CHAPTER I
OVERVIEW

CHAPTER I

OVERVIEW

1.1 Introduction

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

1.2 Profile of Tamil Nadu

Tamil Nadu, with a geographical area of 1,30,058 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 National Commission on Population, Ministry of Health & Family Welfare, the projected population of the State in 2022-23 stands at 7.68 crore. General and financial data relating to Tamil Nadu are provided in **Appendix 1.1**.

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

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

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

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

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

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

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
India					
GDP (2011-12 Series)	1,88,99,668	2,01,03,593	1,98,29,927	2,34,71,012	2,72,40,712
Gross Value added (GVA)	1,71,75,128	1,83,81,117	1,81,88,780	2,14,38,883	2,47,42,871
Growth rate of GDP over previous year (in *per cent*)	*10.59*	*6.37*	*(-) 1.36*	*18.36*	*16.06*
Growth rate of GVA over previous year (in *per cent*)	10.77	7.02	(-) 1.05	17.87	15.41
Per capita GDP (in ₹)	1,42,424	1,49,915	1,46,301	1,71,498	1,96,983
Tamil Nadu State					
GSDP at current prices (2011-12 Series)	16,30,209	17,43,144	17,88,074	20,71,286	23,64,514
GSVA	14,90,042	16,01,332	16,54,821	19,15,234	21,76,648
Growth rate of GSDP over previous year (in *per cent*)	*11.27*	*6.93*	*2.58*	*15.84*	*14.16*
Growth rate of GSVA over previous year (in *per cent*)	*11.99*	*7.47*	*3.34*	*15.74*	*13.65*
Per capita GSDP (in ₹)	2,15,785	2,29,657	2,34,486	2,70,629	3,08,020

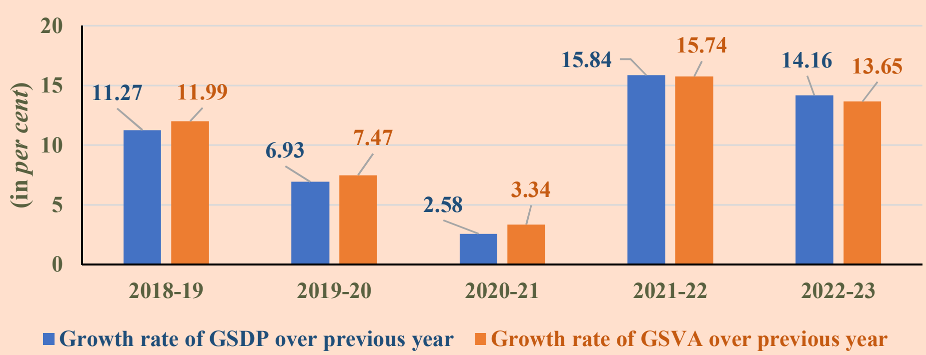
(Source: Central Statistical Office (CSO), Ministry of Statistics and Programme implementation, GoI)

The growth rate of the State's Gross Domestic Product (GSDP) in 2022-23 at current prices was 14.16 *per cent* as against India's growth rate of 16.06 *per cent*. During post Covid period i.e. 2021-22, there was a significant boost in the growth rate of GSDP, which stood at 15.84 *per cent*. During the current year, though the growth rate was 14.16 *per cent*, which was lesser than the previous year, it was, however, significantly higher when compared with 2018-19.

The State's Gross Domestic Product (GSDP) in 2022-23 at current prices was ₹23,64,514 crore and the GDP in 2022-23 at current prices was ₹2,72,40,712 crore. Further, the per capita GSDP of the State for the year 2022-23 was ₹3,08,020 while that of the country was ₹1,96,983.

The trends of GSDP and GSVA for the period from 2018-19 to 2022-23 is indicated in **Exhibit 1.1**.

