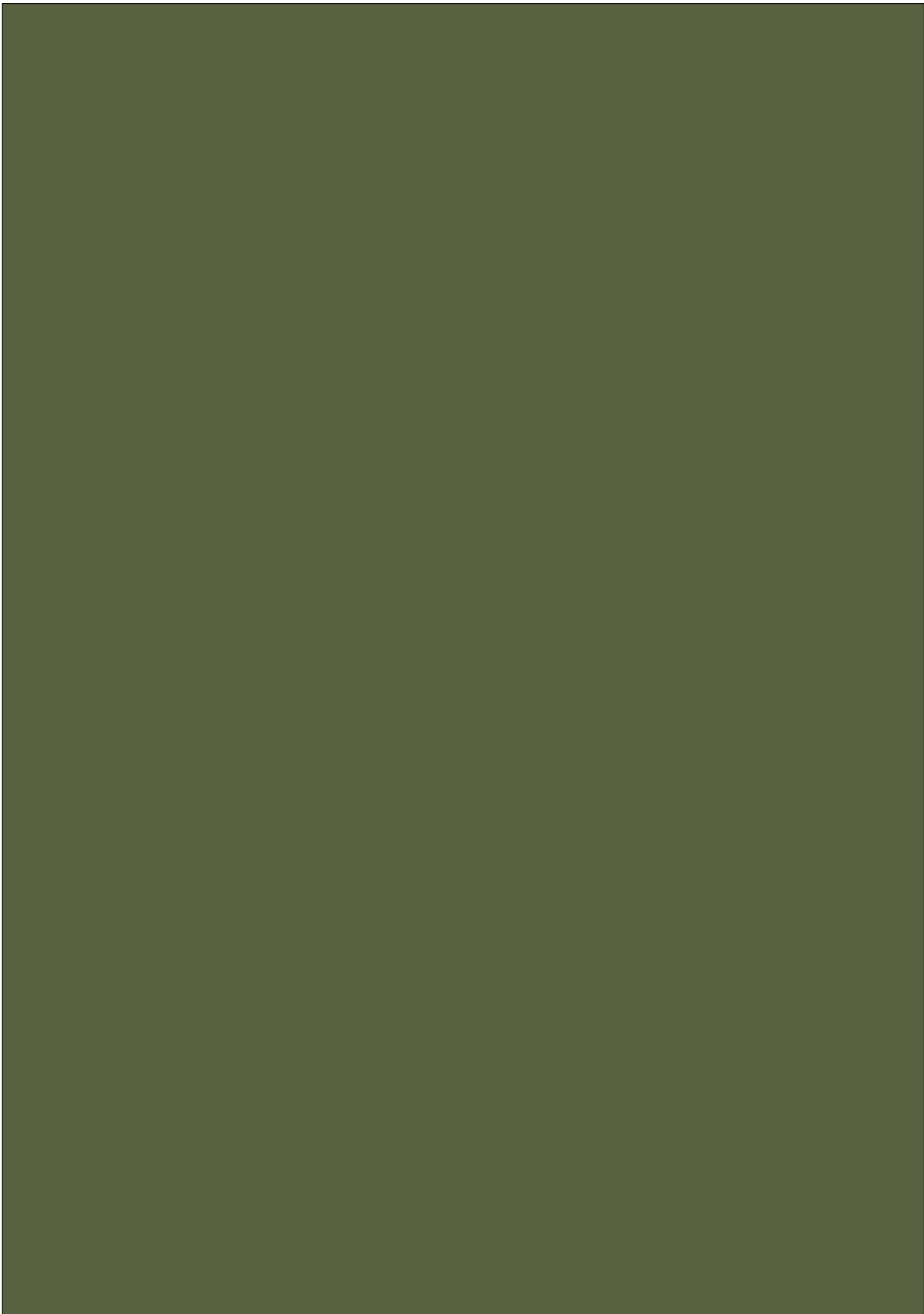


**CHAPTER II**  
**FINANCES OF THE**  
**STATE**



## CHAPTER II

### FINANCES OF THE STATE

This chapter provides a broad perspective of the finances of the Government of Tamil Nadu (GoTN) during the current year (2022-23) and analyses critical changes in the major fiscal aggregates relative to the previous year (2021-22), keeping in view the overall trend during the last five years.

#### 2.1 Summary of fiscal transactions in 2022-23 *vis-à-vis* 2021-22

**Table 2.1** presents the summary of the State Government's fiscal transactions during the current year (2022-23) *vis-à-vis* the previous year (2021-22) and **Appendix 2.1** depicts the trends of fiscal indicators over the period 2018-2023.

Table 2.1: Summary of fiscal operations in 2022-23 *vis-à-vis* 2021-22

(₹ in crore)					
Receipts	2021-22	2022-23	Disbursements	2021-22	2022-23
<b>Section-A: Revenue</b>					
<b>Revenue receipts</b>	<b>2,07,492.40</b>	<b>2,43,749.34</b>	<b>Revenue expenditure</b>	<b>2,54,030.42</b>	<b>2,79,964.48</b>
State's Own Tax revenue	1,22,866.29	1,50,222.75	General Services	84,893.54	99,096.70
Non-tax revenue	12,116.52	17,060.95	Social Services	88,749.10	88,967.59
Share of Union Taxes/Duties	37,458.62	38,731.24	Economic Services	60,898.32	71,974.59
Grants from Government of India	35,050.97	37,734.40	Grants-in-aid and Contributions	19,489.46	19,925.60
<b>Section-B: Capital and Others</b>					
Miscellaneous Capital Receipts	0.01	41.97	<b>Capital Expenditure</b>	<b>37,010.78</b>	<b>39,529.91</b>
			General Services	780.21	1,040.98
			Social Services	14,984.96	14,323.77
			Economic Services	21,245.61	24,165.16
Recoveries of Loans and Advances	5,354.77	1,078.10	Loans and Advances disbursed	3,640.52	7,260.82
Public Debt receipts	1,04,484.99	1,01,061.71	Repayment of Public Debt	1 9,737.24	27,104.39
Contingency Fund	--	--	Contingency Fund	--	--
Public Account receipts	3,98,156.68	4,79,342.00	Public Account disbursements	3,83,756.59	4,62,458.90
Opening Cash Balance	55,072.80	72,386.10	Closing Cash Balance	72,386.10	81,340.72
<b>Total</b>	<b>7,70,561.65</b>	<b>8,97,659.22</b>	<b>Total</b>	<b>7,70,561.65</b>	<b>8,97,659.22</b>

(Source: Finance Accounts for the respective years)

Table 2.2: Major Changes in key fiscal aggregates in 2022-23 compared to 2021-22

<b>Revenue Receipts</b>	<ul style="list-style-type: none"> <li>✓ Revenue receipts of the State increased by 17.47 <i>per cent</i></li> <li>✓ Own Tax receipts of the State increased by 22.27 <i>per cent</i></li> <li>✓ Non-tax receipts increased by 40.81 <i>per cent</i></li> <li>✓ State's Share of Union Taxes and Duties increased by 3.40 <i>per cent</i></li> <li>✓ Grants-in-Aid from Government of India increased by 7.66 <i>per cent</i></li> </ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"> <li>✓ Revenue expenditure increased by 10.21 <i>per cent</i></li> <li>✓ Revenue expenditure on General Services increased by 16.73 <i>per cent</i></li> <li>✓ Revenue expenditure on Social Services increased by 0.25 <i>per cent</i></li> <li>✓ Revenue expenditure on Economic Services increased by 18.19 <i>per cent</i></li> <li>✓ Expenditure on Grants-in-Aid increased by 2.24 <i>per cent</i></li> </ul>
<b>Capital Receipts</b>	<ul style="list-style-type: none"> <li>✓ Debt capital receipts decreased by 3.28 <i>per cent</i></li> <li>✓ Though there was an increase in the miscellaneous capital receipts by ₹41.97 crore, the non-debt capital receipts as a whole decreased by 79.08 <i>per cent</i></li> </ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"> <li>✓ Capital expenditure increased by 6.81 <i>per cent</i></li> <li>✓ Capital expenditure on General Services increased by 33.42 <i>per cent</i></li> <li>✓ Capital expenditure on Social Services decreased by 4.41 <i>per cent</i></li> <li>✓ Capital expenditure on Economic Services increased by 13.74 <i>per cent</i></li> </ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"> <li>✓ Disbursement of Loans and Advances increased by 99.44 <i>per cent</i></li> <li>✓ Recoveries of Loans and Advances decreased by 79.87 <i>per cent</i></li> </ul>
<b>Public Debt</b>	<ul style="list-style-type: none"> <li>✓ Public Debt Receipts decreased by 3.28 <i>per cent</i></li> <li>✓ Repayment of Public Debt increased by 37.33 <i>per cent</i></li> </ul>
<b>Public Account</b>	<ul style="list-style-type: none"> <li>✓ Public Account Receipts increased by 20.39 <i>per cent</i></li> <li>✓ Public Account Disbursements increased by 20.51 <i>per cent</i></li> </ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"> <li>✓ Cash balance increased by ₹8,954.62 crore (12.37 <i>per cent</i>) during 2022-23 compared to previous year</li> </ul>

The significant changes that occurred during 2022-23, as compared to the previous year are enumerated in the succeeding sub paragraphs.

- **Revenue receipts** of the State increased by 17.47 *per cent* (₹36,257 crore) over the previous year. Revenue receipts included an amount of ₹16,215 crore towards compensation for losses on roll out of GST.
- **Revenue expenditure** increased by ₹25,934 crore (10.21 *per cent*) over the previous year mainly due to increased payments towards 'Pension and other retirement benefits' (₹5,928 crore), expenditure towards general education (₹5,856 crore) and increased interest payment on market loans (₹4,363 crore).
- **Capital expenditure** increased by 6.81 *per cent* (₹2,519 crore) during 2022-23 over the previous year, as compared to the growth rate of 11.92 *per cent* in 2021-22 over 2020-21. Major increases were under

Road Transport (₹1,212.12 crore) and Roads and Bridges (₹1,028.63 crore), while there had been a substantial decline in the growth rate in medical and public health (48 per cent), Civil Aviation (65 per cent), water supply and sanitation (18 per cent), etc.

- **Public Debt Receipts i.e., borrowings** decreased by ₹3,423 crore (3.28 per cent) over the previous year.
- **Recoveries of loans and advances** during the year substantially decreased by ₹4,277 crore (79.87 per cent) mainly due to the completion of recoveries by way of conversion of TANGEDCO's loan as grants-in-aid under UDAY scheme through book adjustments.
- **Loans and advances** disbursed during the year increased by ₹3,620 crore (99.44 per cent) over the previous year mainly due to loans to the tune of (₹4,542 crore) being extended to Public Sector and other undertaking under 'Other Development Schemes' under Urban Development during the year.
- **Public Account receipts and disbursements** increased by ₹81,185 crore (20.39 per cent) and by ₹78,702 crore (20.51 per cent) respectively. Net of receipts and disbursements under Public Account increased the net receipts by ₹2,483 crore over the previous year.
- Though the net impact of these transactions led to an increase of ₹8,955 crore in the cash balance at the end of the year over the previous year, the cash balance increased only by 12.37 per cent against an increase of 31.44 per cent during 2021-22.

