# STATE FINANCE

**CHAPTER III**

In a growing economy the role and functions of the State Government have been expanding both in terms of more extensive coverage and in terms of intensity. The responsibility of delivering many resources - intensive public services is vested with the State Governments which are also closer to the people. The State Governments maintain law and order, administer justice, build up social and economic infrastructure and ensure a social safety net for the poor. Tamil Nadu has also been subsidizing the provision of power, food, health services and nutrition and education with the overall welfare perspective in mind. The State has also been devolving a higher proportion of untied resources to local bodies at level more than twice the National average level. Tamil Nadu is also a front runner in providing direct service delivery with the greater effectiveness. The implementation of Nutritious Mid-day Meal Programme, Old Age Pension Scheme, continued implementation of Universal Public Distribution System (PDS) in which rice is supplied free of cost, the distribution of free laptop computers for skill enhancement and the provision of fans, mixie and grinders to women heads of poor households free of cost to relieve them of domestic drudgery and to enhance their work participation rate. The increased and inherent responsibilities of service provision and the rising aspirations of the people have resulted in growing financial commitments on the part of the State. Substantial investment in furnishing social and economic infrastructure is indispensable so that economic growth will become self propelling.

***Box 3.1 To ensure material progress with distributive justice, the Budget 2013-14 has been formulated with the following approaches:***

- Continued thrust on primary sector and infusion of more investment in storage and marketing infrastructure.
- Speedy implementation of infrastructure projects and investing more funds in new projects for power, roads connectivity, etc.,
- Additional incentives to encourage balanced industrial growth in backward and most backward areas, particularly in Southern Tamil Nadu,
- Special package for Micro, Small and Medium Enterprises (MSME) to boost employment generation and to revitalize industrial growth.
- Increased flow of funds to build quality urban infrastructure,
- Infusion of more capital into urban housing to benefit Economically Weaker Sections (EWS) and the Lower Income Group (LIG)
- Improvement of welfare schemes by ensuring better service delivery through better governance,
- Thrust on poverty reduction and skill building for productive and high value jobs,
- Strengthening the social security net to protect the destitute and the poor,
- Stepping up expenditure in social sectors like education, health and nutrition.

***Source: Budget Documents 2013-14, Government of Tamil Nadu.***

The Fiscal Responsibility and Budget Management Act 2003 of Government of India, the Tamil Nadu Fiscal Responsibility Act, 2003 and Medium Term Fiscal Plan are the culmination of the policy resolve to place the process of fiscal consolidation in an institutional framework. The holistic approach adopted by the State has yielded rich dividends in terms of creating fiscal space. The fiscal consolidation process has been revenue-led and involves reprioritization of expenditure with focus on outcomes. There is a discernable turn round from being a revenue – deficit to be revenue – surplus budget during the last three years. Tamil Nadu is one of the consummate performers in containing Gross Fiscal Deficit within the stipulated norm.

### *3.1 Dimensions of Budgetary Transactions:*

Budgetary transactions are being operated under three heads – (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account. These three accounts put together ended in a deficit of Rs.115.78 crore during 2010-11 and Rs.1214.50 crore during 2012-13, whereas all the accounts combined together resulted in a surplus of Rs.689.70 crore during 2011-12 and Rs.969.81 crore during 2013-14. In the aggregate the budgetary transactions had turned the corner in the recent years. Fiscal consolidation is largely revenue-led.

The Consolidated Fund is the principal head in which resources flow and expenditures are incurred under the Revenue Account and Capital Account of the Fund. There was a turn round in the Revenue Account from deficit to surplus because Revenue Receipts exceeded the Revenue Expenditure during 2011-12. The Revenue Account has showed a net surplus during the years 2011-12, 2012-13 and 2013-14 (RE). The net surplus came down to Rs.244.27 crore in 2013-14 from a high of Rs.1,760.26 crore in 2012-13. Only in the year 2010-11, the Revenue Account displayed a sizeable deficit of Rs.2,728.70 crore. It is the main source of fiscal imbalance with serious implications for public investment and growth of the economy. The revenue surplus in the subsequent period mirrors fiscal correction. It is a change for the better because fiscal situation had really bettered compared to earlier years. However, the slowdown in growth at the all India level has affected the revenue receipts in 2013-14, narrowing the revenue account surplus.

The Capital Account deals with assets created in the form of capital expenditure and outstanding loans receivable by the Government. All through the years, it has exhibited a deficit which is desirable as it represents an excess of capital investment over capital receipts. It varied from Rs.2,074.17 crore in 2012-13 to Rs.5,688.12 crore in 2011-12. Net Consolidated Fund (Revenue Account and Capital Account) depicts a significant deficit all through the four years. In the year 2010-11, it was mainly due to the deficit in both Revenue and Capital Account. In the subsequent three years 2011-12 to 2013-14, the deficit was mainly due to the deficit on Capital Account.

**Table – 3.1 : Budget 2013-14 – At a Glance** (Rs.lakhs)

| Details | 2010-11 (Accounts) | 2011-12 (Accounts) | 2012-13 (Accounts) | 2013-14 (R.E.) |
|---|---|---|---|---|
| **Consolidated Fund** | | | | |
| **Revenue Account** | | | | |
| Receipts | 7018761 | 8520214 | 9882770 | 11680847 |
| Disbursements | 7291631 | 8383804 | 9706744 | 11656420 |
| Surplus (+)or Deficit(-) | (-)272870 | 136410 | 176026 | 24427 |
| **Capital Account** | | | | |
| Receipts | 1526273 | 1996059 | 2227744 | 2556661 |
| Disbursements | 1798537 | 2564871 | 2435161 | 2869001 |
| Surplus(+) or Deficit (-) | (-)272264 | (-)568812 | (-)207417 | (-)312340 |
| Consolidated Fund (net) | (-)545134 | (-)432402 | (-)31391 | (-)287913 |
| Contingency Fund (net) | (-)2956 | 2956 | -- | -- |
| Public Account (net) | 536512 | 498416 | (-)90059 | 384894 |
| Total transactions (net) | (-)11578 | 68970 | (-)121450 | 96981 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

The Government performs a role of a banker in the Public Account - Deposits from Local Bodies, Public Sector Corporations and individuals transacting with the Government and corresponding repayments made comprise the Public Account. There was a steady decline in the Public Account – from Rs.5,365.12 crore in 2010-11 to Rs.3,848.94 crore in

2013-14. However, it exhibited a deficit of Rs.900.59 crore in 2012-13 which had caused an overall deficit in the total budgetary transactions of Rs.1214.50 crore during the year. The transactions of Contingency Fund that enables the Executive to meet unforeseen expenditure pending the authorization by the legislature was negative during 2010-11 and positive during 2011-12.

### *3.2 Revenue Account:*
### *3.2.1 Revenue Receipts:*

Revenue receipts consist of principally two heads – tax revenue and non-tax revenue. The total revenue receipts in the State had gradually picked up in recent years. The revenue receipts in the State had witnessed an annual average growth of 16.5 percent during the five -year period 2009-10 to 2013-14. This increase was principally triggered by the higher growth of tax revenue (19%) as compared to that of non-tax revenue (6.9%). More than four-fifth of the State's Revenue Receipts originated in Tax Revenue.

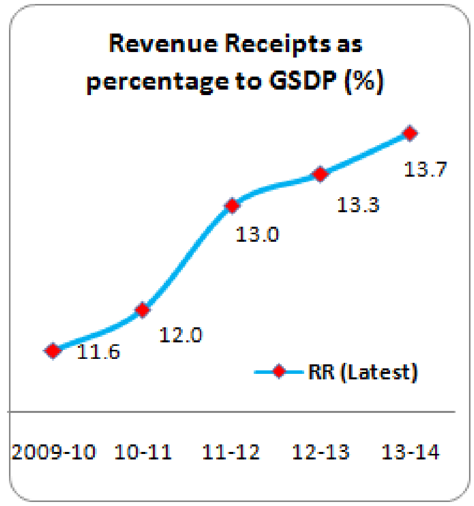



**Table No 3.2 Revenue Receipts – The Trend**

| Year | Revenue Receipts (Rs. Crore) | % change | % Share in GSDP |
|---|---|---|---|
| 2009-10 | 55844.13 | 1.5 | 11.6 |
| 2010-11 | 70187.61 | 25.7 | 12.0 |
| 2011-12 | 85202.14 | 21.4 | 13.0 |
| 2012-13 | 98827.70 | 16.0 | 13.3 |
| 2013-14 (RE) | 116808.47 | 18.2 | 13.7 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

**Table No. 3.3 Revenue Receipts (%)**

| Category | 2010-11 | 2011-12 | 2012-13 | 2013-14 (RE) |
|---|---|---|---|---|
| Tax Revenue | 83.6 | 84.8 | 86.8 | 85.5 |
| Non-tax Revenue | 16.4 | 15.2 | 13.2 | 14.5 |
| Revenue Receipts (Rs. Crore) | 70187.61 (100) | 85202.14 (100) | 98827.70 (100) | 116808.47 (100) |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

During the reference period there was a steady increase in the share of the State's total Tax Revenue from 81.1 percent in 2009-10 to 86.8 percent in 2012-13. The revised estimates of 2013-14 showed a slight fall in its share to 85.5 percent. Contrastingly, the share of State's Non-tax Revenue which is not a buoyant source of revenue was on the decline from 18.9 percent to 13.2 percent. It is estimated to increase to 14.5 percent in the revised estimates of 2013-14. The State's total Revenue Receipts as percentage to GSDP had exhibited a steady increase from 11.6 percent in 2009-10 to 13.7 percent in 2013-14.

### *3.2.2 State's Tax Revenue:*

The total Tax Revenue of the State gradually improved from Rs.58,696.15 crore in 2010-11 to Rs. 99,849.18 crore in 2013-14. During this period, the pace of increase was 23.1 percent in 2011-12, 18.7 percent in 2012-13 and 16.4 percent in 2013-14.