Exhibit 1.1: Growth rate of GSDP vs GSVA (2018-19 to 2022-23)

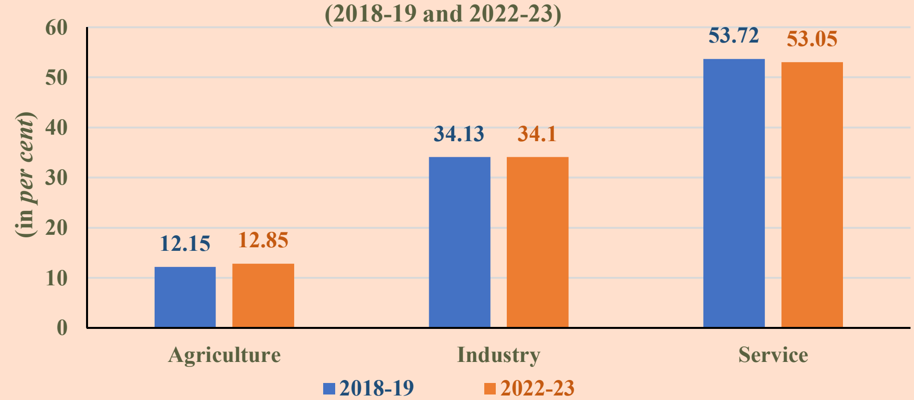


(Source: Ministry of Statistics and Programme Implementation)

The year over year of GSVA (YOY growth of GSVA) was more than growth rate of GSDP for the period from 2018-19 to 2020-21. But during 2021-22 and 2022-23, the growth rate of GSVA was less than growth rate of GSDP.

Changes in sectoral contribution to the GSVA is important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. The Sectoral contribution to GSVA and Sectoral growth in GSDP during the period 2018-19 to 2022-23 are depicted in **Exhibits 1.2 and 1.3**.

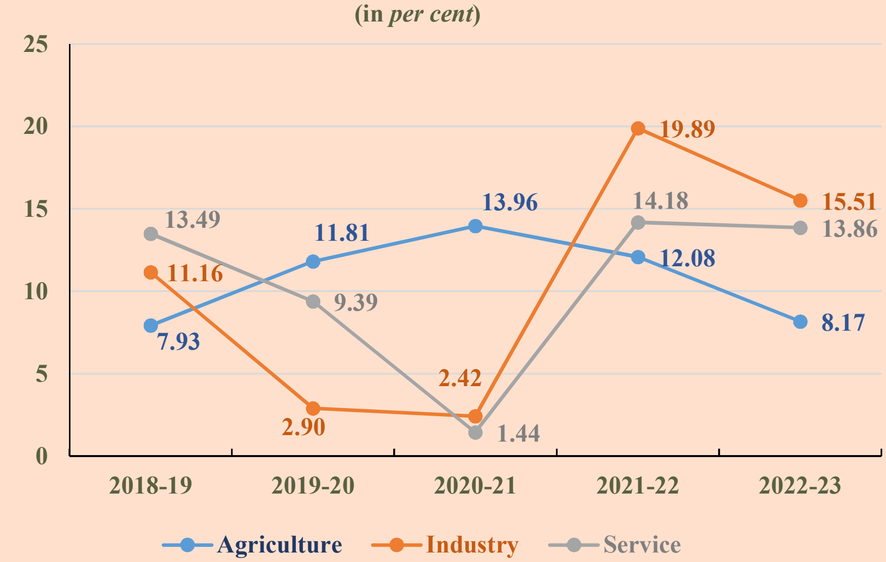
Exhibit 1.2: Change in sectoral contribution to GSVA (2018-19 and 2022-23)



(Source: Ministry of Statistics and Programme Implementation)

During the five year period, the sectoral contribution of Agriculture Sector had increased marginally by 0.70 percentage points. There was a reduction of 0.67 percentage points in the Service Sector.

Exhibit 1.3: Sectoral growth in GSDP (in *per cent*)



(Source: Ministry of Statistics and Programme Implementation)

From the above exhibit, it is seen that there was a substantial decrease in both Industry and Agriculture sectors and a marginal decrease in service sector during the year 2022-23, when compared with the previous year.

1.3 Basis and Approach to State Finances Audit Report

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

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

Finance Accounts and Appropriation Accounts of the State for the year 2022-23 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2022-23, for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit-I), Tamil Nadu;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS),
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the Finance Commission (FC), Tamil Nadu State Financial Responsibility and Budget Management Act (TNFR Act), best practices and guidelines of the Government of India. An entry conference was held with State Finance Department on 25 July 2023 and the exit conference was held on 3 November 2023.