## 2.2 Sources and Application of Funds

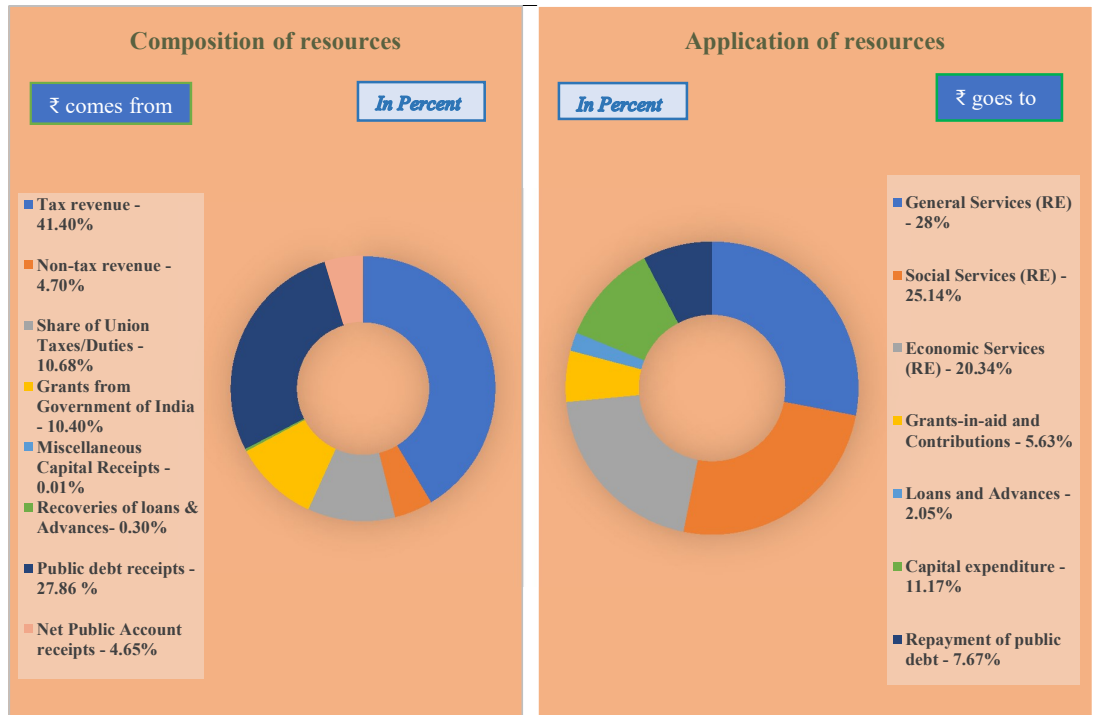
Table 2.3: Details of Sources and Application of funds during 2021-22 and 2022-23  
(₹ in crore)

	Particulars	2021-22	2022-23	Increase/ Decrease
Sources	Opening Cash Balance with RBI	55,073	72,386	17,313
	Revenue Receipts	2,07,492	2,43,749	36,257
	Recoveries of Loans and Advances	5,355	1,078	(-) 4,277
	Miscellaneous Capital Receipts	--	42	42
	Public Debt Receipts (Net)	84,748	73,958	(-) 10,790
	Public Account Receipts (Net)	14,400	16,883	2,483
	<b>Total</b>	<b>3,67,068</b>	<b>4,08,096</b>	<b>41,028</b>
Application	Revenue Expenditure	2,54,030	2,79,964	25,934
	Capital Expenditure	37,011	39,530	2,519
	Disbursement of Loans and Advances	3,641	7,261	3,620
	Closing Cash Balance with RBI	72,386	81,341	8,955
	<b>Total</b>	<b>3,67,068</b>	<b>4,08,096</b>	<b>41,028</b>

(Source: Finance Accounts for the respective years)

<sup>1</sup> Tamil Nadu Generation and Distribution Corporation.

Exhibit 2.1: Composition and Application of resources



RE – Revenue Expenditure.  
(Source: Finance Accounts)

### 2.3 Resources of the State

The resources of the State are described below:

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

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

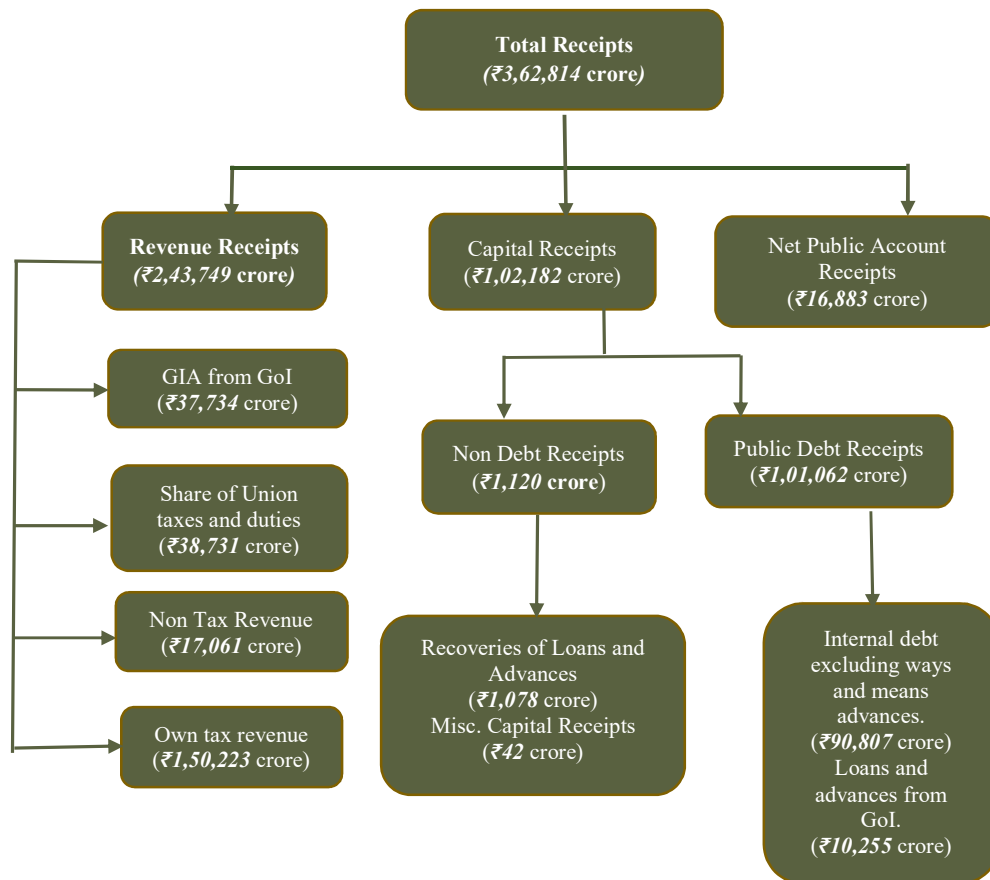
3. **Net Public Accounts receipts:** These are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

### 2.3.1 Receipts of the State

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Besides, the fund available in the Public Account (net of disbursement made from it) is also utilised by the Government to finance its deficit.

#### Composition of receipts of the State during 2022-23



The total resources of the State Government in 2022-23 were ₹3,62,814 crore. Of these, revenue receipts were ₹2,43,749 crore, which constituted 67.18 *per cent* of total resources. Capital receipts (₹1,02,182 crore) and net Public Account receipts (₹16,883 crore) constituted 28.16 *per cent* and 4.65 *per cent* of the total resources respectively.

### 2.3.2 State's Revenue Receipts

Statement-14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own taxes and non-tax revenues, central tax transfers and grants-in-aid from GoI.

### 2.3.2.1 Trends and growth of Revenue Receipts

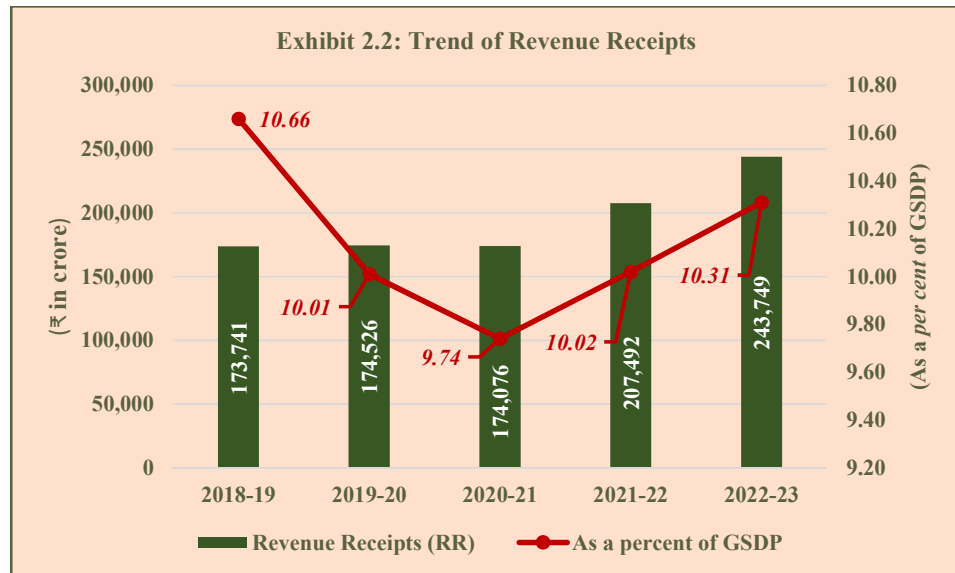
The composition of revenue receipts, its trends and growth with respect to GSDP over the five-year period are depicted in the **Table 2.4** below.

**Table 2.4: Trend in Revenue Receipts**

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	1,73,741	1,74,526	1,74,076	2,07,492	2,43,749
Rate of growth of RR ( <i>per cent</i> )	18.77	0.45	(-) 0.26	19.20	17.47
Own Tax Revenue (₹ in crore)	1,05,534	1,07,462	1,06,153	1,22,866	1,50,223
State's share of Union taxes and duties (₹ in crore)	30,639	26,393	24,924	37,458	38,731
Non-Tax Revenue (₹ in crore)	14,200	12,888	10,422	12,117	17,061
Grants-in-aid from GoI (₹ in crore)	23,368	27,783	32,576	35,051	37,734
Own Revenue (Own tax and Non tax revenue) (₹ in crore)	1,19,734	1,20,350	1,16,575	1,34,983	1,67,284
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) ( <i>per cent</i> )	14.58	0.51	(-) 3.14	15.79	23.93
Gross State Domestic Product (₹ in crore) (2011-12 series)	16,30,209	17,43,144	17,88,074	20,71,286	23,64,514
Rate of growth of GSDP ( <i>per cent</i> )	11.27	6.93	2.58	15.84	14.16
RR/GSDP ( <i>per cent</i> )	10.66	10.01	9.74	10.02	10.31

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

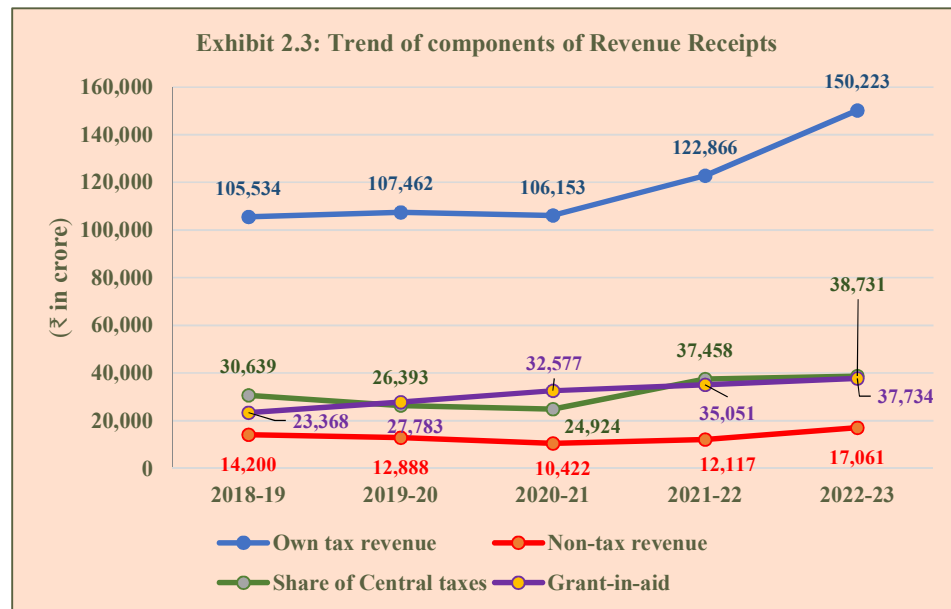
- The annual growth rate of revenue receipts during 2022-23 was 17.47 *per cent* (₹36,257 crore) as against a growth rate of 19.20 *per cent* during the previous year.



