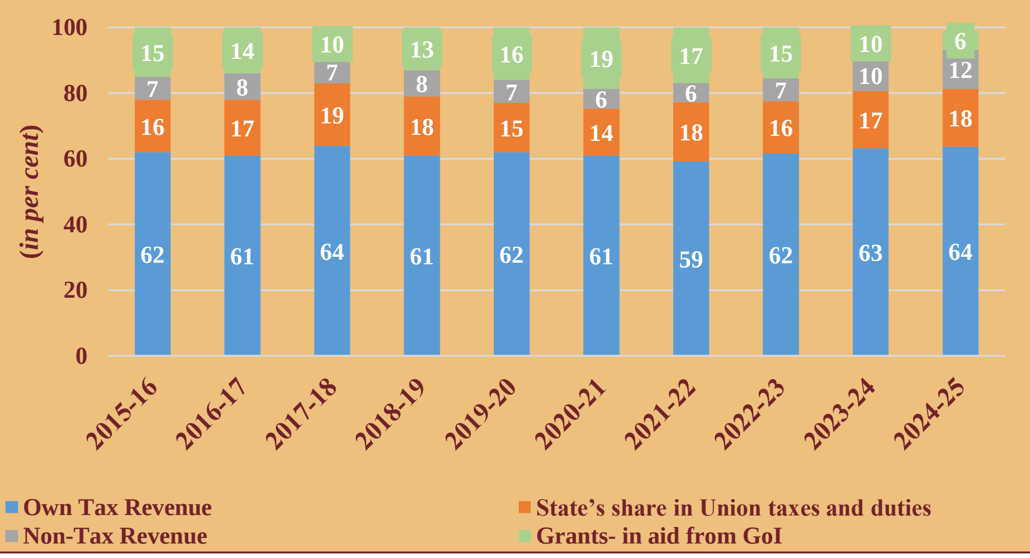


Chart 1.8: Contribution in revenue receipts



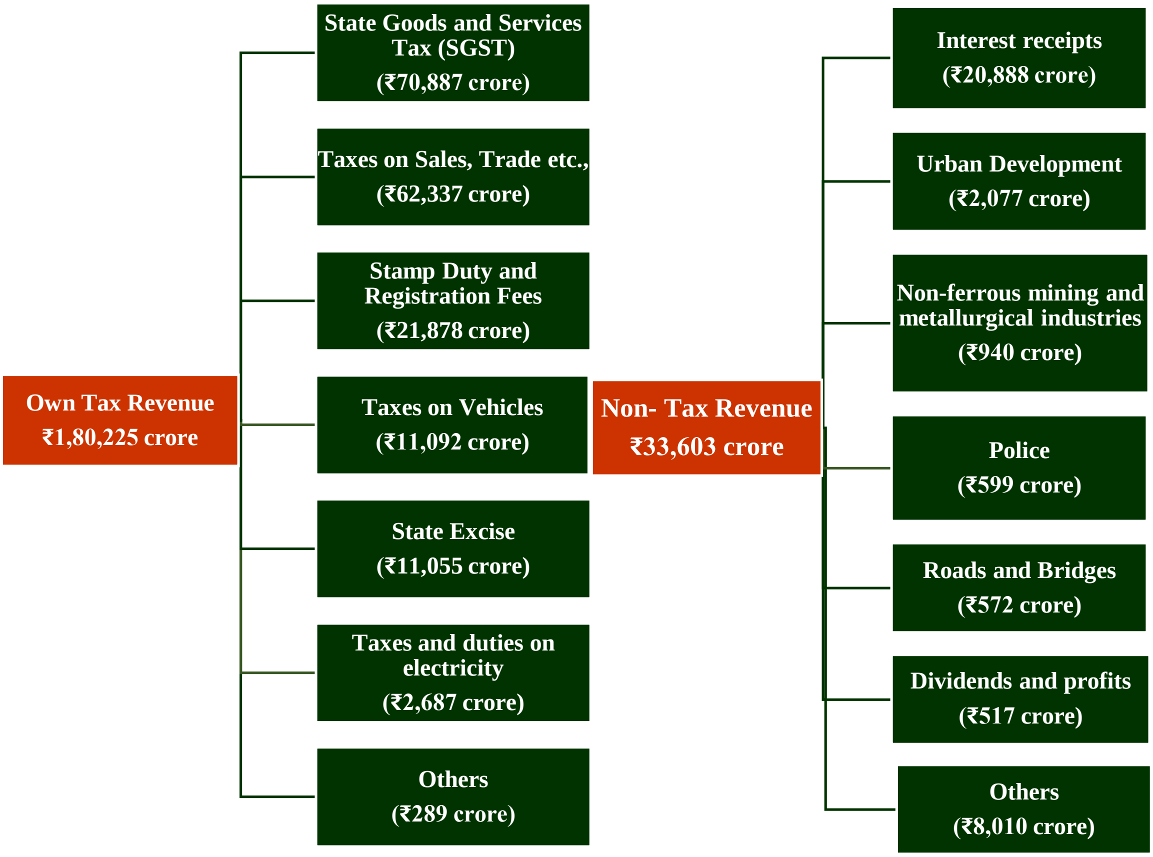
(Source: Finance Accounts)

As seen from **Chart 1.7**, the ratio of Revenue Receipts to GSDP declined during the last two years, 2023-24 and 2024-25, primarily due to a reduction in Grants-in-Aid received from the Government of India.

Chart 1.8 indicates that over the decade, the State's share in Union taxes and duties ranged between 14 and 19 *per cent*. The increase in the State's share during 2024-25 was mainly attributable to higher devolution from the net proceeds of Central Goods and Services Tax (CGST), Taxes on Income other than Corporation Tax and Customs Duties.

A. State's Own Resources

Chart 1.9: Details of State's Own Revenue



(i) Own Tax Revenue

Own Tax Revenue is the revenue collected by the State Government through taxes it is empowered to levy under the Constitution of India. Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE), and actuals of Own Tax Revenue for the FY 2024-25 is given in **Table 1.6.**

Table 1.6: Own Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals)

(₹ in crore)

Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
State Goods and Services Tax (SGST)	61,961	73,788	76,277	70,887
Taxes on Sales, Trade etc.,	60,200	69,588	65,486	62,337
State Excise	10,774	12,247	11,857	11,055
Taxes on Vehicles	9,375	11,560	11,998	11,092
Stamp Duty and Registration Fees	19,013	23,370	22,815	21,878
Land Revenue	256	370	319	278
Taxes and duties on Electricity	5,680	4,231	3,988	2,687
Others	20	19	13	11
TOTAL	**1,67,279**	**1,95,173**	**1,92,753**	**1,80,225**

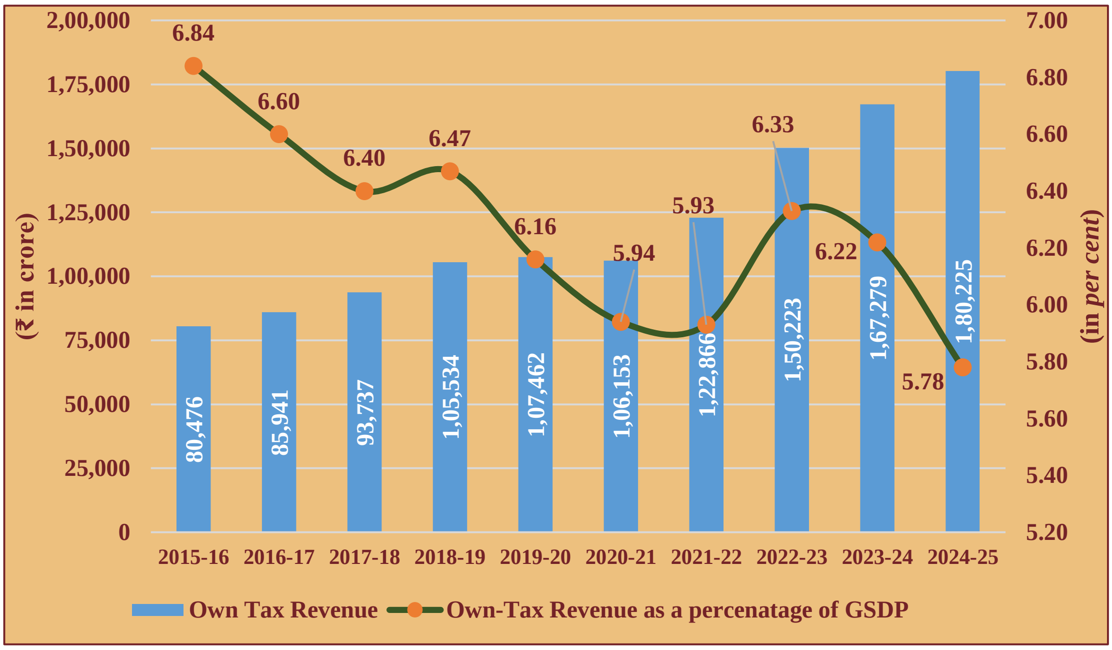
(Source: Finance Accounts and Annual Finance Statement (AFS) of the State)

Though the annual growth rate of own tax revenue increased by 7.74 *per cent*, the actual collections were lower than both Budget Estimate and Revised Estimate.

Further, there was significant decrease of 52.69 *per cent* under Taxes and duties on Electricity compared to the previous year's actuals.

Trends of own tax revenue and its components during the period 2015-16 to 2024-25 are shown in **Chart 1.10** and **Chart 1.11** respectively.

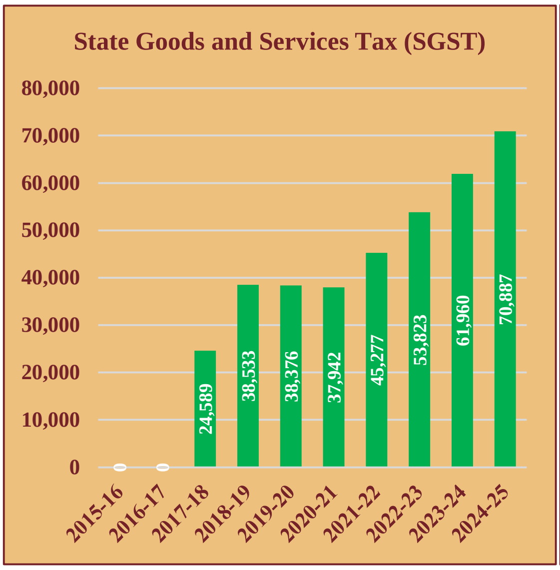
Chart 1.10: Trends of Own Tax Revenue during FY 2015-16 to FY 2024-25

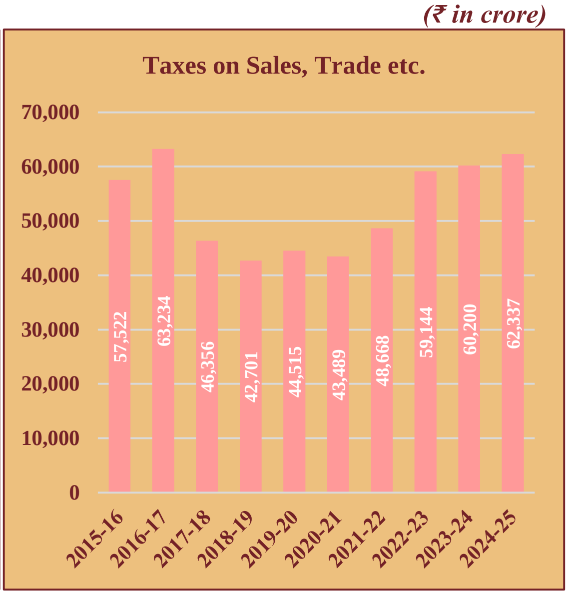


(Source: Finance Accounts and MoSPI data for GSDP)

Chart 1.11: Major components of State's Own-Tax Revenue

(₹ in crore)





(₹ in crore)

*(*Others include Other Taxes and Duties on Commodities and Services, Taxes on Goods and Passengers and Taxes on Immovable Property other than Agricultural Land)*
(Source: Finance Accounts)

The State's Own Tax Revenue constituted 64 *per cent* of the total revenue receipts during the year. When compared with the all-States (excluding UTs) average ratio of Own Tax Revenue to GSDP of 6.14 *per cent* during 2024-25, the State's corresponding ratio stood at 5.78 *per cent*.

During the year, the annual growth rate of Own Tax Revenue at 7.74 *per cent* was mainly attributable to an increase in receipts under apportionment of Integrated Goods and Services Tax (IGST) amounting to ₹5,155 crore (transfer-in tax component) and the tax component under SGST, which increased by ₹4,350 crore. The increased receipts in SGST and IGST settlement during the year 2024-25 is due to economic and market factors such as inflation, GSDP and increased consumption. Taxes on vehicles also increased by ₹1,558 crore due to the revision of taxes under the State Motor Vehicle Taxation Act.

Further, receipts under Taxes on Sales, Trade, etc. increased by ₹2,137 crore, mainly on account of higher collections from the sale of Indian Made Foreign Liquor (IMFL) and beer, which rose by ₹2,039 crore as well as revenue from Petrol, Diesel, ATF, CNG and Petroleum Crude. This increase was attributable to price increase in Alcohol with effect from February 2024 and the higher taxable turnover of goods by way of quantity supplied and consumed during the year.

Under the Major Head "0030 - Stamps and Registration Fees", although receipts under the Minor Head "103 - Duty on Impressing of Documents" increased by ₹4,157 crore, this was partly offset by a decrease of ₹1,181 crore under "104 - Fees for Registering Documents" during the year. In reply, the Department of Registration stated that the reduction in rate of Registration Fees from 4 *per cent* to 2 *per cent* without an increase in the market value guideline has led to a decrease in the collection of Registration Fees during 2024-25.

Collections from State Excise and Land Revenue remained stable over the last three years. However, compared to the previous year, receipts under Taxes and Duties on Electricity declined sharply by ₹2,993 crore, mainly because electricity tax arrears of ₹5,880.21 crore for the period August 2020 (part) to February 2024 (part) were remitted by Tamil Nadu Power Distribution Corporation Limited (TNPDCL) in 2023-24, while only ₹2,576.89 crore relating to the remaining period (February 2024–March 2025) was remitted during the current year.

The increase in receipts under Tertiary and Secondary sectors like Taxes on sales, trade, stamps and registrations, vehicle tax, SGST and IGST contributed to the growth of GSDP in the respective sectors.

(ii) Non-Tax Revenue

Non-tax Revenue of a State refers to the rent, fees, royalties and other receipts, of the State Government from sources other than taxes.

Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE), and Actuals of Non-tax Revenue for the FY 2024-25 is given in **Table 1.7**

Table 1.7: Major Non-Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals)

(₹ in crore)

Non-Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actual)
Interest Receipts	9,969	9,694	13,322	20,888
Dividends and Profits	700	607	397	517
User charges[4]	4,197	4,284	2,626	2,563
Others	11,038	16,143	11,779	9,635
Total	**25,904**	**30,728**	**28,124**	**33,603**

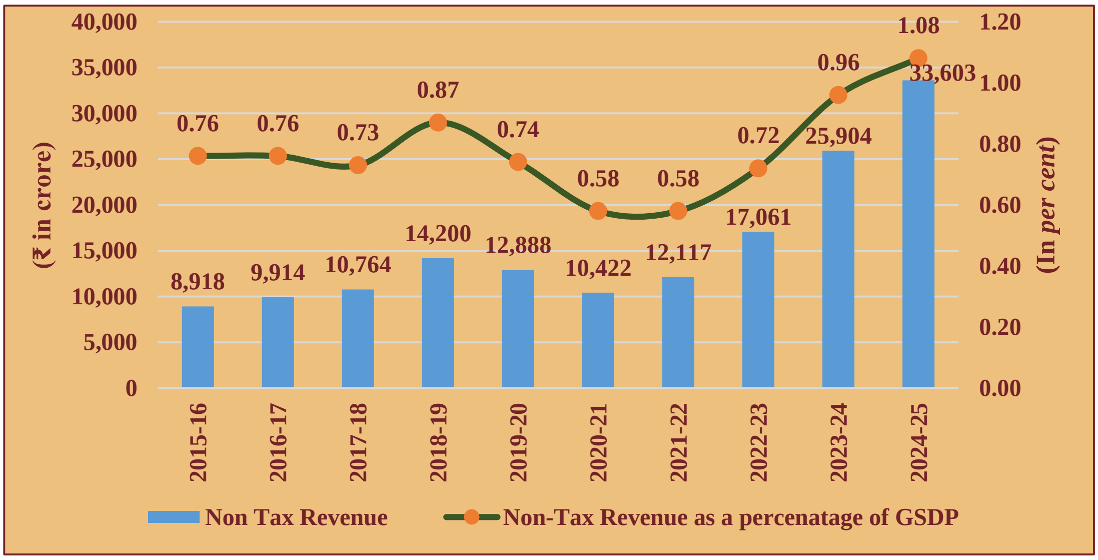
(Source: Finance Accounts and Budget documents of the State)

During the year, total Non-tax Revenue increased by ₹7,699 crore (29.72 *per cent*) over the previous year, mainly on account of an increase of ₹10,919 crore in interest receipts. The rise in interest receipts was largely attributable to the accounting of interest on Defined Contributory Pension Scheme (DCPS) deposits with the Life Insurance Corporation of India for the years 2022-23, 2023-24 and 2024-25, which was recognised as receipts during 2024-25. The amount so recognised was subsequently credited back to the DCPS fund account and reinvested, resulting in a one-time increase in interest receipts during the year.

In addition, interest receipts also increased on account of higher recoveries from (i) Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) on consolidated loans up to 2017-18, amounting to ₹2,174 crore and (ii) Tamil Nadu Transmission Corporation Limited (TANTRANSCO) amounting to ₹297 crore, in connection with the ADB-assisted Chennai–Kanyakumari Industrial Corridor Project.

Trends of non-tax revenue and its components during the period 2015-16 to 2024-25 are shown in **Chart 1.12** and **Chart 1.13** respectively.

Chart 1.12: Trends in Non-Tax Revenue

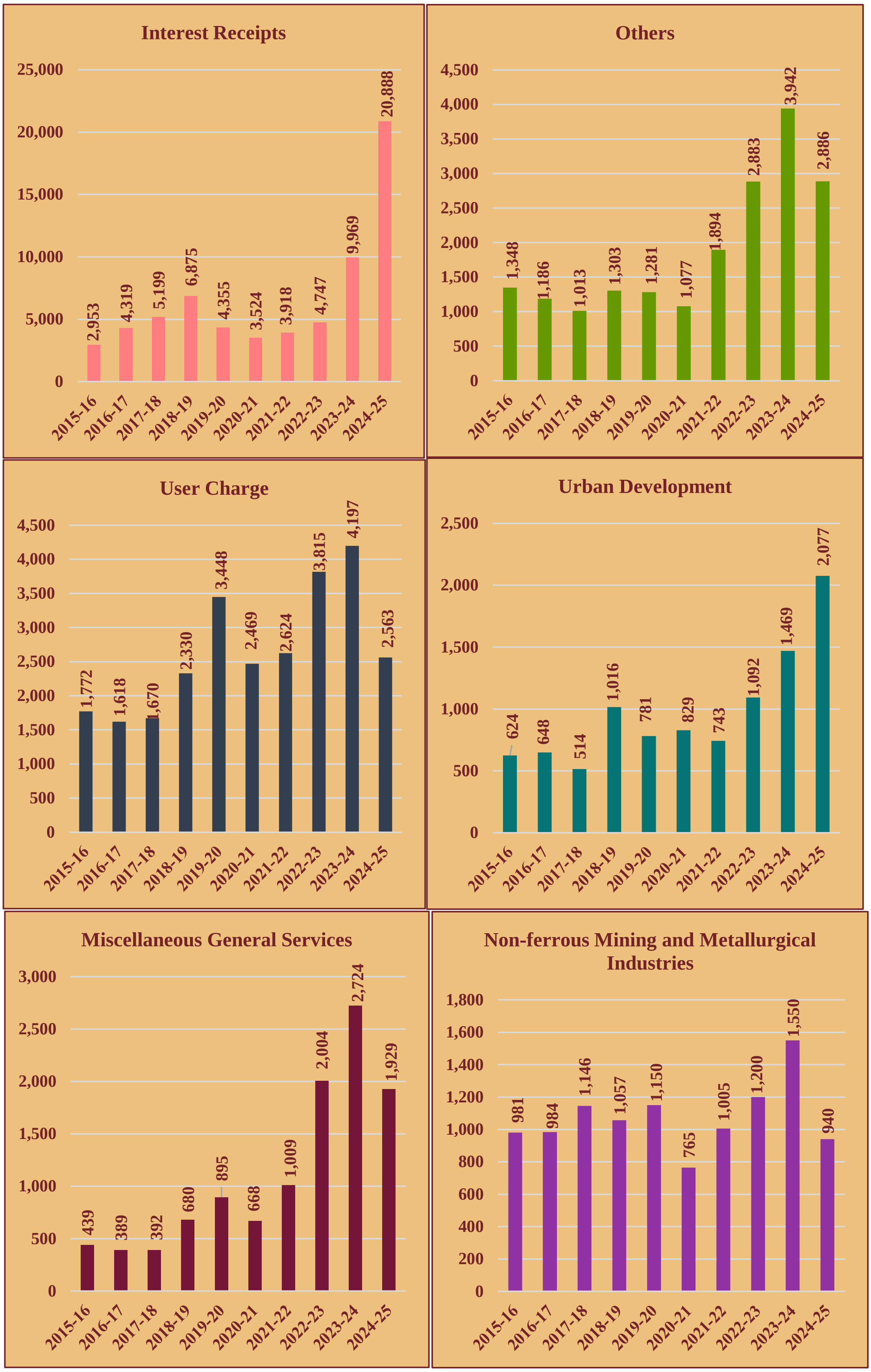


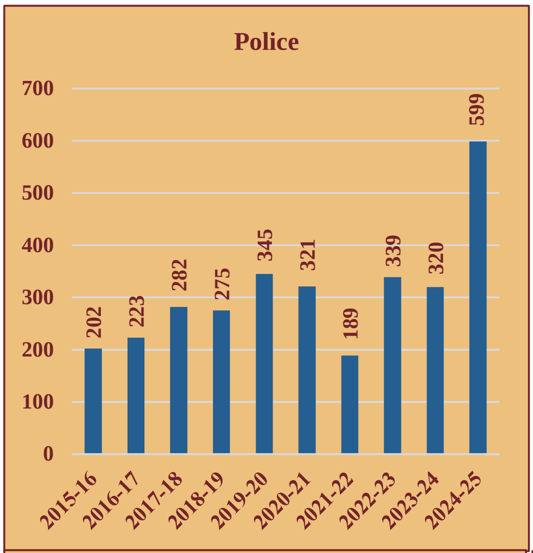
(Source: Finance Accounts of respective years)

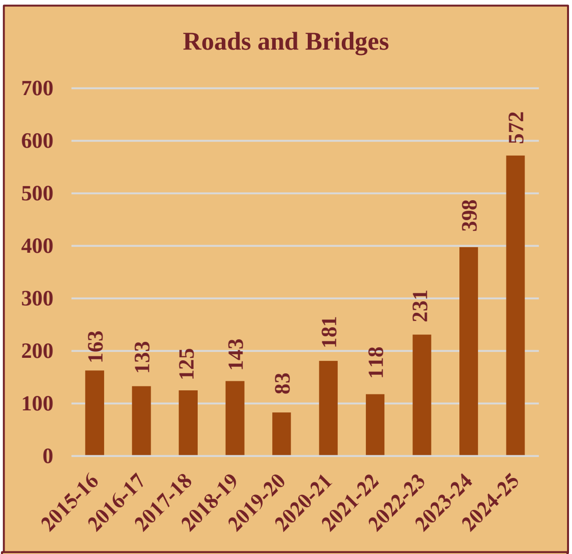
4 User charges include MH '0202-'Education, Sports, Art and Culture', '0210-Medical and Public Health', '0215-Water Supply and Sanitation' and '1452-Tourism'.