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

1.4 Overview of Government Account Structure and Budgetary Processes

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

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

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

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

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

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

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

Budget documents

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

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

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

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

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

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

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

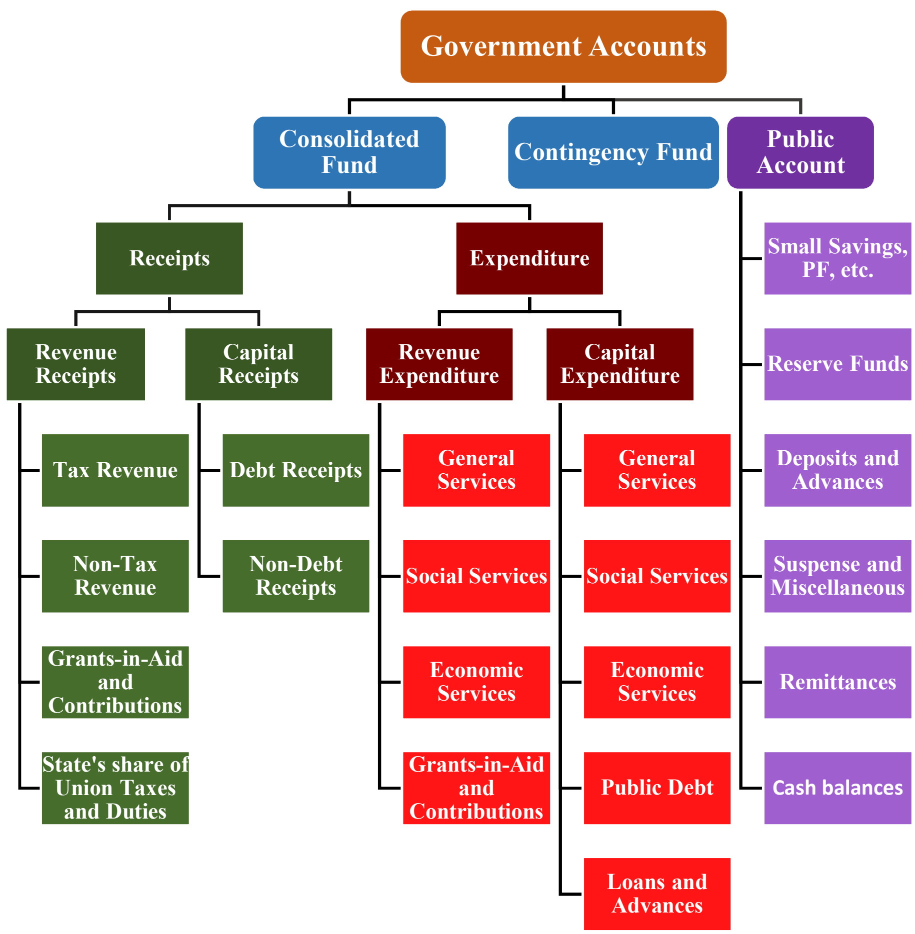
At present, we have an accounting classification system in Government that is both functional and economic.

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

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

The structure of Government Accounts and the layout of Finance Accounts are shown in **Appendix 1.2**. The methodology adopted for assessment of the fiscal position of the State is given in **Appendix 1.3 - Part A**. The salient features of the TNFR Act, 2003, subsequently revised in June 2021, are given in **Appendix 1.3 - Part B**.

Structure of Government Accounts



Public Debt and Public Liability

In this Report, 'Public Debt' has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by Central Government etc. For this purpose, the major heads 6003 and 6004 - Public Debt have been taken into consideration.

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

In this Report, 'Public Liability' has been taken to include the transactions under major heads 8001 to 8554 relating to 'Small Savings, Provident Fund, etc.', 'Reserve Funds' and 'Deposit and Advances' along with the transactions under major heads 6003 and 6004.