(Source: Finance Accounts for the respective years)



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



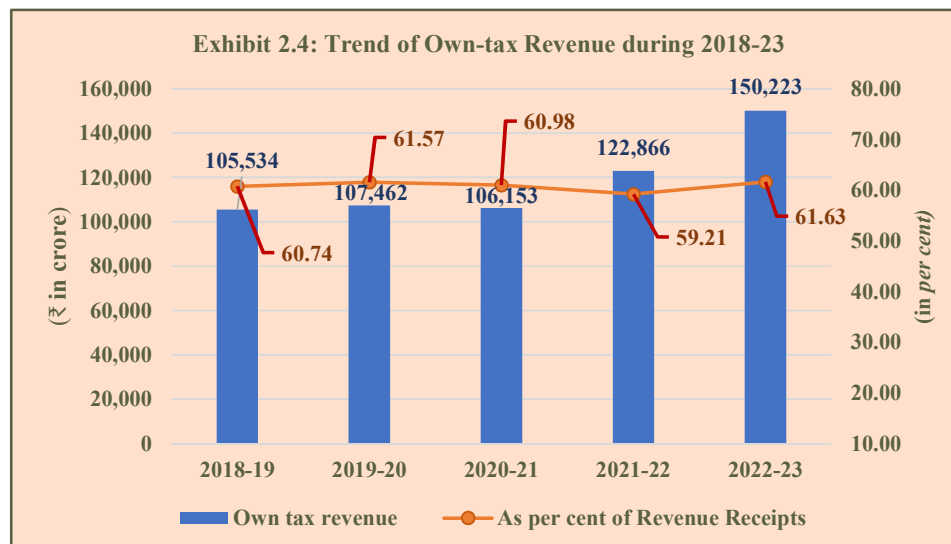
(Source: Finance Accounts for the respective years)

### 2.3.2.2 State's Own Resources

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

#### Own Tax revenue

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



(Source: Finance Accounts for the respective years)

## Components of State's own tax revenue

The revenue in respect of major taxes and duties are given in **Table 2.5**.

**Table 2.5: Components of State's own tax revenue**

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
State Goods and Service Tax	38533	38,376	37,942	45,277	53,823	
Taxes on Sales, Trade, etc.	42,701	44,515	43,489	48,668	59,143	
State Excise	6,863	7,206	7,822	8,237	10,423	
Taxes on Vehicles	5,573	5,675	4,561	5,627	7,513	
Stamps and Registration Fees	11,066	10,856	11,675	14,331	17,560	
Land Revenue	178	258	211	205	248	
Taxes on Goods and Passengers	3	11	2	12	5	
Other Taxes	617	565	451	509	1,508	
<b>Total</b>	<b>1,05,534</b>	<b>1,07,462</b>	<b>1,06,153</b>	<b>1,22,866</b>	<b>1,50,223</b>	
<b>(Growth rate over previous year in per cent)</b>	<b>(12.59)</b>	<b>(1.83)</b>	<b>((-) 1.22)</b>	<b>(15.74)</b>	<b>(22.27)</b>	

(Source: Finance Accounts for the respective years)

- The annual growth rate of own tax revenue during 2022-23 increased considerably to 22.27 per cent as against a growth rate of 15.74 per cent during the previous year.
- There were significant increases under State Goods and Service Tax (18.87 per cent), Taxes on Sales, Trade, etc. (21.52 per cent), State Excise (26.54 per cent), Taxes on Vehicles (33.52 per cent) and Stamps and Registration Fees (22.53 per cent).
- Against the budgeted estimate (revised) of ₹55,390 crore, SGST collection was ₹53,823 crore (2.83 per cent decrease).

## Non-tax revenue

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

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

(₹ in crore)

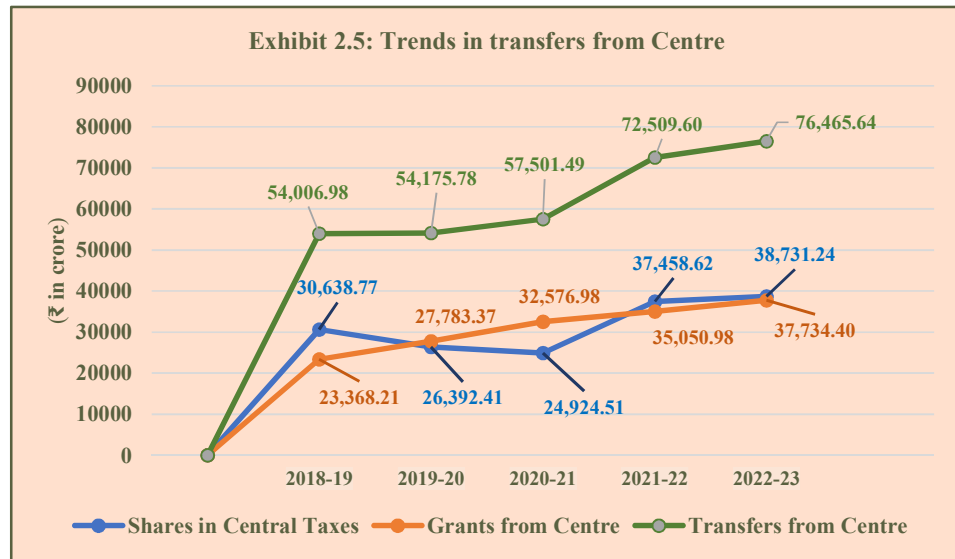
Components of State's Non-tax revenue						
Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
<b>Interest receipts</b>	<b>6,875</b>	<b>4,356</b>	<b>3,524</b>	<b>3,918</b>	<b>4,747</b>	
<b>Dividends and Profits</b>	<b>156</b>	<b>192</b>	<b>205</b>	<b>272</b>	<b>301</b>	
<b>Other non-tax receipts</b>	<b>7,169</b>	<b>8,340</b>	<b>6,693</b>	<b>7,927</b>	<b>12,013</b>	
a) Major and Medium Irrigation	45	48	60	66	71	
b) Roads and Bridges	143	83	181	118	231	
c) Urban Development	1,016	781	829	743	1,092	
d) Education	1,592	1,793	1,650	1,065	2,206	
e) Non-Ferrous Mining	1,057	1,150	765	1,005	1,200	
f) Others	3,316	4,485	3,208	4,930	7,213	
<b>Total</b>	<b>14,200</b>	<b>12,888</b>	<b>10,422</b>	<b>12,117</b>	<b>17,061</b>	
Percentage of non-tax revenue to State's own resources	11.86	10.71	8.94	8.98	10.20	

(Source: Finance Accounts for the respective years)

- The non-tax revenue of the State increased by ₹4,944 crore (40.80 per cent) in 2022-23 over the previous year. As a proportion of the State's own resources, the non-tax revenue which stood at 8.98 per cent in 2021-22 increased to 10.20 per cent in 2022-23.

### 2.3.2.3 Transfers from the Centre

The trend of transfers from Centre for a period of five years (2018-2023) is given in **Exhibit 2.5** below:



(Source: Finance Accounts for the respective years)

The Central tax transfers increased by ₹1,273 crore (3.40 per cent) during the current year and the grants from Centre had increased by 7.66 per cent over the previous year.

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

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

Year	Finance Commission Projections	Projections in FCR*	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2015-16	4.023 per cent of net proceeds of all shareable taxes excluding service tax and 4.104 per cent of net proceeds of shareable service tax (As per recommendations of XIV FC)	23,389	20,354	(-) 3,035
2016-17		26,992	24,538	(-) 2,454
2017-18		31,189	27,100	(-) 4,089
2018-19		36,084	30,639	(-) 5,445
2019-20		41,796	26,393	(-) 15,403
<b>2015-20</b>		<b>1,59,450</b>	<b>1,29,024</b>	<b>(-) 30,426</b>
2020-21	4.189 per cent of net proceeds of all shareable taxes (As per recommendations of XV FC)	39,848	24,925	(-) 14,923
2021-22	4.079 per cent of net proceeds of all shareable taxes	26,864	37,458	10,594
2022-23	4.079 per cent of net proceeds of all shareable taxes	29,884	38,731	8,847

\* Finance Commission Recommendations

(Source: Details furnished by the Finance Department)

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

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	7,561.77	7,489.35	7,406.64	10,308.10	10,945.36
Integrated Goods and Services Tax (IGST)	603.50	--	--	--	--
Corporation Tax	10,654.53	8,998.76	7,520.26	10,912.73	12,982.89
Taxes on Income other than Corporation Tax	7,846.62	7,051.14	7,709.82	10,911.33	12,678.31
Customs	2,171.71	1,672.92	1,324.08	2,920.27	1,522.68
Union Excise Duties	1,443.22	1,163.13	837.75	1,753.77	477.69
Service Tax	282.27	0.00	108.04	609.98	60.56
Other Taxes *	75.15	17.11	17.92	42.44	63.75
<b>Total Central Tax transfers</b>	<b>30,638.77</b>	<b>26,392.41</b>	<b>24,924.51</b>	<b>37,458.62</b>	<b>38,731.24</b>
Percentage of increase over previous year	13.06	(-) 13.86	(-) 5.56	50.29	3.40
Revenue Receipts	1,73,741	1,74,526	1,74,076	2,07,492	2,43,749
Percentage of Central tax transfers to Revenue Receipts	17.63	15.12	14.32	18.05	15.89

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

(Source: Finance Accounts for the respective years)

- The actual devolution of State's share of Union taxes and duties was greater than the projections made by the Fifteenth Finance Commission (XV FC) during 2022-23.

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

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Schemes (CSS)	14,820.26	12,463.85	12,483.68	17,250.57	15,269.61
Finance Commission Grants	3,705.46	5,905.69	8,643.46	9,550.41	5,791.68#
Other transfers/Grants to States/Union Territories with Legislature	4,843.73	9,485.73	11,449.84	8,250.00	16,673.11 <sup>s</sup>
<b>Total</b>	<b>23,368.21*</b>	<b>27,783.37*</b>	<b>32,576.98</b>	<b>35,050.98</b>	<b>37,734.40</b>
Percentage of increase over the previous year	59.19	18.89	17.25	7.59	7.66
Percentage of GIA to Revenue Receipts	13.45	15.92	18.71	16.89	15.48

<sup>s</sup> Includes an amount of ₹16,215 crore being compensation for loss of revenue due to implementation of GST

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

\* Includes Refund of (-) ₹1.24 crore in 2018-19 and (-) ₹71.90 crore in 2019-20

(Source: Finance Accounts for the respective years)

- The grants-in-aid increased by ₹2,683 crore (7.66 per cent) over the previous year.
- Percentage of grants-in-aid to revenue receipts, which was 16.89 in 2021-22, decreased to 15.48 in 2022-23 mainly due to nil receipt under 'Contributions to NDRF' as against an amount of ₹566 crore received during the previous year.