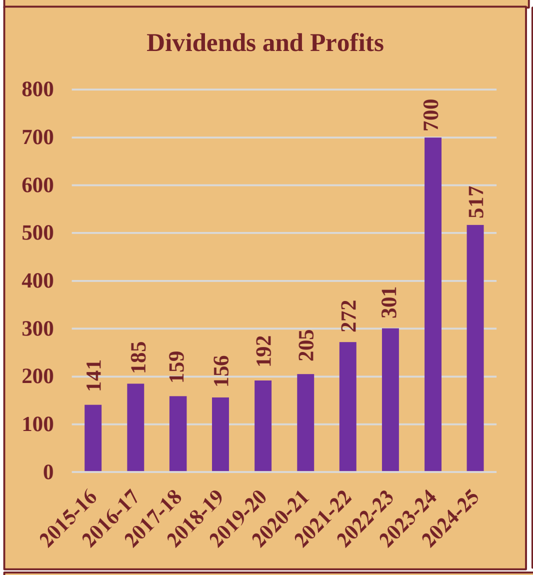
Chart 1.13: Major components of State's Non-Tax Revenue

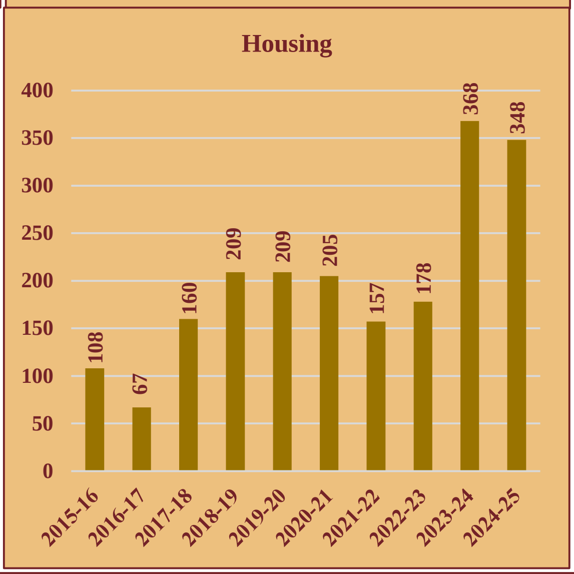
(₹ in crore)

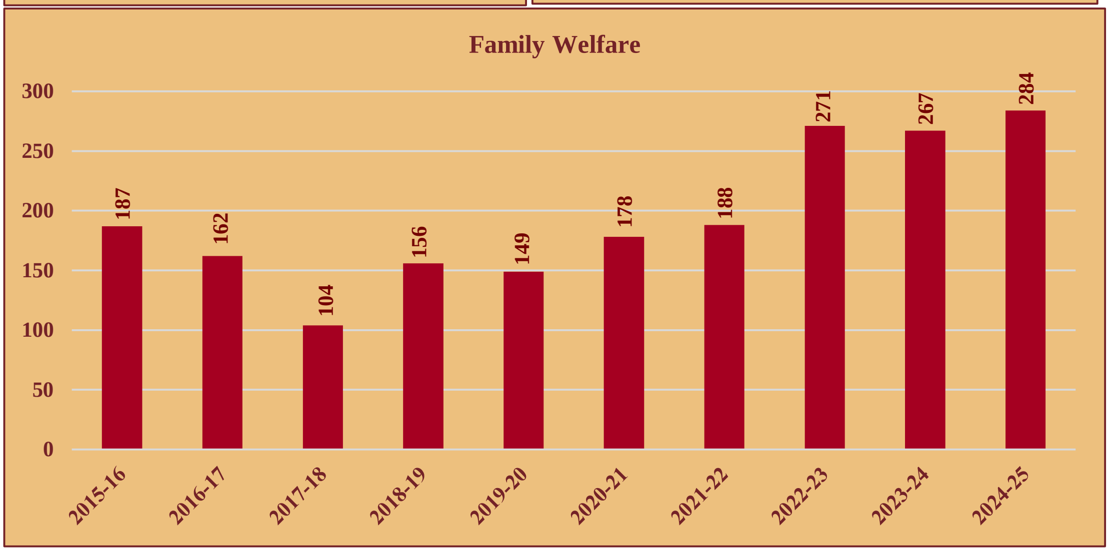












(Source: Finance Accounts of respective years)

User charges are collected by the States against supply or use of different services and facilities such as education, health, water supply and sanitation and tourism. Audit observed a significant decline of ₹1,307 crore in receipts from the education sector during the year, along with a decrease of ₹183 crore under Dividend and Profits. In addition, receipts under the Non-Ferrous Mining and Metallurgical Industries component declined by ₹610 crore, mainly due to an increase in refunds made by the Government amounting to ₹431 crore issued during the year.

B. State's share in Union Taxes and Duties

Trends in the components of State's share in Union taxes and duties are shown in **Table 1.8.**

Table 1.8: State's Share in Union Taxes and Duties

(₹ in crore)

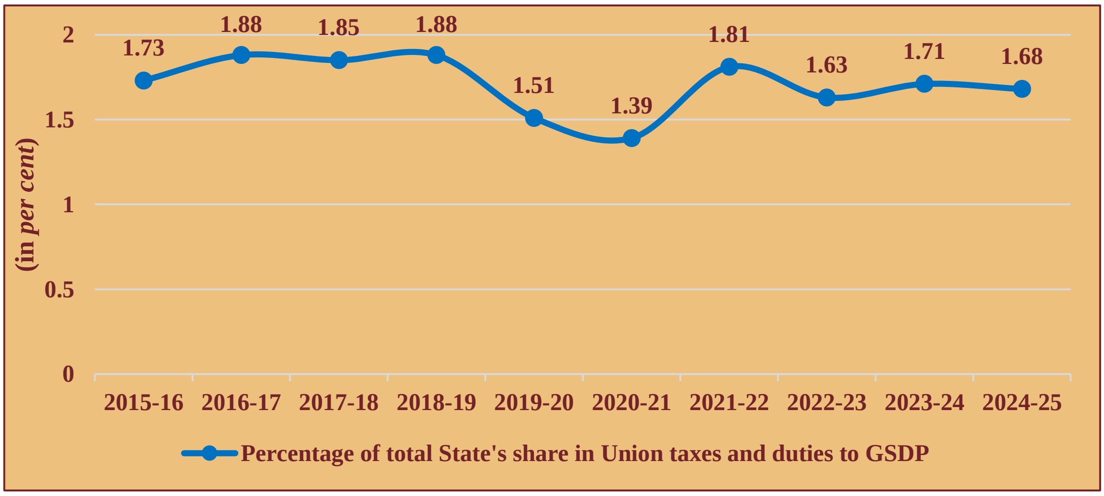
Components	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Central Goods and Services Tax (CGST)	-	-	383	7,562	7,489	7,407	10,308	10,945	13,982	15,331
Integrated Goods and Services Tax (IGST)	-	-	2,735	603	-	-	-	-	-	-
Corporation Tax	6,380	7,863	8,298	10,655	8,999	7,520	10,913	12,983	13,829	14,895
Taxes on Income other than Corporation Tax	4,403	5,464	7,007	7,847	7,051	7,710	10,911	12,678	15,970	18,995
Customs	3,266	3,124	2,735	2,172	1,673	1,324	2,920	1,523	1,615	2,671
Union Excise Duties	2,749	4,120	2,859	1,443	1,163	838	1,754	478	611	514
Service Tax	3,535	3,949	3,083	282	-	108	610	61	9	2
Other Taxes[5]	21	18	-	75	17	18	42	64	57	84
Total	**20,354**	**24,538**	**27,100**	**30,639**	**26,392**	**24,925**	**37,458**	**38,732**	**46,073**	**52,492**

(Source: Finance Accounts of respective years)

The State's share in Union Taxes and Duties contributed 18.56 *per cent* of the total revenue receipts, registering an increase of 13.93 *per cent* over the previous year. The increase was mainly due to higher allocation of the Share of Net proceeds of CGST, Corporation tax and Income other than Corporation Tax' by the GoI to the State Government during the year.

Percentage of total State's share in Union taxes and duties to GSDP during the period 2015-16 to 2024-25 is given in **Chart 1.14.**

Chart 1.14: Percentage of total State's share in Union taxes and duties to GSDP



(Source: Finance Accounts of respective years and MoSPI data for GSDP)

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

The ratio of the State's share in Union taxes to GSDP fluctuated during 2018-19 to 2022-23 but remained stable during the last two years, indicating that the growth in central devolution has broadly kept pace with the expansion of the State's economy.

C. Grants-in-aid from Government of India

Trend of Grants-in-aid (GIA) from GoI and its components are shown in **Table 1.9**.

Table 1.9: Grants-in-aid from Government of India

(₹ in crore)

Components	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Grants for Centrally Sponsored Schemes (CSS)	-	-	10,983	14,820	12,464	12,484	17,251	15,270	13,972	10,423
Finance Commission Grants	-	-	1,951	3,705	5,905	8,643	9,550	5,792	6,251	5,198
Non-Plan Grants	5,832	6,757	-	-	-	-	-	-	-	-
Grants for State Plan Schemes	12,017	10,550	-	-	(-) 72	-	-	-	-	-
Grants for Central Plan Schemes	694	496	-	-	-	-	-	-	-	-
Grant for Centrally Sponsored Plan Schemes	717	2,035	-	-	-	-	-	-	-	-
Other transfers/Grants to States/Union Territories with Legislature	-	-	1,745	4,843	9,486	11,450	8,250	16,673	5,120	889
Total	**19,260**	**19,838**	**14,679**	**23,368**	**27,783**	**32,577**	**35,051**	**37,735**	**25,343**	**16,510**

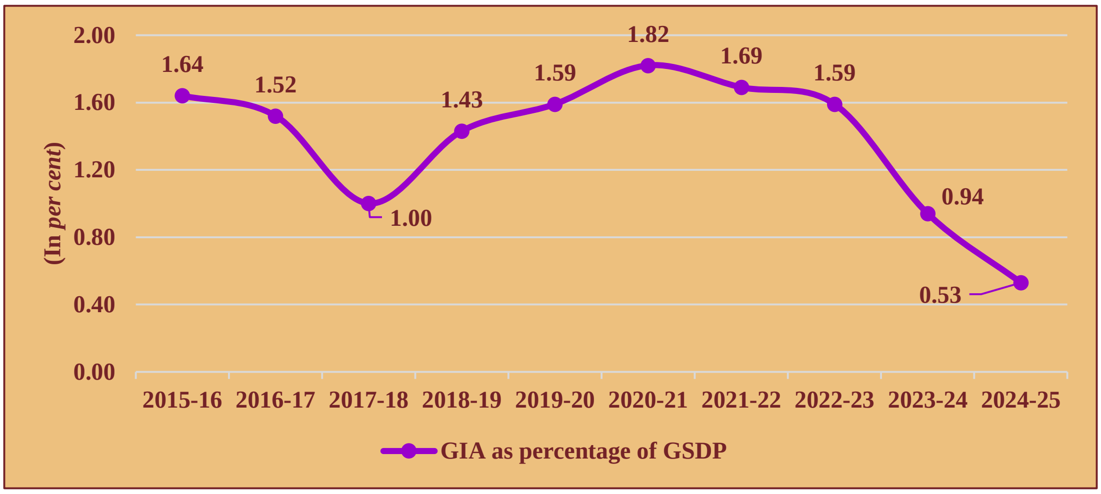
(Source: Finance Accounts of respective years)

The Grants-in-aid decreased significantly by ₹8,833 crore (34.85 *per cent*) in the current year over the previous year. The decrease was mainly due to decrease in receipts of share in compensation for loss of revenue arising out of implementation of Goods and Services Tax (GST) (₹4,574 crore) and decrease in central assistance, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (₹831 crore), Pradhan Mantri Awaas Yojana (PMAY) - Urban (₹654 crore) and Atul Mission for Rejuvenation and Urban Transmission (AMRUT) (₹561 crore).

The decrease in Grants-in-aid is primarily attributable to the post pandemic normalisation of implementation and fund release cycles. The higher receipts recorded during 2023-24 were largely on account of the clearance of accumulated liabilities pertaining to the COVID-19 period and therefore, constituted a high base for comparison. Consequently, the decline observed during 2024-25 does not indicate a structural reduction in inter-governmental transfers.

Percentage of Grants-in-aid from Government of India to GSDP is given in **Chart 1.15.**

Chart 1.15: Percentage of Grants-in-aid from Government of India to GSDP



(Source: Finance Accounts of respective years and MoSPI data for GSDP)

Over the decade, Grants-in-Aid from GoI exhibited an upward trend up to 2022-23, followed by a declining trend thereafter. The decline was mainly attributable to reduction in other transfers/Grants to States. The percentage of Grants-in-Aid to GSDP was also on a declining trend since 2020-21.

(i) Grants for Centrally Sponsored Scheme

Out of the Grants of ₹ 10,422.79 crore received for Centrally Sponsored Schemes (CSS) during 2024-25, major allocations were made to the schemes shown in **Table 1.10**.

Table 1.10: Major Schemes receiving grants

Name of the Scheme	2024-25 Amount (₹ in crore)	2023-24 Amount (₹ in crore)	Percentage change over previous year
Mahatma Gandhi National Rural Employment Guarantee Scheme	1,580.46	2,411.72	*(-) 34.47*
Mission Flexible Pool (RCH)	976.33	0.00	-
Atul Mission for Rejuvenation and Urban Transmission (AMRUT)	769.07	1329.73	*(-) 42.16*
Integrated Child Development Services - General Component	644.35	877.67	*(-) 26.58*
District and other Roads (Pradhan Mantri Gramin Sadak Yojana (PMGSY))	638.66	411.36	*55.26*
Liquidation of Arrears for implementation of Family Welfare Programme	556.55	851.39	*(-) 34.63*
Intra-state movement handing of food grains and FPS dealers margin under NFSA	524.60	145.90	*259.56*
Additional Central Assistance under Stream II of Rashtriya Krishi Vikas Yojana	481.07	694.65	*(-) 30.75*
National Programme for Mid-Day meals in Schools	459.78	398.52	*15.37*
National Social Assistance Programme - National Old Age Pension Scheme	413.65	427.97	*(-) 3.35*

Name of the Scheme	2024-25 Amount (₹ in crore)	2023-24 Amount (₹ in crore)	Percentage change over previous year
National Rural Livelihood Mission (NRLM)	381.70	345.55	*10.46*
Pradhan Mantri Adarsh Gram Yojana (PMAGY)	321.87	280.81	*14.62*
Pradhan Mantri Awaas Yojana (Urban)	229.20	883.66	*(-) 74.06*
Pradhan Mantri Ayushman Bharat Health Infrastructure	224.99	279.36	*(-) 19.46*
National Social Assistance Programme - National Widow Pension Scheme	197.37	214.96	*(-) 8.18*
Swachh Bharat Mission (URBAN)	180.04	69.05	*160.74*
Cost Adjustment for commodity grant - NRHM - RCH flexipool Routine Immunization Programme	153.84	149.39	*2.98*
Pradhan Mantri Awas Yojana (Rural) (Indira Awas Yojana)	125.52	14.75	*750.98*
Integrated Child Protection Scheme (ICPS)	122.82	128.70	*(-) 4.57*
Post Matric Scholarships to Other Backward Class students	119.37	135.00	*(-) 11.58*

(Source: Finance Accounts)

(ii) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (XV FC) grants were provided to the States for Local Bodies (LB) and State Disaster Response Fund (SDRF), State Disaster Mitigation Fund (SDMF) and Health Sector. Details of grants provided by GoI are given in **Table 1.11.**

Table 1.11: Recommended amount, actual release and transfers of Grant-in- aid

(₹ in crore)

Transfers		Recommendation of XV FC for 2024-25	Actual release by GoI, during 2024-25	Release by State Government (Total percentage of the amount released by GoI)
(i) Grants to PRIs		**2,956.80**	**1,813.23**	**1,478.50 (*81.54*)**
(a) Performance/Tied Grants		1,774.00	1,087.94	887.10 (*81.54*)
(b) Untied Grants		1,182.80	725.29	591.40 (*81.54*)
(ii) Grants to ULBs		**1,036.00**	**972.91**	972.91 (*100*)
(a) Non-Million Plus Cities (Performance/Tied Grant)		621.60	583.75	583.75 (*100*)
(b) Non-Million Plus Cities (General Basic/Untied Grant)		414.40	389.16	389.16 (*100*)
(iii) Grant for Health Sector		**889.00**	**870.40**	**870.40 (*100*)**
Total for Local Bodies (i + ii + iii)		**4,881.80**	**3,656.54**	**3,321.81 (*90.85*)**
State Disaster Response Fund (SDRF)	Central Share	944.80	944.80	944.80 (*100*)
	State Share	315.20	315.20	315.20 (*100*)
State Disaster Mitigation Fund (SDMF)	Central Share	236.25	236.20	236.20 (*100*)
	State Share	78.75	78.80	78.80 (*100*)
Total for SDRMF		**1,575.00**	**1,575.00**	**1,575.00 (*100*)**

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

Further, a portion of both Tied Grants amounting to ₹200.84 crore and Untied Grants amounting to ₹133.89 crore remained unreleased by the State Government during 2024-25. The non-release of these amounts resulted in partial or non-implementation of activities planned under the Tied and Untied components of Panchayati Raj Institutions. In reply (November 2025), the State Government stated that GoI released ₹1,087.94 crore as Tied Grants and ₹725.29 crore as Untied Grants in two instalments during the financial year 2024-25. Of these, the second instalment, amounting to ₹200.84 crore under Tied Grants and ₹133.89 crore under Untied Grants, was released by GoI only on 31 March 2025. Consequently, the grants could not be released to the Panchayati Raj Institutions within the financial year 2024-25. The pending amounts were, however, released to the Rural Local Bodies on 08 April 2025.

1.2.2 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.