1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Tamil Nadu caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2022-23, in the form of an **Annual Financial Statement** (referred to as Budget) with estimates of expenditure,

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

This 'Annual Financial Statement' (AFS) constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

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

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

1.6 Snapshot of Finances

The **Table 1.2** provides the details of actual financial results *vis-à-vis* Budget Estimates (Revised) for the year 2022-23 *vis-à-vis* actual of 2021-22.

Table 1.2: Financial results *vis-à-vis* Budget Estimates (Revised) for the year 2022-23 *vis-à-vis* actual of 2021-22

(₹ in crore)

Sl. No.	Components	2021-22 Actuals	2022-23 (BE Revised)	2022-23 Actuals	Percentage of actual to BE	Percentage of actual to GSDP$
1	Tax Revenue*	1,60,324	1,90,602	1,88,954	*99.14*	*7.99*
	(i) Own-Tax Revenue	1,22,866	1,51,871	1,50,223	*98.91*	*6.35*
	(ii) Share of Union taxes/duties**	37,458	38,731	38,731	*100.00*	*1.64*
2	Non-Tax Revenue	12,117	15,309	17,061	*111.44*	*0.72*
3	Grants-in-aid and Contributions***	35,051	39,748	37,734	*94.93*	*1.60*
4	**Revenue Receipts (1+2+3)**	**2,07,492**	**2,45,660**	**2,43,749**	*99.22*	*10.31*
5	Recovery of Loans and Advances	5,355	1,141	1,078	*94.48*	*0.05*
6	Other Receipts	--	0	42	*100.00*	*0.00*
7	(i) Borrowings and other Liabilities [(a)]	99,148	74,746	90,841	*121.53*	*3.84*
	(ii) Net of opening and closing cash balance [(b)]	(-) 17,313	(-) 222	(-) 8,955	*4033.78*	*0.38*
	Total (i) + (ii)	81,835#	74,524	81,886	*109.88*	*3.46*
8	**Capital Receipts (5+6+7)**	**87,190**	**75,665**	**83,006**	*109.70*	*3.51*
9	**Total Receipts (4+8)**	**2,94,682**	**3,21,325**	**3,26,755**	*101.69*	*13.82*
10	**Revenue Expenditure**	**2,54,030**	**2,76,136**	**2,79,964**	*101.39*	*11.84*
11	Interest payments	41,564	46,896	46,911	*100.03*	*1.98*
12	**Capital Expenditure**	**37,011**	**38,347**	**39,530**	*103.08*	*1.67*
13	**Loan and advances**	**3,641**	**6,842**	**7,261**	*106.12*	*0.31*
14	**Total Expenditure (10+12+13)**	**2,94,682**	**3,21,325**	**3,26,755**	*101.69*	*13.82*
15	**Revenue Deficit^^: (4-10)**	(-) 46,538	(-) 30,476	(-) 36,215	*118.83*	*(-) 1.53*
16	**Fiscal Deficit ^^{(4+5+6)-14}**	(-) 81,835	(-) 74,524	(-) 81,886	*109.88*	*(-) 3.46*
17	**Primary Deficit (16-11)**	(-) 40,271	(-) 27,628	(-) 34,975	*126.59*	*(-) 1.48*
	Buoyancy Ratios					
	(a) Revenue Receipts	1.21	1.45	1.23		
	(b) Revenue Expenditure	0.47	0.46	0.72		

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

(b) There was a difference of ₹103.07 crore between the cash balance reported by AG (A&E) and RBI (details in Para 4.13)

$ GSDP at current prices ₹23,64,514 crore; * includes SGST ₹53,822.69 crore; ** includes CGST ₹10,945.36 crore.

*** Compensation to State Government for Revenue losses on rollout of Goods and Services Tax ₹16,214.83 crore

Effective borrowings and other liabilities would be ₹73,740 crore during 2021-22 as the Department of Expenditure, GoI had decided that GST compensation of ₹8,095 crore given to state as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

^^ The Revenue deficit of ₹46,538 crore and the fiscal deficit of ₹81,835 crore during the year 2021-22 may be read in conjunction with debt receipt of ₹8,095 crore in lieu of GST compensation.