### Single Nodal Agency (SNA)

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

GoI had notified procedure for release of funds under Centrally Sponsored Scheme (CSS) and monitoring utilization of the funds released through Single Nodal Agency (SNA). As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA's account along with corresponding State share.

In accordance with the directions of Ministry of Finance, Government of India, funds received by the State Government under Centrally Sponsored Schemes (CSS) are restricted for use by the State Government and was required to be transferred to concerned SNA's account within a period of 21 days of its receipt. Corresponding State share should be released not later than 40 days of release of the central share.

As per the SNA Report (2022-23) of PFMS Portal, the State Government received ₹14,137.90 crore being SNA's Central Share of CSS Schemes during the year. In compliance with GoI's directions, as on 31 March 2023, the State Government had transferred ₹13,629.21 crore being Central Share and corresponding State share of ₹11,311.31 crore to the SNA accounts. The details of the vouchers with respect to expenditure are not available in the AG (A&E) office. As of 31 March 2023, the amount of unspent amounts lying in the SNA Accounts was ₹11,453.81 crore.

Nine schemes<sup>2</sup> were test checked by Audit to analyse any delay in release of GoI share and State Government share to SNA. It was noticed that there was delay of 10 to 20 days beyond 21 days in release of GoI share to SNA in two schemes and 1 to 20 days beyond 40 days in release of State Government share in two schemes as detailed in the **Appendix 2.2**.

### Fifteenth Finance Commission Grants

Transfers from GoI to the State during 2022-23 on the recommendations of XV FC are given in **Table 2.10**

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<sup>2</sup> (i) PMAY (ii) PMGSY (iii) SRLM (iv) SPMRM (v) Tamil Nadu National Mission on Edible oil (vi) Project Tiger (vii) AMRUT (viii) MGNRGE and (ix) Jal Jeevan Mission.

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

(₹ in crore)

Transfers	Recommendation of the XV FC 2022-23	Actual Release by GoI	Short fall
		2022-23	2022-23
<b>(i) Grants to PRIs</b>	2,761.00	2,761.00	Nil
<b>(ii) Grants to ULBs</b>	1,360.00	1,360.00*	Nil
<b>Total for Local Bodies</b>	<b>4,121.00</b>	<b>4,121.00</b>	Nil
State Disaster Response Fund	856.80	856.80	Nil
State Disaster Mitigation Fund	214.20	107.10	107.10
<b>Grand Total</b>	<b>5,192.00</b>	<b>5,084.90</b>	<b>107.10</b>

\* ₹ 313 crore received during 2023-24

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

The actual release by the GoI to the State Disaster Mitigation Fund during 2022-23 was ₹311.10 crore. Out of which ₹204 crore related to 2021-22 and ₹107.10 crore pertained to 2022-23, as detailed in **Para 2.5.2.3**.

### 2.3.3 Capital receipts

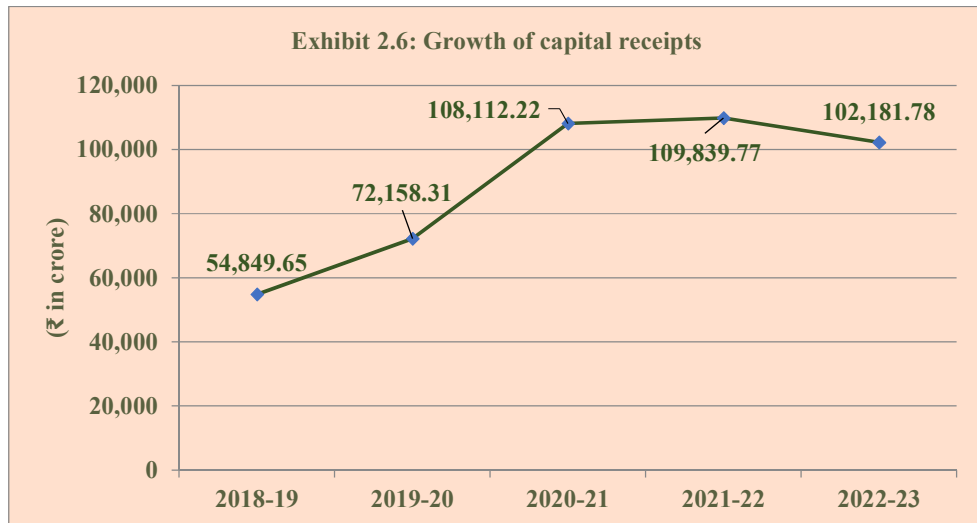
Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Table 2.11: Trends in growth and composition of capital receipts

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Capital Receipts (₹ in crore)</b>	<b>54,849.65</b>	<b>72,158.31</b>	<b>1,08,112.22</b>	<b>1,09,839.77</b>	<b>1,02,181.78</b>
Miscellaneous Capital Receipts (₹ in crore)	--	--	--	0.01	41.97
Recovery of Loans and Advances (₹ in crore)	6,913.43	5,384.01	5,245.25	5,354.77	1,078.10
<b>Public Debt Receipts (₹ in crore)</b>	<b>47,936.22</b>	<b>66,774.30</b>	<b>1,02,866.97</b>	<b>1,04,484.99</b>	<b>1,01,061.71</b>
Internal Debt (₹ in crore)	45,596.47	64,784.61	91,997.03	90,842.61	90,806.43
Rate of growth of internal debt (per cent)	6.12	42.08	42.00	(-) 1.25	(-) 0.04
Loans and Advances from GoI (₹ in crore)	2,339.75	1,989.69	10,869.94*	#13,642.38	10,255.28
Rate of growth of Loans and Advances (per cent)	(-) 15.00	(-) 14.96	446.31	25.51	(-) 24.83
Rate of growth of debt Capital Receipts (per cent)	4.84	39.30	54.05	1.57	(-) 3.28
Rate of growth of non-debt Capital Receipts (per cent)	(-) 18.42	(-) 22.12	(-) 2.58	2.09	(-) 79.08
Rate of growth of GSDP (per cent)	11.27	6.93	2.58	15.84	14.16
Rate of growth of Capital Receipts (per cent)	1.21	31.56	49.83	1.60	(-) 6.97

\* includes ₹6,241 crore as back to back loan #includes ₹8,095 crore as back to back loan, in lieu of GST compensation which are not to be repaid by the State

(Source: Finance Accounts for the respective years)



(Source: Finance Accounts for the respective years)

- Public Debt receipts decreased from ₹1,04,485 crore during 2021-22 to ₹1,01,062 crore in 2022-23.

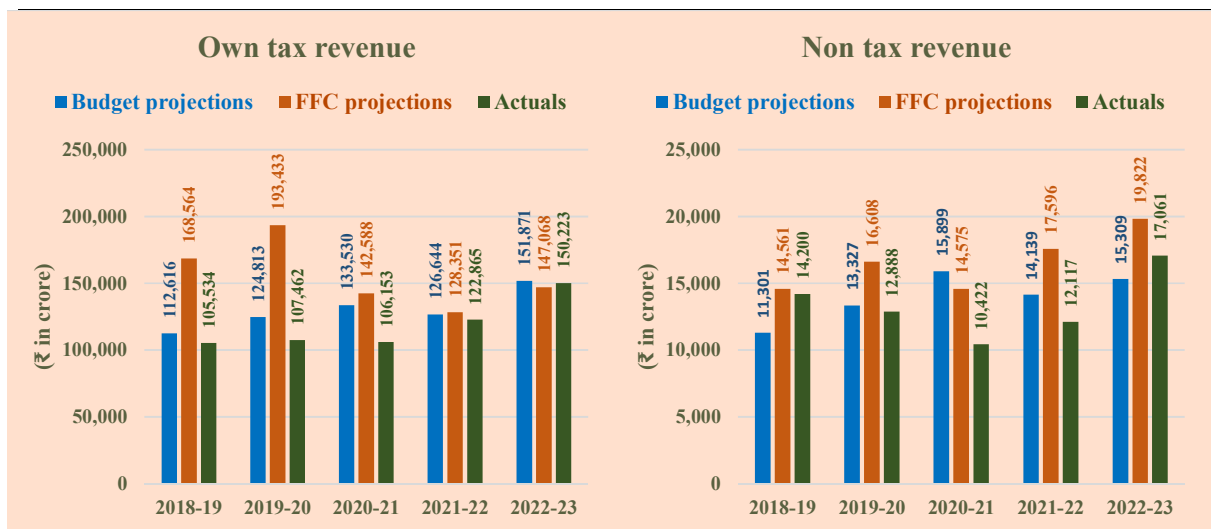
### 2.3.4 State's performance in mobilization of resources

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

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

The State's own tax and non-tax revenue receipts for the period 2018-23 *vis-à-vis* assessment made by the Central Finance Commissions and Budget are given in **Exhibit 2.7**.

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



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

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

receipts fell short of the target fixed under XV FC but exceeded the Budget projections.

## 2.4 Application of resources

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

### 2.4.1 Growth and composition of expenditure

The details of total expenditure, its composition, relative share of various sectors, trends, etc. are given below in **Tables 2.12, 2.13** and **Exhibits 2.8 to 2.10**.

Table 2.12: Total expenditure and its composition

(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	2,27,989.47	2,40,088.56	2,73,304.66	2,94,681.72	3,26,755.21
Revenue Expenditure (RE)	1,97,200.60	2,10,434.73	2,36,402.18	2,54,030.42	2,79,964.48
Capital Expenditure	24,310.84	25,631.58	33,067.65	37,010.78	39,529.91
Loans & Advances	6,478.03	4,022.25	3,834.83	3,640.52	7,260.82
<b>As a percentage of GSDP</b>					
TE/GSDP	13.99	13.77	15.28	14.23	13.82
RE/GSDP	12.10	12.07	13.22	12.26	11.84
Capital expenditure/GSDP	1.49	1.47	1.85	1.79	1.67
Loans and Advances/GSDP	0.40	0.23	0.21	0.18	0.31

(Source: Finance Accounts for the respective years)

Table 2.13: Relative share of various sectors of expenditure

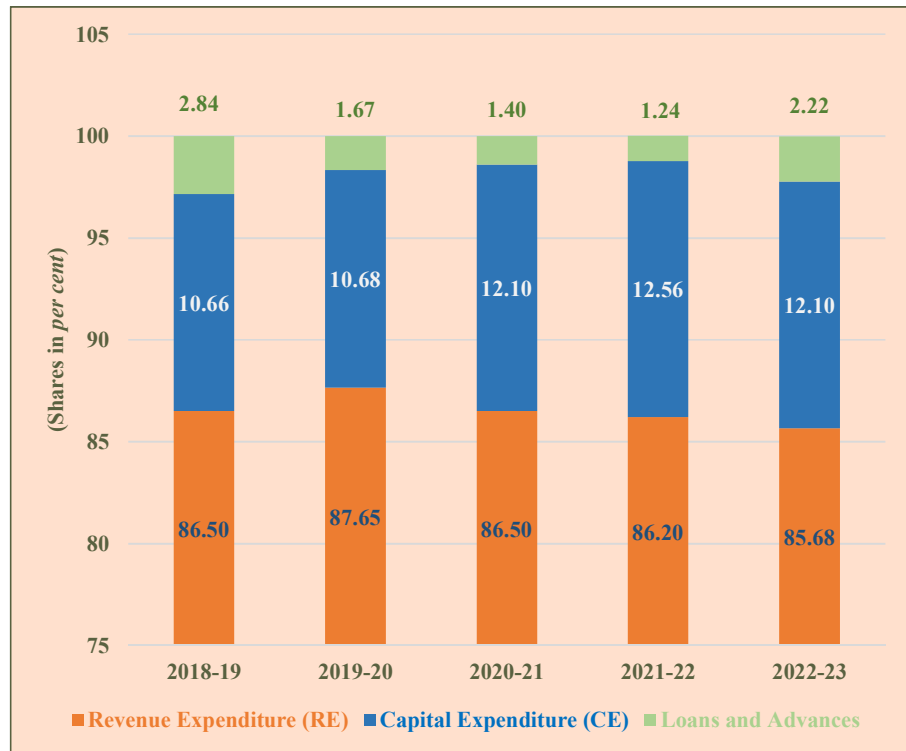
(in per cent)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
General Services *	32.15	32.99	29.25	29.07	30.65
Social Services *	33.86	33.26	36.82	35.20	31.61
Economic Services *	24.62	25.54	26.75	27.88	29.42
Others (Grants to Local Bodies and Loans and Advances)	9.37	8.21	7.18	7.85	8.32