**Table No. 3.4 Tax Revenue**

| Category | Share in Tax Revenue (%) | | | Share in Revenue Receipts (%) | | |
|---|---|---|---|---|---|---|
| | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14 (RE) |
| Share of Central Taxes | 17.6 | 16.9 | 16.5 | 14.9 | 14.7 | 14.1 |
| State's Own Tax Revenue | 82.4 | 83.1 | 83.5 | 69.9 | 72.1 | 71.4 |
| Tax Revenue (Rs. Crore) | 72232.26 (100) | 85773.96 (100) | 99849.18 (100) | 84.8 | 86.8 | 85.5 |

***Note: (RE) - Revised Estimate.***
***Source: Budget Documents, Government of Tamil Nadu.***

Under tax Revenue, the State's own tax revenue accounted for a larger chunk. It's share in total tax revenue steadily increased from 81.4 percent in 2010-11 to 83.5 percent in 2013-14. On the other hand, the State's share in Central taxes was on the decline from 18.6 percent to 16.5 percent. This reflects that the State is in increasingly receiving less from the Central Government as its share of revenue and is increasingly reliant on its own capacity raise resources. There was a steady increase in the ratios of tax revenue to GSDP as well as State's own tax revenue to GSDP.

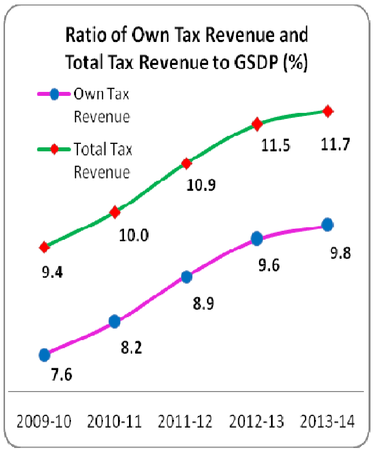



**Table No.3.5 Own Tax Revenue– The Trend**

| Year | Own Tax Revenue (Rs. Crore) | % change | Ratio to GSDP(%) |
|---|---|---|---|
| 2009-10 | 36546.67 | 8.5 | 7.6 |
| 2010-11 | 47782.18 | 30.7 | 8.2 |
| 2011-12 | 59517.31 | 24.6 | 8.9 |
| 2012-13 | 71254.27 | 19.7 | 9.6 |
| 2013-14 (RE) | 83363.21 | 17.0 | 9.8 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

There was a slowdown in the pace of increase in the State's own tax Revenue. It was 24.6 percent in 2011-12, 19.7 percent in 2012-13 and 17.0 percent in 2013-14. Of the State's own tax revenue of Rs.83,363.21 crore

**Table No.3.6 State's Own tax Revenue (%)**

| Taxes | Share in Own Tax Revenue | | | Share in Total Revenue Receipts | | |
|---|---|---|---|---|---|---|
| | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14(RE) |
| Agricultural Income Tax | -0.0007 | 0.00 | -0.003 | 0.0005 | 0.00 | -0.002 |
| Land Revenue | 0.15 | 0.18 | 0.20 | 0.10 | 0.13 | 0.14 |
| Stamps and Registration Fee | 11.06 | 10.73 | 11.06 | 7.72 | 7.74 | 7.89 |
| Taxes on Urban Land | 0.02 | 0.02 | 0.02 | 0.01 | 0.02 | 0.02 |
| State Excise Duties | 16.76 | 17.02 | 7.04 | 11.71 | 12.27 | 5.02 |
| Central Sales Tax | 4.76 | 3.83 | 3.75 | 3.32 | 2.76 | 2.68 |
| General Sales Tax | 56.22 | 57.98 | 66.65 | 39.27 | 41.80 | 47.57 |
| Taxes on Vehicles | 5.21 | 5.51 | 5.50 | 3.64 | 3.98 | 3.92 |
| Taxes on Goods & Passengers | 3.57 | 3.16 | 3.35 | 2.49 | 2.28 | 2.39 |
| Electricity Duties | 1.75 | 1.08 | 1.93 | 1.22 | 0.78 | 1.38 |
| Entertainment Tax | 0.06 | 0.10 | 0.07 | 0.04 | 0.07 | 0.05 |
| Betting Tax | 0.01 | 0.01 | 0.01 | 0.01 | 0.00 | 0.01 |
| Receipts under Sugarcane Cess | 0.02 | 0.01 | 0.01 | 0.02 | 0.01 | 0.01 |
| Luxury Tax | 0.43 | 0.37 | 0.41 | 0.30 | 0.27 | 0.29 |
| **State's Own Tax Revenue (Rs. Crore)** | 59517 (100.00) | 71254 (100.00) | 83363 (100.00) | 69.85 | 72.10 | 71.37 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

during 2013-14, General Sales Tax alone contributed 66.7 percent to the State Exchequer, followed by Stamps and Registration (11.1%), State Excise Duties (7.0%), Taxes on Vehicles (5.5%) and Central Sales Tax (3.8%) and they jointly contributed as high as 94.1 percent of State's Own Tax Revenue. These together accounted for 67.1 percent of the State's total Revenue Receipts.

Tax efforts of the State are better judged from the ratio of own tax revenue to the GSDP. The ratio at 8.2 percent during 2010-11 gradually increased to 8.9 percent in 2011-12, 9.6 percent in 2012-13 and further to 9.8 percent in 2013-14. A series of additional resources mobilization measures taken by the State has helped to sustain and improve its own tax revenue base.

A tax is buoyant when revenue increases by more than one percent for a one percent increase in GSDP. The State's own tax buoyancy was 1.40 in 2010-11 and it had increased to 1.79 in 2011-12. In the subsequent two years it had declined. It was 1.66 in 2012-13 and 1.20 in 2013-14. The State's VAT buoyancy had steadily picked up from 1.17 in 2010-11 to 2.43 in 2013-14. A fluctuating trend was noticed in the degree of buoyancy in respect of Taxes on Vehicles and Stamps and Registration Fee. In the case of State Excise Duties, the buoyancy had picked up in 2012-13 but in 2013-14 it has turned negative. This was mainly due to the low estimation of revenue realization from this source.

The Government of India is contemplating introducing the Goods and Services Tax (GST) in lieu of VAT towards harmonization of the indirect tax regime between the Centre and the States. Such a regime reduces the autonomy of the States to take up revenue augmentation. The sudden shift of levy from the point of origin to the point of destination will have an adverse impact on the revenues of manufacturing and net exporting States like Tamil Nadu. Further, the cumulative rate of GST cannot be very high as it will be regressive and this would keep the GST rate below the Revenue Neutral Rate for Tamil Nadu. Hence a large revenue loss for Tamil Nadu is likely. This loss would have to be compensated through an appropriate package. A consensus approach is to be developed in this regard before rolling out the tax regime proposed.

**Table No. 3.7 Tamil Nadu's Own Tax Revenues 2010-11 to 2013-14**

| Taxes | 2010-11 | 2011-12 | 2012-13 | 2013-14 (RE) |
|---|---|---|---|---|
| **As percent to GSDP (2004-05 base series)** | | | | |
| Stamps and Registration Fee | 0.80 | 0.99 | 1.03 | 1.08 |
| State Excise Duties | 1.39 | 1.50 | 1.63 | 0.69 |
| General Sales Tax | 4.51 | 5.03 | 5.55 | 6.53 |
| Tax on Vehicles | 0.45 | 0.47 | 0.53 | 0.54 |
| State's Own Tax (Total) | 8.17 | 8.95 | 9.57 | 9.80 |
| **Annual Growth Rates (percent)** | | | | |
| Stamps and Registration Fee | 26.99 | 41.50 | 16.18 | 20.62 |
| State Excise Duties | 20.40 | 22.91 | 21.56 | -51.60 |
| General Sales Tax | 25.63 | 26.91 | 23.47 | 34.50 |
| Tax on Vehicles | 31.38 | 16.58 | 26.68 | 16.66 |
| State's Own Tax (Total) | 30.74 | 24.56 | 19.72 | 16.99 |
| **Annual Buoyancy (%)** | | | | |
| Stamps and Registration Fee | 1.23 | 3.02 | 1.36 | 1.45 |
| State Excise Duties | 0.93 | 1.67 | 1.81 | -3.63 |
| General Sales Tax | 1.17 | 1.96 | 1.97 | 2.43 |
| Tax on Vehicles | 1.43 | 1.21 | 2.24 | 1.17 |
| State's Own Tax (Total) | 1.40 | 1.79 | 1.66 | 1.20 |

***Note: (RE) – Revised Estimate,***
***Source: Complied and Computed by Evaluation and Applied Research Department, Chennai-108.***

### *3.2.3 Share of Central Taxes:*

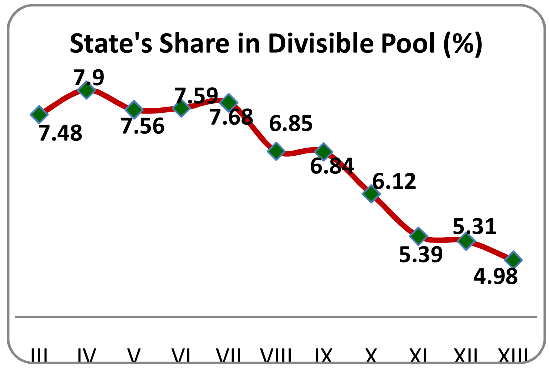
During the five year period 2009-10 to 2013-14, the increase in the receipts of the share of Central Taxes was in the range from 2.9 percent (2009-10) to 24.6 percent (2010-11). On an average the growth rate during this period worked out to 14.3 percent. It's share in tax

**Table No. 3.8 Share of Central Taxes – The Trend**

| Year | Share of central taxes (Rs. Crore) | % Change | Share in (%) | | Ratio to GSDP(%) |
|---|---|---|---|---|---|
| | | | Total Tax Revenue | Total Revenue Receipts | |
| 2009-10 | 8756.19 | 2.9 | 19.3 | 15.7 | 1.8 |
| 2010-11 | 10913.97 | 24.6 | 18.6 | 15.5 | 1.9 |
| 2011-12 | 12714.95 | 16.5 | 17.6 | 14.9 | 1.9 |
| 2012-13 | 14519.69 | 14.2 | 16.9 | 14.7 | 2.0 |
| 2013-14 (RE) | 16485.97 | 13.5 | 16.5 | 14.1 | 1.9 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

revenue and as well as total revenue receipts had gradually come down. It's ratio to GSDP hovered around 1.9 percent. The total share of Central taxes was Rs.16485.97 crore in 2013-14.