Trends of capital receipts and its components during 2015-16 to 2024-25 are shown in **Table 1.12.**

Table 1.12: Trends in growth and composition of capital receipts

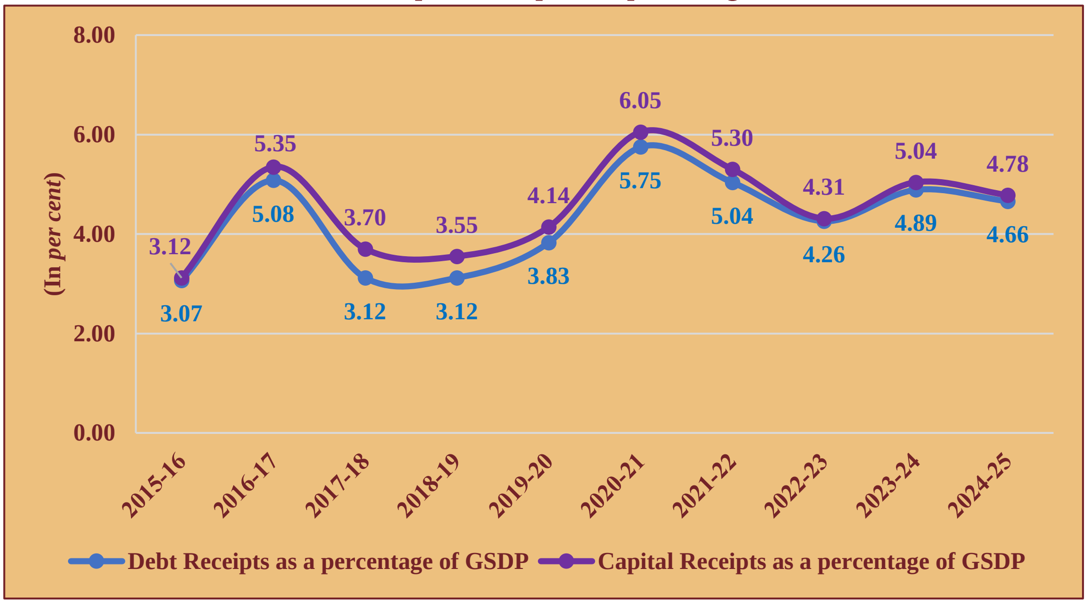
(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Capital Receipts	**36,751**	**69,692**	**54,196**	**57,849**	**72,159**	**1,08,112**	**1,09,840**	**1,02,181**	**1,35,633**	**1,49,062**
Miscellaneous Capital Receipts	-	1	2	-	-	-	-	42	12	43
Recovery of Loans and Advances	684	3,548	8,472	6,913	5,384	5,245	5,355	1,078	4,024	3,816
Public Debt Receipts	**36,067**	**66,143**	**45,722**	**50,936**	**66,775**	**1,02,867**	**1,04,485**	**1,01,061**	**1,31,597**	**1,45,203**
Internal Debt	34,696	64,283	42,969	45,596	64,785	91,997	90,843	90,806	1,16,602	1,28,163
Loans and Advances from GoI	1,371	1,860	2,753	5,340	1,990	10,870	13,642	10,255	14,995	17,040
Year-on Year growth rates (in *per cent*)										
GSDP	*9.68*	*10.72*	*12.47*	*11.27*	*6.93*	*2.58*	*15.91*	*14.47*	*13.34*	*15.98*
Capital Receipts	*13.26*	*89.63*	*(-) 22.23*	*6.74*	*24.74*	*49.82*	*1.60*	*(-) 6.97*	*32.74*	*9.90*
Public Debt Receipts	*16.05*	*83.39*	*(-) 30.87*	*11.40*	*31.10*	*54.05*	*1.57*	*(-) 3.28*	*30.22*	*10.34*
Internal debt	*17.36*	*85.27*	*(-) 33.16*	*6.11*	*42.08*	*42.00*	*(-) 1.25*	*(-) 0.04*	*28.41*	*9.91*
Loans and Advances from GoI	*(-) 9.62*	*35.67*	*48.01*	*93.97*	*(-) 62.73*	*446.23*	*25.50*	*(-) 24.83*	*46.22*	*13.64*

(Source: Finance Accounts of respective years)

Capital receipts as a percentage of GSDP is depicted in **Chart 1.16**

Chart: 1.16 Capital Receipts as a percentage of GSDP



(Source: Finance Accounts of respective years and MoSPI data for GSDP)

During 2024-25, the State's capital receipts increased by ₹13,429 crore (9.90 *per cent*) over the previous year. This increase was largely driven by Public Debt Receipts, indicating a continued and growing reliance on public borrowings to finance capital requirements as well as other expenditure obligations.

The increasing dependence on public debt receipts points to a structural imbalance in the composition of capital receipts and has significant implications for fiscal sustainability. Higher borrowings add to the State's committed liabilities, particularly in the form of interest payments, which may constrain fiscal space in the medium to long term and limit the Government's capacity to allocate resources towards developmental and priority sectors.

1.2.3 Finance Commission Projections and Actuals

The projected revenue, deficits and GSDP by the XV FC and actuals for the financial year 2020-21 to 2024-25 are given in the **Table 1.13.**

Table 1.13: XV FC Projection *vis-à-vis* actuals

(₹ in crore)

	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
GSDP (2011-12 Series - Current Prices)	19,87,311	17,88,074	19,79,856	20,72,496	22,07,540	23,72,469	24,72,444	26,88,963	27,80,264	31,18,590
Own Revenue Receipts	1,57,163	1,16,575	1,45,947	1,34,983	1,66,890	1,67,284	1,91,887	193,182	2,21,714	2,13,828
State's Own Tax Revenue	1,42,588	1,06,153	1,28,351	1,22,866	1,47,068	1,50,223	1,69,449	1,67,278	1,96,203	1,80,225
State's Own Non-Tax Revenue	14,575	10,422	17,596	12,117	19,822	17,061	22,438	25,904	25,511	33,603
State's share in Union Taxes/ Duties	35,823	24,925	26,864	37,458	29,884	38,731	33,627	46,072	38,203	52,492

(₹ in crore)

	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
Revenue Deficit (RD) / Surplus (RS) as percentage of GSDP RD (+) / RS (-)	*0.00*	*3.49*	*0.00*	*2.25*	*(-) 0.53*	*1.53*	*(-) 1.13*	*1.68*	*(-) 1.74*	*1.47*
Fiscal Deficit (FD) as percentage of GSDP[6]	*4.50*	*5.26*	*4.00*	*3.95*	*3.50*	*3.45*	*3.00*	*3.36*	*3.00*	*3.25*

(Source: XV FC Report, MoSPI and Finance Accounts)

From **Table 1.13**, it may be seen that though the XV FC projected the State to achieve a revenue surplus from the year 2022-23 onwards, the State continued to experience revenue deficit, despite the increase in GSDP.

1.2.4 Expenditure

Government expenditure is classified into revenue expenditure, capital expenditure, and loans and advances. Revenue expenditure includes costs for maintenance, repairs, and day-to-day functioning of departments, including administrative and establishment expenses. Capital expenditure relates to the initial construction of projects and sanctioned improvements or additions to assets. Loans and advances comprise funds provided by the government to Public Sector Undertakings and other entities, which are recoverable over time. Details of expenditure, total expenditure as percentage of GSDP and share of its components is given in **Table 1.14, Chart 1.17** and **Chart 1.18** respectively.

Table 1.14: Total expenditure and its compositions

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	**1,62,319**	**1,99,951**	**1,94,594**	**2,27,989**	**2,40,089**	**2,73,305**	**2,94,682**	**3,26,755**	**3,59,063**	**3,88,032**
Revenue Expenditure (RE)	1,40,993	1,53,195	1,67,874	1,97,200	2,10,435	2,36,402	2,54,030	2,79,964	3,09,718	3,28,669
Capital Expenditure (CE)	18,995	20,709	20,203	24,311	25,632	33,068	37,011	39,530	40,500	47,108
Loans and Advances	2,331	26,047	6,517	6,478	4,022	3,835	3,641	7,261	8,845	11,905
Appropriation to contingency fund	0	0	0	0	0	0	0	0	0	350

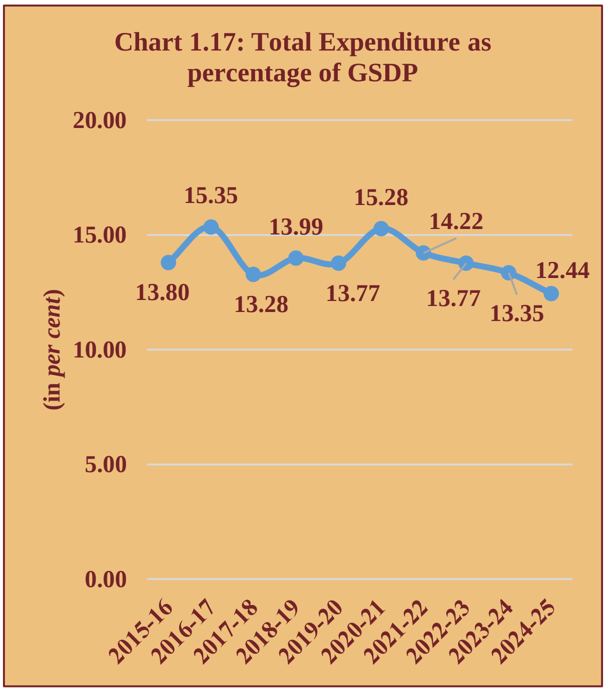
(Source: Finance Accounts)

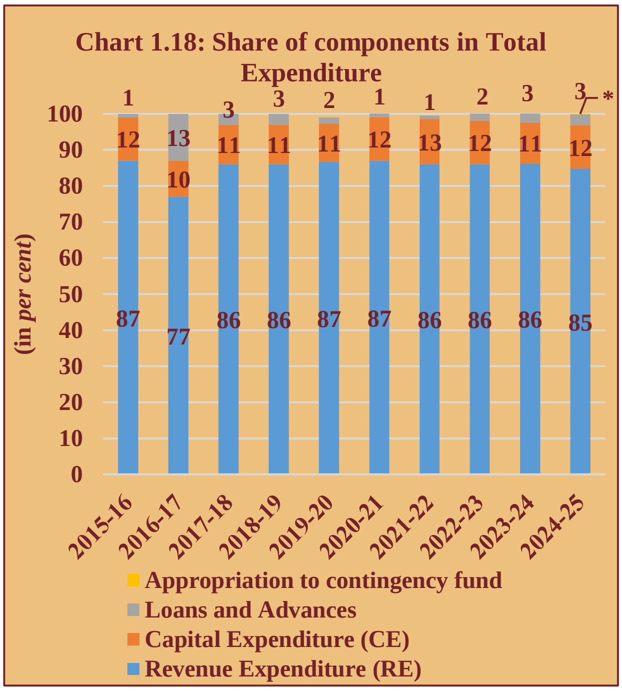
The State's revenue expenditure continued to increase over the years and remained the dominant component of total expenditure. Over the last decade, revenue expenditure increased by 133 *per cent*. However, its growth moderated to 6.12 *per cent* in 2024-25 from 10.63 *per cent* in 2023-24.

Capital Expenditure (including loans and advances) of the State recorded significant decadal growth and increased by 16.32 *per cent* in 2024-25 as compared to 2023-24. However, its ratio to Total Expenditure remained lower than that of all States (excluding UTs) during 2015-16 to 2024-25, except in 2016-17 and 2020-21. The share of Capital Expenditure (including loans and advances) in Total Expenditure

[6] As per Net Borrowing Ceiling (NBC) fixed by the Department of Expenditure (DoE) for the respective years.

stood at 15.21 *per cent* in 2024-25, compared to 16.59 *per cent* for all States (excluding UTs).





(Share of Appropriation to contingency fund in total expenditure during 2024-25 stood at 0.09 per cent)*

(Source: Finance Accounts)

Out of the total expenditure of ₹3,88,032.21 crore incurred by the State during 2024-25, an amount of ₹3,321.81 crore pertained to pass-through transactions relating to Finance Commission grants. Of this, ₹1,478.50 crore was disbursed as grants to Panchayati Raj Institutions, ₹972.91 crore to Urban Local Bodies, and ₹870.40 crore to the Health Sector.

Sector-wise Total Expenditure

Sector-wise composition of expenditure is given in **Table 1.15** and relative share of various sectors in total expenditure is depicted in **Chart 1.19.**

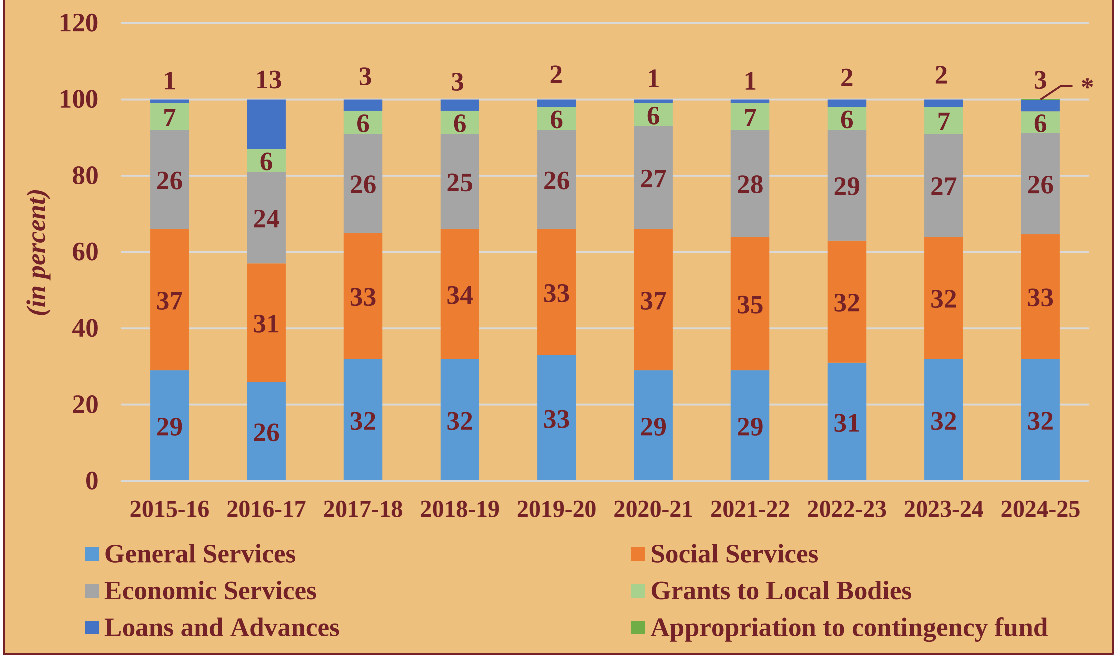
Table 1.15: Sector-wise total expenditure

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	46,566	52,202	61,298	73,308	79,202	79,929	85,674	1,00,138	1,14,286	1,24,370
Social Services	60,466	61,338	64,521	77,198	79,859	1,00,636	1,03,734	1,03,291	1,15,643	1,26,651
Economic Services	42,224	47,898	50,787	56,126	61,318	73,108	82,144	96,139	96,725	1,02,684
Grants to Local Bodies	10,732	12,466	11,471	14,879	15,688	15,796	19,489	19,926	23,564	22,072
Loans and Advances	2,331	26,046	6,517	6,478	4,022	3,835	3,641	7,261	8,845	11,905
Appropriation to contingency fund	-	-	-	-	-	-	-	-	-	350

(Source: Finance Accounts)

Chart 1.19: Relative share of various sectors in Total expenditure



*Appropriation to contingency fund 0.09 *per cent*

(Source: Finance Accounts of respective years)

In 2024-25, the State incurred a total expenditure of ₹3,88,032 crore, of which the General, Social and Economic Sectors accounted for 32.05 *per cent*, 32.64 *per cent* and 26.46 *per cent* respectively. As can be seen from the sector-wise expenditure pattern depicted in **Chart 1.19,** the State prioritised Social Services and General Services over Economic Services during 2015-16 to 2024-25.

Over the decade, a significant increase in expenditure under the Social Services sector was observed, particularly in Health and Family Welfare (from ₹7,765 crore to ₹18,417 crore), Education, Sports, Art and Culture (from ₹25,016 crore to ₹45,263 crore), and Social Welfare and Nutrition (from ₹15,348 crore to ₹34,727 crore). Audit however observed that, compared to all States (excluding UTs) except in 2015-16, the share of Social Services in the State's total expenditure is consistently lower during the period. In 2024-25, the share stood at 32.64 *per cent* for the State as against 39.00 *per cent* for all States (excluding UTs).

The share of General Services in the State's total expenditure during 2024-25 was 32.05 *per cent*, which was higher than the corresponding all-States (excluding UTs) average of 29.79 *per cent*.

The share of Economic Services in total expenditure increased steadily during 2015-16 to 2024-25. Under it, Substantial increases were observed in Energy (from ₹3,920 crore to ₹24,637 crore), Agriculture and Allied Activities (from ₹7,825 crore to ₹19,248 crore) and Civil Supplies (from ₹5,425 crore to ₹11,515 crore). However, expenditure under Rural Development declined from ₹7,359 crore to ₹5,609 crore. Further, Audit observed that share of Economic Services in total expenditure remained lower than that of all States (excluding UTs) except 2022-23 during the decade and stood at 26.46 *per cent* compared to 28.68 *per cent* for all States (excluding UTs) during 2024-25.

The share of loans and advances in the State's Total Expenditure during 2024-25 was 3.07 *per cent*, which was significantly higher than the corresponding all-States average of 1.45 *per cent*.

An overall analysis indicates a greater emphasis on welfare and administrative needs over growth-oriented investment, reflecting the State's prioritisation of administrative functions and social welfare programmes.

1.2.4.1 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Growth of revenue expenditure, its ratio to total expenditure, GSDP and revenue receipts are shown in **Table 1.16.**

Table 1.16: Revenue Expenditure – Basic Parameters

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	1,62,319	1,99,951	1,94,594	2,27,989	2,40,089	2,73,305	2,94,682	3,26,755	3,59,063	3,88,032
Revenue Expenditure (RE)	1,40,993	1,53,195	1,67,874	1,97,200	2,10,435	2,36,402	2,54,030	2,79,964	3,09,718	3,28,669
RE as percentage of Revenue Receipts	*109.29*	*109.24*	*114.76*	*113.50*	*120.58*	*135.80*	*122.43*	*114.86*	*117.05*	*116.21*
RE as percentage of TE	*86.86*	*76.62*	*86.27*	*86.50*	*87.65*	*86.50*	*86.21*	*85.68*	*86.26*	*84.70*
RE/GSDP (*per cent*)	*11.98*	*11.76*	*11.46*	*12.10*	*12.07*	*13.22*	*12.26*	*11.80*	*11.52*	*10.54*
Year-on-year growth (in *per cent*)										
Revenue Expenditure	*9.44*	*8.65*	*9.58*	*17.47*	*6.71*	*12.34*	*7.46*	*10.21*	*10.63*	*6.12*
GSDP Growth rate	*9.68*	*10.72*	*12.47*	*11.27*	*6.93*	*2.58*	*15.91*	*14.47*	*13.34*	*15.98*

(Source: Finance Accounts of respective years and MoSPI data for GSDP)

The ratio of revenue expenditure to revenue receipts remaining well above 100 *per cent* indicates that the state's routine expenditure consistently exceeded its revenue receipts. Persistent excess of revenue expenditure over revenue receipts reduces fiscal flexibility and heightens the risk of long-term debt accumulation.

Further, the ratio of revenue expenditure to total expenditure also remained very high ranging between 76.62 *per cent* to 87.65 *per cent* during the decade.

The share of revenue expenditure in total expenditure was higher than that of all States (excluding UTs) in most years, except 2016-17 and 2020-21 and stood at 84.70 *per cent* in 2024-25, broadly in line with the all-States average (excluding UTs) of 83.41 *per cent*.

Committed expenditure, comprising salaries, pensions, and interest payments, accounted for a substantial share of revenue expenditure and constituted 53.75 *per cent* during the year.