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

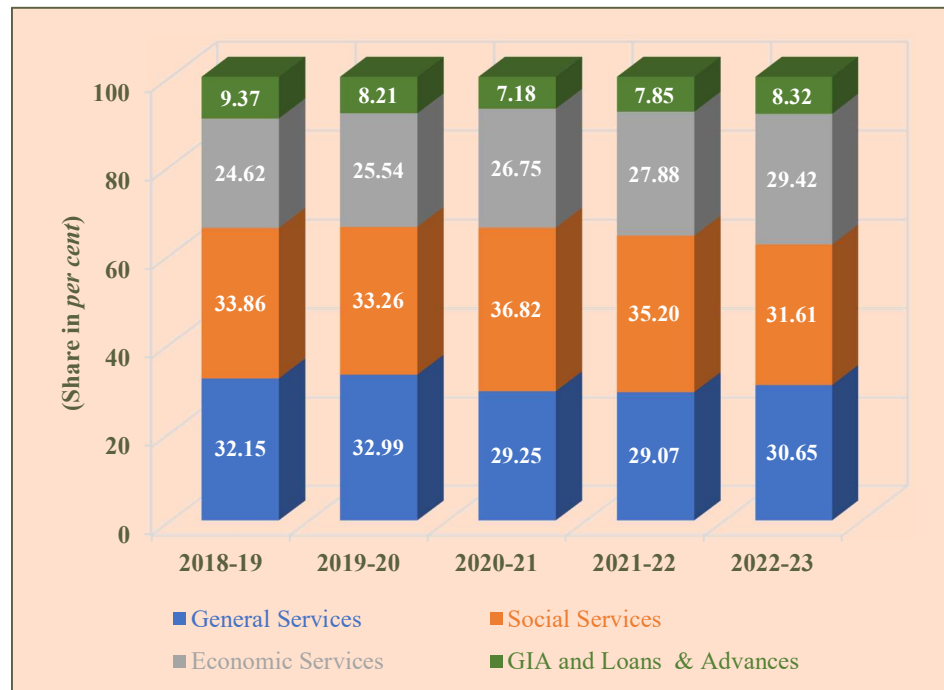


Exhibit 2.8: Total Expenditure: Trends in share of its components



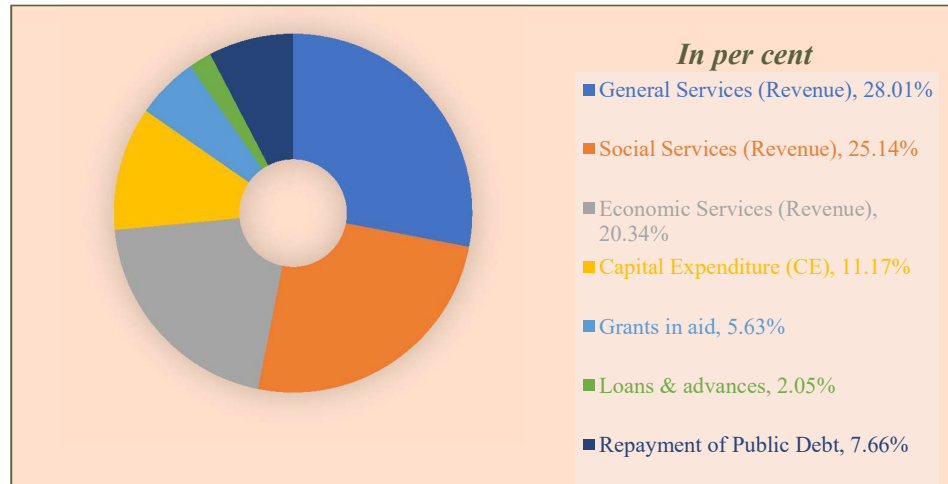
(Source: Finance Accounts for the respective years)

Exhibit 2.9: Total expenditure - Expenditure by activities



(Source: Finance Accounts for the respective years)

Exhibit 2.10: Composition of expenditure



(Source: Finance Accounts '2022-23)

- Of the total expenditure of ₹3,26,755 crore during 2022-23, Revenue Expenditure (₹2,79,964 crore), Capital Expenditure (₹39,530 crore) and Loans and Advances (₹7,261 crore) accounted for 85.68 per cent, 12.10 per cent and 2.22 per cent respectively.

#### 2.4.2 Revenue Expenditure

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

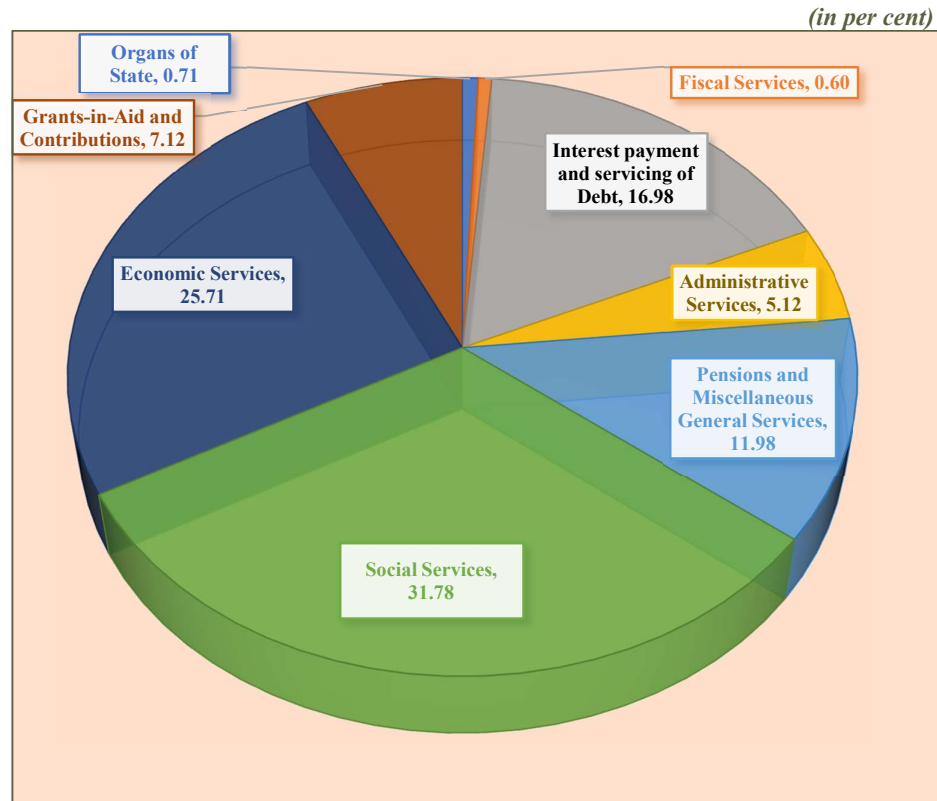
Revenue Expenditure formed on an average 86.51 per cent (ranging from 86.50 per cent in 2018-19 to 85.68 per cent in 2022-23) of the total expenditure during the period 2018-23. Rate of growth of Revenue Expenditure has displayed wide fluctuation during the five-year period 2018-23 between 6.71 per cent and 12.34 per cent, while in 2022-23 it being 10.21 per cent. The overall Revenue Expenditure, its rate of growth and its ratio to Total Expenditure are indicated in **Table 2.14** and the sectoral distribution of Revenue Expenditure pertaining to 2022-23 is given in **Exhibit 2.11**.

Table 2.14: Revenue Expenditure – Basic Parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE) (₹ in crore)	2,27,989.47	2,40,088.56	2,73,304.66	2,94,681.72	3,26,755.22
Revenue Expenditure (RE) (₹ in crore)	1,97,200.60	2,10,434.73	2,36,402.18	2,54,030.42	2,79,964.48
Rate of Growth of RE (per cent)	17.47	6.71	12.34	7.46	10.21
Revenue Expenditure as percentage of TE	86.50	87.65	86.50	86.20	85.68
RE/GSDP (per cent)	12.10	12.07	13.22	12.26	11.84
RE as percentage of RR	113.50	120.58	135.80	122.43	114.86

(Source: Finance Accounts for the respective years)

Exhibit 2.11: Sector-wise distribution of revenue expenditure



(Source: Finance Accounts' 2022-23)

- During 2022-23, the Revenue Expenditure witnessed an increase of ₹25,934.06 crore (10.21 per cent) during the year as against an increase of 7.46 per cent during the previous year. This was mainly due to increase of ₹5,927.55 crore, ₹5,855.59 crore and ₹5,346.71 crore towards Pensions and Retirement Benefits (Major Head 2071), General Education (Major Head 2202) and Interest payments (Major Head 2049) respectively during the year. As a percentage of GSDP the Revenue Expenditure decreased from 12.26 per cent in 2021-22 to 11.84 per cent during the current year.
- The actual Revenue Expenditure was short of the assessment made in MTFP by ₹13,563 crore (5.09 per cent). The component-wise breakup is given in the subsequent paragraphs.

#### 2.4.2.1 Major changes in Revenue Expenditure

**Table 2.15** details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

**Table 2.15: Variation in Revenue Expenditure during 2022-23 compared to 2021-22**  
(₹ in crore)

Major Head	Description	2022-23	2021-22	Increase / Decrease (-)
2071	Pensions and other Retirement Benefits	32,177.50	26,249.95	5,927.55
2202	General Education	42,615.28	36,759.69	5,855.59
2049	Interest Payments	46,910.81	41,564.10	5,346.71
3456	Civil Supplies	13,767.56	9,533.92	4,233.64
2401	Crop Husbandry	13,286.61	10,092.71	3,193.90
2801	Power	17,583.25	15,140.10	2,443.15
2055	Police	9,609.47	8,043.55	1,565.92
2235	Social Security and Welfare	11,827.17	10,634.84	1,192.33
2505	Rural Employment	5,936.87	4,916.01	1,020.86
3055	Road Transport	1,908.69	1,046.82	861.87
2236	Nutrition	4,403.12	3,619.76	783.36
2217	Urban Development	2,143.92	1,373.84	770.08
2225	Welfare of Scheduled Castes Scheduled Tribes Other Backward Classes and Minorities	3,626.29	2,997.13	629.16
2075	Miscellaneous General Services	1,358.44	762.43	596.01
2015	Elections	247.97	865.77	(-) 617.80
2211	Family Welfare	3,226.67	3,884.70	(-) 658.03
2216	Housing	2532.62	4119.47	(-) 1586.85
2425	Co-operation	5438.73	7321.13	(-) 1882.40
2245	Relief on account of Natural Calamities	1803.43	9704.44	(-) 7901.01

(Source: Finance Accounts for the respective years)

- Revenue Expenditure on Pensions and other Retirement Benefits was mainly due to increase in payments towards ‘Gratuities’ by 115.84 per cent (₹916.58 crore), ‘Commuted Value of Pensions’ by 205.09 per cent (₹789.35 crore) and ‘Leave Encashment Benefits’ by 138.33 per cent (₹812.90 crore) indicating huge retirements during the year.
- Expenditure on ‘General Education’ increased by 15.93 per cent during the year. This was mainly due to a huge increase of expenditure towards ‘Assistance to Local Bodies for primary education’ from ₹4.78 crore in 2021-22 to ₹806.28 crore (16,768 per cent), increase of ₹1,646.46 crore (15.67 per cent) under ‘Government Secondary Schools’ and ₹1,282.70 crore (13.24 per cent) under ‘Government Primary Schools’.