The long term trend shows that Tamil Nadu has been getting a diminishing share of transfers from the Centre. Tamil Nadu is particularly hard hit by the consistent reduction in its share of the divisible pool in successive Commission's recommendations. The 13th Finance Commission further reduced Tamil Nadu's share in the total divisible pool of Central taxes to 4.98 percent (5.047 percent in the case of service tax) from the 5.31 percent recommended by the 12th Finance Commission. The 9th, 10th and 11th Finance Commissions had been even more unjust to Tamil Nadu effecting successive massive reductions from 6.84 percent share to 6.12 percent and 5.39 percent respectively. There has thus been steady erosion in what Tamil Nadu regards as the most preferred mode of transfer of resources from the Centre to the States.

**Table No.3.9 Tamil Nadu's Share in Divisible Pool**

| Finance Commission | Share in Central Taxes |
|---|---|
| Third | 7.48 |
| Fourth | 7.90 |
| Fifth | 7.56 |
| Sixth | 7.59 |
| Seventh | 7.68 |
| Eighth | 6.85 |
| Ninth | 6.84 |
| Tenth | 6.12 |
| Eleventh | 5.39 |
| Twelfth | 5.31 |
| Thirteenth | 4.98 |

***Source: Memorandum Submitted to the Fourteenth Finance Commission, Finance Department, and Government of Tamil Nadu. (Page No. 20)***

**Table No.3.10 Share of Non-tax Revenue – The Trend**

| Year | Non-tax Revenue (Rs. Crore) | % Change | (%) Share in Total Revenue Receipts | Ratio to GSDP (%) |
|---|---|---|---|---|
| 2009-10 | 10541.27 | -17.9 | 18.9 | 2.2 |
| 2010-11 | 11491.46 | 9.0 | 16.4 | 2.0 |
| 2011-12 | 12969.88 | 12.9 | 15.2 | 1.9 |
| 2012-13 | 13053.74 | 0.6 | 13.2 | 1.8 |
| 2013-14 (RE) | 16959.29 | 29.9 | 14.5 | 2.0 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

### *3.2.4 Non-Tax Revenue:*

Non-Tax Revenue is comprised of State's Own Non-Tax Revenue and Grants-in-Aid from the Central Government. Grants-in-Aid accounted for 54 percent and State's Own Non-Tax Revenue 46 percent. There was a fall in non-tax revenue during 2009-10 because of the decline in the quantum of grants-in-aid from the Centre as well as the receipts from own non-tax revenue. Among these two components' the decline was more pronounced in grants-in-aid (22.7%) as compared to own non-tax revenue receipts (12%). In the subsequent years, non-tax revenue registered increases ranged between 0.6 percent in 2012-13 to 29.9 percent in 2013-14. On an average during the five year period ending 2013-14 the revenue realization from this source registered a growth rate of 6.9 percent. In the State's total revenue receipts the share of non-tax revenue witnessed a steady decline. On an average during the five year period 2009-10 to 2013-14 its share in total revenue receipts worked out to 15.6 percent. It's ratio to GSDP more or less remained constant at 2.0 percent.

During 2009-10 and 2010-11 the receipts from State's own non-tax revenue had declined. The fall in 2009-10 was mainly on account of the decline in receipts originated in economic services and in 2010-11 it was mainly due to fall in interest receipts and dividends and profits. Since 2011-12 the receipts from State's own non-tax revenue exhibited a steady pick up. During the five year period ending 2013-14 it registered an annual growth of 8.4 percent. It's share in total Revenue Receipts was 7.1 percent and in GSDP it was around 1.0 percent. Of the total State's Own-Non-Tax Revenue of Rs.7857.34 crore in 2013-14, receipts from social services, economic services and fiscal services put together accounted for 91 percent.

| Table No.3.11 State's Own Non-tax Revenue – The Trend | | | | | |
|---|---|---|---|---|---|
| Year | State's Own non-tax Revenue (Rs. Crore) | % Change | Share in (%) | | |
| | | | Total Non-tax Revenue | Total Revenue Receipts | GSDP |
| 2009-10 | 5027.05 | -12.0 | 47.7 | 9.0 | 1.0 |
| 2010-11 | 4651.44 | -7.5 | 40.5 | 6.6 | 0.8 |
| 2011-12 | 5683.57 | 22.2 | 43.8 | 6.7 | 0.9 |
| 2012-13 | 6554.26 | 15.3 | 50.2 | 6.6 | 0.9 |
| 2013-14 (RE) | 7857.34 | 19.9 | 46.3 | 6.7 | 0.9 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

| Table No.3.12 State's Own Non-Tax Revenue | | | | | | |
|---|---|---|---|---|---|---|
| Category | Share in Non-tax Revenue (%) | | | Share in State's Own Non-tax Revenue (%) | | |
| | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14 (RE) |
| **1. State's Own Non Tax Revenue** | | | | | | |
| Fiscal Services | 15.8 | 15.7 | 12.4 | 36.2 | 31.4 | 26.7 |
| General Services | 5.0 | 4.7 | 4.4 | 11.4 | 9.4 | 9.5 |
| Social Services | 12.2 | 18.4 | 20.3 | 27.8 | 36.5 | 43.9 |
| Economic Services | 10.8 | 11.4 | 9.2 | 24.6 | 22.7 | 19.9 |
| Own Non-Tax Revenue (Rs.crore) | 43.8 | 50.2 | 46.3 | 5683.57 (100.0) | 6554.26 (100.0) | 7857.34 (100.0) |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

The State is not well endowed in terms of major minerals being a water deficit State, with the irrigated areas at the mercy of the unpredictable North East Monsoon and unresolved issues in sharing of inter-State river water, the prospects of cost recovery from farmers are naturally remote. Given the higher aspirations and expectations of the population for better education and health, the recovery of user charges in these sectors cannot be justified. Some user charges (such as drinking water and transport charges) do not go directly to the State's treasury but are collected by State-owned enterprises. Thus, there is little potential for the State to increase it's Own-Non-Tax Revenues.

In the State's total Revenue Receipts, the share of Grants-in-Aid from the Centre had steadily declined from 9.9 percent in 2009-10 to 6.6 percent in 2012-13. In 2013-14, the trend was reversed and it improved to 7.8 percent. On an average during this period it accounted for 8.5 percent of the total revenue receipts of the State. The quantum of grants-in-aid received by the State from the Centre had fallen during 2012-13. It was due to the non-receipt of General Performance Grant, as recommended by the 13$^{th}$ Finance Commission, Grants for IAMWARM Project from the IDA, Grants from Central Road Fund, assistance to upgradation of existing /

| Table No.3.13 Grants-in-Aid – The Trend | | | | |
|---|---|---|---|---|
| Year | Grants-in-Aid (Rs.Crore) | % Change | Share in (%) | |
| | | | Total Non-tax Revenue | Total Revenue Receipts |
| 2009-10 | 5514.22 | -22.7 | 52.3 | 9.9 |
| 2010-11 | 6840.02 | 24.0 | 59.5 | 9.7 |
| 2011-12 | 7286.31 | 6.5 | 56.2 | 8.6 |
| 2012-13 | 6499.48 | -10.8 | 49.8 | 6.6 |
| 2013-14(RE) | 9101.95 | 40.0 | 53.7 | 7.8 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

setting up of new polytechnics and anticipation of lesser receipts for JnNURM etc. In 2013-14, it could be likely to shoot up to 40.0 percent. This is because of the anticipation of higher grants as per the recommendations of 13th Finance Commission and Plan Grants. During this five year period ending 2013-14 it registered an annual average growth of 7.4 percent.

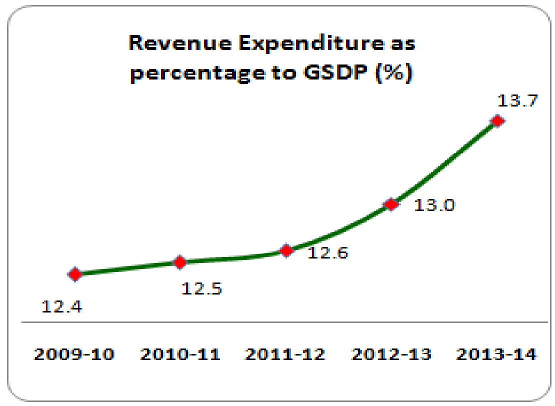
### *3.3 Revenue Expenditure:*

Revenue Expenditure includes the money spent by the State Government on items such as salary, pension, interest payments, subsidies, grants to institutions etc. which do not create assets. Revenue Expenditure in the State witnessed a steady increase during the period 2009-10 to 2013-14. The pace of increase varied between 10.8 percent in 2009-10 and 22.8 percent in 2010-11. The annual average growth rate during the five year period was 16.9 percent. The increase in the quantum of assistance under the existing schemes and the phased filling up of the vacancies are responsible for this increase. The ratio of Revenue Expenditure as percentage to GSDP was steadily on increase. It was 12.4 percent in 2009-10. It improved to 13.7 percent in 2013-14. During the five year period, on an average it's share in GSDP worked out to 12.8 percent.

**Table No. 3.14 Revenue Expenditure – The Trend (Rs. Crore)**

| Year | Revenue Expenditure | % Change | Ratio to GSDP (%) |
|---|---|---|---|
| 2009-10 | 59375.35 | 10.8 | 12.4 |
| 2010-11 | 72916.31 | 22.8 | 12.5 |
| 2011-12 | 83838.04 | 15.0 | 12.6 |
| 2012-13 | 97067.44 | 15.8 | 13.0 |
| 2013-14(RE) | 116564.20 | 20.1 | 13.7 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***




The proportionate allocation of Revenue Expenditure among Development Expenditure, Non-Development Expenditure and Compensation to Local Bodies and Panchayats Raj Institutions as per the Revised Estimate for 2013-14 was in the ratio of 59:32:9. During the five years ending 2013-14, the pace of increase towards compensation and assignments to local bodies and Panchayat Raj at 21.6 percent had significantly triggered to the acceleration in revenue expenditure as compared to the other two components viz., development expenditure (17.4%) and non-development expenditure (15.2%).