A. Sector-wise Revenue Expenditure

Sector-wise composition of Revenue expenditure is given in **Table 1.17** and relative share of various sectors in Revenue expenditure is depicted in **Chart 1.20**. Detailed Sector-wise expenditure is given in ***Appendix 1.2.***

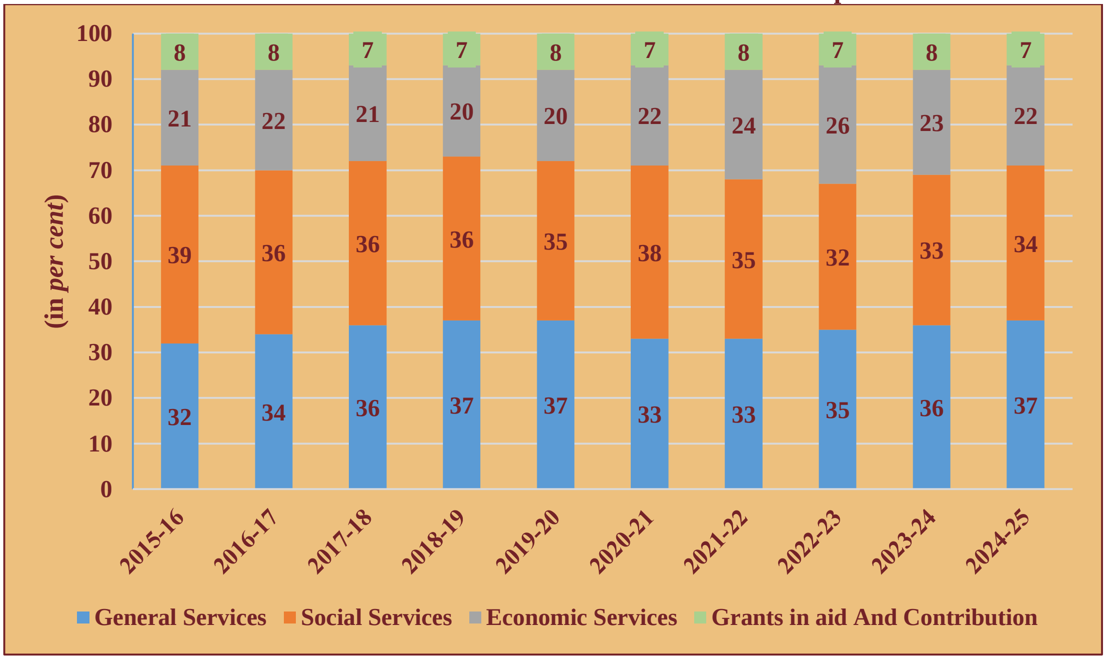
Table 1.17: Sector-wise Revenue Expenditure

(₹ in crore)

Revenue	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	45,512	51,452	60,451	72,450	78,138	78,993	84,894	99,097	1,13,336	1,23,333
Social Services	54,806	55,297	59,790	70,202	73,999	89,805	88,749	88,967	1,01,245	1,10,426
Economic Services	29,943	33,980	36,162	39,669	42,610	51,808	60,898	71,974	71,573	72,838
Grants in aid And Contribution	10,732	12,466	11,471	14,879	15,688	15,796	19,489	19,926	23,564	22,072

(Source: Finance Accounts)

Chart: 1.20: Relative share of various sectors in Revenue expenditure



(Source: Finance Accounts of respective years)

B. Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages; and pensions. These expenditure has first charge on Government resources. The components of committed expenditure is given in **Table 1.18** and committed expenditure as a percentage of revenue receipts and remaining fiscal space for other expenditure is given in **Chart 1.21.**

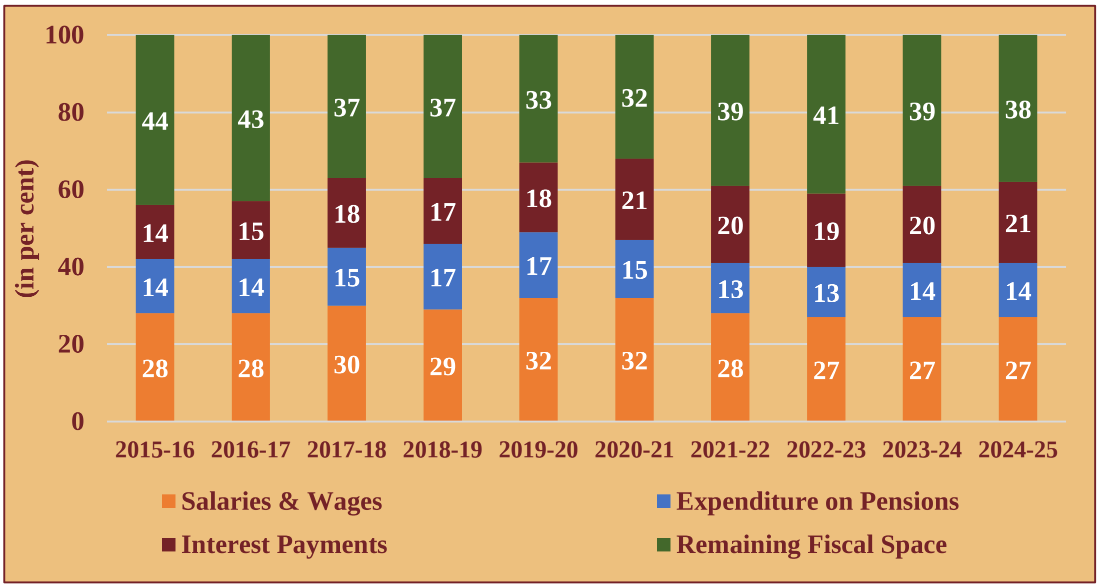
Table 1.18: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Salaries & Wages[7]	36,376	39,246	43,959	51,187	55,637	55,360	58,709	66,218	72,092	76,116
Expenditure on Pensions	18,246	19,973	22,360	29,630	30,202	27,115	26,250	32,177	37,697	40,651
Interest Payments	17,391	20,533	26,012	28,757	31,980	36,497	41,564	46,911	53,566	59,909
Total	**72,013**	**79,752**	**92,331**	**1,09,574**	**1,17,819**	**1,18,972**	**1,26,523**	**1,45,306**	**1,63,355**	**1,76,676**
Committed Expenditure as a percentage of Revenue Expenditure	*51.08*	*52.06*	*55.00*	*55.56*	*55.99*	*50.33*	*49.81*	*51.90*	*52.74*	*53.75*

(Source: Finance Accounts of respective years)

Chart 1.21: Committed Expenditure as a percentage of Revenue receipts and remaining fiscal space



(Source: Finance Accounts)

From **Chart 1.21**, it could be seen that the percentage of the fiscal space available in revenue receipts after meeting the committed expenditure had been fluctuating from 44 *per cent* to 32 *per cent* during the period 2015-16 to 2024-25. Committed expenditure grew by 8.15 *per cent* over the previous year consuming a growing share of revenue receipts leaving lesser space for development sector during the year.

Further, audit observed that committed expenditure as a percentage of revenue expenditure has been on an increasing trend over the last four years and accounted for 53.75 *per cent* of revenue expenditure during the year. Salaries and wages, which constituted the major component of committed expenditure, increased by 5.58 *per cent* during the year. Interest payments which was attributable to the repayment of public debt, also exhibited an upward trend during the last two years and increased by 11.84 *per cent* during the year. While the all-States average (excluding UTs) for interest payments stood at 12.83 *per cent* of total revenue expenditure, the State's

[7] Includes Salary Grants: 2015-16 (₹5,712 crore), 2016-17 (₹6,088 crore), 2017-18 (₹6,819 crore), 2018-19 (₹7,792 crore), 2019-20 (₹8,190 crore), 2020-21 (₹8,027 crore), 2021-22 (₹8,416 crore), 2022-23 (₹9,248 crore), 2023-24 (₹9,922 crore) and 2024-25 (₹10,216 crore).

corresponding share was significantly higher at 18.23 *per cent*, reflecting an increasing debt burden.

C. Subsidies

Subsidies formed 13.56 *per cent* of the Total Expenditure. Department-wise major subsidies for FYs 2015-16 to 2024-25, are shown in **Table 1.19.**

Table 1.19: Department-wise subsidies during FYs 2015-16 to 2024-25

(₹ in crore)

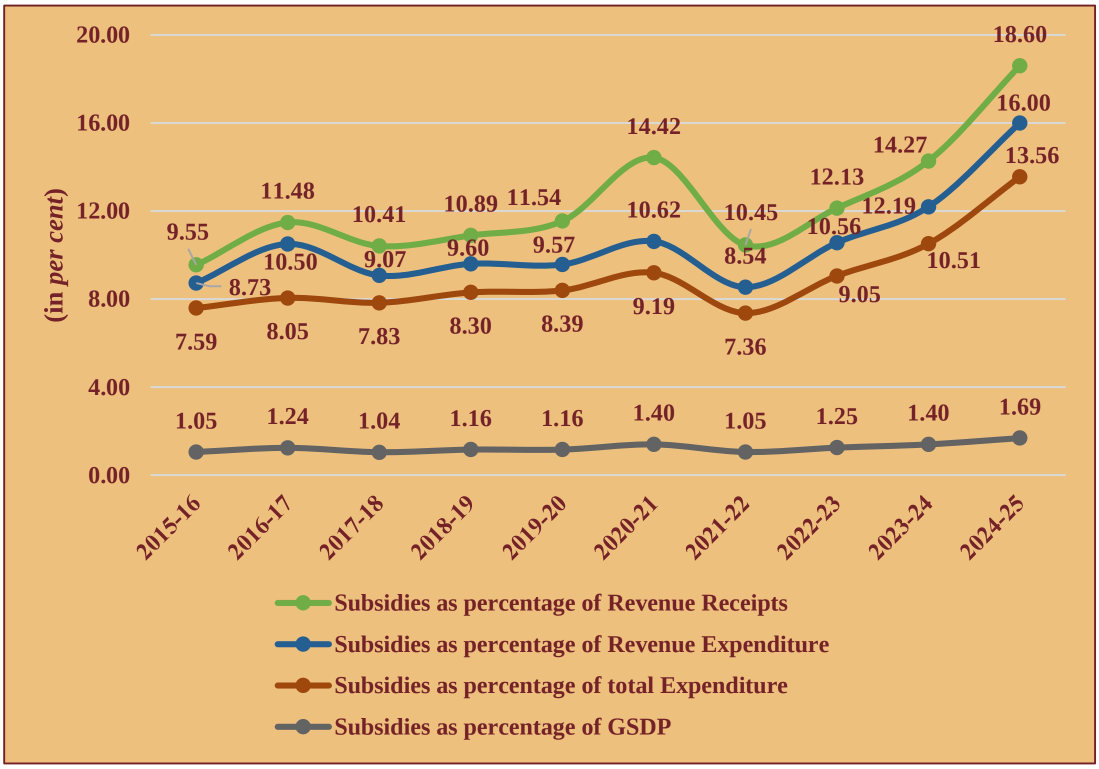
Sl. No.	Departments	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	Department of Special Programme Implementation	0	0	0	0	0	0	0	0	7,937	14,046
2	Food And Consumer Protection (Co-operation, Food and Consumer Protection Department)	5,300	5,500	6,000	7,989	8,363	9,604	9,324	13,578	11,412	11,794
3	Agriculture And Farmer's Welfare Department	806	842	1,232	1,904	1,976	2,752	1,706	2,112	2,823	9,404
4	Energy Department	2,902	4291	3,640	3,094	3,382	3,533	3,463	5,261	6,922	7,516
5	Transport Department	480	509	565	798	1,321	3,436	2,522	4,118	4,524	4,893
6	Handlooms And Textiles (Handlooms, Handicrafts, Textiles and Khadi Department)	888	951	991	981	993	1,197	1,190	1,372	1,300	1,333
7	Micro, Small And Medium Enterprises Department	209	205	262	466	330	396	499	444	941	1,087
8	Industries, Investment Promotion And Commerce Department	1,009	1,608	1,600	2,057	2,588	1,428	1,670	1,529	511	1,002
9	Co-Operation (Co-operation , Food and Consumer Protection Department)	225	225	438	461	479	401	602	500	508	638
10	Fisheries And Fishermen Welfare (Animal Husbandry, Dairying, Fisheries and Fishermen Welfare Department)	83	77	155	126	136	180	196	404	258	395
11	Rural Development And Panchayat Raj Department	0	0	203	329	305	384	0	0	0	377
12	Others Departments[8]	413	1,884	144	717	271	1,799	517	241	613	118
Total Subsidy		**12,315**	**16,092**	**15,230**	**18,922**	**20,144**	**25,110**	**21,689**	**29,559**	**37,749**	**52,603**

(Source: Finance Accounts of respective years)

[8] *Other Departments include i. Khadi, Village Industries & Handicrafts (Handlooms, Handicrafts, Textiles and Khadi Department), ii. Animal Husbandry (Animal Husbandry, Dairying, Fisheries and Fishermen Welfare Department), iii. Backward Classes, Most Backward Classes & Minorities Welfare Department, iv. Police (Home, Prohibition and Excise Department), v. Prohibition & Excise (Home, Prohibition and Excise Department), vi. Public Department, vii. Relief on Account of Natural Calamities, viii. Adi-Dravidar & Tribal Welfare Department, ix. Tourism – Art & Culture (Tourism, Culture and Religious Endowments Department), x. Fire and Rescue Services (Home, Prohibition and Excise Department), xi. Prisons & Correctional Services (Home, Prohibition and Excise Department) xii. Department for the Welfare of Differently Abled Persons, xiii. Public Department, xiv. Finance Department, xv. Housing and Urban Development Department and xvi. Forest (Environment, Climate change and Forest Department).*

During 2024-25, subsidies increased by ₹14,854 crore (39.35 *per cent*) over the previous year, mainly due to a subsidy of ₹6,916 crore extended to the Tamil Nadu Electricity Board on behalf of farmers using farm pump sets (Agriculture Department) and an increase of ₹5,854 crore under the Magalir Urimai Thogai Scheme (Department of Special Programme Implementation). Audit scrutiny revealed that the subsidy to Tamil Nadu Electricity Board (TNEB) for farm pump sets was classified as a subsidy in 2024-25 only, whereas it had been booked as Grants-in-Aid in earlier years. The increase in expenditure under the Magalir Urimai Thogai Scheme was largely attributable to its launch in mid-September 2023, as expenditure in the previous year covered only six months of implementation.

Chart 1.22: Trend analysis of subsidies



(Source: Finance Accounts and MoSPI data for GSDP)

During the year, subsidies constituted 10.08 *per cent* of total revenue expenditure at the all-States average level (excluding UTs), while the corresponding share in the State was significantly higher at 16.00 *per cent*. This elevated subsidy burden constraints fiscal space for developmental spending and may adversely impact fiscal sustainability over the long term.

D. Financial assistance by the State Government to Local Bodies and Other Institutions

Assistance provided by way of grants to the Local Bodies and other institutions during the period 2015-16 to 2024-25 is presented in **Table 1.20 (a).**

Table 1.20 (a): Financial assistance to Local Bodies and other Institutions

(₹ in crore)

Institutions	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
(A) Local Bodies										
Municipal Corporations and Municipalities (a)	2,872	3,617	3,209	4,161	4,446	4,370	5,039	6,795	7,688	7,905
GIA for creation of Capital assets to Municipal Corporations and Municipalities	**2,281**	**2,576**	**2,717**	**3,182**	**3,214**	**2,842**	**3,161**	**2,383**	**369**	**710**
Zilla parishads and other Panchayati Raj Institutions (b)	6,645	7,599	5,702	7,731	7,756	8,425	10,691	9,420	12,270	10,853
GIA for creation of Capital assets to PRIs	**5,160**	**5,704**	**4,746**	**5,631**	**5,434**	**4,975**	**5,792**	**6,649**	**6,399**	**7,101**
Total (A) (a+b)	**9,517**	**11,216**	**8,911**	**11,892**	**12,203**	**12,795**	**15,730**	**16,215**	**19,958**	**18,757**
(B) Others										
Other Institutions	25,196	28,178	31,720	35,934	38,401	57,884	66,856	62,788	63,489	53,974
Total (A+B)	**34,713**	**39,394**	**40,631**	**47,826**	**50,604**	**70,679**	**82,586**	**79,003**	**83,447**	**72,731**
Total GIA for creation of Capital assets	**9,640**	**10,223**	**12,124**	**14,831**	**13,832**	**15,238**	**14,967**	**15,544**	**12,493**	**12,250**
Revenue Expenditure	1,40,993	1,53,195	1,67,874	1,97,201	2,10,435	2,36,402	2,54,030	2,79,964	3,09,718	3,28,669
Assistance as percentage of Revenue Expenditure	*24.62*	*25.71*	*24.20*	*24.25*	*24.05*	*29.90*	*32.51*	*28.22*	*26.94*	*22.13*

(Source: Finance Accounts of respective years)

During the year, financial assistance to the Local Bodies and other institutions decreased by ₹10,716 crore (12.84 *per cent*) over the previous year. This was mainly due to decrease in assistance to Zilla Parishads and other PRIs by ₹1,417 crore (11.55 *per cent)* and financial assistance to other institutions by ₹ 9,515 crore (14.99 *per cent*). The overall quantum of financial assistance to the local bodies and other institutions as a percentage to revenue expenditure decreased to 22.13 *per cent* during the current year from 26.94 *per cent* of the previous year.

State Finance Commission

In exercise of the powers conferred by Sub – section (1) of Section 198 of the Tamil Nadu Panchayats Act (Tamil Nadu Act 21 of 1994), the Governor of Tamil Nadu constituted a Finance Commission referred to in Article 243-I of the Constitution of India.

The First State Finance Commission (SFC) was constituted in 1994. Presently, the State is in the third year of the sixth SFC for the award period 2022-23 to 2027-28.

The status of the sixth SFC recommendation for the award period 2022-23 to 2027-28 is given in **Table 1.20 (b).**

Table 1.20 (b): Status of Sixth SFC recommendation

SFC Period	Total No. of Recommendations	Accepted by the Government	Deferred	Not Accepted	Partially Accepted with modification
2022-23 to 2027-28	280	235	4	16	25

(Source: Departmental information)

Audit observed that the funds recommended by the Sixth SFC and accepted by the State Government for Local Bodies were fully released during the first three years of the award period (2022-23 to 2024-25) as detailed in **Table 1.20(c)**.

Table 1.20 (c): Details of grants due and released to Local Bodies during the first three years of the Sixth FC award period 2022-23 to 2024-25

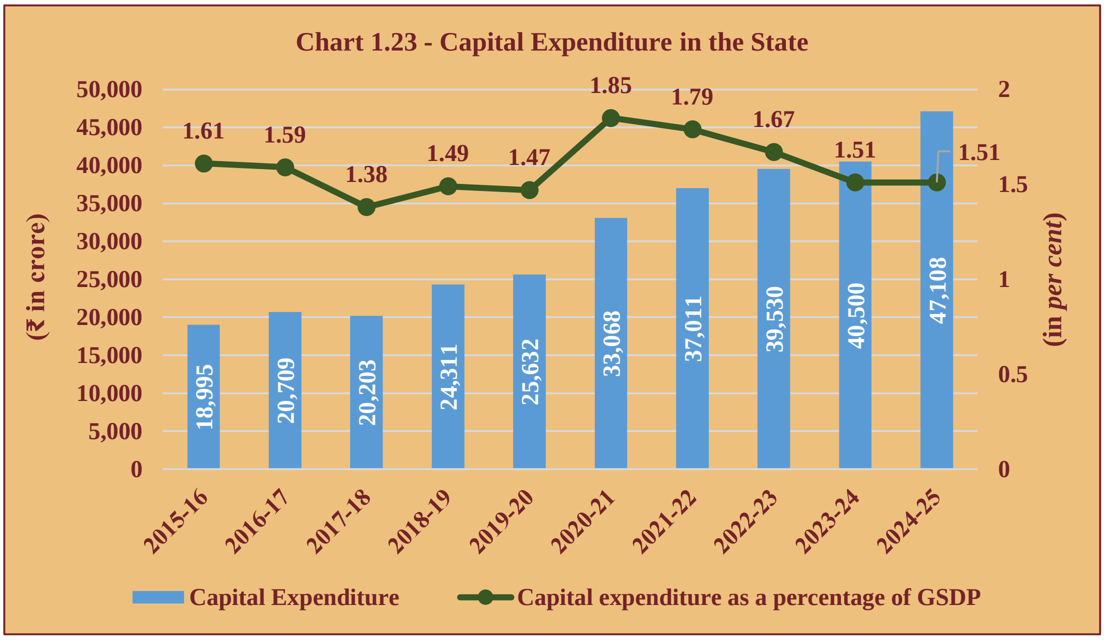
(₹ in crore)

Year	Funds recommended by Sixth SFC and as accepted by State for Local Bodies			Actual release by State Government			Short release (-) / Excess (+)
	RLB	ULB	Total	RLB	ULB	Total	
2022-23	7,985.46	2,821.99	10,807.45	7,985.46	2,821.99	10,807.45	-
2023-24	6,217.60	3,000.34	9,217.94	6,217.60	3,000.34	9,217.94	-
2024-25	6,902.60	3,196.29	10,098.89	6,902.60	3,196.29	10,098.89	-

(Source: Departmental information)

1.2.4.2 Capital Expenditure

Capital expenditure (excluding loans and advances) is primarily expenditure on creation of fixed infrastructure assets, such as roads and buildings. Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/off-budget borrowings. It also includes investments made by the State Government in Companies/Corporations. Trend of capital expenditure in the State over the last 10 years is given in **Chart 1.23**



(Source: Finance Accounts and Annual Financial Statements of respective years)

As can be seen from the ratio of capital expenditure to GSDP fluctuated up to 2020-21, exhibited a declining trend up to 2023-24 and remained at the same level in 2024-25.

Audit observed that the share of capital expenditure in total expenditure also fluctuated over the last decade. While the share stood at 11.70 *per cent* in 2015-16, it remained relatively stable during the period from 2016-17 to 2019-20, ranging between 10.36 *per cent* and 10.68 *per cent*. During 2020-21 to 2024-25, the share of capital expenditure ranged between 11.28 *per cent* and 12.56 *per cent*.

In addition to capital expenditure of ₹47,107.95 crore incurred during the year, the State Government also transferred ₹12,249.93 crore as Grants-in-Aid for the creation of capital assets to local bodies and other institutions. However, Grants-in-Aid for the creation of capital assets declined by 1.94 *per cent* as compared to the previous year.

Further, capital expenditure constituted only 32.44 *per cent* of Public Debt Receipts, indicating that a relatively limited proportion of borrowings were translated into infrastructure and capital asset creation.