- Interest payments increased by 12.86 *per cent* due to increased payment towards internal debt. The increase was mainly due to increase in the expenditure on ‘Interest on market loans’ by 13.62 *per cent* (₹4,363.28 crore) and ‘Management of debt’ by 19.49 *per cent* (₹163.40 crore) during the year.

#### 2.4.2.2 Committed Expenditure

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

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

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

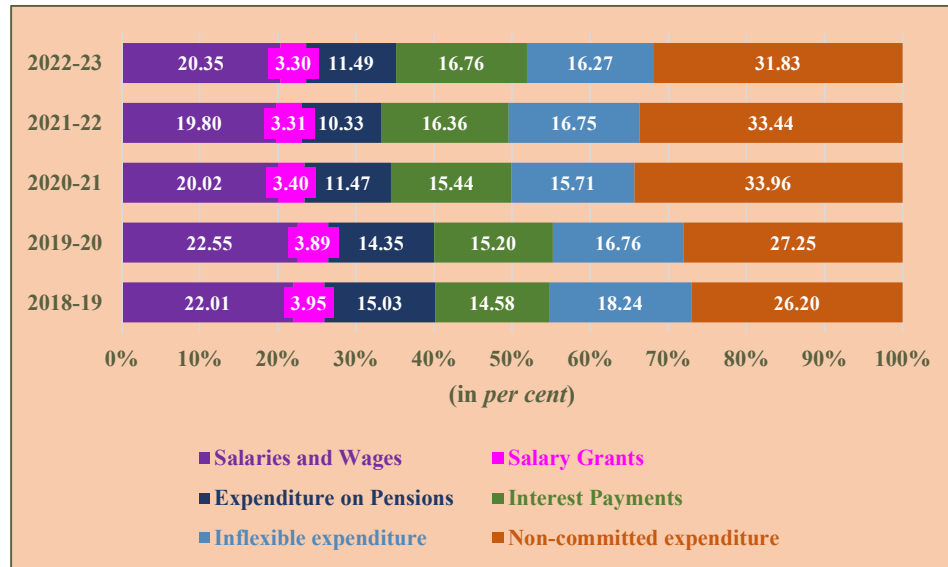
Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.16** and share of committed expenditure in revenue expenditure is shown in **Exhibit 2.12**.

Table 2.16: Components of Committed and Inflexible Expenditure

(₹ in crore)					
Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	43,394	47,447	47,333	50,293	56,970
Salary grants	7,792	8,190	8,027	8,416	9,248
Expenditure on Pensions	29,630	30,202	27,115	26,250	32,177
Interest Payments	28,757	31,980	36,497	41,564	46,911
<b>Total – committed expenditure</b>	<b>1,09,573</b>	<b>1,17,819</b>	<b>1,18,972</b>	<b>1,26,523</b>	<b>1,45,306</b>
<b>Components of inflexible expenditure</b>					
Expenditure from SDRF	786	707	1360	1088	329
Expenditure from SDMF	0	0	0	0	143
Revenue Expenditure from Central Assistances (included CSS/CS)	23,293	22,373	24,859	28,330	27,672
Devolution to local bodies (MH – 3604)	11,881	12,182	10,920	13,134	17,397
<b>Total – Inflexible expenditure</b>	<b>35,960</b>	<b>35,262</b>	<b>37,139</b>	<b>42,552</b>	<b>45,541</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	24.98	27.19	27.19	24.24	23.37
Salary grants	4.48	4.69	4.61	4.06	3.79
Expenditure on Pensions	17.05	17.31	15.58	12.65	13.20
Interest Payments	16.55	18.32	20.97	20.03	19.25
<b>Total-committed expenditure</b>	<b>63.07</b>	<b>67.51</b>	<b>68.34</b>	<b>60.98</b>	<b>59.60</b>
Inflexible Expenditure	20.70	20.20	21.33	20.51	18.68
<b>Total</b>	<b>83.77</b>	<b>87.71</b>	<b>87.67</b>	<b>81.49</b>	<b>78.29</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	22.01	22.55	20.02	19.80	20.35
Salary grants	3.95	3.89	3.40	3.31	3.30
Expenditure on Pensions	15.03	14.35	11.47	10.33	11.49
Interest Payments	14.58	15.20	15.44	16.36	16.76
<b>Total – committed expenditure</b>	<b>55.55</b>	<b>55.99</b>	<b>50.33</b>	<b>49.80</b>	<b>51.90</b>
Inflexible Expenditure	18.24	16.76	15.71	16.75	16.27
<b>Total</b>	<b>73.79</b>	<b>72.75</b>	<b>66.04</b>	<b>66.55</b>	<b>68.17</b>
Non-Committed RE (RE-Committed – inflexible expenditure)	51,667	57,354	80,291	84,955	89,117
Percentage of RE	26.20	27.25	33.96	33.44	31.83
Percentage of TE	22.66	23.89	29.38	28.83	27.27
Subsidies	18,922	20,144	25,110	21,689	29,559
Subsidies as a percentage of Non-Committed Expenditure	36.62	35.12	31.27	25.53	33.17

(Source: Finance Accounts for the respective years)

Exhibit 2.12: Share of Committed expenditure in total Revenue Expenditure



(Source: Finance Accounts for the respective years)

- The committed expenditure (₹1,45,306 crore) increased by ₹18,783 crore mainly due to increase in expenditure on pensions by 25.38 per cent (₹6,515 crore) which arose on account of disbursement of terminal benefits to employees attaining enhanced retirement age of 60 years<sup>3</sup>, the increase in ‘Salaries’ and ‘interest payments’ by ₹7,509 crore and ₹5,347 crore respectively.
- The expenditure on interest payments stood at 19.25 per cent of the total revenue receipts (₹2,43,749 crore) of the State during 2022-23, as against 20.03 per cent during 2021-22. As a percentage of revenue expenditure, interest payments increased from 16.36 per cent in 2021-22 to 16.76 per cent during the current year.
- The inflexible expenditure is statutory devolution to local bodies booked under the Major Head ‘3604’, expenditure on SDRF, SD MF and revenue expenditure on CSS. As a percentage of revenue expenditure, the inflexible expenditure was ranged between 15.71 per cent and 18.24 per cent during 2018-19 to 2022-23. Further, the inflexible expenditure (₹45,541 crore) increased by 7.02 per cent during 2022-23 over the previous year (₹42,552 crore)

#### 2.4.2.3 Avoidable Expenditure under National Pension System

GoTN launched Defined Contributory Pension Scheme (DCPS) for its employees from 1 April 2003. The scheme was applicable to all new entrants joining State Government Service on or after 2003. Under this system, employees contribute 10 per cent basic pay and dearness allowance, which is matched by the State Government and both employer’s and employee’s

<sup>3</sup> Vide G.O. Ms. No. 29 dated 25 February 2021.

contribution are initially transferred to the Public Account (Major Head '8342-117- Defined Contributory Pension Scheme').

DCPS accounts of individual Government employees<sup>4</sup> are maintained by Government Data Centre (GDC). Every year GDC calculates the interest due at the notified rates and credits the interest to the DCPS Account of individual Government employee.

The expenditure on Pension and other Retirement benefits during the year in respect of State Government employees recruited on or before 31 March 2003 was ₹28,840.35 crore which is 10.30 *per cent* of total Revenue Expenditure of ₹2,79,964.48 crore.

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

The State Government even after a lapse of 20 years since inception of the DCPS, did not join NPS and designate the fund manager. Instead, out of total amount of ₹63,675.06 crore in the Fund as on 31 March 2023, an amount of ₹56,638.51 crore was invested under "New Group Superannuation Scheme with Cash Accumulation Plan" with Life Insurance Corporation of India.

The interest amount of ₹1,149.55 crore received from the LIC for the year 2019-2020 has been reinvested in the same fund after adjusting the management charges of ₹20.90 crore. The interest on investments in LIC (amounting to ₹3,625.98 crore<sup>5</sup> (₹1,630.48 crore during 2020-21 and ₹1,995.50 crore during 2021-22)) has been reinvested in LIC. These adjustments have not been incorporated into the accounts by the State Government. Thus, the interest which has to be credited in the Government account under the Major Head 0049 was not credited, thereby resulting in understatement of Revenue Receipts to that extent.

During the year 2022-23, the employee's and the Government's contributions towards DCPS were ₹3,409.52 crore and ₹3,337.14 crore respectively. An amount of ₹3,864.12 crore was credited to the DCPS Fund as interest by allocating provision under MH 2049 – Interest payments, by the State Government during the year. The interest on DCPS had increased from ₹1,714.87 crore in 2017-18 to ₹3,864.12 crore in 2022-23.

During the year 2021-22, the Government earned an interest/average yield of 5.47 *per cent* (₹1,995.50 crore) and 4.29 *per cent* (₹506.85 crore) on investment of DCPS funds in LIC and T.Bills respectively. However, interest paid to individual account holders during 2021-22 was 7.10 *per cent*, the rates being at par with the interest paid to GPF subscribers.

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<sup>4</sup> Including employees of Local Bodies and aided educational institutions.

<sup>5</sup> Interest amount of 2022-23 was not furnished by the Department.



**The interest / average yield of interest earned on investment in LIC could not be calculated for 2022-23 as the State Government did not furnish details on interest earned on investment of DCPS funds in LIC during 2022-23. As a result, Audit could not quantify the avoidable additional amount of interest being paid by the Government to the subscribers during 2022-23. The fact, however, remains that had the Government joined NPS and designated fund managers, the subscribers would have been benefitted with more returns. Further, this avoidable excess financial burden has been mounting up year after year, impacting the State's Revenue Expenditure and the fiscal prudence to that extent is severely compromised with by the State Government. This issue was also highlighted in the SFAR 2021-22. The Government has not yet taken any corrective measures.**

On being pointed out by Audit, ACS stated that an Expert Committee was constituted by GoTN to examine the feasibility of implementing the demand of continuing the old pension scheme and to make recommendation on the possible option to Government for appropriate decisions. The Committee had submitted its report to Government on 27 November 2018, which was under examination.

#### 2.4.2.4 Subsidies

Subsidies are dispensed not only explicitly and booked under the object head 'subsidies', but also implicitly<sup>6</sup> by providing subsidised public service to the people. The subsidies extended during the period 2018-23, as a *per cent* of Revenue Receipts and Revenue Expenditure are detailed in the **Table 2.17** below:

**Table 2.17: Expenditure on subsidies during 2018-23**

	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	18,922	20,144	25,110	21,689	29,559
Subsidies as a percentage of Revenue Receipts	10.89	11.54	14.42	10.45	12.13
Subsidies as a percentage of Revenue Expenditure	9.60	9.57	10.62	8.54	10.56

(Source: Finance Accounts for the respective years)

A list of schemes for which the State Government provided subsidy during 2018-23 are given in **Table 2.18** and **Table 2.19**.