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

During the year 2022–23, the revenue receipts of the State increased by 17.47 *per cent* over the previous year but fell short marginally by 0.78 *per cent* of the budget (revised estimate). During the current year, there was excess of revenue expenditure (₹2,79,964 crore) over revenue receipts (₹2,43,749 crore), thereby resulting into revenue deficit of ₹36,215 crore. The State had maintained its fiscal deficit over GSDP at 3.46 *per cent*.

1.7 Snapshot of Assets and liabilities of the Government

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

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2021-22	**2022-23**	***Per cent* increase / decrease**			**2021-22**	**2022-23**	***Per cent* increase / decrease**
Consolidated Fund									
A	Internal Debt	5,02,205	5,67,635	*13.03*	a	Gross Capital Outlay	3,15,713	3,55,240	*12.52*
B	Loans and Advances from GoI	39,731*	48,258*	*21.46*	b	Loans and Advances	36,873	43,055	*16.77*
C	Contingency Fund	150	150	--	c	Contingency Fund	--	--	--
Public Account									
A	Small Savings, Provident Funds, etc.	32,033	33,884	*5.78*	a	Advances	8	8	--
B	Deposits	82,625	95,041	*15.03*	b	Remittance	14	11	*(-) 21.43*
C	Reserve Funds	11,288	14,020	*24.20*	c	Suspense and Miscellaneous	280	400	*42.86*
D	Suspense and Miscellaneous	--	--	--	d	Cash balance (including investment in Earmarked Fund)	72,386	81,341	*12.37*
						Total	**4,25,274**	**4,80,055**	*12.88*
						Cumulative excess of expenditure over receipts	2,42,758	2,78,933	*14.90*
	Total	**6,68,032**	**7,58,988**	*13.62*		**Total**	**6,68,032**	**7,58,988**	*13.62*

* Effective Loans and Advances would be ₹33,922 crore in 2022-23 and ₹25,395 crore in 2021-22 as the Department of Expenditure, GoI had decided that GST compensation of ₹8,095 crore and ₹6,241 crore during 2021-22 and 2020-21 respectively given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

(Source: Finance Accounts for the respective years)

During the year, the assets increased by 12.88 *per cent* over the previous year whereas the liabilities were increased by 13.62 *per cent.* The liabilities increased by 17.44 *per cent* in 2021-22 when compared with 2020-21.

1.8 Fiscal Indicators

Three key fiscal parameters, *viz*., revenue, fiscal and primary deficits, indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government Accounts represents the gap between its receipts and expenditure. Further, the ways in which the deficit is financed and the resources raised are applied as important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set for the financial year 2022-23 under TNFR Act, 2003. The targets fixed for each of the three key fiscal parameters are as under:

(i) To achieve the Revenue Surplus by 2023-24

(ii) To achieve FD-GSDP ratio at 3.50 *per cent* in 2022-23 and 3 *per cent* by 2023-24

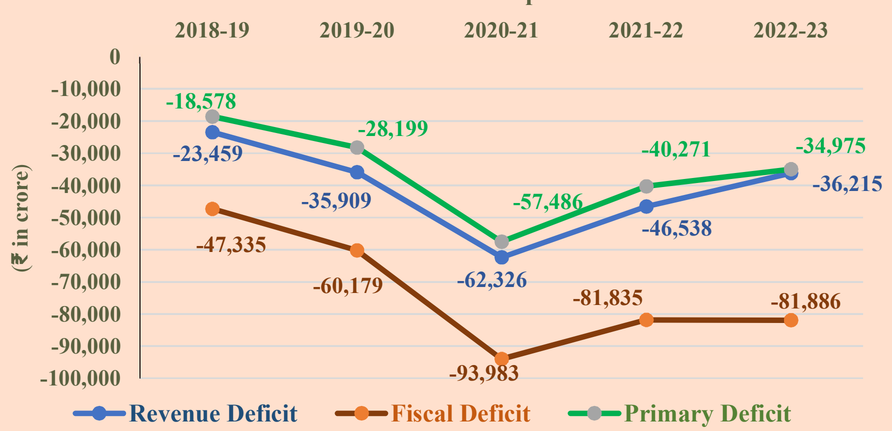
(iii) To achieve Debt-GSDP ratio at 29.30 *per cent*

The achievement during 2022-23 against the above targeted fiscal parameters are discussed in the following paragraphs.