A. Sector-wise Capital Expenditure

Sector-wise composition of Capital expenditure is given in **Table 1.21**. Detailed Sector-wise expenditure is given in ***Appendix 1.2*.**

Table 1.21: Sector-wise Capital expenditure

(₹ in crore)

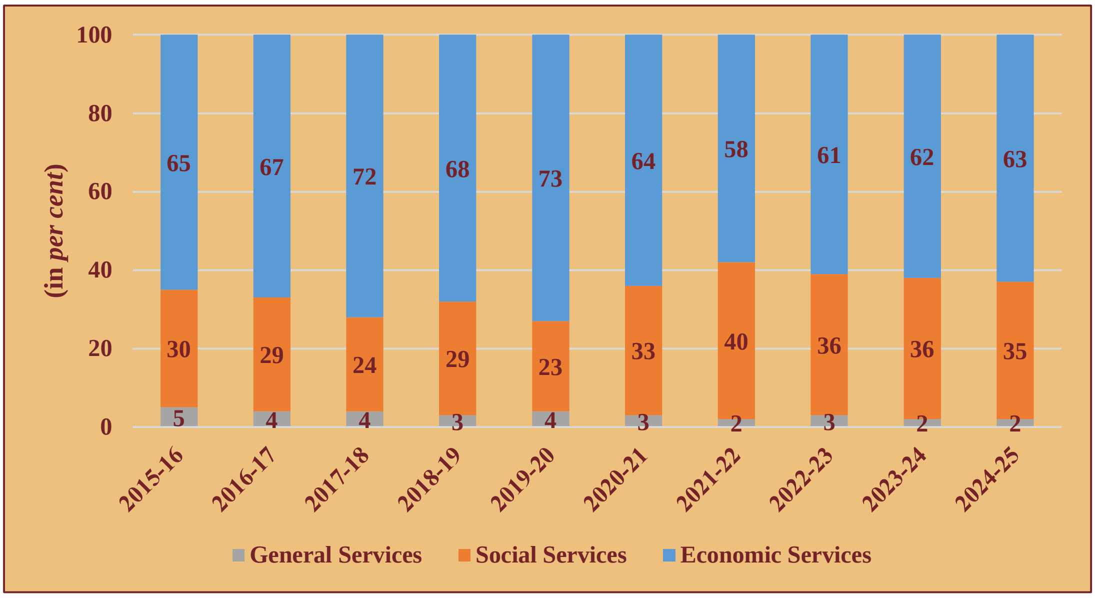
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	1,054	750	847	858	1,064	937	780	1,041	950	1,037
Social Services	5,660	6,041	4,731	6,996	5,860	10,831	14,985	14,324	14,398	16,224
Economic Services	12,281	13,918	14,625	16,457	18,708	21,300	21,246	24,165	25,152	29,847

(Source: Finance Accounts)

Audit observed that out of the total expenditure of ₹3,88,032 crore in 2024-25, capital expenditure (excluding Loans and Advances) amounted to ₹47,108 crore. Sector wise allocation of Capital Expenditure revealed that major contribution was towards Economic Sector (29.41 *per cent*) and Social Sector (12.81 *per cent*), indicating that capital was primarily directed towards infrastructure-related activities such as industry and trade. This expenditure pattern aligned with the State's growth profile, as the Tertiary Sector, the largest contributor to GSDP, grew by 17.45 *per cent* during the year, while the Secondary Sector also recorded robust growth of 17.72 *per cent*.

Trend of relative share of various sectors in capital expenditure over the last 10 years is given in **Chart 1.24.**

Chart 1.24: Relative share of various sectors in Capital expenditure



(Source: Finance Accounts)

B. Quality of investments in the companies, corporations and other bodies

As of 31 March 2025, the State Government's investment in companies, corporations and other bodies stood at ₹61,734.90 crore, comprising Government Companies (₹61,231.53 crore), Co-operative Institutions (₹498.85 crore), Statutory Corporations (₹3.81 crore) and Joint Stock Companies (₹0.71 crore).

Trends of investment at the end of the year in companies, corporations, co-operative institutions and other bodies, and return on these investment is depicted in **Chart 1.25**. Rate of return on investment made vis-à-vis average rate of interest on Government borrowing is depicted in **Chart 1.26.**

Chart 1.25: Investment and Return

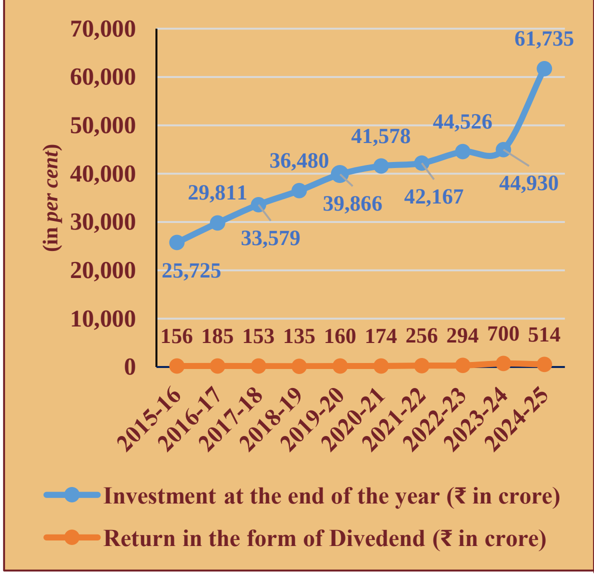
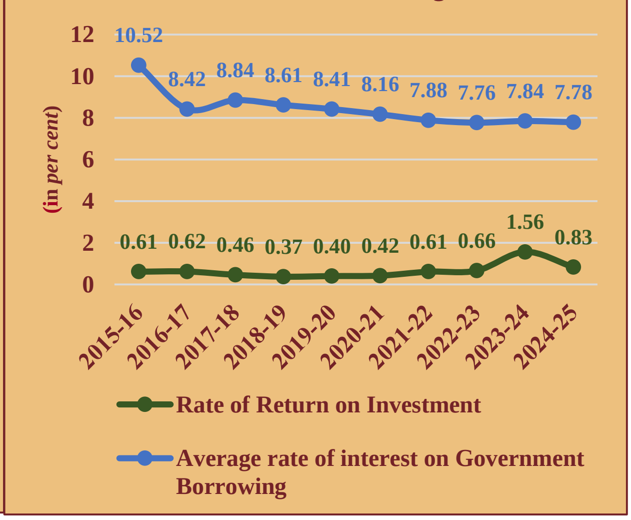


Chart 1.26: Rate of return on investment vis-a-vis average rate of interest on Government borrowings



(Source: Finance Accounts of respective years)

During 2024-25, the return on investment[9] was ₹514 crore (0.83 *per cent*) against the total investment of ₹61,734.90 crore made by the Government in Government companies, Co-operative institutions, Statutory Corporations and Joint Stock Companies as of March 2025. The rate of return on such investments ranged between 0.37 *per cent* and 1.56 *per cent* during the period from 2015-16 to 2024-25. In contrast, the average rate of interest paid by the State Government on its borrowings during the same period ranged between 7.76 *per cent* and 10.52 *per cent*. The consistently low returns on the Government's substantial equity investments indicate sub-optimal utilisation of public funds and constraints the Government's ability to augment its revenue.

Further, audit observed that during the year the Government made fresh investments amounting to ₹42,393.15 crore in 13 companies. Of this, ₹38,664.32 crore was invested in loss making companies *viz.*, Tamil Nadu Electricity Board (₹26,378.11 crore), Tamil Nadu Power Distribution Corporation Limited (erstwhile TANGEDCO) (₹11,393.88 crore) and seven[10] State Transport Corporations (₹892.33 crore). Only ₹497.20 crore was invested in profit making companies *viz.*, Tamil Nadu Transport Development Finance Corporation Limited (₹372.06 crore), Tamil Nadu Industrial Development Corporation Limited (₹100 crore) and Tamil Nade Small Industries Development Corporation Limited (₹25.14 crore). The remaining fresh investment of ₹3231.63 crore pertained to Chennai Metro Rail Limited (CMRL).

Dividend Policy of the Government

A well-defined dividend policy mandating a minimum return from profit- making enterprises, enables the State Government to optimise its returns from investments in State Public Sector Enterprises (SPSEs) and enhances monitoring of the SPSEs financial performance. As per a common dividend policy formulated (May 2014) and guidelines issued (March 2015) by the Government, all Public Sector Undertakings (PSUs) shall declare a dividend @ 30 per cent net profit (after tax) or 30 *per cent* of paid-up share capital, whichever is higher, subject to the availability of disposable profits. The Government had also requested (October 2025) the PSUs to consider declaring at least 90 *per cent* of the annual dividend as interim dividend, after factoring in reserves, capital expenditure and business needs, subject to availability of disposal profits.

The Government stated that, out of total dividend of ₹513.53 crore during the year, ₹390.55 crore pertains to the interim dividend received from PSUs during the year which was 35 *per cent* higher than the interim dividend of ₹289.90 crore received in the previous year. Further, there was a difference of ₹3.19 crore dividend declared by the Government and booked in the accounts during the year 2024-25 as observed from the Finance Account. The reason for difference was stated as under reconciliation.

C. Loans and advances by State Government

In addition to the investments in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to many

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9 Based on historical cost and not on net present value basis.

10 Tamil Nadu State Transport Corporation Ltd., (Coimbatore, Kumbakonam, Madurai, Salem, Tirunelveli, Villupuram) and State Express Transport Corporation Tamil Nadu Ltd.,

institutions/organisations. **Table 1.22** presents the position of outstanding loans and advances as on 31 March 2025 and interest receipts vis-à-vis interest payments by the State Government on its borrowings during the last ten years.

Table 1.22: Quantum of loans disbursed and recovered during 2015-16 to 2024-25

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening balance of loans outstanding	19,604	21,251	43,749	41,794	41,359	39,997	38,587	36,872	43,055	47,876
Amount advanced during the year	2,331	26,046	6,517	6,478	4,022	3,835	3,640	7,261	8,845	11,905
Amount repaid during the year	684	3,548	8,472	6,913	5,384	5,245	5,355	1,078	4,024	3,816
Closing balance of the loans outstanding	21,251	43,749	41,794	41,359	39,997	38,587	36,872	43,055	47,876	55,965
Net increase (+)/ decrease (-)	1,647	22,498	(-) 1,955	(-) 435	(-) 1,362	(-) 1,410	(-) 1,715	6,183	4,821	8,089
Interest received	186	1,372	1,484	2,703	4	346	320	372	1,093	2,808
Interest rate on Loans and Advances given by the government (*per cent*)	*0.91*	*4.22*	*3.47*	*6.5*	*0.01*	*0.88*	*0.85*	*0.93*	*2.40*	*5.41*
Average rate of Interest on Government Borrowings (*per cent*)	*10.52*	*8.42*	*8.84*	*8.61*	*8.41*	*8.16*	*7.88*	*7.76*	*7.84*	*7.78*
Difference between the rate of interest received and interest paid (*per cent*)	*(-)9.61*	*(-)4.20*	*(-)5.37*	*(-)2.11*	*(-)8.40*	*(-)7.28*	*(-)7.03*	*(-)6.83*	*(-)5.44*	*(-)2.37*

(Source: Finance Accounts of respective years)

During the year, Loans and Advances disbursed by the Government increased by 3,060 crore (34.60 *per cent*) whereas its recovery declined by ₹208 crore (5.17 *per cent*). Audit observed that, out of the total Loans and Advances disbursed (₹55,965 crore) by the Government to various institutions as of March 2025, fresh loans disbursed (₹11,905 crore) during the year include loans to (i) Chennai Metro Rail Limited (₹8,550 crore) and (ii) Transport Corporations (₹1,360 crore).

Further, at the end of March 2025, repayment of loans by 22 institutions were in arrears amounting to ₹17,327.91 crore (principal: ₹11,159.41 crore and interest ₹6,168.90 crore), of which 81.33 *per cent* of principal (₹9,076.34 crore) and interest (₹5,327.95 crore) relates to eight State Transport Corporations.

Effective measures to recover the outstanding loans would strengthen the Government's fiscal position.

1.3 Contingency Fund

The Contingency Fund of the Government of Tamil Nadu is intended to provide advances for meeting unforeseen expenditure, pending its authorisation by the State Legislature. The fund is recouped once the Legislature approves the additional expenditure. The corpus of the fund has been increased from ₹150 crore to ₹500 crore in 2024-25.

During 2024-25, ₹56.27 crore has been withdrawn from the fund under various budgetary heads and same has been replenished by the end of the FY 2024-25. Thus as on 31 March 2025, the Contingency Fund had a balance of ₹500 crore.

*Details of expenditure made out of the Contingency Fund are discussed in **Paragraph 2.7** of Chapter-II.*

1.4 Public Account

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

1.4.1 Net Public Account balances

The component-wise net balances in Public Account of the State is given in **Table 1.23**.

Table 1.23: Component-wise net Public Account balances as of 31 March of the year 2025

(₹ in crore)

Sector	Sub-Sector	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
I. Small Savings, Provident Funds	Small Savings, Provident Funds, etc.	(-)16,970	(-)19,325	(-)21,660	(-)24,110	(-)26,475	(-)29,352	(-)32,033	(-)33,884	(-)35,199	(-)36,213
J. Reserve Funds	(a) Reserve Funds bearing Interest	0	0	0	0	(-)113	(-)113	(-)113	(-)1,199	(-)134	(-)451
	(b) Reserve Funds not bearing Interest	(-)1,304	(-)1,342	(-)1,877	(-)1,330	(-)2,045	(-)2,031	(-)2,273	(-)2,212	(-)2,932	(-)3,785
K. Deposits and Advances	(a) Deposits bearing Interest	(-)2,902	(-)2,581	(-)4,128	(-)8,008	(-)9,324	(-)8,015	(-)7,644	(-)9,992	(-)9,875	(-)2,233
	(b) Deposits not bearing Interest	(-)7,759	(-)8,107	(-)10,083	(-)13,646	(-)15,235	(-)22,097	(-)26,668	(-)28,411	(-)20,356	(-)16,976
	(c) Advances	9	9	9	8	8	8	8	8	8	8
L. Suspense and Miscellaneous	(b) Suspense	(-)625	(-)134	(-)121	(-)142	(-)283	29	58	132	116	(-)17
	(c) Other Accounts	8,555	11,579	14,619	10,100	3,693	5,841	15,109	14,402	10,461	5,913
	(d) Accounts with Governments of Foreign Countries	1	1	1	1	1	1	1	1	1	1
	(e) Miscellaneous	0	0	0	0	0	0	0	0	(-)5,600	(-)700
M. Remittances	(a) Money Orders, and other Remittances	(-)749	197	199	(-)1	(-)1	0	5	6	6	6
	(b) Inter-Governmental Adjustment Account	5	7	13	5	9	8	9	5	10	4
Total		**(-)21,739**	**(-)19,696**	**(-)23,028**	**(-)37,123**	**(-)49,765**	**(-)55,721**	**(-)53,541**	**(-)61,144**	**(-)63,494**	**(-)54,443**

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

(*Source: Finance Accounts of the respective years*)

During the year 2024-25, the net public account liability of the Government decreased to 14.26 *per cent* compared to an increase of 3.85 *per cent* during 2023-24, indicating a positive shift despite continuing stress on financial resources.

1.4.2 Reserve Fund

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 or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

There were three interest bearing funds and four Reserve Funds not bearing interest as on 31 March 2025. The fund balances lying in these Reserve Funds as on 31 March 2025 are given in **Table 1.24**.

Table 1.24: Detail of Major Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Opening Balance	Receipts during the year	Interest receipts	Repayments during the year	Balance as on 31 March 2025
A.	**Reserve Funds bearing Interest**	**134.23**	**1,931.12**	**22.22**[11]	**1,614.43**	**450.92**
1.	State Disaster Response fund	0.00	1,260.00	0.00	1,260.00	0.00
2.	State Compensatory Afforestation Fund	134.23	56.12	14.66	19.71	170.64
3.	State Disaster Mitigation Fund	0.00	615.00	0.00	334.72	280.28
B.	**Reserve Funds not bearing Interest**	**2,932.33**	**10158.06**	**0.00**	**9,305.73**	**3,784.66**
1.	Sinking Fund	1,130.24	392.60	0.00	1,098.78	424.06
2.	Depreciation/Renewal Reserve Fund	26.97	2.92	0.00	0.62	29.27
3.	Development and Welfare Fund	1,189.57	1,779.17	0.00	356.67	2,612.07
4.	General and other Reserve Funds	585.55	7,983.37	0.00	7,849.66	719.26
Grand Total (A+B)		**3,066.56**	**12,089.18**	**22.22**	**10,920.16**	**4,235.58**

(Source: Finance Accounts)

1.4.3 Cash Balances

As per an agreement with the Reserve Bank of India (RBI), the State Government has to maintain a minimum daily cash balance of ₹3.25 crore with RBI. If the balance falls below this minimum, the shortfall is met through instruments like Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Special Drawing Facility (SDF)/Overdrafts (OD), with the WMA limit revised periodically by RBI. With effect from 31 March 2022, the limit for WMA to the State Government is ₹3,601 crore.

During 2024-25, the State maintained a minimum daily cash balance with the RBI and no WMA/ SWMA/ OD was availed during the year. Audit also observed that no Ways and Means Advances were availed by the State during the past 10 year period.

11 Includes ₹7.47 crore and ₹9.30 crore for Advance payment of interest on purchase of securities and Management of Non-Obligatory Sinking funds and towards discharge of Open Market Loans, Central Government loans and Special Securities issued to National Small Savings Fund respectively. .

The State Government invests surplus cash balances, including those from earmarked reserve funds in GoI securities and Treasury Bills. Earnings from these investments are credited under '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund.

Cash balance and investment details for 2023-24 and 2024-25 are provided in **Table 1.25**.

Table 1.25: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2024	Closing balance on 31 March 2025
A. General Cash Balance		
Cash in treasuries	--	--
Deposits with Reserve Bank of India	(-) 110.02	(-) 33.95
Deposits with other Banks	--	--
Remittances in transit – Local	16.80	16.80
Total	**(-) 93.22**	**(-) 17.15**
Investments held in Cash Balance investment account	10,103.03	5,601.49
Total (A)	**10,009.81**	**5,584.34**
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	7.21	7.12
Investment in earmarked funds	75,312.73	96,778.16
Total (B)	**75,324.10**	**96,789.44**
Total (A + B)	**85,333.91**	**1,02,373.78**
Interest realized	**9,968.76**	**20,888.42**

(Source: Finance Accounts 2024-25)

Cash Balances and investments at the end of the current year increased by ₹17,039.87 crore (19.97 *per cent*) over the previous year.

The Government had earned an interest of ₹97.49 crore during 2024-25 from the investments made in GoI securities for ₹3,507 crore (Consolidated Sinking Fund) and Treasury Bills for ₹4,177 crore (Guarantee Redemption Fund) besides DCPS investment in LIC for ₹89,085 crore and deposits of ₹10 crore with State Bank of India.

The trend of cash balance investment account of the Government during the period 2015-16 to 2024-25 is shown in **Table 1.26**.

Table 1.26: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	11,964.07	9,415.86	(-) 2,548.21	487.51
2016-17	9,415.86	15,144.29	5,728.43	521.57
2017-18	15,144.29	18,585.03	3,440.74	564.26
2018-19	18,585.03	11,008.09	(-) 7,576.94	729.20

(₹ 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	(-) 4,020.52	98.60
2024-25	10,103.03	5,601.49	(-) 4,501.54	97.49

(Source: Finance Accounts of the respective years)

At the end of March 2025, General Cash Balance was ₹5,584.34 crore.

1.5 Fiscal Sustainability

Fiscal Sustainability is the ability of a government to manage its revenue and expenditure in a manner that ensures it can meet its current and future obligations such as public services, infrastructure, and debt repayments without excessive borrowing or accumulating unsustainable debt. It implies maintaining a stable balance between revenue generation and expenditure over the long term. **Chart 1.27** and **Chart 1.28** respectively shows receipts and expenditure of the State as a percentage of GSDP, during the financial years 2015-16 to 2024-25.