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

Name of the scheme	2018-19	2019-20	2020-21	2021-22	2022-23
Public Distribution System Support	7,989	8,363	9,604	9,324	13,277
Compensation to Tamil Nadu Electricity Board (TNEB) due to reduction in tariff to domestic consumers	3,076	3,367	3,518	3,448	5,247
Investment promotion subsidy for industries	2,000	2,560	1,290	1,559	1,404

<sup>6</sup> Subsidies which were not booked under the object head "11-Subsidies" under the relevant major head of account are "Implicit Subsidies".

Name of the scheme	2018-19	2019-20	2020-21	2021-22	2022-23
Reimbursement of social cost on student concessions in bus fares	764	1,275	3,430	1,289	1,367
Reimbursement of loss due to issue of free bus passes to women	--	--	--	1217	2,729
Free distribution of handloom clothes to the people below poverty line	468	484	479	488	770
Payment to TNEB on behalf of Power loom weavers	343	336	384	371	375
Subsidy to farmers for Agricultural inputs	1	183	1	--	--
Other subsidies schemes	4,281	3,576	6,404	3,993	4,390
<b>Total</b>	<b>18,922</b>	<b>20,144</b>	<b>25,110</b>	<b>21,689</b>	<b>29,559</b>

(Source: Finance Accounts for the respective years)

Explicit subsidies increased from ₹21,689 crore in 2021-22 to ₹29,559 crore, an increase of 36.29 per cent (₹7,870 crore) during the year.

### Implicit Subsidies

Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government. It can be in direct or in kind or can be given as concessions. Some of the major implicit subsidies given in kind during 2022-23 is given in **Table 2.19**.

**Table 2.19: Implicit subsidies given in kind during 2022-23**

(₹ in crore)	
Name of the scheme	2022-23
Providing Breakfast to the Government Primary School Students on all School Days under Chief Minister's Breakfast Scheme	25.53
Free Supply of Bicycles	328.36
Free supply of food and cloth	7.27
Establishment of free Hearse Services in Government Medical Institutions through IRCS	23.48
Free distribution of Laptop Computers to the Students.	4.46
Production and Distribution of quality seeds	38.42
Scheme for Supply of Sewing Machines	1.35
Smart phones to hearing and visually impaired persons	10.00
<b>Grand Total</b>	<b>438.87</b>

(Source: Finance Accounts '2022-23)

Some of the implicit subsidies in the form of cycle, laptop, cloth etc., which stood at ₹438.87 crore, was wrongly classified as Grants-in-aid instead of subsidies.

#### 2.4.2.5 Recoveries under 'Minor Head – 911'

As per Paragraph 3.10 under General Directions of 'List of Major and Minor Heads of Account of Union and States' (LMMH) issued by the Controller General of Accounts (CGA), recoveries of overpayments pertaining to previous

year(s) shall be recorded under distinct minor head 'Deduct- Recoveries of Overpayments' (code '911') below the concerned major/sub-major head 'without affecting the gross expenditure under the functional Major/Sub-Major Head in the Appropriation Accounts'.

During the year, an unspent amount of ₹1698.68 crore, under 651 heads of account, relating to previous years was remitted into the Government account under the minor head "911 - Recoveries of overpayment". This included ₹23.36 crore under 27 Schemes and ₹14.82 crore under 61 Schemes of wholly Centrally Sponsored Schemes and Central Schemes Shared between Centre and States respectively. Out of 651 schemes, more than one crore remittances relating to previous years were made under 54 schemes (₹1646.18 crore) which constituted 96.91 *per cent* of the remittances (**Appendix 2.3**). This includes huge remittances under three major schemes viz., "Dr. Muthulakshmi Reddy Maternity Assistance Scheme for the female members of Below Poverty Line families for delivery" (₹585.55 crore), "State's Share towards Premium Subsidy under Pradhan Mantri Fasal Bima Yojana (PMFBY) for Agriculture" (₹225.22 crore) and "Interest Subsidy to Co-operative institutions towards reduced interest for crop loans to the farmers" (₹197.27 crore).

Further scrutiny revealed that under the scheme "2425.00.108.KD - Interest Subsidy to Co-operative Institutions towards reduced interest for crop loans to the farmers", out of the expenditure of ₹1,944.09 crore from 2014-15 to 2022-23, remittances to the tune of ₹991 crore were made into the Government account under the minor head 911. This indicates that the actual expenditure was not only inflated in the accounts during the year of drawal, but also inflated the revenue expenditure and revenue deficit to that extent during that period, apart from giving a wrong depiction of expenditure against these schemes.

On being pointed out by Audit, Government replied (November 2023) that necessary instructions had been issued to all department to remit the amount in the concerned service head of account in the same financial year.

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

Article 243-I and 243-Y of the Constitution of India makes its mandatory to the State Government to constitute a Finance Commission within one year of the commencement of the 73<sup>rd</sup> & 74<sup>th</sup> constitutional amendment act and thereafter on expiry of every five years. The mandate of the State Finance Commission is to review the financial position of local bodies and submitted its report and recommendations to Hon'ble Governor of Tamil Nadu and Hon'ble Chief Minister. The Government would also submit the SFC reports along with Explanatory Memorandum on the Action Taken Report (ATR) on recommendations of SFC in the floor of the House. The Third Tier of Government viz. Local Bodies in Urban and Rural Areas would receive the devolution of grants from the State's Own Tax Revenue funds based on the prescribed percentage recommended by the respective SFCs and accepted by

Government. The State had constituted Sixth SFCs and Action Taken Notes on all SFCs were placed in the Assembly.

The Fifth State Finance Commission (5<sup>th</sup> SFC) in its report in Para 10.20, which was submitted to Government (December 2016) for the period 2017-18 to 2021-22 had recommended that the Government should share 10 *per cent* of the compensation that it receives from the Centre for the shortfall in revenue collections of the State due to introduction of GST. The above recommendation was also accepted by Government in their Action Taken Report (ATR) submitted to Government during March 2017.

Audit scrutiny of the records of Finance Department and Municipal Administration and Water Supply Department revealed that the Government of Tamil Nadu had received an amount of ₹46,125.99 crore during the last five years from 2018-19 to 2022-23 and had not transferred 10 *per cent* of the compensation amount of ₹461.26 crore to local bodies as recommended by 5<sup>th</sup> SFC and accepted by Government. Thus, non-sharing of the GST compensation amount as agreed by Government deprived the Local Bodies of the amounts due to them.

On being pointed out by Audit, Government replied (September 2023) that the State had sanctioned a sum of ₹80,623.87 crore to local bodies through State Finance Commission grant, pooled assigned revenue and other scheme funds which was over and above the GST compensation.

The above reply was silent about non-sharing of GST compensation as SFC had recommended 10 *per cent* GST compensation in addition to mandatory SFC grant and pooled assigned revenue. Despite the acceptance of SFC recommendations in their ATR, the Government had not implemented them and did not share the GST compensation for more than five years.

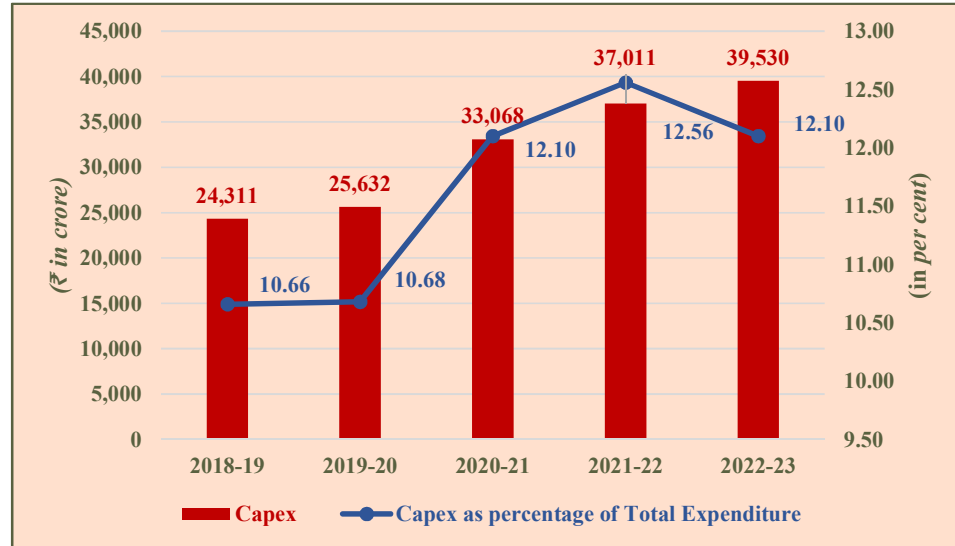
### **2.4.3 Capital Expenditure**

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

During the year, the Government incurred ₹39,530 crore towards Capex, which increased by ₹2,519 crore (6.81 *per cent*) over the previous year. This was against the budgeted estimate (revised) of ₹38,347 crore. It constituted 1.67 *per cent* of GSDP and 39 *per cent* of the Public Debt receipts, which is indicative of the fact that most of the public debt receipts are utilised for either financing the deficits or for repayment of debts.

As a percentage of Total Expenditure, the Capex decreased by 0.46 per cent over the previous year. The trend in Capital expenditure during the period 2018-23 is shown in the **Exhibit 2.13** below.

Exhibit 2.13: Capital expenditure in the State



(Source: Finance Accounts for the respective years)

#### 2.4.3.1 Major changes in Capital Expenditure

The major changes in Capital expenditure during 2022-23 compared to 2021-22 is given in **Table 2.20** below.

Table 2.20: Major changes in Capital Expenditure

		₹ in crore)		
Major Head	Description	2021-22	2022-23	Increase (+) / Decrease (-)
5055	Capital Outlay on Road Transport	427.73	1,639.85	1,212.12
5054	Capital Outlay on Roads and Bridges	13,385.53	14,414.16	1,028.63
4250	Capital Outlay on Other Social Services	50.17	626.56	576.39
4700	Capital Outlay on Major Irrigation	2,131.46	2,691.43	559.97
4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	271.60	751.59	479.99
4711	Capital Outlay on Flood Control Projects	87.65	531.62	443.97
4405	Capital Outlay on Fisheries	275.28	595.75	320.47
4515	Capital Outlay on other Rural Development Programmes	1,745.83	2,005.69	259.86
4059	Capital Outlay on Public Works	602.66	821.52	218.86
4217	Capital Outlay on Urban Development	8,453.54	8,210.71	(-) 242.83
4801	Capital Outlay on Power Projects	442.39	57.99	(-) 384.40
5465	Investments in General Financial and Trading Institutions	400.00	0.00	(-) 400.00
4215	Capital Outlay on Water Supply and Sanitation	3,008.07	2,477.64	(-) 530.43
5053	Capital Outlay on Civil Aviation	1,344.21	472.33	(-) 871.88
4210	Capital Outlay on Medical and Public Health	2,300.78	1,201.20	(-) 1,099.58

(Source: Finance Accounts for the respective years)

The increase under '5055 – Capital Outlay on Road Transport' was mainly due to investments of ₹462.51 crore made towards Share Capital Assistance to State

Transport Undertakings and ₹949.19 crore towards Share Capital Assistance to Transport Development Finance Corporation Limited (TDFC) respectively. Major increases were under Road Transport (₹1,212.12 crore) and Roads and Bridges (₹1,028.63 crore), while there had been a substantial decline in the growth rate in medical and public health (48 *per cent*), Civil Aviation (65 *per cent*), water supply and sanitation (18 *per cent*), etc.

#### 2.4.3.2 Quality of capital expenditure

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

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

As per Finance Accounts 2022-23, the State Government as of March 2023 had invested ₹44,525.55 crore in one Statutory Corporation, 55 Government Companies, two Joint Stock Companies and various Co-operatives.