Fiscal trends

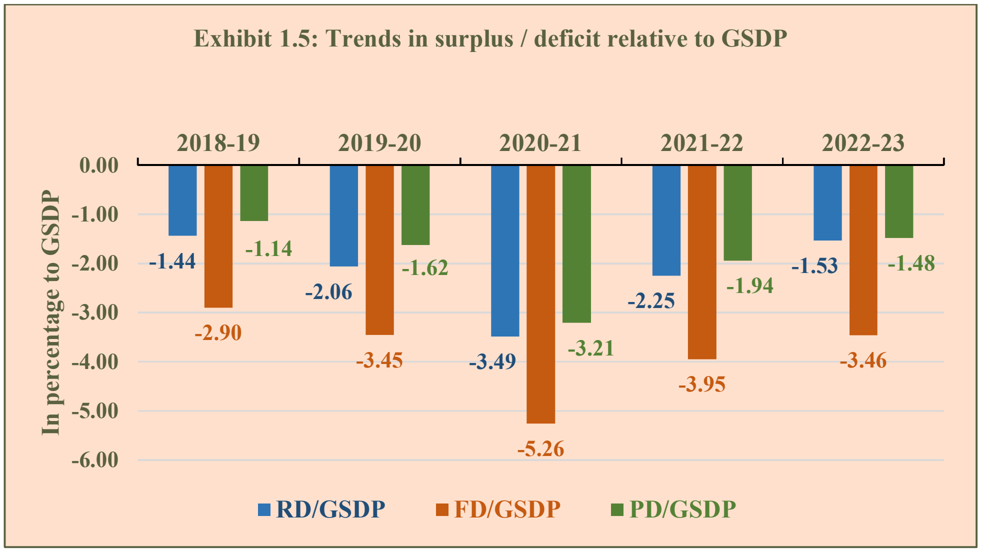
During the current year the State Government received Revenue Deficit grants amounting to ₹801 crore as part of the Finance Commission Grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. During the current year, the revenue and primary deficits decreased and fiscal deficit increased marginally during the year 2022-23, when compared with the previous year (**Exhibits 1.4 to 1.6**). The debt/GSDP ratio, which was on an increasing trend from 22.62 *per cent* in 2018-19 to 28.79 *per cent* in 2021-22, decreased during the current year and stood at 28.64 *per cent*. The fiscal deficit to GSDP ratio decreased from the previous year and stood at 3.46 *per cent* during the current year.