Chart 1.27: Receipts of the State

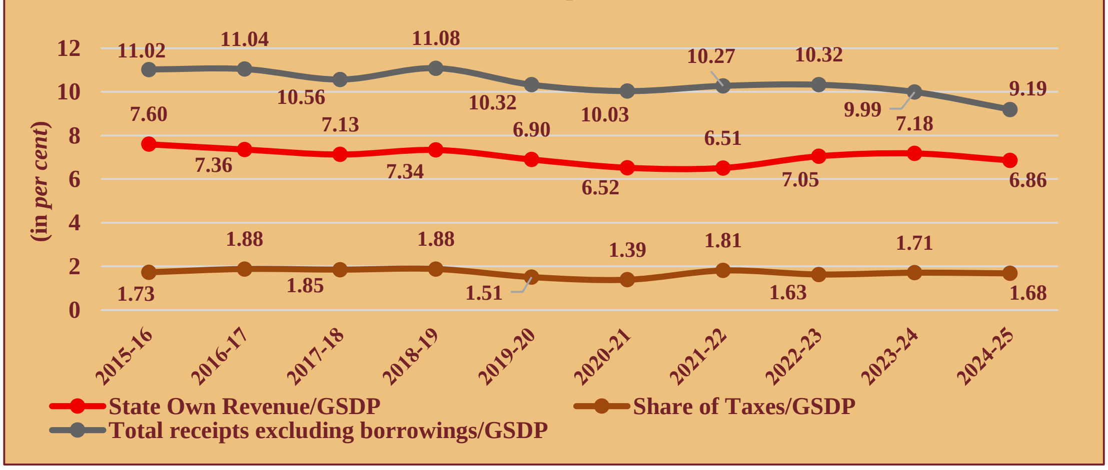
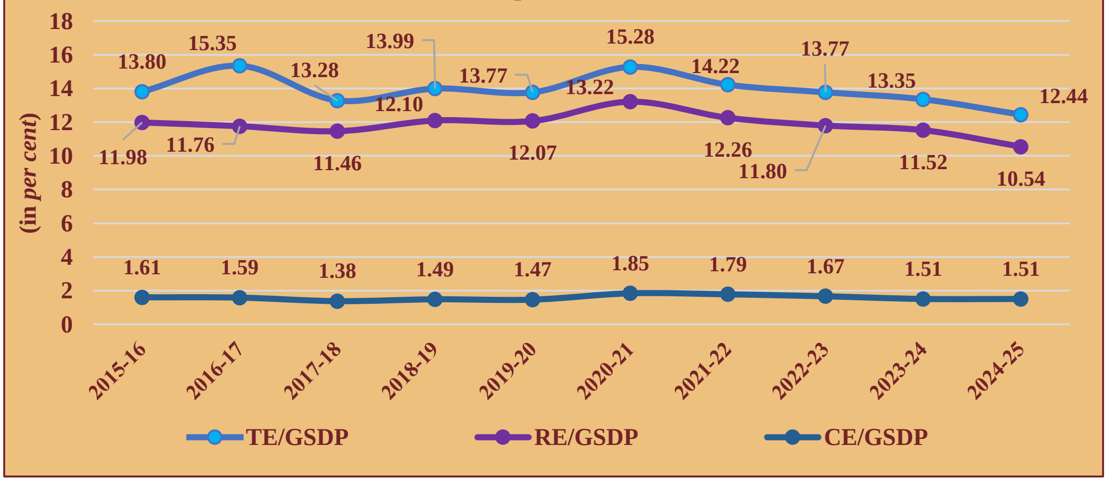


Chart 1.28: Expenditure of the State



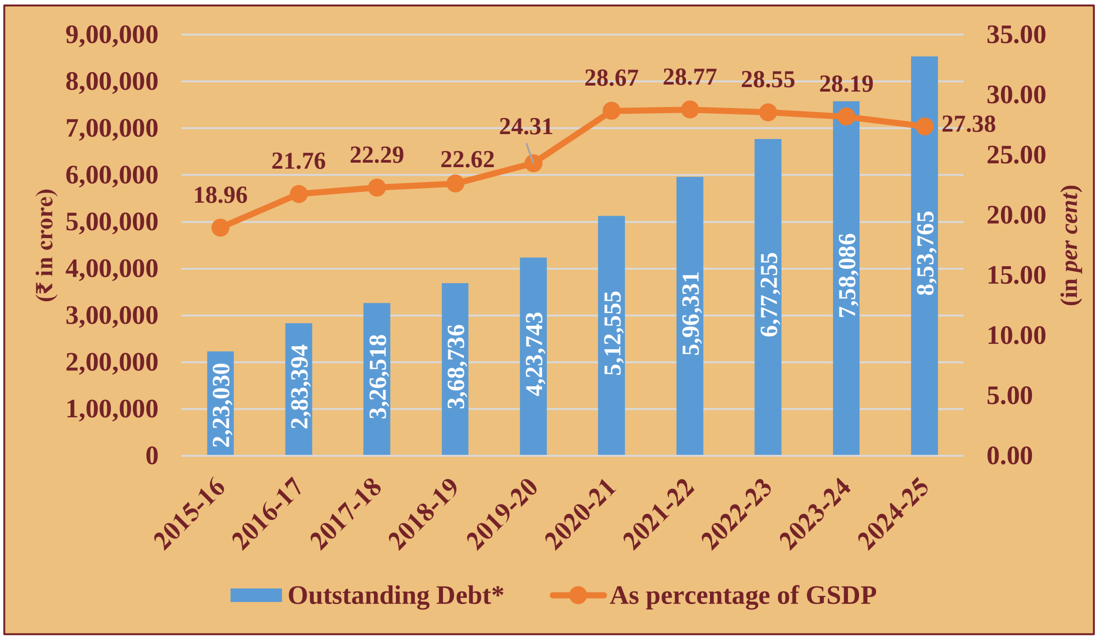
(Source: Finance Accounts of the respective years)

During the year, total own revenue as a percentage of GSDP for all States (excluding UTs) stood at 7.14 *per cent*, whereas the State's own revenue as a percentage of GSDP was comparatively lower at 6.86 *per cent*. Similarly, revenue expenditure and capital expenditure of all States (excluding UTs), as a percentage of GSDP, were 12.91 *per cent* and 2.57 *per cent* respectively, while the corresponding ratios for the State were lower at 10.54 *per cent* for revenue expenditure and 1.51 *per cent* for capital expenditure during the year.

1.5.1 Debt and other Liability Management

Outstanding liability of the State along with its percentage to GSDP for the years 2015-16 to 2024-25 is depicted in **Chart 1.29.**

Chart 1.29: Outstanding Liability and its percentage to GSDP



(***Source: Finance Accounts***)

**Outstanding back-to-back loan (₹ 6,241 crore (2020-21), ₹14,336 crore (2021-22 and 2022-23) and ₹3,437 crore (2023-24 and 2024-25)) included as outstanding debt in respective Finance Accounts has been excluded since these are non-repayable by the State to the GoI.*

As seen from **Chart 1.29**, on a decadal basis, the debt-to-GSDP ratio exhibited an increasing trend from 2015-16 to 2022-23 and thereafter showed a slight declining trend from 2023-24 onwards. The XV FC in its report brought out the debt path of States for the years 2020-21 to 2024-25. Audit observed that the State had maintained the debt indicative path during the last five years except in 2021-22. During the year 2024-25, the debt to GSDP ratio was 27.38 *per cent* as against the prescribed limit of 28.90 *per cent.*

1.5.1.1 Liability profile: Components

Total liabilities of the State Government typically constitutes Internal Debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The component-wise liability trends of the State for the period of ten years beginning from 2015-16 are presented in **Table 1.27**.

Table 1.27: Component - wise liability trends

(₹ in crore)

Components of fiscal liability	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Outstanding Total Liability (A+B)	**2,23,030**	**2,83,394**	**3,26,518**	**3,68,736**	**4,23,743**	**5,12,555**	**5,96,331**	**6,77,255**	**7,58,086**	**8,53,765**
A. Public Debt	**1,94,096**	**2,52,039**	**2,88,769**	**3,21,642**	**3,70,550**	**4,50,947**	**5,27,600**	**6,01,557**	**6,89,589**	**7,94,107**
Internal Debt	1,80,693	2,37,701	2,72,634	3,04,350	3,52,625	4,29,748	5,02,205	5,67,635	6,42,594	7,32,288
Loans from GoI (excluding back to back loans)*	13,403	14,338	16,135	17,292	17,925	21,199	25,395	33,922	46,995	61,819
B. Public Account Liabilities	**28,934**	**31,355**	**37,749**	**47,094**	**53,193**	**61,608**	**68,731**	**75,698**	**68,497**	**59,658**
Small Savings, Provident Funds, etc.	16,970	19,325	21,660	24,110	26,475	29,352	32,033	33,884	35,200	36,213
Reserve Funds bearing Interest	-	-	-	-	114	113	113	1,199	134	451
Reserve Funds not bearing Interest	1,303	1,342	1,877	1,330	2,045	2,031	2,273	2,212	2,932	3,785
Deposits bearing Interest	2,902	2,581	4,129	8,008	9,324	8,015	7,644	9,992	9,875	2,233
Deposits not bearing Interest	7,759	8,107	10,083	13,646	15,235	22,097	26,668	28,411	20,356	16,976
Rate of growth of outstanding total liability (*per cent*)	*16.13*	*27.07*	*15.22*	*12.93*	*14.92*	*20.96*	*16.34*	*13.57*	*11.94*	*12.62*
Gross State Domestic Product (GSDP)	11,76,500	13,02,639	14,65,051	16,30,209	17,43,144	17,88,074	20,72,496	23,72,469	26,88,963	31,18,590
Outstanding Total Liability/GSDP (*per cent*)	*18.96*	*21.76*	*22.29*	*22.62*	*24.31*	*28.67*	*28.77*	*28.55*	*28.19*	*27.38*
Total Receipts	1,21,368	1,52,903	1,62,088	1,63,335	1,87,208	2,44,197	2,48,996	2,28,906	2,75,517	2,92,179
Total Repayments	90,185	91,539	1,18,964	1,21,117	1,32,202	1,49,143	1,57,125	1,47,982	1,94,686	1,96,500
Net funds available	31,183	61,364	43,124	42,218	55,006	95,054	91,871	80,924	80,831	95,679
Repayments/ Receipts (*per cent*)	*74.31*	*59.87*	*73.39*	*74.15*	*70.62*	*61.07*	*63.10*	*64.65*	*70.66*	*67.25*

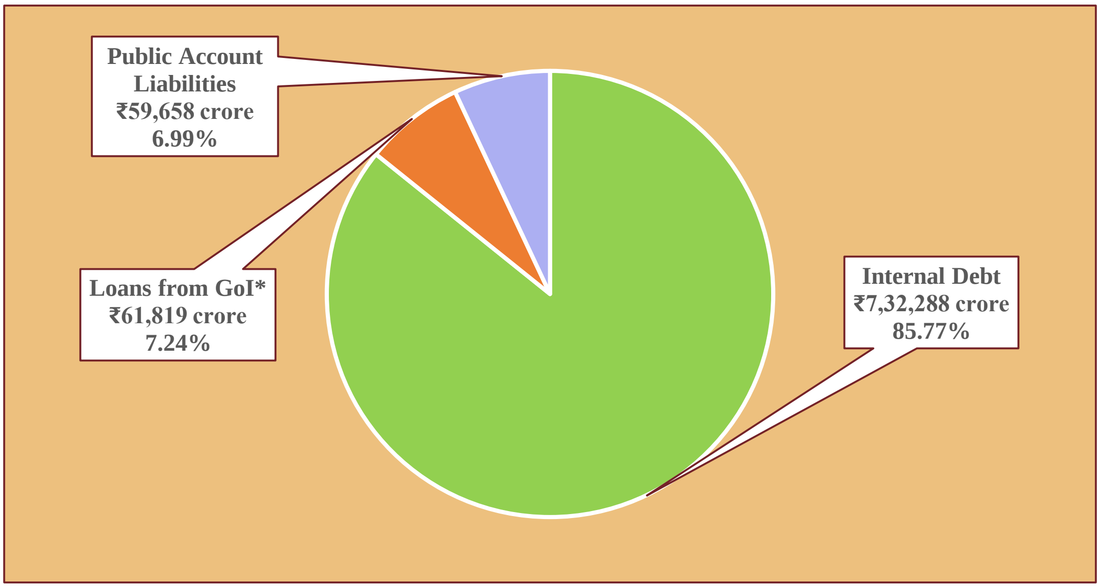
(*Source: Finance Accounts*)

** Outstanding back to-back loan (₹ 6,241 crore (2020-21), ₹14,336 crore (2021-22 and 2022-23) and ₹3,437 crore (2023-24 and 2024-25)) included as outstanding debt in respective Finance Accounts has been excluded since these are non-repayable by the State to the GoI.*

It can be seen from **Table 1.27** that the total outstanding public debt of the State increased significantly during the decade from 2015-16 to 2024-25, rising from ₹1,94,096 crore to ₹7,94,107 crore (309 *per cent*). During the year, outstanding public debt increased by 15.16 *per cent*, with internal debt constituting the major portion of the increase.

Break-up of the outstanding total liabilities at the end of 2024-25 is shown in **Chart 1.30**.

Chart 1.30: Break-up of outstanding total liabilities at the end of 2024-25



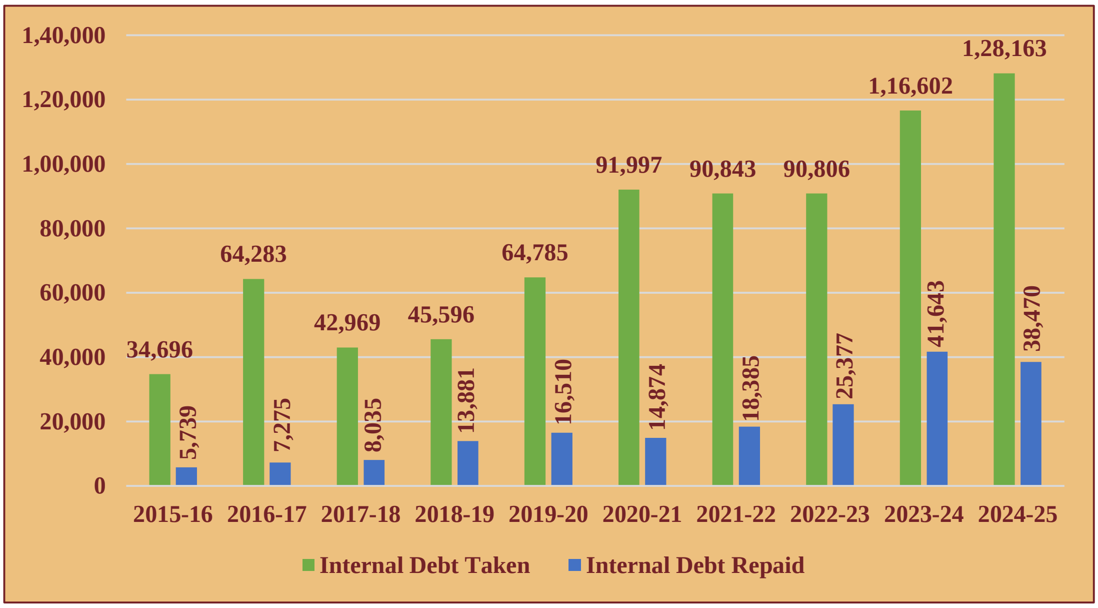
(*Source: Finance Accounts*)

** After excluding outstanding back-to-back loan of ₹3,437 crore, since these are non-repayable by the State to the GoI.*

Chart 1.31 depicts the quantum of internal debt taken vis-à-vis repaid during the period of ten years i.e. 2015-16 to 2024-25.

Chart 1.31: Internal debt taken *vis-à-vis* repaid during the period 2015-16 to 2024-25

(₹ in crore)



(*Source: Finance Accounts*)

It can be seen from **Chart 1.31** that internal debt increased by nearly 3.69 times over the last ten years, while the corresponding repayment increased by about 6.70 times during the same period. Audit observed that the increase in the repayment burden was attributable to moratoriums on loans availed in previous years, coupled with the servicing of accumulated past debt.

Further, it was observed that the interest paid during the year amounted to ₹48,852 crore, which exceeded the repayment of principal amounting to

₹38,470 crore. This reflects the rising level of committed expenditure arising from the State's debt obligations.

1.5.1.2 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 healthy trend. **Table 1.28** and **Chart 1.32** respectively depict the utilisation and trends of borrowed funds during 2015-16 to 2024-25.

Table 1.28: Utilisation of borrowed funds

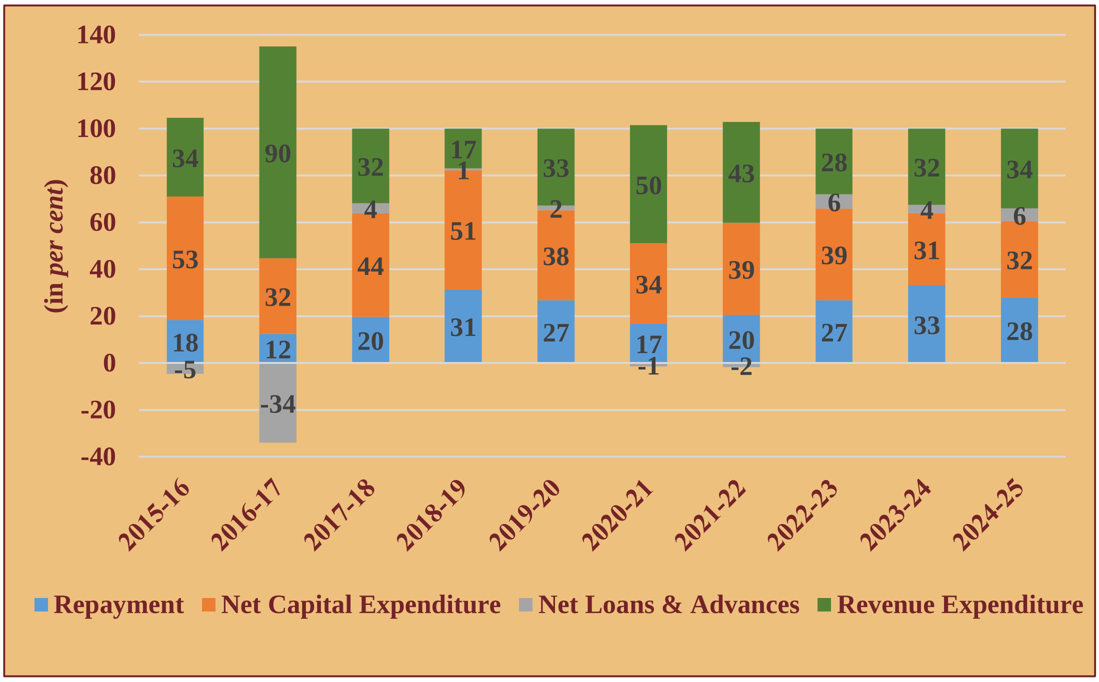
(₹ in crore)

Year		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Borrowings (Public Debt)	**A**	36,067	66,143	45,722	47,936	66,774	96,626*	96,390*	1,01,062	1,31,597	1,45,203
Repayment of earlier borrowings (Principal)	**B**	6,605	8,200	8,991	15,064	17,866	16,229	19,737	27,104	43,565	40,684
Net capital expenditure	**C**	18,995	20,709	20,203	24,311	25,632	33,067	37,011	39,488	40,488	47,065
Net loans and advances	**D**	(-) 1,647	(-) 22,498	1,955	435	1,362	(-) 1,410	(-) 1,714	6,183	4,821	8,089
Portion of Revenue expenditure met out of net available borrowings	**E = A-(B+C+D)**	12,114	59,732	14,573	8,126	21,914	48,740	41,356	28,287	42,723	49,365

(*Source: Finance Accounts of the respective years*)

*excluding back to back loan received in lieu of the GST compensation i.e., ₹6,241 crore (2020-21) and ₹8,095 crore (2021-22).

Chart 1.32: Trends of utilisation of borrowed funds



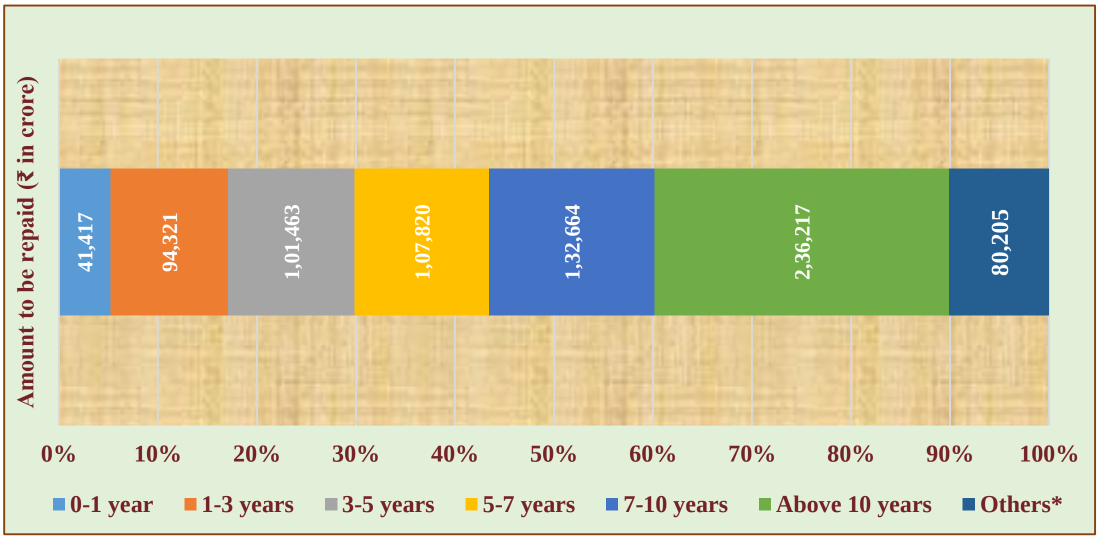
(*Source: Finance Accounts*)

From **Chart 1.32** above, it may be seen that during the year, a substantive portion of borrowed funds (public debt) had been utilised towards revenue expenditure (34 *per cent*) and repayment of debt (28 *per cent*) leaving a lesser fiscal space for capital creation and developmental activities.

1.5.1.3 Debt profile: maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Chart 1.33**.

Chart 1.33: Maturity Profile of Public Debt



*Excluding back to back loan. Maturity profile of ₹80,205 crore is not available.

(*Source: Finance Accounts*)

It may be seen from **Chart 1.33** above that a large chunk of debt (around 43 *per cent*) is scheduled for repayment within a relatively short to medium term (0-7 years), indicating increasing liquidity pressure on the State. This may create an overwhelming fiscal obligation in later years which may compel the State to rely heavily on fresh borrowings during such years.

1.5.1.4 Financing pattern of fiscal deficit

Table 1.29 depicts financing pattern of the fiscal deficit during 2024-25.

Table 1.29: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Composition of Fiscal Deficit		**32,627**	**56,170**	**39,840**	**47,335**	**60,179**	**93,983**	**81,835**	**81,886**	**90,430**	**1,01,344**
1	Revenue Deficit	11,985	12,964	21,594	23,459	35,909	62,326	46,538	36,215	45,121	45,840
2	Net Capital	18,995	20,708	20,201	24,311	25,632	33,067	37,011	39,488	40,488	47,065
3	Net Loans and Advances	1,647	22,498	(-) 1,955	(-) 435	(-) 1,362	(-) 1,410	(-) 1,714	6,183	4,821	8,089
4	Increase in Contingency Fund	-	-	-	-	-	-	-	-	-	350
Financing Pattern of Fiscal Deficit											
1	Market Borrowings	27,623	34,993	36,023	32,278	49,826	76,796	72,500	68,003	78,252	92,175
2	Loans from GOI	505	935	1,797	1,157	633	9,515	12,290	8,528	13,073	14,825

(₹ in crore)

	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
3	Special Securities issued to NSSF	595	(-)1,749	(-)1,749	(-)1,777	(-)1,803	(-) 1,803	(-) 1,803	(-) 1,803	(-) 1,803	(-) 1,803
4	Loans from Financial Institutions	739	23,763	660	1,215	252	2,130	1,761	(-)770	(-) 1,490	(-) 678
5	Small Savings, PF, etc.	1,638	2,355	2,334	2,450	2,365	2,877	2,680	1,851	1,315	1,013
6	Deposits and Advances	4,145	4,405	8,074	10,635	8,123	16,437	10,714	12,416	3,970	9,283
7	Suspense and Miscellaneous	(-) 902	2,213	388	(-) 3,037	5,682	(-) 6,981	(-) 43	(-) 120	5,537	878
8	Remittances	(-) 180	(-) 948	(-) 7	207	(-) 3	--	(-) 6	4	(-) 5	6
9	Reserve Fund	401	443	991	253	1,293	656	1,055	2,732	(-) 4,421	2,330
10	Contingency Fund	(-) 19	19	0	0	10	--	--	--	(-) 5	355
11	**Overall Deficit**	**34,545**	**66,429**	**48,511**	**43,381**	**66,378**	**99,627**	**99,148**	**90,841**	**94,423**	**1,18,384**
12	Increase/Decrease in cash balance	1,918	10,259	8,671	(-)3,954	6,199	5,644	17,313	8,955	3,993	17,040
13	**Gross Fiscal Deficit**	**32,627**	**56,170**	**39,840**	**47,335**	**60,179**	**93,983**	**81,835**	**81,886**	**90,430**	**1,01,344**

(Source: Finance Accounts)

1.5.2 Post Audit Deficit Indicators

As per the Finance Accounts of the State for the year 2024-25, the revenue deficit of the State was ₹45,840 crore (1.47 *per cent* of GSDP), fiscal deficit was ₹1,01,344 crore (3.25 *per cent* of GSDP) whereas primary deficit was ₹41,435 crore (1.33 *per cent* of GSDP).