**Table No.3.15 Revenue Expenditure by Components (Rs.crore)**

| Year | Development | Non-Develop-ment | Compensation and Assignments to Local Bodies | Revenue Expenditure |
|---|---|---|---|---|
| 2009-10 | 35079.41 (13.0) | 20296.53 (9.3) | 3999.41 (0.5) | 59375.35 (10.8) |
| 2010-11 | 41131.51 (17.3) | 25923.43 (27.7) | 5861.37 (46.6) | 72916.31 (22.8) |
| 2011-12 | 47403.84 (15.2) | 28941.19 (11.6) | 7493.01 (27.8) | 83838.04 (15.0) |
| 2012-13 | 56251.24 (18.7) | 31652.12 (9.4) | 9164.08 (22.3) | 97067.44 (15.8) |
| 2013-14 (RE) | 69032.00 (22.7) | 37392.44 (18.1) | 10139.76 (10.6) | 116564.20 (20.1) |

***Note: Figures in brackets indicates percentage change over previous year***
***(RE) - Revised Estimate, Source: Budget Documents, Government of Tamil Nadu.***

Among the components, the share of expenditure on Social Services was more than three-fifth of the development expenditure as well as 40.2 percent of the total Revenue Expenditure. The total expenditure on Social Services under Revenue account witnessed increases of 15.1 percent in 2011-12, 16.1 percent in 2012-13 and 21.3 percent in 2013-14. Providing funds for continuance of ongoing welfare schemes was the reason behind it. Of the

| Table No. 3.16 Development Expenditure Under Revenue Account | | | | | | |
|---|---|---|---|---|---|---|
| Category | Share in total Revenue Expenditure (%) | | | Share in Development Expenditure (%) | | |
| | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14 (RE) |
| **A.Social Services** | **39.67** | **39.79** | **40.20** | **70.17** | **68.7** | **67.9** |
| Education, Art, Culture & Sports | 18.21 | 18.20 | 18.06 | 32.20 | 31.4 | 30.5 |
| Medical and Public Health | 4.22 | 4.26 | 4.05 | 7.47 | 7.3 | 6.8 |
| Family Welfare | 0.81 | 0.88 | 0.80 | 1.44 | 1.5 | 1.3 |
| Water Supply and Sanitation | 0.23 | 0.25 | 0.56 | 0.40 | 0.4 | 0.9 |
| Housing | 0.74 | 0.75 | 0.55 | 1.31 | 1.3 | 0.9 |
| Urban Development | 1.07 | 1.42 | 2.05 | 1.90 | 2.5 | 3.5 |
| Labour and Employment | 0.29 | 0.31 | 0.38 | 0.51 | 0.5 | 0.6 |
| Welfare of SC, ST and OBC | 2.24 | 2.06 | 2.45 | 3.97 | 3.6 | 4.1 |
| Social Security and Welfare | 7.84 | 8.58 | 8.07 | 13.87 | 14.8 | 13.6 |
| Nutrition | 2.57 | 2.37 | 2.23 | 4.54 | 4.1 | 3.8 |
| Relief on Account of Natural Calamities | 1.42 | 0.55 | 0.78 | 2.51 | 0.9 | 1.3 |
| Other Social Services | 0.03 | 0.18 | 0.22 | 0.05 | 0.3 | 0.4 |
| **B.Economic Services** | 16.87 | 18.16 | 19.02 | 29.83 | 31.3 | 32.1 |
| Agriculture and Allied Services | 4.21 | 6.00 | 6.06 | 7.45 | 10.4 | 10.2 |
| Rural Development | 1.39 | 0.88 | 1.28 | 2.47 | 1.5 | 2.2 |
| Special Area Programme | 0.01 | 0.01 | 0.01 | 0.02 | 0.02 | 0.01 |
| Irrigation and Flood Control | 0.99 | 0.74 | 0.94 | 1.74 | 1.3 | 1.6 |
| Energy | 2.12 | 1.93 | 2.51 | 3.75 | 3.3 | 4.2 |
| Industry and Minerals | 0.71 | 1.70 | 1.87 | 1.26 | 2.9 | 3.2 |
| Transport | 1.14 | 1.56 | 1.67 | 2.01 | 2.7 | 2.8 |
| Science, Technology and Environment | 0.02 | 0.01 | 0.01 | 0.04 | 0.02 | 0.02 |
| General Economic Services | 6.27 | 5.33 | 4.68 | 11.10 | 9.2 | 7.9 |
| **Development expenditure (Rs.Crore / Percent)** | **56.54** | **57.95** | **59.22** | **47403.84 (100.00)** | **56251.24 (100.00)** | **69032.00 (100.00)** |
| Total Revenue Expenditure (Rs.Crore) | **83838.04** | **97067.44** | **116564.20** | -- | -- | -- |
| ***Note: (RE) - Revised Estimate,*** ***Source: Budget Documents, Government of Tamil Nadu.*** | | | | | | |

total expenditure on Social Services of Rs.46,862 crore in 2013-14, Education, Art, Culture and Sports (44.9%), Social Security and Welfare (20.1%) and Medical and Public Health (10.1%) put together claimed a share of 75.1 percent.

Economic Services accounted nearly one-third of the total development expenditure in the State and it's share in total Revenue Expenditure was 19.0 percent. It increased by 15.7 percent in 2011-12, 24.7 percent in 2012-13 and 25.8 percent in 2013-14. Payments to TNEB on behalf of the farmers using farm pumpsets, reduction in tariff to domestic consumers, financial restrictions of TNEB and the construction of concrete houses under the welfare schemes had been the reason behind the estimated increase in expenses under Economic Services. Of the total expenditure on Economic Services of Rs.22,170 crore in 2013-14, the Agriculture and Allied Services (31.8%), General Economic Services (24.6%) and Energy (13.2%) put together accounted for about 70.0 percent.

Debt services, administrative services, pension and miscellaneous services etc. are the components of General Services (non-development). Among these, pension and miscellaneous general services (42.3%) and debt services (34.0%) put together formed a share of 76.3 percent of the total expenditure under General Services during 2013-14. These two put together claimed a share of 24.5 percent in the total Revenue Expenditure. The expenditure under General Services had increased over the years in different proportions. It rose by 11.6 per cent during 2011-12, 9.4 percent during 2012-13 and 18.1 percent during 2013-14. Huge interest liabilities and pension payments are the major causes for the significant hike in expenditure under General Services which are bound to dilute the effectiveness and quality of public expenditure.

**Table No. 3.17 Non-Development Expenditure under Revenue Account**

| Category | Share in total Revenue Expenditure (%) | | | Share in Non-Development Expenditure (%) | | |
|---|---|---|---|---|---|---|
| | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14 (RE) |
| Organs of State | 1.20 | 0.73 | 0.81 | 3.47 | 2.24 | 2.54 |
| Fiscal Services | 0.97 | 0.91 | 0.86 | 2.80 | 2.79 | 2.67 |
| Debt Services | 10.84 | 11.32 | 10.91 | 31.41 | 34.72 | 34.00 |
| Administrative Services | 6.40 | 5.85 | 5.95 | 18.54 | 17.93 | 18.53 |
| Pension and Other Retirement Benefits | 15.02 | 13.56 | 13.30 | 43.52 | 41.58 | 41.45 |
| Miscellaneous General Services | 0.09 | 0.24 | 0.26 | 0.26 | 0.74 | 0.81 |
| **Non-development Expenditure (Rs.Crore / Percent)** | **34.52** | **32.61** | **32.08** | **28941.19 (100.00)** | **31652.12 (100.00)** | **37392.44 (100.00)** |
| **Total Revenue Expenditure (Rs. Crore)** | **83838.04** | **97067.44** | **116564.20** | -- | -- | -- |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

**Table No. 3.18 Compensation and Assignments to Local Bodies and Panchayat Raj**

| Year | Amount (Rs. Crore) | % Share in Revenue Expenditure |
|---|---|---|
| 2011-12 | 7493.01 | 8.9 |
| 2012-13 | 9164.08 | 9.4 |
| 2013-14 (RE) | 10139.76 | 8.7 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

The pace of increase in the compensation and assignments to Panchayat Raj Institutions registered an increase - 27.8 percent in 2011-12, 22.3 percent in 2012-13 and 10.6 percent in 2013-14.

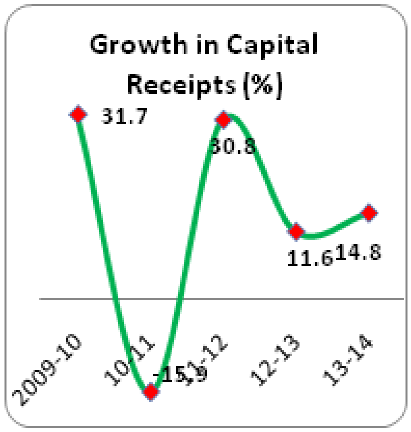
Rising interest payments, expenditure on subsidies, pay and allowances, pensions, drought- triggered oscillation in farm income, coupled with near stagnant tax – GSDP ratio have contributed mainly to the worsening of revenue balances and fiscal health of the State. Resources that are required for allocation to the new programmes should come largely from augmentation of revenue receipts. The approach to fiscal consolidation is revenue-led.