Exhibit 1.4: Trends in deficit parameters

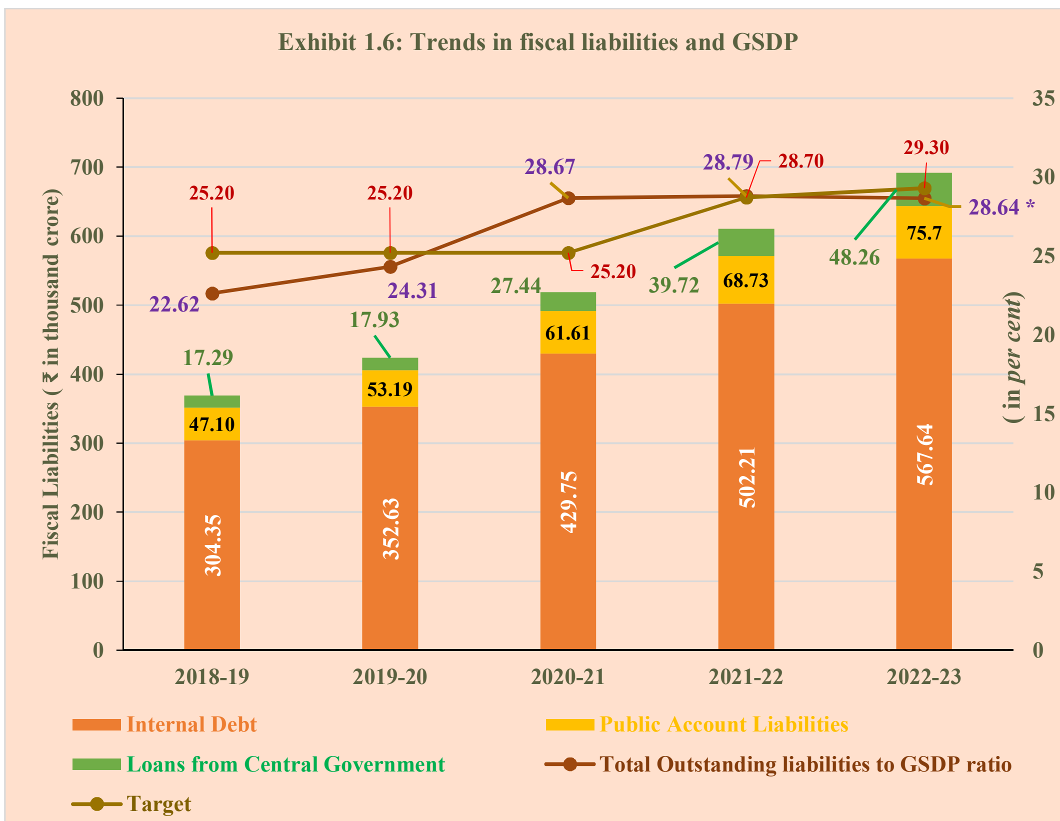


(Source: Finance Accounts for the respective years)

Note: Revenue deficit and Fiscal deficit was understated by ₹307.74 crore and ₹302 crore respectively as mentioned in **Para 1.9.1**.



(Source: Finance Accounts for the respective years)



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

(Source: Finance Accounts for the respective years)

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

The targeted timeline to eliminate revenue deficit and reduce fiscal deficit was extended by GoTN from time to time by amending the TNFR Act, 2003. In compliance with the provisions of TNFR Act, 2003, the State Government prepared a MTFP for the period 2022-23.

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

Table 1.4: Compliance with provisions of State TNFR Act

Fiscal Parameters	Fiscal targets set in the Act/Projections in MTFP	Achievement				
		2018-19	2019-20	2020-21	2021-22	2022-23
GSDP at current prices (₹ *in crore*)		**16,30,209**	**17,43,144**	**17,88,074**	**20,71,286**	**23,64,514**
Revenue Deficit (-) / Surplus (+) (₹ *in crore*)	Eliminate Revenue Deficit by 2023-24	**(-) 23,459**	**(-) 35,909**	**(-) 62,326**	**(-) 46,538**	**(-) 36,215**
Fiscal Deficit (-)/ Surplus (+) (as *percentage of GSDP*)	3.5 % - 2022-23# Reduce fiscal deficit to three *per cent* by March 2024	**(-) 47,335 *(2.90)***	**(-) 60,179 *(3.45)***	**(-) 93,983 *(5.26)***	**(-) 81,835 *(3.95)***	**(-) 81,886 *(3.46)***
Total outstanding liability (₹ *in crore*)		3,68,736	4,23,743	5,18,796	6,10,667	6,91,591
Ratio of total outstanding liability to GSDP (in *per cent*)	29.30 *per cent*	**22.62**	**24.31**	**28.67***	**28.79***	**28.64***

Red colour indicates below the target and Green colour indicates as per the target

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

MTFP projection.

(Source: (i) TNFR Act; (ii) Budget Speech -2022-23 and (iii) Finance Accounts for the respective years)

It is observed that the State has improved itself in two variables *viz*., Revenue Deficit and Primary Deficit. Actual performance when compared to target set in MTFP is given in **Table 1.5**.