Audit scrutiny of transactions during the year revealed that, revenue deficit, fiscal deficit and primary deficit were understated due to transactions detailed in **Table 1.30**.

Table 1.30: Under/Over statement of Revenue and Fiscal Deficit

Particulars	Impact on Revenue Deficit (Understated (+) / overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+) / overstated (-)) (₹ in crore)
Misclassification between Revenue & Capital	(+) 0.38	0.00
Interest Adjustment	(+) 5.08	(+) 5.08
Short contribution by Government	(+) 100.71	(+) 100.71
Total	**(+) 106.17**	**(+)105.79**

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

From **Table 1.30** above, it could be seen that, the post audit Revenue Deficit works out to ₹45,946.17 crore (1.47 *per cent* of the GSDP) and Fiscal Deficit to ₹1,01,449.79 crore (3.25 *per cent* of the GSDP). However, if Off Budget Borrowings

(₹593.24 crore) made by the Government during the year are considered as part of State's liabilities, the ratio of Fiscal Deficit to GSDP would be 3.27 *per cent.*

1.5.3 Fiscal Balance: Achievement of deficit and total debt targets

As per the Tamil Nadu Fiscal Responsibility (TNFR) Act of 2003 and its amendments aligned with the XV FC, the State aims to:

- eliminate revenue deficit by 2026-27.
- maintain the fiscal deficit within the ceiling of 3 *per cent* of GSDP, with an additional 0.5 *per cent* permitted based on certain performance criteria in the Power sector.
- achieve Debt-GSDP ratio at 28.90 *per cent*.
- the State also follows a Medium-Term Fiscal Plan (MTFP) and is required to disclose contingent liabilities and off-budget borrowings.

Achievements, vis-à-vis the fiscal targets, prescribed in the TNFR Act for the year 2015-16 to 2024-25, are detailed in **Table 1.31** and **Chart 1.34**.

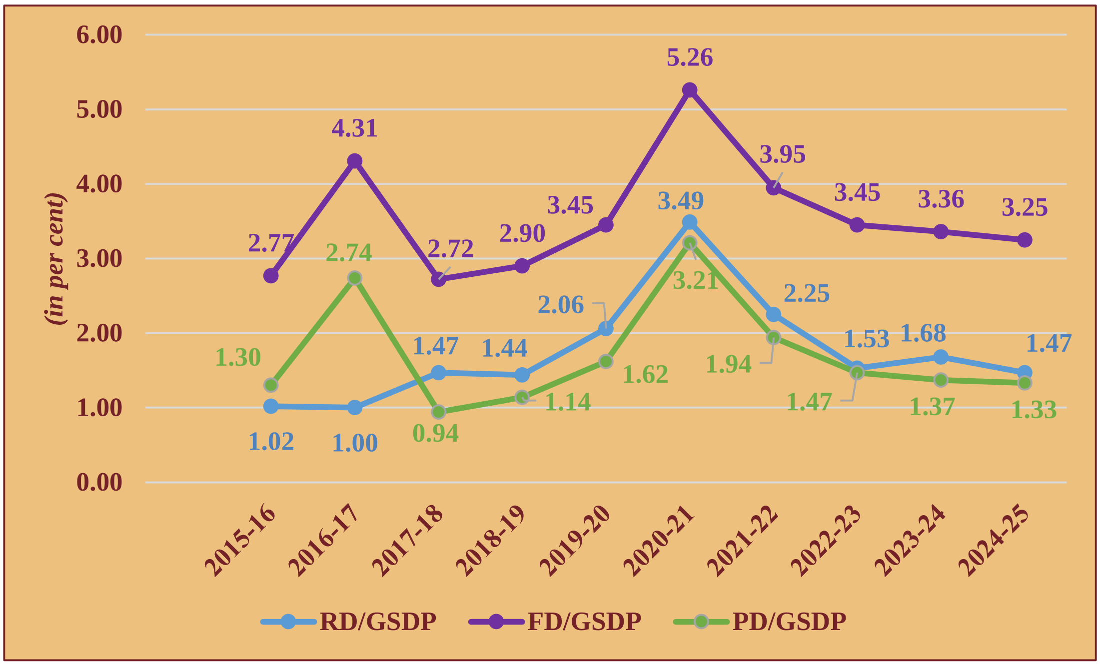
Table 1.31: Compliance with provisions of TNFR Act

Fiscal Parameters		Achievement *vis-a-vis* targets set in the TNFR/MTFP									
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Deficit (+) / Surplus (-) (₹ in crore)	Target	Eliminate RD by 2019-20					Eliminate RD by 2021-22	Eliminate RD by 2023-24		Eliminate RD by 2025-26	Eliminate RD by 2026-27
	Achievement	11,985	12,964	21,594	23,459	35,909	62,326	46,538	36,215	45,121	45,840
Fiscal Deficit (+) / Surplus (-) (as percentage of GSDP)	Target	*3.00*	*3.00*	*3.00*	*3.00*	*3.00*	*3.00*	*3.00*	*3.00*	*3.00*	*3.00*
	Achievement	32,627 (2.77)	56,170 (4.31)	39,840 (2.72)	47,335 (2.90)	60,179 (3.45)	93,983 *(5.26)*	81,835 *(3.95)*	81,886 *(3.45)*	90,430 *(3.36)*	1,01,344 *(3.25)*
Ratio of total outstanding liability * to GSDP (in *per cent)*	Target	25.20	25.20	25.20	25.20	25.20	25.20	28.70	29.30	29.10	28.90
	Achievement	2,23,030 *(18.96)*	2,83,394 *(21.76)*	3,26,518 *(22.29)*	3,68,736 *(22.62)*	4,23,743 (24.31)	5,12,555 *(28.67)*	5,96,331 *(28.77)*	6,77,255 *(28.55)*	7,58,086 *(28.19)*	8,53,765 *(27.38)*

(Source: Finance Accounts, TNFR Act 2003 amended from time to time and MTFP)

**After excluding outstanding back-to-back loans received from GoI in lieu of GST compensation, since these are non-repayable by the State to the GoI.*

Chart 1.34: Trend analysis of deficit indicators



(Source: Finance Accounts)

Though the State could not contain the ratio of Fiscal Deficit to GSDP within 3 *per cent* as per the TNFR Act, it could be seen from **Chart 1.34** above that the percentage had decreased from 3.36 in 2023-24 to 3.25 during the year and also declined during the past five years, which is an encouraging trend.

Audit observed that though the State had improved in Debt to GSDP ratio, it continues to reel under revenue deficit as could not achieve the XV FC projection of Revenue Surplus from the year 2022-23 onwards. Actual performance when compared to the target set in MTFP is given in **Table 1.32**

Table 1.32: Actuals *vis-à-vis* projection in MTFP for 2024-25

(₹ in crore)

Sl. No	Fiscal Variables	Projection as per MTFP	Actuals (2024-25)	Variation (*in per cent*)
1	Own Tax Revenue	2,13,795	1,80,225	*(-) 15.70*
2	Non-Tax Revenue	23,864	33,603	*40.81*
3	Share of Central Taxes	48,331	52,492	*8.61*
4	Grants-in-aid from GoI	25,249	16,509	*(-) 34.62*
5	**Revenue Receipts (1+2+3+4)**	3,11,239	2,82,829	*(-) 9.13*
6	Revenue Expenditure	3,29,822	3,28,669	*(-) 0.35*
7	**Revenue Deficit (+) / Surplus (-) (5-6)**	18,583	45,840	*146.68*
8	**Fiscal Deficit (+) / Surplus (-)**	96,031	1,01,344	*5.53*
9	Debt-GSDP ratio (*per cent*)	*28.90*	*27.38#*	
10	GSDP growth rate at current prices (*per cent*)	*17.61*	*15.98*	

 # After excluding outstanding back to back loans of ₹3,437 crore received from GoI in lieu of GST compensation, since these are non-repayable by the State to the GoI.

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

It may be seen from **Table 1.32** above that there was a significant increase in receipts under non-tax revenue and Share of Central Taxes against the MTFP projection for the year 2024-25. However, the revenue and fiscal deficits were also higher than the projection made in the MTFP.

The targets set by XV FC and those projected in the State budget vis-à-vis achievements in respect of major fiscal aggregates with reference to GSDP during 2024-25 are given in **Chart 1.35**, **Chart 1.36** and **Chart 1.37**.

Chart 1.35: Revenue Deficit (+)/ Surplus (-) as a percentage of GSDP

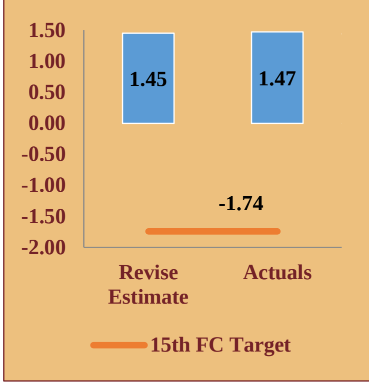


Chart 1.36: Fiscal Deficit as a percentage of GSDP

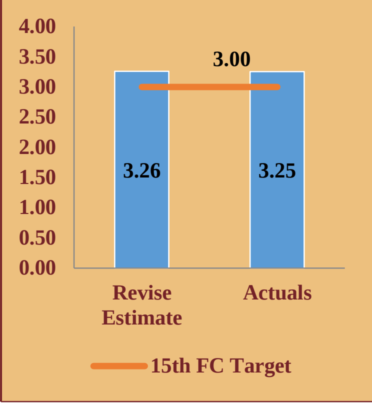
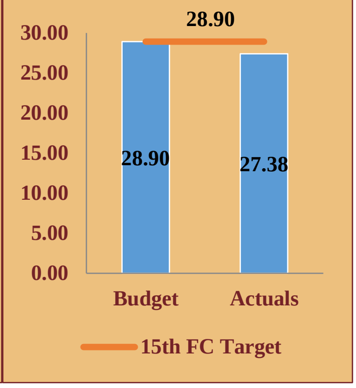


Chart 1.37: Outstanding Liability as a percentage of GSDP



(Source: Finance Accounts, MTFP and XV FC)

During the year 2024-25, the State was unable to contain the revenue surplus-GSDP and fiscal deficit-GSDP ratios within the limit fixed by the XV FC and those projected in the revised budget estimates. However, outstanding liabilities/debt as percentage of GSDP remained within the target.

1.5.4 Comparison of State's key fiscal indicators with aggregate of all States

The comparison of key fiscal indicator of the State relative to GSDP *viz.* Revenue Deficit, Fiscal Deficit and overall debt/liability with aggregate of all States for the period 2015-16 to 2024-25 are given in **Chart 1.38**, **1.39** and **1.40**.

Chart 1.38: Trend analysis of Revenue Deficit as percentage of GSDP of All States and State of Tamil nadu

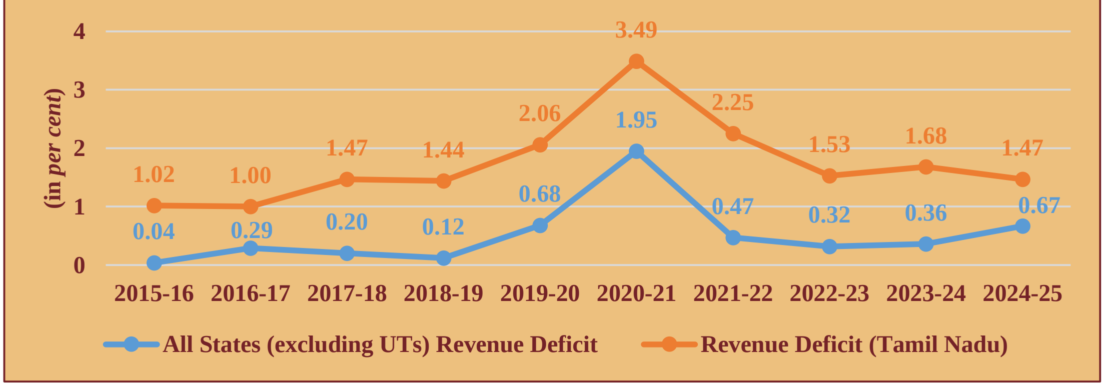


Chart 1.39: Trend analysis of Fiscal Deficit as percentage of GSDP of All States and State of Tamil nadu

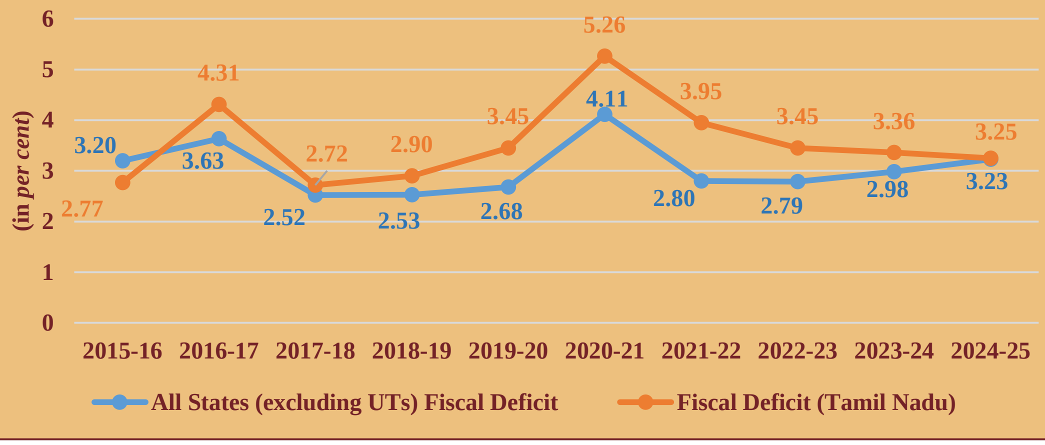
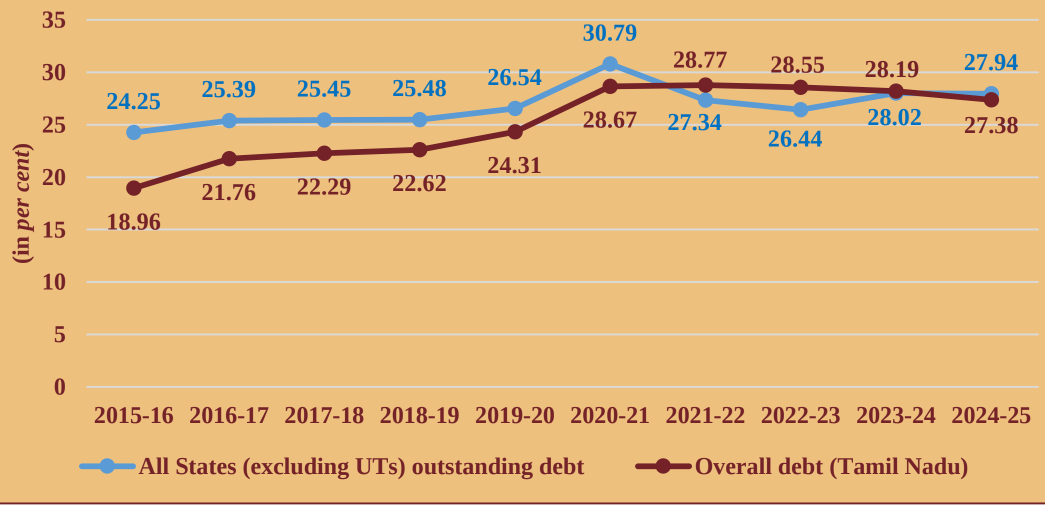


Chart 1.40: Trend Analysis of Overall debt/liability as percentage of GSDP of all States and State of Tamil Nadu



(*Source: Finance Accounts and data from Economic wing of Hqrs*)

Over the decade, the State's revenue deficit as a percentage of GSDP was higher than that of all States (excluding UTs). The State's fiscal deficit as a percentage of GSDP was also higher than that of all States (excluding UTs) except for the year 2015-16. In 2024-25, the fiscal deficit stood at 3.25 *per cent*, broadly aligned with 3.23 *per cent* for all States (excluding UTs).

The State's overall debt as a percentage of GSDP was lower than that of all the States (excluding UTs) except for the year 2021-22 to 2023-24. In 2024-25, it stood at 27.38 *per cent* compared to 27.94 *per cent* for all the States (excluding UTs).

Audit observed that the overall State's debt-GSDP ratio remained within the debt path trajectory prescribed by the Fifteenth Finance Commission.

1.5.5 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in the future. Analysis of variations in debt sustainability indicators is given in **Table 1.33**.

Table 1.33: Trends in Debt Sustainability Indicators

(₹ in crore)

S.No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
1	Overall Liabilities or Overall Debt *	5,12,555	5,96,331	6,77,255	7,58,086	8,53,765
2	Rate of Growth of Overall Debt (*per cent*)	*20.96*	*16.34*	*13.57*	*11.94*	*12.62*
3	GSDP (in nominal terms)	17,88,074	20,72,496	23,72,469	26,88,963	31,18,590
4	Nominal GSDP growth (*per cent*)	*2.58*	*15.91*	*14.47*	*13.34*	*15.98*
5	Overall Debt/GSDP (*per cent*)	*28.67*	*28.77*	*28.55*	*28.19*	*27.38*
6	Repayment to Gross Borrowings (*per cent*)	*76.02*	*79.99*	*85.14*	*90.10*	*87.76*
7	Net borrowings available as a percentage of Gross Borrowings	*23.98*	*20.01*	*14.86*	*9.90*	*12.24*
8	Interest payments on Overall Debt	36,497	41,564	46,911	53,566	59,909
9	Effective rate of interest on Overall Debt (*per cent*)	*8.16*	*7.88*	*7.76*	*7.84*	*7.78*
10	Interest payment to Revenue Receipts (*per cent*)	*20.97*	*20.03*	*19.25*	*20.24*	*21.18*
11	Revenue Deficit/Surplus	(-)62,326	(-)46,538	(-)36,215	(-)45,121	(-)45,840
12	Primary Revenue Balance (PRB)	(-)25,829	(-)4,974	10,696	8,445	14,069
13	Primary Balance (PB)	(-)57,486	(-)40,271	(-)34,975	(-)36,864	(-)41,435
14	PB/GSDP (*per cent*)	*(-)3.21*	*(-)1.94*	*(-)1.47*	*(-)1.37*	*(-)1.33*
15	Difference between RoI and effective rate of interest on Overall Debt	(-)7.28	(-)7.03	(-)6.83	(-)5.44	(-)2.37
16	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	-	-	-	-	-
17	Debt Stabilisation (Quantum spread + Primary balance)	(-)84,736	5,247	8,135	3,035	25,469
18	**Domar Criteria**					
a	GSDP (in constant terms)	12,44,650	13,42,817	14,25,736	15,57,821	17,32,189
b	Real Growth (in constant terms) (*per cent*)	*0.07*	*7.89*	*6.18*	*9.26*	*11.19*
c	Inflation based on CPI (*per cent*)	*6.81*	*5.67*	*5.96*	*5.41*	*4.65*
d	Effective Rate of interest	*8.16*	*7.88*	*7.76*	*7.84*	*7.78*
e	Real effective rate of interest (Effective rate of interest-Inflation)	*1.35*	*2.21*	*1.80*	*2.43*	*3.13*
f	Growth Interest Differential (Real growth-Real effective rate of interest)	(-)1.28	5.68	4.37	6.84	8.07
g	Primary Balance (PB)	(-)57,486	(-)40,271	(-)34,975	(-)36,864	(-)41,435

(*Source: Finance Accounts of the respective years*)

** Outstanding back to-back loan (₹ 6,241 crore (2020-21), ₹14,336 crore (2021-22 and 2022-23) and ₹3,437 crore (2023-24 and 2024-25)) included as outstanding debt in respective Finance Accounts has been excluded since these are non-repayable by the State to the GoI.*

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.

Analysis of the data exhibited in **Table 1.33** indicates that the growth rate of overall debt declined from 20.96 *per cent* to 12.62 *per cent* during the period from 2020-21 to 2024-25. The target for debt as a percentage of GSDP, as projected by the Fifteenth Finance Commission, was achieved in all years except 2021-22.

Audit further observed that a substantial portion of the State's gross borrowings continued to be utilised for the repayment of existing debt. This indicates that a significant share of new borrowings was used for debt rollovers rather than for financing productive capital expenditure, resulting in lower net availability of borrowed funds. Such a pattern constrains the State's capacity to undertake new developmental projects and increases the risk of entering a debt-servicing cycle instead of supporting productive investment.