### *3.4 Capital Accounts:*

### *3.4.1 Capital Receipts:*

Capital Receipts comprises of public debt and loans and advances repaid to the State Government. Except 2010-11, there was a steady increase in the quantum of capital receipts in the State in recent past. The fall in capital receipts during the year 2010-11 was mainly due to the decline in the quantum of public debt and as well as the quantum of loans and advances repaid to the State Government. During the five year period 2009-10 to 2013-14, the capital receipts in the State had grown on an average at the rate of 14.6 percent. The public debt accounted for the larger chunk of the capital receipts. On an average it's share in the capital receipts during this period was 92.0 percent. Between the last two years 2012-13 and 2013-14, the total capital receipts in the State witnessed a growth of 14.8 percent. The increase in public debt (16.8%) had mainly contributed, despite there was a decline in loans and advances repaid to State Government (26.7%).

| **Table No.3.19 Capital Receipts – The Trend** | | |
|---|---|---|
| Year | Capital Receipts (Rs. Crore) | % Change |
| 2009-10 | 18143.95 | 31.7 |
| 2010-11 | 15262.73 | (-)15.9 |
| 2011-12 | 19960.59 | 30.8 |
| 2012-13 | 22277.44 | 11.6 |
| 2013-14 (RE) | 25566.61 | 14.8 |
| ***Note: (RE) - Revised Estimate, Source: Budget Documents, Government of Tamil Nadu.*** | | |




Public debt consists of inflows from open market loans, financial institutions and loans from Government of India. During the five year period ending 2013-14, of the total public debt on an average the share of internal debt was as high as 93.0 percent and loans and advances from Government of India was 7.0 percent. Between 2012-13 and 2013-14 the net increase in the public debt was Rs.357162 lakhs. To this the relative contribution of internal debt was as high as 92.0 percent.

| **Table No. 3.20 Capital Receipts** | | | | | | |
|---|---|---|---|---|---|---|
| Category | Share in Capital Receipts (%) | | | Share in Public Debt (%) | | |
| | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14 (RE) |
| 1. Public debt (Rs.Crore / Percent) | 84.07 | 95.25 | 96.97 | 16779.96 (100.0) | 21219.88 (100.0) | 24791.50 (100.0) |
| i. Internal debt | 78.16 | 89.15 | 90.49 | 92.97 | 93.59 | 93.32 |
| ii. Loans and advances from GOI | 5.91 | 6.11 | 6.48 | 7.00 | 6.41 | 6.68 |
| 2. Loans and advances repaid to State Government | 15.93 | 4.75 | 3.03 | -- | -- | -- |
| Total Capital Receipts (Rs.Crore / Percent) | 19960.59 (100.00) | 22277.44 (100.00) | 25566.61 (100.00) | -- | -- | -- |
| ***Note: (RE) - Revised Estimate, Source: Budget Documents, Government of Tamil Nadu.*** | | | | | | |

### *3.4.2 Capital Disbursement:*

The capital disbursement is broadly grouped under three heads viz., capital expenditure outside the revenue account, repayment of public debt and loans and advances of the State Government. Except 2009-10 and 2012-13, the capital disbursement in the State witnessed increases. The fall in capital disbursement during the years 2009-10 and 2012-13 was mainly due to the decline in the quantum of capital expenditure outside the revenue account and the repayment of loans and advances of the State government. During the five year period ending 2013-14 the capital disbursement in the State on an average registered an increase of 16.9 percent. Among the three components, the pace of increase in repayment of public debt (26.2%) had outweighed the other two components viz., capital expenditure outside the revenue account (19.1%) and repayment of loans and advances of the State Government (14.1%) during this five year period. Of the total capital

| **Table No. 3.21 Capital Disbursement – The Trend** | | |
|---|---|---|
| Year | Amount (Rs. Crore) | % Share |
| 2009-10 | 13374.96 | (-)5.5 |
| 2010-11 | 17985.37 | 34.5 |
| 2011-12 | 25648.71 | 42.6 |
| 2012-13 | 24351.61 | (-)5.1 |
| 2013-14 (RE) | 28690.01 | 17.8 |
| ***Note: (RE) - Revised Estimate, Source: Budget Documents, Government of Tamil Nadu.*** | | |

disbursement in the State the component capital expenditure outside the revenue accounted for a higher share of 65.1 percent followed by repayment of public debt (18.8%) and loans and advances of the State Government (16.1%).

Between 2012-13 and 2013-14 the Capital disbursement registered an increase of 17.8 percent. It was mainly contributed by the increase in the capital expenditure outside the revenue account (35.7%) and repayment of public debt (20.2%), despite there was a fall in the repayment of loans and advances of the State Government (39.2%).

**Table No. 3.22 Capital Account – Disbursement**

| Category | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14 (RE) |
|---|---|---|---|---|---|---|
| | Share in Capital Disbursements (%) | | | Share in Public Debt (%) | | |
| 1. Capital expenditure outside the revenue account | 63.69 | 59.82 | 68.88 | -- | -- | -- |
| 2. Public debt (Rs.Crore / Percent) | 14.93 | 20.59 | 21.01 | 3829.90 (100.0) | 5014.79 (100.0) | 6027.8 (100.0) |
| i. Internal debt | 12.65 | 18.43 | 18.59 | 84.7 | 89.5 | 88.5 |
| ii. Repayment of loans and advances to GOI | 2.28 | 2.16 | 2.42 | 15.3 | 10.5 | 11.5 |
| 3. Loans and advances of the State Government | 21.38 | 19.58 | 10.11 | -- | -- | -- |
| Capital Disbursements (Rs.Crore / Percent) | 25648.71 (100.00) | 24351.61 (100.00) | 28690.01 (100.00) | -- | -- | -- |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

### *3.4.3 Capital Expenditure:*

The cost of constructing or acquiring an asset of a lasting nature, which yields revenue or which avoids a recurring commitment may be classified generally as Capital Expenditure. It leads to capital accumulation. Such expenditure confers two tangible benefits on society - helps to augment the productive capacity of the economy and protects the interests of both present generation as well as posterity. Except in 2009-10 and 2012-13, there was a steady increase in the capital expenditure of the State. The fall in capital expenditure during the two years 2009-10 and 2012-13 was mainly triggered by the fall in the expenditure under Economic Services. During the five year period 2009-10 to 2013-14 on an average the capital expenditure in the State grew at the rate of 19.1 percent.

**Table No. 3.23 Capital Expenditure – The Trend**

| Year | Capital Expenditure (Rs. Crore) | % Share |
|---|---|---|
| 2009-10 | 8572.6 | -5.8 |
| 2010-11 | 12436.3 | 45.1 |
| 2011-12 | 16335.7 | 31.4 |
| 2012-13 | 14567.7 | -10.8 |
| 2013-14 (RE) | 19763.07 | 35.7 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

Economic Services accounted for a larger chunk of the total capital expenditure. It was on the decline from 68.8 percent in 2011-12 to 61.5 percent in 2012-13 and further to 53.5 percent in 2013-14. The expenditure on economic services which registered an increase of 48.4 percent in 2011-12 witnessed a fall of 20.3 percent in 2012-13. There was spike in the Share Capital Assistance to Tamil Nadu Generation and Distribution Corporation Ltd., in 2011-12 when the level was Rs.4100 crore. This expenditure returned to trend level of Rs.1500 crore in 2012-13 was the reason behind this. Consequently, the share of Energy Sector in total expenditure on Economic Services had come down from 36.5 percent in 2011-12 to 16.7 percent in 2012-13 and in total capital expenditure from 25.1 percent to 10.3 percent. However, the expenditure on Economic Services registered an increase of 18.0

percent in 2013-14. Construction of food storages and warehousing and the implementation of Tamil Nadu Village Habitation Improvement Schemes might be adduced as causative

**Table No.3.24 Capital Expenditure**

| Category | 2011-12 | 2012-13 | 2013-14 (RE) | 2011-12 | 2012-13 | 2013-14 (RE) |
|---|---|---|---|---|---|---|
| | Share in Total Capital Expenditure (%) | | | Share in Social Services (%) | | |
| **I. Social Services** (Rs.Crore / Percent) | 29.52 | 35.35 | 35.90 | 4822.65 (100.00) | 5149.67 (100.00) | 7095.82 (100.00) |
| Education, Sports, Art & Culture | 2.29 | 1.43 | 1.81 | 7.76 | 4.04 | 5.03 |
| Medical, Public Health & Family Welfare | 1.23 | 2.09 | 2.78 | 4.16 | 5.90 | 7.75 |
| Water Supply, Sanitation, Housing & Urban Development | 25.23 | 31.97 | 28.21 | 85.47 | 87.61 | 78.58 |
| Welfare of SC, ST & OBC | 0.66 | 0.49 | 0.81 | 2.23 | 1.39 | 2.25 |
| Social Welfare & Nutrition | 0.03 | 0.16 | 1.97 | 0.11 | 0.45 | 5.48 |
| Other Social Services | 0.08 | 0.21 | 0.33 | 0.27 | 0.61 | 0.91 |
| | | | | Share in Economic Services (%) | | |
| **II. Economic Services** (Rs.Crore / Percent) | 68.80 | 61.52 | 53.53 | 11238.93 (100.00) | 8961.35 (100.00) | 10578.48 (100.00) |
| Agriculture & Allied Services | 4.45 | 5.40 | 4.31 | 6.47 | 8.77 | 8.06 |
| Rural Development | 6.70 | 9.52 | 7.40 | 9.73 | 15.48 | 13.83 |
| Special Area Programme | 0.25 | 0.26 | 0.24 | 0.36 | 0.42 | 0.44 |
| Irrigation & Flood Control | 9.83 | 10.93 | 6.02 | 14.29 | 17.77 | 11.26 |
| Industry & Minerals | 0.00 | 0.03 | 0.45 | 0.01 | 0.04 | 0.84 |
| Energy | 25.10 | 10.30 | 10.89 | 36.48 | 16.74 | 20.35 |
| Transport | 22.03 | 24.21 | 23.06 | 32.01 | 39.36 | 43.08 |
| General Economic Services | 0.44 | 0.87 | 1.15 | 0.64 | 1.41 | 2.14 |
| **III. General Services** | 1.68 | 3.13 | 10.57 | -- | -- | -- |
| Total Capital Expenditure (I+II+III) (Rs.Crore / Percent) | 16335.65 (100.00) | 14567.68 (100.00) | 19763.07 (100.00) | -- | -- | -- |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

factors. Transport, Energy, Irrigation and Flood Control and Rural Development together accounted for 88.5 percent of the total expenditure under Economic Services and 47.4 percent of the total capital expenditure in 2013-14.

The share of social services in total capital expenditure gradually increased from 29.5 percent in 2011-12 to 35.9 percent in the Revised Estimates of 2013-14. The total expenditure on social services witnessed an increase of 17.0 percent in 2011-12, 6.8 percent in 2012-13 and 37.8 percent in 2013-14. The higher allocation made towards the promotion of water supply, sanitation, housing and urban development was the reason behind it. Apart from that the implementation of schemes - Integrated Urban Development Mission, construction of school buildings and Chennai Mega City Development Mission pushed up the expenditure on social services.