Table 1.5: Actuals *vis-à-vis* projection in MTFP for 2022-23

(₹ in crore)

Sl. No	Fiscal Variables	Projection as per MTFP	Actuals (2022-23)	Variation (in *per cent*)
1	Own Tax Revenue	1,46,045	1,50,223	*2.86*
2	Non-Tax Revenue	15,553	17,061	*9.70*
3	Share of Central Taxes	30,406	38,731	*27.38*
4	Grants-in-aid from GoI	38,021	37,734	*(-) 0.75*
5	**Revenue Receipts (1+2+3+4)**	**2,30,025**	**2,43,749**	*5.97*
6	Revenue Expenditure	2,66,401	2,79,964	*5.09*
7	**Revenue Deficit (-) / Surplus (+) (5-6)**	**(-) 36,376**	(-) **36,215**	*(-) 0.44*
8	**Fiscal Deficit (-) / Surplus (+)**	**(-) 83,075**	(-) **81,886**	*(-) 1.43*
9	Debt-GSDP ratio (*per cent*)	29.30	28.64*	*(-) 0.66*
10	GSDP growth rate at current prices (*per cent*)	9.28	14.16	*4.88*

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

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

It may be seen from the above table that there was a significant increase in receipts under Own tax revenue, Non-tax revenue and Share of Central Taxes than that anticipated in the MTFP projection for the year 2022-23. The revenue and fiscal deficits were below than that projected in the MTFP. As per TNFR Act, revenue deficit should be eliminated by 2023-24. Though the Revenue Deficit has been decreasing trend from 2021-22, the State may not adhere to the TNFR target of eliminating revenue deficit by 2023-24.

1.9 Deficits and Total Debt after examination in audit

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

As per the TNFR Act, the State Government must ensure compliance to the targets fixed for the fiscal indicators such as deficits, ceiling on debt and on guarantees, etc. The Revenue Deficit and the Fiscal deficit as worked out for the State gets impacted due to various circumstances such as misclassification of revenue expenditure as capital expenditure and off-budget fiscal operations. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, Sinking Fund and Guarantee Redemption Fund, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the effect of misclassification of revenue expenditure/ capital outlay and / or any such misclassification needs to be included and the impact of such irregularities needs to be reversed.

1.9.1 Post audit Analysis

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

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

Particulars	Impact on Revenue Deficit (Understated (+) / overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+) / overstated (-)) (₹ in crore)
Incorrect adjustment of recoveries of capital expenditure under Revenue Section	(+) 5.74	--
Interest on interest bearing Reserve Funds and Deposits not credited (State Compensatory Afforestation Fund)	(+) 3.80	(+) 3.80
Non-transfer of central grant under Central Road and Infrastructure Fund (CRIF)	(+) 298.20	(+) 298.20
Total	**(+) 307.74**	**(+) 302.00**

(Source: Finance Accounts)

The fiscal deficit of the State during the year would increase from ₹81,886 crore (Refer **Para 1.8**) to ₹82,188 crore, if interest on interest bearing Reserve Funds and Deposits and non-transfer of central grant under (CRIF) were made as mentioned in **Table 1.6**. It is pertinent to mention here that if the impact as mentioned above is considered, the effective Revenue Deficit would stand at ₹36,552.74 crore and that the FD-GSDP ration would stand at 3.48 *per cent*.

1.9.2 Trends in fiscal liabilities

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

Table 1.7: Total outstanding debts / liabilities

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Total outstanding debts/ liabilities	3,68,736	4,23,743	5,18,796	6,10,667	6,91,591
Rate of growth of outstanding liabilities (*in per cent*)	12.93	14.92	22.43	17.71	13.25
Ratio of total outstanding liabilities to GSDP (in *per cent*)	22.62	24.31	28.67*	28.79*	28.64*

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

(Source: Finance Accounts for the respective years)

The outstanding debt grew by 13.25 *per cent* over previous year. Considering the growth rate of capital expenditure by 6.81 *per cent* (as compared to 11.92 *per cent* during the previous year) during the year and the high fiscal deficit, it is indicative that the borrowing during the year was utilised for financing the revenue expenditure. To the extent of reduced capital formation, debt acts as 'burden' on future generations.

The debt/GSDP ratio (28.64 *per cent*) was within the target of 29.30 *per cent* as per MTFP and if outstanding Off-Budget borrowing of ₹ 2,298.54 crore (Refer **Para 2.6.1.1 of Chapter-II** and **Para 4.1 of Chapter-IV**) is included to the total outstanding liabilities, the ratio of total outstanding debt to GSDP would increase to 28.73 *per cent*.