The ratio of interest payments to revenue receipts, which measures the affordability of debt servicing, increased to 21.18 *per cent* during 2024-25. The rising level of debt servicing costs is a matter of concern.

During the last five years, debt stabilisation was negative only in 2020-21. From 2021-22 onwards, it turned positive and remained so through 2024-25. The positive debt stabilisation reflects a decline in the debt-to-GSDP ratio and indicates that the State is presently in a stable position with respect to its debt repayment capacity.

1.5.6 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund in case of borrower defaults. The State extends guarantees for loans raised by entities like statutory corporations, boards, local bodies, and co-operative institutions.

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. The 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.

The State Government created the Guarantee Redemption Fund (GRF) in March 2003 for meeting the expenditure towards discharging the guarantees invoked. The fund is administered by the Reserve Bank of India and the amount is invested in treasury bills. As per the guidelines of GRF scheme, the 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. The transactions of the Fund are reflected in the Finance Accounts (Statement 21) under "8235 – General and other Reserve Fund – 117 – Guarantee Redemption Fund.

The balance in the Guarantee Redemption Fund at the commencement of the year 2024-25 was ₹3,293.64 crore. During the year, an amount of ₹903.93 crore was credited to the Fund, which included ₹720.58 crore received as guarantee fees and ₹183.34 crore representing gains on the sale of securities.

As on 31 March 2025, the total accumulation of the Fund was ₹4,197.57 crore, out of which, ₹4,176.90 crore was invested in treasury bills. No guarantee was invoked during the year.

Details of the guarantees for the last ten years is given in **Table 1.34**.

Table 1.34: Guarantees given by the State Government

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Ceiling applicable to the outstanding amount of guarantees	(i) To cap the total outstanding guarantee to 100 *per cent* of the total revenue receipt in the preceding year or 10 *per cent* of GSDP whichever is lover. (ii) To cap the Risk Weighted Guarantees to 75 *per cent* of the total revenue receipts in the preceding year or at 7.5 *per cent* of GSDP, whichever is lower.									
Outstanding amount of guarantees at the beginning of the year	53,698	51,586	[12]29,540	36,131	[13]44,163	[14]47,420	[15]68,149	91,975	90,709	1,22,270
Outstanding guarantees at the end of the year	51,586	29,145	36,131	43,661	47,319	65,659	91,975	90,709	1,22,270	1,45,011

(*Source: Finance Accounts of the respective years*)

Audit observed that the outstanding guarantees for ₹1,45,011 crore as on 31 March 2025 related to Power Sector (₹1,13,435 crore), State Finance Corporations (₹5,903 crore), Co-operatives (₹279 crore), Urban Development and Housing (₹207 crore) and Others (₹25,187 crore).

Further, it was observed that the total outstanding guarantees of the State Government constituted 54.80 *per cent* of the total revenue receipts of the previous year 2023–24 (₹2,64,597 crore) and 4.65 *per cent* of the GSDP at current prices (₹31,18,590 crore). These levels were well within the ceilings prescribed for guarantees by the Government.

However, against the estimated receivable guarantee fees of ₹776.33 crore, the Government realised only ₹720.58 crore, resulting in a shortfall in the collection of guarantee fees amounting to ₹55.75 crore.

1.5.7 Pathway to Fiscal Stability

Deficits can be improved by enhancing revenues and rationalizing expenditures. This includes strengthening tax compliance, widening the tax base, revising user charges, and monetizing idle government assets. On the spending side, better targeting of subsidies, controlling salary and pension growth, and ensuring proper classification of expenditure are key factors. Prioritizing productive capital investment and improving debt management through transparent and efficient borrowing can further ease fiscal pressure. These measures collectively create fiscal space and help reduce revenue,

[12] Differs from the outstanding guarantees at the end of 2016-17 due to inclusion of outstanding guarantees to the tune of ₹394.71 crore under Industries sector.

[13] Differs from outstanding (OS) guarantees at the end of 2018-19 due to revision of balances by TANGEDCO and Tamil Nadu Rural Housing and Infrastructure Development Corporation (TNRHIDC) Limited during 2019-20.

[14] Differs from OS guarantees at the end of 2019-20 due to revision of balances by TANGEDCO during 2020-21.

[15] Differs from OS guarantees at the end of 2020-21 by ₹2,559.10 crore which was under examination (TANGEDCO)

fiscal, and primary deficits in a sustainable manner. These issues are discussed in the succeeding paragraphs.

1.5.7.1 Improving revenues of the State

Untapped revenue potential, if harnessed effectively, can significantly enhance fiscal space and reduce dependence on debt. Inefficiencies in assessment, undervaluation, and limited enforcement mechanisms of key tax streams such as State GST, Stamp Duty, and Excise will lead to subdued revenue growth. Under-realized non-tax revenues, with low user charges, poor cost recovery, and suboptimal returns on public assets and investments also impede the fiscal space. Timely realization of pending arrears is (tax and non- tax) another step towards enhancing the fiscal space.

A. Arrears of revenue

As on 31 March 2025, the arrears of revenue in respect of principal heads of revenue were ₹ 58,110.16 crore, of which ₹ 28,726.53 crore were outstanding for more than five years, as depicted in **Table 1.35**.

Table 1.35: Arrears of revenue

(₹ in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2025	Amount outstanding for more than five years as on 31 March 2025
1	Registration Department	415.74	386.46
2	Prohibition and Excise Department	31.59	31.59
3.	Transport Department	10.34	---
4.	Commercial Taxes Department (Other than GST)	24,389.10	16,277
5.	Commercial Taxes Department (SGST)	33,263.39	12,031.48
Total		**58,110.16**	**28,726.53**

(Source: Departmental information)

Arrears of revenue of the State accounted to 27.18 *per cent* of the State's Own Revenue (₹2,13,828 crore).

The department replied (January 2026) that the outstanding amount was distributed under various heads *viz.*, arrears covered by First Appeal, NCLT, High Court Stay, remanded by Appellate forums and stopped business cases where no property details were available in the registration file of taxpayers. Further, it was stated that collectable arrears as on 31 March 2025 under SGST and GST were ₹600.18 crore and ₹244.18 crore respectively for which continuous follow up is made by initiating recovery process.

In view of the persistent revenue deficit and fiscal deficit experienced by the State Government over the years, there is a need for the Government to undertake substantive and sustained measures to improve revenue realisation and clear the accumulated arrears.

B. Arrears of assessment

The information on number of cases pending assessment at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year, as furnished by the Department of Excise and Department of Taxation in respect of Sales Tax/VAT is depicted in **Table 1.36**.

Table 1.36: Arrears of assessment

Sl. No.	Head of Revenue	Cases pending at the beginning of 2024-25	New cased due for assessment during 2024-25	Total cases due for assessment	Cases disposed of during 2024-25	Balance at the end of the year	Percentage of disposal
1.	Taxes/VAT on Sales, Trade etc. (other than GST)	40	643	683	639	44	*93.56*
Total		**40**	**643**	**683**	**639**	**44**	***93.56***

(Source: Departmental information)

C. Details of evasion of tax detected by the Department, refund cases, etc.

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government.

The details of cases of evasion of tax detected by the Excise and Taxation, cases finalised and the demand for additional tax raised; during the year 2024- 25, as reported by the departments concerned, are depicted in **Table 1.37**

Table 1.37: Evasion of tax detected

Sl. No.	Head of Revenue	Cases pending as on 31 March 2024	Cases detected during 2024-25	Total	No. of cases in which assessment/ investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 March 2025
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on Sales, Trade etc	237	0	237	30	1,298.84	207
2.	GST	3,278	25,967	29,245	26,348	15,724.13	2,897
Total		**3,515**	**25,967**	**29,482**	**26,378**	**17,022.97**	**3,104**

(Source: Departmental information)

Considering the substantial number of cases and the amount involved, the State may adopt a time bound approach to ensure completion of assessment and investigation and realise the pending revenue.

1.5.7.2 Issues on expenditure side

A. Fiscal stress from committed expenditure and subsides

Chart 1.41 and **Chart 1.42** depict committed expenditure and subsidies together as a percentage of Revenue Receipts and Revenue Expenditure during the FY 2015-16 to 2024-25 respectively.

Chart 1.41: Committed Expenditure and Subsidies as a percentage of Revenue Receipts

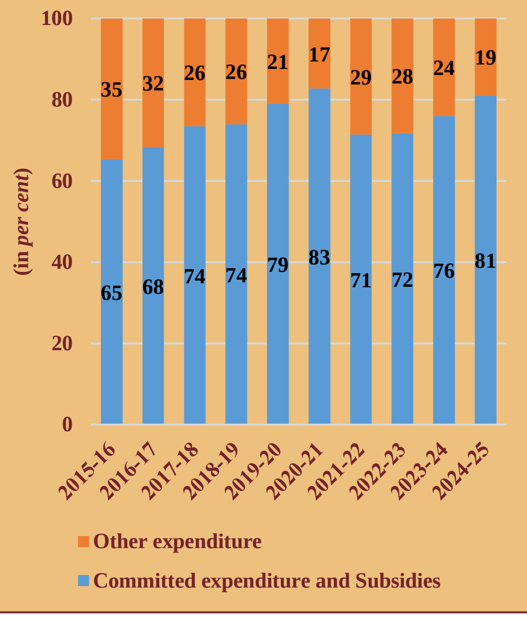
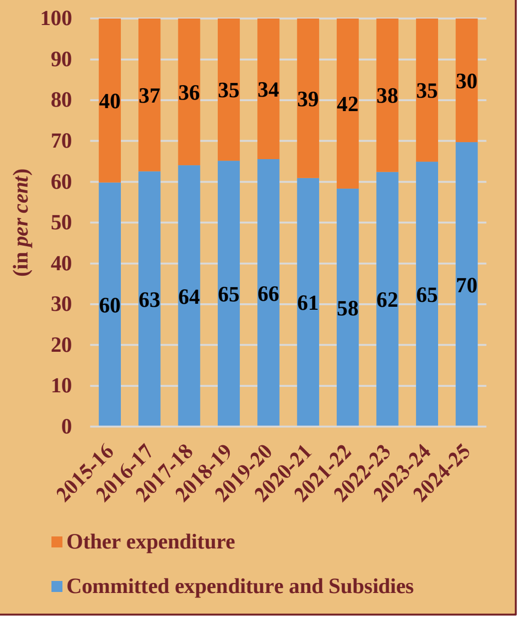


Chart 1.42: Committed Expenditure and Subsidies as a percentage of Revenue Expenditure



(Source: Finance Accounts of the respective years)

In 2024-25, the State's committed expenditure of ₹1,76,676 crore comprising salaries and wages (₹76,116 crore), pensions (₹40,651 crore) and interest payments (₹59,909 crore) accounted for approximately 61.47 *per cent* of the Revenue Receipts. In addition, subsidies amounted to ₹52,603 crore, bringing the total rigid expenditure to ₹2,29,279 crore, which was 81.07 *per cent* of the State's revenue receipts.

During the decade, the ratio of State's committed expenditure including subsidies to Revenue Receipts (ranging from 65 *per cent* to 83 *per cent*) which was consistently higher than that of all States (excluding UTs). The ratio of State's committed expenditure including subsidies to Revenue Expenditure (ranging from 58 *per cent* to 70 *per cent*) was higher during the decade except for the year 2021-22 than that of all States (excluding UTs).

The high and inflexible nature of such expenditure significantly compresses fiscal space, limiting the State's ability to allocate resources towards capital investment and developmental priorities. This structural imbalance increases the risk of persistent revenue and primary deficits, constrains long-term fiscal sustainability and reduces the government's capacity to respond to emergent socio-economic challenges.

There is an urgent need for expenditure reform through rationalization of subsidies, improved targeting, and prudent management of salary and pension commitments, to enhance fiscal flexibility and ensure a sustainable fiscal path.

B. Capital blocked in incomplete projects

An assessment of capital blocked in incomplete capital projects would also indicate the quality of Capital Expenditure. Blocking of funds in incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits of the projects for prolonged periods. Further, funds borrowed for implementation of these projects, during the respective years would lead to an extra burden, in terms of servicing of debt and interest liabilities. Details of the incomplete projects are shown in **Table 1.38** (Based on information provided by the State Government for ***Appendix-IX*** of the Finance Accounts for the year 2024-25).

Table 1.38: Age profile of incomplete projects as on 31 March 2025

(₹ in crore)

Completion Year	No. of incomplete projects*	Estimated cost	Expenditure incurred during the year	Progressive expenditure
2015	1	79.50	0	40.01
2017	1	1.60	0	0.12
2020	1	14.81	1.94	13.04
2022	1	2.08	0.73	2.68
2023	4	6,775.17	306.67	5,595.61
2024	67	1,028.77	240.55	526.69
Total	**75**	**7,901.93**	**549.89**	**6,178.15**

(Source: Finance Accounts)

Table: 1.39: Department-wise profile of incomplete projects

(₹ in crore)

Department	No. of incomplete projects*	*Estimated cost	Expenditure incurred during the year	Progressive expenditure
Highways and Minor Ports	31	6,840.04	338.77	5,621.95
Water Resources	29	912.67	144.02	434.85
Higher Education	13	86.52	24.86	78.55
Animal Husbandry, Dairying, Fisheries and Fishermen Welfare	1	60	41.99	41.99
Tourism, Culture and Religious Endowments	1	2.7	0.25	0.81
Total	**75**	**7,901.93**	**549.89**	**6,178.15**

* Only those projects whose target year of completion is mentioned as 2024 are included as per Appendix IX of Finance Accounts 2024-25.

(Source: Finance Accounts)

Analysis of four incomplete projects which are due for completion between the period 2015 to 2022 revealed the followings -

1. The project for creation of additional water storage in Nemam Tank was scheduled for completion in 2015. However, it could not be completed due to extraordinary circumstances and difficulties encountered during execution. Consequently, a proposal for pre-closure of the project was recommended to the Government by the Executive Engineer in January 2025. As of March 2025, progressive expenditure on the project amounted to ₹40.01 crore against the sanctioned cost of ₹79.50 crore. The Government's decision on the proposal for pre-closure of the project is awaited.

2. The work relating to the construction of a barrel across the Kannadian Channel to divert drainage water from Kallidakurichi Town in Ambasamudram Taluk of Tirunelveli District was scheduled for completion in 2017. The work commenced in February 2016 but encountered significant delays due to public representations, legal challenges and the grant of an interim stay by the Madras High Court. Owing to continued court intervention and public obstruction, the project could not be completed and a proposal for abandonment of the project was submitted in April 2024. As of March 2025, progressive expenditure on the project amounted to ₹0.12 crore against the estimated cost of ₹1.60 crore.

3. The work relating to the restoration of the heritage building at the Government Arts College, Kumbakonam, commenced in 2019 at an estimated cost of ₹14.81 crore and was scheduled for completion in 2024. The reasons for non-completion within the stipulated period were called for from the department. In its reply, the department stated that the delay was due to non-availability of river sand, skilled labour, lime and flooring tiles, primarily on account of the adverse conditions arising from the COVID-19 pandemic. However, the project was completed within the original administrative sanction, and the Completion Report was recorded on 11 November 2025.

4. The work relating to the construction of a weir-cum-check dam across the Vaigai River at Kadamalaikundu Village in Andipatti Taluk of Theni District commenced in 2021 at an estimated cost of ₹207.91 crore and was scheduled for completion in 2022. The reasons for non-completion within the stipulated period were called for from the department. In its reply, the department stated that, owing to necessary design modifications based on the designs received from the Design Circle, Chennai, the estimated cost was revised to ₹285.90 crore, and revised administrative sanction was accorded on 03 September 2024. As of November 2025, about 98 *per cent* of the work had been completed, with progressive expenditure amounting to ₹267.92 crore. The remaining works are proposed to be taken up and completed after the monsoon season.

Delays in the completion of projects result in cost escalation and defer the intended benefits to society. Timely and effective measures are required to ensure completion of projects within the stipulated timeframe so as to avoid cost overruns and delays in the realisation of envisaged benefits.

1.5.7.3 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education and health. 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 1.40** below:

Table 1.40: Expenditure priorities

(in per cent)

		TE/GSDP	CE/TE	Education/TE	Health/TE
2020-21	General category States	*16.69*	*13.07*	*14.99*	*5.80*
	Tamil Nadu	*15.28*	*13.50*	*13.76*	*5.44*
	Karnataka	*13.66*	*21.45*	*10.63*	*4.36*
	Kerala	*18.00*	*11.12*	*11.59*	*6.11*
2024-25	General Category States	*15.37*	*16.33*	*13.92*	*5.89*
	Tamil Nadu	*12.43*	*15.21*	*11.44*	*4.75*
	Karnataka	*11.92*	*18.77*	*9.33*	*3.71*
	Kerala	*13.92*	*10.29*	*13.07*	*5.85*

TE: Total Expenditure, CE: Capital Expenditure, which includes Loans and advances disbursed.

(Source: Data from Economic Advisor)

From **Table 1.40** above, it can be seen that the ratio of expenditure on education to total expenditure has come down from 13.76 *per cent* in 2020-21 to 11.44 *per cent* in 2024-25. Similarly, ratio of expenditure on health to total expenditure has dropped from 5.44 *per cent* in 2020-21 to 4.75 *per cent* in 2024-25 indicating a decline in priorities on these sectors in the past five years by the State Government.

C. Un-discharged liabilities on Fiscal Space

Undischarged/deferred liabilities, if not addressed timely, will reduce the available fiscal space for future developmental and infrastructure spending. Besides creating lack of transparency and credibility, this impair the state's ability to raise resources in a sustainable manner, thereby impacting overall fiscal health and long-term sustainability.

Audit observed that the State Government had accumulated several undischarged liabilities over the years, which have significant implications for fiscal sustainability. These include:

- Non-transfer of Central Road and Infrastructure Fund (CRIF) amounting to ₹298.46 crore.
- Un-discharged interest liabilities totalling ₹45.94 crore.
- Off-budget borrowings and other liabilities not captured in the debt stock amounting to ₹ 593.24 crore.
- Short/non-transfer of State Government's contribution to the Defined Contributory Pension Scheme (DCPS) amounting to ₹100.71 crore.
- Non-transfer of Central Finance Commission grants to local bodies, aggregating ₹334.73 crore.
- Pending refund cases amounting to ₹ 0.32 crore.

The cumulative value of these un-discharged liabilities amounted to ₹1,038.67 crore[16] which is equivalent to 0.03 *per cent* of the GSDP and 1.02 *per cent* of the Fiscal Deficit for the year.

Audit recommends that the State Government disclose and address all un- discharged liabilities transparently, and make provisions for timely discharge of these obligations to avoid future fiscal stress.

16 Excluded ₹334.73 crore received from GoI as Finance commission grant was released to state by GoI on 31-03-2025.

1.6 Conclusions

The review of the State's Finances for 2024-25 indicates a phase of strong economic expansion alongside continuing fiscal pressures. The State recorded robust growth in GSDP (15.98 *per cent*), with per capita income remaining consistently above the national average, reflecting favourable demographic and socio-economic fundamentals.

Though the State had improved in Debt to GSDP ratio, it continued to reel under revenue deficit as could not achieve the XV FC projection of Revenue Surplus from the year 2024-25 and Fiscal Deficit to GSDP ratio within 3 *per cent* as prescribed in TNFR Act 2003.

However, this macroeconomic strength did not fully translate into commensurate fiscal consolidation. Revenue receipts grew at a relatively modest pace (6.89 *per cent*), resulting in subdued revenue buoyancy and the continuation of a revenue deficit (₹45,840 crore). The State's finances remained characterised by a high share of revenue expenditure (84.70 *per cent* of total expenditure), rising committed expenditure (53.75 *per cent* of revenue expenditure), and an expanding subsidy burden (16 *per cent* of revenue expenditure), which collectively constrained fiscal flexibility.

Capital expenditure increased in absolute terms, reflecting continued emphasis on infrastructure and development; nevertheless, a significant portion of borrowings was utilised for revenue expenditure and debt servicing rather than asset creation. Declining grants-in-aid from the Government of India and weak recovery of loans and advances further accentuated reliance on public debt to finance expenditure.

Overall, while the State demonstrated adherence to debt sustainability norms, the fiscal structure continues to be marked by structural imbalances, particularly in revenue mobilisation, expenditure composition, and the utilisation of borrowed funds. Addressing these issues is essential to ensure the durability and quality of fiscal outcomes in the medium term.

1.7 Recommendations

1. *The State Government may strengthen mobilisation of own tax and non-tax revenues through improved assessment, monitoring, and enforcement mechanisms to ensure that collections are aligned with budgeted targets and economic growth.*
2. *In view of the increasing reliance on borrowings, the State Government may accord priority to prudent debt management and ensure that a higher proportion of public debt is utilised for productive capital expenditure and asset creation.*
3. *The State Government may take substantive efforts to clear arrears of revenue, which will help mitigate the persistent revenue deficit and fiscal deficit experienced by the State Government over the years.*
4. *Given the decline in Grants-in-Aid from the Government of India, the State Government may strengthen cash flow planning and coordination with implementing departments to mitigate the impact of timing mismatches in fund releases.*

5. *The State Government may institute a comprehensive mechanism for monitoring, timely clearance of arrears and transparent reporting of off-budget obligations to reduce fiscal risks and enhance credibility.*

6. *The State Government may periodically review the financial performance of Public Sector Undertakings and other institutions, with a view to improving returns on investments, recovery of dues, and dividend realisation.*