### *3.4.4 Public Account Net:*

The Public Account deals with the transactions in which the Government acts as a Banker for the deposits from local bodies, private sector corporations, provident fund accumulations of the Government servants, funds created by Government or by statute or even deposit by private persons such as contactor etc., and also the corresponding re-payments made. The funds in this account do not belong to the Government and have to be eventually returned to the people who have deposited them after lapse of certain period. Such repayments do not call for vote of legislature. The total net accumulation that is in effect available to Government under this account has been utilized as resource for temporary use. This account consists of 5 components viz., small savings and provident fund, reserve fund, deposits and advances, suspense and miscellaneous and remittances. During the five year period ending 2013-14, the net receipts under Public Account turned to be positive in 2010-11, 2011-12 and 2013-14 (RE). The net receipts available at the Government's end ranged between Rs.3848.94 crore in 2013-14 and Rs.5365.12 crore in 2010-11. The net receipts in the years 2009-10 and 2012-13 turned to be negative. This was mainly because of higher disbursement over receipts under suspense and miscellaneous component.

**Table No. 3.25 Net Receipts under Public Account – The Trend (Rs. Crore.)**

| Year | Receipts | Disburse-ments | Net |
|---|---|---|---|
| 2009-10 | 391003.61 | 392527.22 | (-)1523.60 |
| 2010-11 | 387486.98 | 382121.86 | 5365.12 |
| 2011-12 | 308331.88 | 303347.72 | 4984.16 |
| 2012-13 | 390164.04 | 391064.63 | (-)900.59 |
| 2013-14 (RE) | 361668.12 | 357819.18 | 3848.94 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

### *3.5 Medium Term Fiscal Plan (MTFP):*

With the Fiscal Reforms and Budget Management Act (FRBMA) 2003 by the Government of India, the traditional annual budgeting moves to a more meaningful medium-term fiscal planning framework. This Act made all States to enact Medium Term Fiscal Plan and Act accordingly. Tamil Nadu was pioneer in enacting the Fiscal Responsibility and Budget Management Act in 2003, even before the 12th Finance Commission recommended such a measure. The thrust of the fiscal policy under Fiscal Reforms and Budget Management Act (FRBMA) 2003 has been on revenue-led fiscal consolidation, focus on better expenditure outcomes, rationalization of tax regime to remove distortions and improve competitiveness of domestic goods and services in a globalised economic environment.

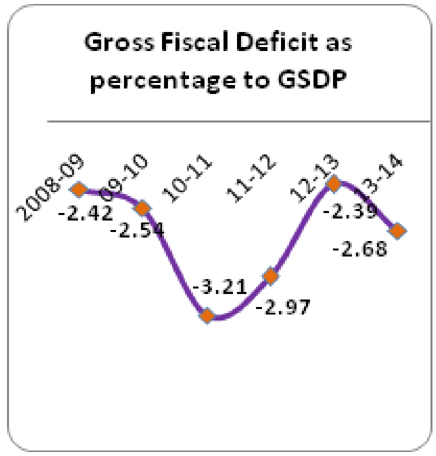
According to Section 3(1) of the Tamil Nadu Fiscal Responsibility Act, 2003, the Government is required to lay before the Legislative Assembly a Medium Term Fiscal Plan (MTFP) along with the Budget. Section 3(2) of this Act requires that the MTFP shall set forth a multi-year rolling target for the fiscal indicators like Revenue Deficit and Fiscal Deficit while clearly indicating the underlying assumptions made to arrive at those projections.

The main objective of this MTFP is to strike a balance between the need for developmental expenditure and fiscal prudence. The Government launched a large number of welfare schemes. Moreover a big boost has been given to capital expenditure. There is a need to adequately finance these schemes. At the same time, the Government is committed to achieve fiscal consolidation by complying with the roadmap set by the 13th Finance Commission. The MTFP ensures that the following goals of fiscal prudence are complied with in the period 2013-2016 and thereafter:

a. Revenue surplus will be maintained.
b. Fiscal deficit will be kept within 3 per cent of GSDP.
c. Debt as a percentage of GSDP will be maintained well below the norms of 25 percent in 2013-14 and below 25.2 per cent in 2014-15 fixed by the 13th Finance Commission.

The following inferences were drawn from the Medium Term Fiscal Plan:

- During 2010-11 there was a revenue deficit of Rs.2728.69 crore and the fiscal deficit to GSDP at 3.21 percent which was also higher than the recommended level. Series of corrective measures towards augmenting revenues and restraining expenditure had been initiated by the State in May 2011 to arrest the deterioration in the fiscal health which paid rich dividends. The State returned to be revenue-surplus since 2011-12, despite many financial stresses and strain and managed to adhere to the FRBM norms. The revenue surplus as percentage to total revenue receipts worked out to 0.21 percent in 2013-14. It is gratifying to note that the State had been successful in containing the Gross Fiscal Deficit (GFD) within the mandated 3 percent of GSDP. In 2013-14 it stood at 2.68 percent.




- Better tax administration resulted in higher growth rate in State revenue.
- Limited mining potential and most of the Government services are delivered free of cost or at nominal cost were the factors resulting in the non-tax revenue to grow marginally. In the State's total revenue, it accounted for a meagre share of 6.7 percent in 2013-14.
- With the erosion in the State's share in the devolvable net tax revenue from 5.374 percent to 5.047 percent in the case of service tax and from 5.305 percent to 4.969 percent in the case of other taxes, the share in Central taxes at Rs.16,485.97 crore during 2013-14 encompassed 19.8 percent of the total tax revenue in the State.

**Table No. 3.26 Medium Term Fiscal Plan (Current Prices)** (Rs. in Crore)

| Category | 2011-12 Accounts | 2012-13 Accounts | 2013-14 (RE) | 2014-15 (BE) | 2015-16 Projection |
|---|---|---|---|---|---|
| 1. Revenue | 85202.14 | 98827.71 | 116808.48 | 127389.83 | 143603.43 |
| A. State's Own Revenues | 65200.88 | 77808.54 | 91220.56 | 99919.33 | 112159.32 |
| a. Tax | 59517.31 | 71254.28 | 83363.21 | 91835.35 | 103892.52 |
| b. Non-Tax | 5683.57 | 6554.26 | 7857.35 | 8083.98 | 8266.80 |
| B. Central Transfer | 20001.26 | 21019.17 | 25587.92 | 27470.50 | 31444.11 |
| i. Shared Taxes | 12714.95 | 14519.69 | 16485.97 | 19014.23 | 22114.89 |
| ii. Grants | 7286.31 | 6499.48 | 9101.95 | 8456.24 | 9329.22 |
| 2. Non-Interest Expenditures | 93058.06 | 104510.87 | 125351.37 | 137640.25 | 154553.74 |
| a. Salaries (inc.GIA for education) | 26797.36 | 27597.09 | 32265.25 | 35720.86 | 40721.78 |
| b. Pension & Retirement benefits | 12276.74 | 12494.48 | 14505.46 | 16020.63 | 18583.93 |
| c. Non-wage O&M | 6365.24 | 8493.75 | 10036.99 | 10796.27 | 11875.90 |
| d. Subsidies & Transfers | 28973.56 | 37629.42 | 46613.44 | 49068.03 | 53974.83 |
| e. Other Revenue Expenditures | 6.99 | 16.85 | 43.13 | 30.79 | 35.1 |
| f. Capital Outlay | 16335.65 | 14567.68 | 19763.07 | 23684.80 | 26852.95 |
| g. Net Lending | 2302.52 | 3711.59 | 214.03 | 2318.87 | 2509.25 |
| 3. Fiscal Indicators | | | | | |
| a. Primary Surplus (+) / Deficit(-) | -7855.92 | -5683.16 | -8542.89 | -10250.42 | -10950.31 |
| b. Interest Payments | 9418.15 | 10835.84 | 13099.94 | 15463.90 | 17628.46 |
| i. Interest Payments /Total Revenue Receipts | 11.05% | 10.96% | 11.21% | 12.14% | 12.28% |
| c. Revenue Surplus (+) /Deficit (-) | 1364.10 | 1760.27 | 244.27 | 289.36 | 783.43 |
| i. Revenue Surplus (+) / Deficit (-) over TRR | 1.60% | 1.78% | 0.21% | 0.23% | 0.55% |
| ii. Revenue Surplus (+)/Deficit (-) over Fiscal Surplus(+)/ Deficit (-) | -7.90% | -10.66% | -1.13% | -1.13% | -2.74% |
| d. Fiscal Surplus (+) / Deficit (-) | -17274.07 | -16519.00 | -21642.83 | -25714.32 | -28578.77 |
| i. Fiscal Surplus (+) /Deficit (-) over GSDP | -2.97% | -2.39% | -2.68% | -2.73% | -2.70% |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***

- Of the total revenue expenditure of Rs.1,16,564.20 crore in 2013-14 salaries and pension together claimed a share of 40.1 percent. Periodic hike in dearness allowance, increments and additional commitments towards filling up of the vacancies resulting in mounting expenditure under these components.
- Implementation of various welfare schemes viz., distribution of free rice, social security pensions, marriage assistance scheme, maternity assistance scheme, distribution of milch cows, goats and sheeps, subsidy to TNEB and devolution of grants to Panchayat Raj institutions resulted in higher allocation under subsidies and grants. It constituted of 40.0 percent of the total revenue expenditure. Subsidies help to increase affordability, improve access and correct under-consumption of these goods with positive externalities. Apart from that fiscal cost of subsidies and their distortionary impact on price mechanism, there are important issues of right targeting, inclusion / exclusion error associated with subsidies etc., It is incumbent upon the Government to target all subsidies sharply at the poor and needy.
- The total capital expenditure at Rs.19763.07 crore in 2013-14 made up a share of 15.8 percent of the total expenditure.
- The ratio of interest payment to total revenue receipts stood at 11.21 percent in 2013-14.

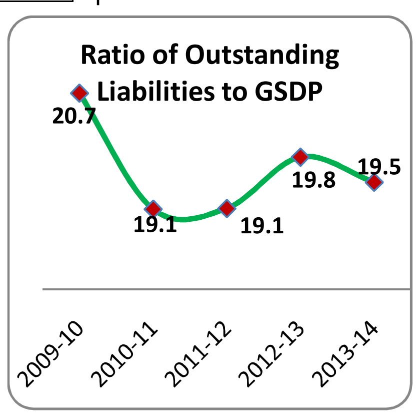
### *3.6 Outstanding Liabilities of the State Government:*

Outstanding liabilities of the State comprise internal debt of the Government, loans and advances from the Centre and Public Account liabilities. There was a gradual increase in the total liabilities of the Government. During the five year period ending 2013-14, the growth in liabilities varied between 12.2 percent in 2013-14 and 32.5 percent in 2009-10. On an average during this period the total outstanding liabilities in the State had exhibited the growth rate of 17.4 percent. The growth in public account liabilities (34.8%) had outweighed the pace of increase in the quantum of loans and advances from the Centre (9.0%) as well as internal debt (16.6%) during the period 2009-10 to 2013-14. The share of the internal debt to total liabilities worked out to 74.1 percent followed by public account liabilities 18.1 percent and loans and advances from Government of India 7.8 percent. The total liabilities as a percentage to GSDP varied between 19.1 percent in 2010-11 and 20.7 percent in 2009-10. As against the ratio of 25.0 percent fixed by the 13th Finance Commission for the year 2013-14, the debt ratios were

**Table No. 3.27 Total Outstanding Liabilities – The Trend**

| Year | % Share in total Liabilities | | | Total Liabilities (Rs. Crore) | % change | % ratio to GSDP |
|---|---|---|---|---|---|---|
| | Internal Debt | From Govt. of India | Public Account | | | |
| 2009-10 | 72.1 | 8.4 | 19.5 | 99180.05 (100.0) | 32.5 | 20.7 |
| 2010-11 | 73.1 | 8.4 | 18.5 | 111657.41 (100.0) | 12.6 | 19.1 |
| 2011-12 | 74.0 | 7.9 | 18.2 | 127127.90 (100.0) | 13.9 | 19.1 |
| 2012-13 | 74.2 | 7.3 | 18.5 | 147415.78 (100.0) | 16.0 | 19.8 |
| 2013-14 (RE) | 76.9 | 7.1 | 16.0 | 165458.75 (100.0) | 12.2 | 19.5 |

***Note: (RE) - Revised Estimate,***
***Source: Budget Documents, Government of Tamil Nadu.***



kept on the low side. The higher rate of growth of capital expenditure (19.1%) over the rate of growth of outstanding liabilities (17.4%) during the five year period ending 2013-14 suggest optimum utilization of borrowed funds for capital creation.

### *3.7 Analysis of Fiscal Indicators – Inter State Comparison:*

State-wise assessment of fiscal performance assumes significance in the context of amended Fiscal Responsibility and Budget Management (FRBM) Act. Data released by several States during 2011-12 reinforce their continued commitment to the path of Medium Term Fiscal consolidation. Against this backdrop, this section assesses the fiscal performance of the States based on data relating to their fiscal operations for 2011-12 (Accounts), 2012-13 (RE) and 2013-14 (BE). This assessment is done for non-special category (NSC) and special category States. The assessment relates to three broad parameters viz., (i) deficit indicators; (ii) revenue receipts; and (iii) expenditure pattern. Most of the fiscal indicators are expressed in terms of Gross State Domestic Product (GSDP). The State-wise fiscal position is reviewed in the context of the revised roadmap benchmarked by the 13$^{th}$ Finance Commission for various States.

### *3.7.1 Revenue Receipts:*

The Revenue Receipts (RR) - GSDP ratio improved between 2011-12 and 2013-14. The increase in the ratio was higher in respect of the special category States (by 3.0 percentage points) as compared to non-special category States (by 0.8 percentage points), the causative factor being the transfer of funds from Centre. Among the southern States,

**Table No. 3.28 Revenue Receipts (%)**

| States | 2011-12 (Accounts) | | | | 2012-13 (Revised Estimate) | | | | 2013-14 (Budget Estimate) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RR/ GSDP | OTR/ GSDP | ONTR / GSDP | CT/ GSDP | RR/ GSDP | OTR/ GSDP | ONTR / GSDP | CT/ GSDP | RR/ GSDP | OTR/ GSDP | ONTR / GSDP | CT/ GSDP |
| **1. Non-Special Category** | 13.7 | 7.4 | 1.2 | 5.0 | 14.5 | 7.7 | 1.3 | 5.5 | 14.5 | 7.8 | 1.2 | 5.5 |
| a. Andhra Pradesh | 14.3 | 8.1 | 1.8 | 4.4 | 14.7 | 8.4 | 1.7 | 4.6 | 14.7 | 8.4 | 1.8 | 4.6 |
| b. Karnataka | 15.2 | 10.1 | 0.9 | 4.2 | 16.2 | 10.2 | 0.7 | 5.3 | 16.2 | 10.3 | 0.7 | 5.2 |
| c. Kerala | 12.1 | 8.2 | 0.8 | 3.1 | 13.3 | 8.7 | 1.2 | 3.3 | 13.8 | 9.2 | 1.2 | 3.4 |
| d. Tamil Nadu | 12.8 | 8.9 | 0.9 | 3.0 | 13.7 | 9.9 | 0.9 | 2.9 | 13.6 | 9.9 | 0.8 | 3.0 |
| **2. Special Category** | 26.7 | 5.8 | 2.4 | 18.5 | 30.0 | 5.8 | 2.5 | 21.7 | 29.7 | 5.9 | 2.4 | 21.5 |
| **All States** | 12.2 | 6.2 | 1.1 | 4.9 | 13.4 | 6.6 | 1.2 | 5.6 | 13.4 | 6.7 | 1.1 | 5.6 |

***Source: State Finances – A Study of Budget – 2013-14, Reserve Bank of India (Page 43)***

Tamil Nadu with RR – GSDP ratio at 12.8 percent placed in 3$^{rd}$ position in 2011-12. It was budgeted to increase to 13.6 percent in 2013-14. Thanks to the better tax administration the ratio of Own Tax Revenue (OTR) – GSDP of Tamil Nadu at 8.9 percent in 2011-12 was budgeted to improve to 9.9 percent in 2013-14 and placed the State in the second position among the southern States. The ratio was higher than the average for the non-special category States. Tamil Nadu was in a disadvantaged position in respect of the ratio of Own Non-Tax Revenue (ONTR) – GSDP which by and large remained constant. In this regard, it occupied third position among the southern States. The ratio was also lower than the average for non-special category States. The ratio of Current Transfer (CT) – GSDP in Tamil

Nadu was lower than the average for non-special category States. Among the southern States, it occupied the fourth position.

### *3.7.2 Development Expenditure:*

Revenue expenditure accounts for the largest component of State's aggregate expenditure. The major portion of the expenditure goes to sectors such as education, health, agriculture, industries, infrastructure and social securities. Of the revenue expenditure, the proportion of the development expenditure constituted a higher share. The ratio of development expenditure (DEV) – GSDP in Tamil Nadu was higher than the average for all States. With regard to this ratio, Tamil Nadu occupied the third position among the southern States. Only in Kerala the ratio was on the increase. In Tamil Nadu and Karnataka the ratio was budgeted to decline in 2013-14 as compared to the revised estimates of 2012-13. The ratio of Social Sector Expenditure (SSE) – GSDP a component of the development expenditure for all States improved to 6.7 percent in the Revised Estimate of 2012-13 and

**Table No.3.29 Development Expenditure (%)**

| States | 2011-12 (Accounts) | | | 2012-13 (Revised Estimate) | | | 2013-14 (Budget Estimate) | | |
|---|---|---|---|---|---|---|---|---|---|
| | DEV/ GSDP | SSE/ GSDP | CO/ GSDP | DEV/ GSDP | SSE/ GSDP | CO/ GSDP | DEV/ GSDP | SSE/ GSDP | CO/ GSDP |
| **1. Non-Special Category** | 10.7 | 6.6 | 2.1 | 11.8 | 7.4 | 2.4 | 11.4 | 7.3 | 2.5 |
| a. Andhra Pradesh | 12.0 | 6.9 | 2.1 | 12.9 | 7.5 | 2.5 | 12.9 | 7.7 | 2.5 |
| b. Karnataka | 13.2 | 7.0 | 3.4 | 14.1 | 8.2 | 2.8 | 13.8 | 8.3 | 2.9 |
| c. Kerala | 8.6 | 5.9 | 1.2 | 9.4 | 6.0 | 1.9 | 9.7 | 6.2 | 2.1 |
| d. Tamil Nadu | 10.4 | 6.3 | 2.5 | 11.1 | 6.9 | 2.6 | 10.1 | 6.5 | 2.6 |
| **2. Special Category** | 19.0 | 10.9 | 4.8 | 22.1 | 12.3 | 6.5 | 21.2 | 11.6 | 6.3 |
| **All States** | 9.5 | 5.8 | 1.9 | 10.8 | 6.7 | 2.3 | 10.5 | 6.6 | 2.4 |

***Source: State Finances – A Study of Budget – 2013-14, Reserve Bank of India (Page 49)***

was budgeted to decline slightly in 2013-14. Among the southern States, Tamil Nadu occupied the third position. Among the indicators, the ratio of capital outlay (CO) – GSDP was at the lowest. The ratio in the State was higher than the average for all States as well as the average for non-special category States. Among the southern States, the ratio had steadily improved in Andhra Pradesh, Karnataka and Tamil Nadu. With the ratio of 2.6 percent in 2013-14, Tamil Nadu ranked second among the southern States.

### *3.7.3 Debt Position:*

The debt – GSDP ratio of the State represents the final outcome of all budgetary transaction and is an important indicator of fiscal correction initiatives undertaken during the

**Table No. 3.30 Debt - GSDP Position – Southern States (%)**

| States | 2011-12 (Accounts) | | | 2012-13 (Revised Estimate) | | | 2013-14 (Budget Estimate) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Debt / GSDP | | IP / GSDP | Debt / GSDP | | IP / GSDP | Debt / GSDP | | IP / GSDP |
| | 13th FC Recom-mended | Ratio | | 13th FC Recom-mended | Ratio | | 13th FC Recom-mended | Ratio | |
| a. Andhra Pradesh | 29.6 | 23.0 | 1.6 | 28.9 | 22.7 | 1.6 | 28.2 | 22.4 | 1.7 |
| b. Karnataka | 26.0 | 23.0 | 1.3 | 25.7 | 20.6 | 1.3 | 25.4 | 20.9 | 1.4 |
| c. Kerala | 32.3 | 30.0 | 2.0 | 31.7 | 29.4 | 1.9 | 30.7 | 28.5 | 1.8 |
| d. Tamil Nadu | 24.5 | 19.6 | 1.3 | 24.8 | 20.2 | 1.4 | 25.0 | 20.0 | 1.5 |
| All States | 26.1 | 22.2 | 1.5 | 25.5 | 21.7 | 1.5 | 24.9 | 21.4 | 1.5 |

***Source: State Finances – A Study of Budget – 2013-14, Reserve Bank of India (Page 46 and 55)***

year. The overall debt – GSDP ratio for all States remained lower than the targets of the 13th Finance Commission during the period 2011-12 to 2013-14. The ratio was on the decline. Among the southern States, the ratio was the lowest in Tamil Nadu and it was the highest in Kerala in all through the years. With regard to the ratio of Interest Payment to GSDP (IP/GSDP), it was the lowest in Karnataka and the State was ranked first. Tamil Nadu occupied the second position. The ratio in Tamil Nadu and Karnataka was lower than all States.

### *3.8 Gross Fiscal Deficit:*

Gross Fiscal Deficits (GFD) refer to total fund requirements of the State Government. Fiscal deficit is defined as the excess of total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into consolidated fund excluding the debt receipts during a financial year. Fiscal deficit is a comprehensive indicator of fiscal health of the State. Among the southern States, the ratio of gross fiscal deficit (GFD) – GSDP was the lowest in Tamil Nadu. However, the average ratio for all States as well as non-special category States were lower than the State.

**Table No. 3.31 Gross Fiscal Deficit – GSDP Ratio (%)**

| State | 2011-12 (Accounts) | 2012-13 (Revised Estimate) | 2013-14 (Budget Estimate) |
|---|---|---|---|
| | GFD/GSDP | GFD/GSDP | GFD/GSDP |
| 1. Non-Special Category | 2.2 | 2.6 | 2.4 |
| a. Andhra Pradesh | 2.4 | 2.8 | 2.8 |
| b. Karnataka | 2.7 | 2.9 | 2.9 |
| c.. Kerala | 4.1 | 3.1 | 2.8 |
| d. Tamil Nadu | 2.6 | 2.7 | 2.6 |
| 2. Special Category | 2.9 | 3.4 | 3.0 |
| All States | 1.9 | 2.3 | 2.2 |

***Source: State Finances – A Study of Budget – 2013-14, Reserve Bank of India (Page 35)***

### *3.9 Annual Plan - 2013-14:*

In the backdrop of sluggish economic growth that witnessed both at all India and in Tamil Nadu, the 12th Five Year Plan as well as Annual Plan had been formulated in the State. During the Eleventh Plan (2007-12), the economy (Gross State Domestic Product) of the State was targeted to grow by 9 percent per annum, but it actually grew at 7.7 percent falling short of 1.3 percent. All India had an average growth rate of 8 percent during the same period. The targeted growth rate in Tamil Nadu could not be achieved in all the sectors viz. agriculture, manufacturing and services and this could be attributed to fallout of global economic crisis, erratic and inadequate monsoonic rains, rising oil prices, shortage of power and lack of demand in export-oriented industries. There were gradually tapering off growth in income originating in all the three sectors leaving a sizable gap between targeted and actual growth in each sector during the Plan period.

The philosophy of 12th Plan is on accelerated, sustainable and inclusive growth. Eradication of poverty, generation of gainful employment and marked improvement in the physical quality of life are the cornerstone of the 12th Five Year Plan. In consonance with the above goals, the outlay for the 12th Five Year Plan had been pitched at Rs.2.11 lakh crore. This is 2.48 times higher than the proposed outlay of the 11th Plan and 5.3 times of the outlay of the 10th Plan. Of this, social services get priority with a share of 47.1 percent followed by agriculture, irrigation, flood control, energy and rural development together get a share of 38.2 percent. It may be noted that the share of many of these sectors has fallen despite their being on the priority list. This is not a reflection of a lack of priority but a reflection of a conscious policy of paradigm shift from public sector funding in these sectors to a strategy of increased Public-Private- Partnership.

**Box 3.2 Monitorable Targets to 12th Five Year Plan**

- GSDP Growth (Real) Rate 11 percent
- GSDP Agriculture growth 5 percent
- GSDP Industry growth 10.5 percent (manufacturing 11.4 percent and Non-manufacturing 8.5 percent)
- GSDP Services 12.0 percent
- Generation of Employment 4 million
- Poverty ratio reduced to 8 percent by 2017
- Drop out to elementary School zero
- Literacy Rate (Gender Gap Literacy) 90 percent (8 percentage points)
- Infant Mortality Rate 13 per 1000 live births by 2017
- Maternal Mortality ratio 44 per 100000 live births by 2017
- Total Fertility Rate 1.6 by 2017
- Life Expectancy 70 years to Male and 73 years to Female
- Child (0-3 years) malnutrition 16 percent by 2017
- Anemia Among Women 33.2 percent by 2017
- Sex Ratio 998 by 2017
- Juvenile Sex Ratio (0-6 years) 965 by 2017
- Electrification of households to all
- Clean Drinking Water to all.

***Source: State Planning Commission, Government of Tamil Nadu***

**Table No. 3.32 Plan Outlays: Tenth, Eleventh and Twelfth Five Year Plans in Tamil Nadu (%)**

| Category | Tenth Plan | Eleventh Plan | Twelfth Plan |
|---|---|---|---|
| Agriculture, Irrigation and Flood Control | 15.8 | 13.1 | 13.9 |
| Rural Development | 10.3 | 12.0 | 11.3 |
| Energy | 20.1 | 12.6 | 13.0 |
| Industry and Minerals | 1.4 | 4.4 | 2.6 |
| Transport | 16.8 | 13.6 | 9.9 |
| Science and Technology | 0.4 | 0.2 | 0.2 |
| Economic Services | 0.4 | 0.3 | 1.8 |
| Social Services | 34.1 | 43.0 | 47.1 |
| General Services | 0.8 | 0.8 | 0.2 |
| Total Outlay (Rs.Crore) | 40000 (100) | 85344 (100) | 211250 (100) |

***Source: 12th Five Year Plan Document, State Planning Commission, Government of Tamil Nadu. (Page 33)***

**Table No. 3.33 Annual Plan: 2013-14**

| Category | % Share |
|---|---|
| Agriculture and Allied Activities | 9.0 |
| Rural Development | 12.8 |
| Irrigation and flood Control | 3.8 |
| Energy | 8.1 |
| Industry and Minerals | 2.4 |
| Transport | 9.0 |
| Science, Technology & Environment | 0.3 |
| General Economic Services | 4.3 |
| Education | 12.2 |
| Social Service | 37.1 |
| General Services | 1.0 |
| Grand Total (Rs. Crore) | 37000 (100) |

***Source: State Planning Commission, Government of Tamil Nadu.***

The actual plan expenditure in the State during the period 2011-12 to 2013-14 reveals that it increased by 16.6 percent in 2011-12 and 17.4 percent in 2012-13 and it budgeted to increase by 32.1 percent in 2013-14. The social and community services continued to attract a higher share in the total plan expenditure.

**Table No.3.34 Annual Plan Expenditure in Tamil Nadu – The Trend**

| Year | Plan Expenditure (Rs. Crore) |
|---|---|
| 2009-10 | 17833.5 |
| 2010-11 | 20464.8 |
| 2011-12 | 23857.7 |
| 2012-13 (RE) | 28000.0 |
| 2013-14 (BE) | 37000.0 |

***Note: RE – Revised Estimate, BE – Budget Estimate***
***Source: State Planning Commission, Chennai-5.***

### *3.10 The Way Forward:*

The expenditure responsibilities of the State have gone up greatly as it is necessary to continue to spend more both on social sector and on creation of physical infrastructure as also on maintenance of public order. The scope for further revenue-raising is residing in and also there is tapering down of transfer of Central resources. All this has built up pressure and the State has managed the situation by mobilizing own resources through better tax efforts. The State has made all efforts to get more funds from Centre by presenting various plea to the 14th Finance Commission. The important ones are:

- The overall transfers to be substantially increased by bringing all the cesses and surcharges into the sharable pool.
- This increase should be brought about largely by increasing the most transparent means of resource transfers, namely, through States' share in Central taxes. It is represented to increase the States share to 50 percent.
- There should be no transfer of expenditure responsibilities, including subsides, currently taken by the Central Government, to the State unless commensurate resources are also transferred.
- The overall proportion of grants as against tax devolution needs to come down and the grants should be used to address specific issues like urbanization and migration related problems. In this context, Tamil Nadu requires higher proportion of grants to address the specific issues.
- The horizontal sharing should be done by the following fair formula which takes both equity and efficiency into consideration and addresses the needs arising out of different levels of aspirations.

| Criteria | Share |
|---|---|
| Population (as per 1971 census) | 33.3 percent |
| Fiscal capacity distance | 33.3 percent |
| Fiscal discipline | 33.3 percent |

- Within horizontal sharing, the tax devolution component (which is formula based) should be increased and the grant component should be reduced.
- The sanctioned grants should be tethered to a minimum number of conditions and such conditions should be pragmatic, implementable and not violative of State's autonomy.
- The Calamity Relief Fund should be fully funded by the Union Government and if not, at least to the extent of 90 percent.
- The annual incremental increase in State Disaster Relief Fund size should be 10 percent.
- To arrive at the State Disaster Relief Fund size for each State by an appropriate methodology and make an additional provision of 50 percent of the size so arrived at for the States which have spent substantially more than their State Disaster Relief Fund size in the previous 5 years.