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

**Table 2.21: Details of Investment made by the Government**

Sl. No	Description	Number of entities	Investment at the end of the year (₹ in crore)
1	Tamil Nadu Warehousing Corporation	1	3.81
2	Government Companies	55	44,022.31
3	Joint Stock Companies	2	0.71
4	Co-operative Institutions	--*	498.72
	<b>Total</b>	<b>58</b>	<b>44,525.55</b>

\* Number of Co-operative institutions not available  
(Source: Finance Accounts)

The average rate of return on these investments was a meagre 0.49 *per cent* in the last five years (2018-19 to 2022-23) while the average rate of interest paid by the Government on its borrowings during the same period was 7.80 *per cent*. The Average rate of interest on Government Borrowings during the current year was 7.37 *per cent*.

The investments at the end of the year and the details of return on investment for the period 2018-23 is given in **Table 2.22**.

Table 2.22: Return on Investment

Investment/return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	36,480	39,866	41,578	42,167	44,526
Borrowings at the end of the year* (₹ in crore)	3,68,736	4,23,743	5,12,555	5,96,331	6,77,255
Return (₹ in crore)	135	160	174	256	294
Return ( <i>per cent</i> )	0.37	0.40	0.42	0.61	0.66
Average rate of interest on Government Borrowings ( <i>per cent</i> )	8.27	8.07	7.80	7.50	7.37
Difference between interest rate and return ( <i>per cent</i> )	7.90	7.67	7.38	6.89	6.71
Difference between interest on Government borrowings and return on investment (₹ in crore) #	2,881.92	3,057.72	3,068.46	2,905.31	2,987.69

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

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

(Source: Finance Accounts of the respective years)

During 2022-23, State Government invested ₹1,411.70 crore in State Transport Corporations (including TN State Development Finance Corporation) and ₹935.78 crore in Chennai Metro Rail Corporation.

### ***Difference in figures of Government and PSUs***

There were differences in respect of 23 companies / Corporations as reflected in Section 2 - Statement 19 of Finance Accounts (**Appendix 2.4**). The major differences in investments made by the Government (as per Statement 16 of Finance Accounts) and PSUs were observed under (i) Tamil Nadu Power Finance and Infrastructure Development Corporation, (ii) Metropolitan Transport Corporation (Chennai) Limited and (iii) Chennai Metro Rail Limited.

The Government and the PSUs should take concrete steps to reconcile the differences.

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

In addition to the investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations.

**Table 2.23** presents the outstanding loans and advances as on 31 March 2023 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.23: Outstanding loans and advances

Quantum of loans disbursed and recovered	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Opening balance of outstanding loans	41,794	41,359	39,997	38,587	36,872
Amount advanced during the year	6,478	4,022	3,835	3,640	7,261
Amount recovered during the year	6,913	5,384	5,245	5,355	1,078
Closing balance of outstanding loans	41,359	39,997	38,587	36,872	43,055
Net addition	(-) 435	(-) 1,362	(-) 1,410	(-) 1,715	6,183
Interest received	2,703	4	346	320	372
Interest receipts as a percentage of outstanding Loans and Advances given by the Government ( <i>per cent</i> )	6.50	0.01	0.88	0.85	0.93
Average rate of Interest paid on the outstanding borrowings of the Government ( <i>per cent</i> )	8.27	8.07	7.80	7.50	7.37
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	1.77	8.06	6.86	6.60	6.44

(Source: Finance Accounts for the respective years)

### (iii) Capital locked in incomplete projects

The year wise age profile of the incomplete projects as on 31 March 2023 are shown in **Table 2.25** and the department-wise information is given in **Table 2.24**.

Table 2.24: Department-wise profile of incomplete projects

Department	No. of incomplete projects*	(₹ in crore)	
		Estimated cost	Expenditure during the year
Buildings	7	62.71	6.97
Irrigation	27	1,620.01	127.81
Roads and Bridges	132	1,144.82	299.62
Others	1	200.00	149.96
<b>Total</b>	<b>167</b>	<b>3,027.54</b>	<b>584.36</b>

Table 2.25 Age-wise profile of incomplete projects

Year	No. of incomplete projects*	(₹ in crore)	
		Estimated cost	Expenditure during the year
< 1 year	92	680.81	160.56
> 1 year	45	1,666.21	284.53
> 2 years	17	514.86	42.19
> 3 years	8	35.47	4.64
> 4 years	--	--	--
> 5 years	1	1.60	--
> 6 years	--	--	--
> 7 years	4	128.59	92.44
	<b>167</b>	<b>3,027.54</b>	<b>584.36</b>

\* Only those projects scheduled to be completed before 31 March 2023 were included  
(Source: Finance Accounts '2022-23)



Failure to complete the projects in time leads to escalation of project costs and delays the accrual of projects' benefits to the society at large. Delays also result in postponement of revenue realisation from the projects. Effective steps need to be taken to complete all these above projects without further delay to avoid cost overrun due to time overrun.

### Capital expenditure met from Reserve Funds

Capital expenditure (₹39,529.91 crore) as reported in the Finance Accounts depicts the net figures after adjusting (deducting) the amount (₹8.74 crore) met from the reserve funds.

#### 2.4.4 Expenditure priorities

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

Table 2.26: Expenditure priorities

	TE/GSDP	CE/TE	Education/TE	Health/TE
General category States (2018-19)	16.38	15.58	14.76	5.07
Tamil Nadu (2018-19)	13.99	13.50	14.66	5.48
General Category States (2022-23)	15.79	15.22	14.85	5.68
Tamil Nadu (2022-23)	13.82	14.32	13.57	5.39

AE: Aggregate Expenditure, CE: Capital Expenditure, which includes Loans and advances disbursed.

(Source: For GSDP: Central Statistics Office and data from Economic Advisor)

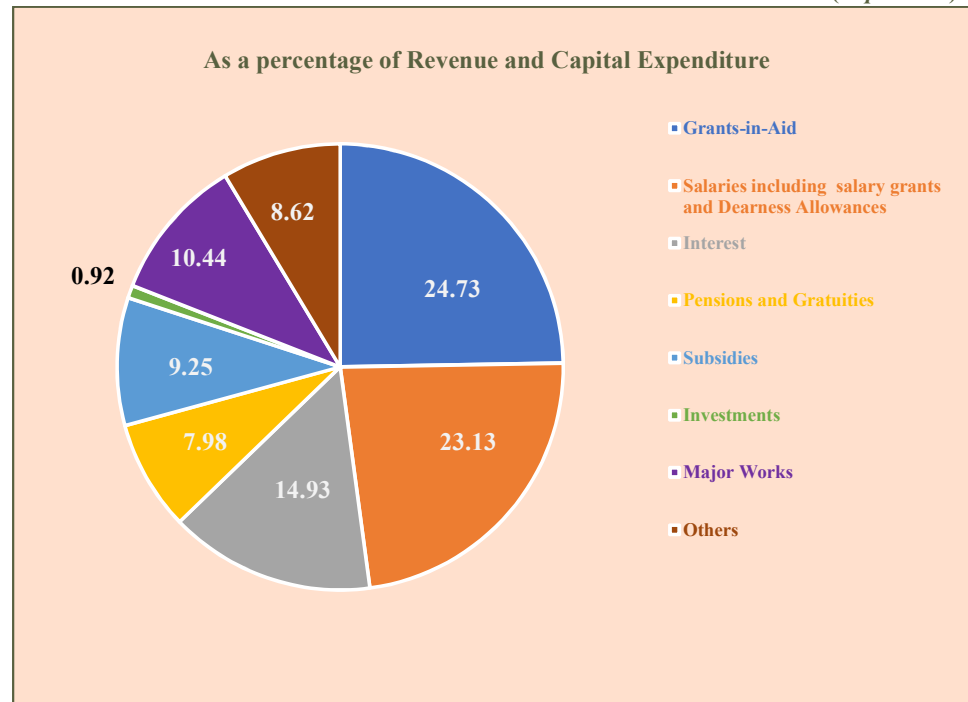
- State Government's total expenditure as a proportion of GSDP decreased from 13.99 *per cent* in 2018-19 to 13.82 *per cent* in 2022-23, whereas for GCS, it decreased from 16.38 *per cent* to 15.79 *per cent*.
- State Government's capital expenditure as a proportion of total expenditure increased from 13.50 *per cent* in 2018-19 to 14.32 *per cent* in 2022-23, whereas for GCS, it decreased from 15.58 *per cent* to 15.22 *per cent* during the same period.

#### 2.4.5 Object head wise expenditure

The Object head wise expenditure during the year is depicted in **Exhibit 2.14** below.

Exhibit 2.14: Object head wise expenditure

(in per cent)



(Source: Finance Accounts '2022-23)

- While 46.04 per cent of the total revenue and capital expenditure was incurred towards salaries & allowances, pensionary payments and interest commitments, investments made during the year was a meagre 0.92 per cent and the expenditure on major works stood at 10.44 per cent. The Government had not given adequate priority to the capital expenditure.

## 2.5 Public Account

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

### 2.5.1 Net Public Account Balances

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

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

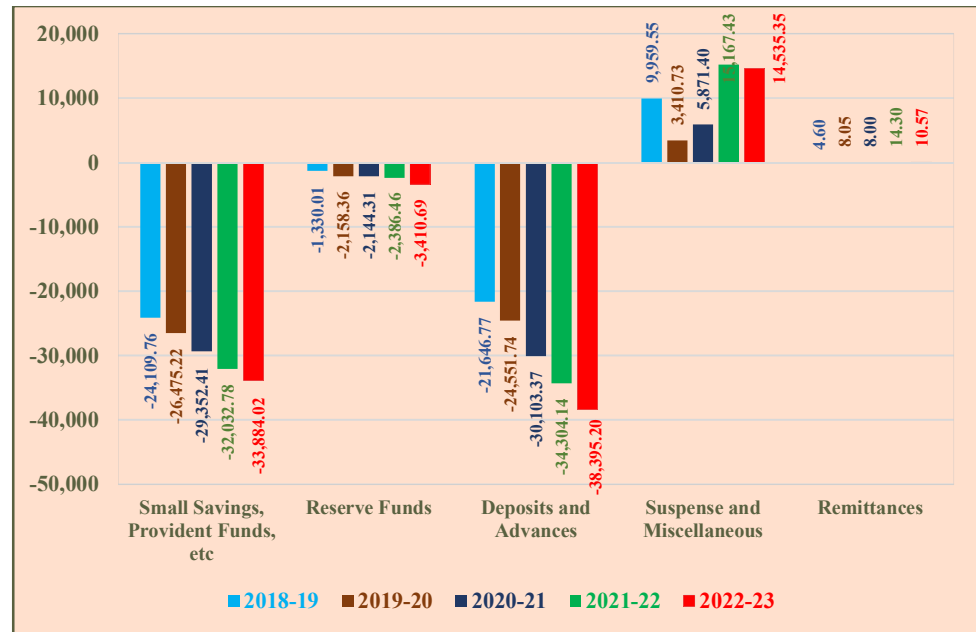
Sector	Sub-Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds	Small Savings, Provident Funds, etc.	(-) 24,109.76	(-) 26,475.22	(-) 29,352.41	(-) 32,032.78	(-) 33,884.02
J. Reserve Funds	(a) Reserve Funds bearing Interest	--	(-) 113.42	(-) 113.42	(-) 113.42	(-) 1,198.57
	(b) Reserve Funds not bearing Interest	(-) 1,330.01	(-) 2,044.94	(-) 2,030.89	(-) 2,273.04	(-) 2,212.12
K. Deposits and Advances	(a) Deposits bearing Interest	(-) 8,008.32	(-) 9,323.98	(-) 8,014.50	(-) 7643.95	(-) 9,992.02
	(b) Deposits not bearing Interest	(-) 13,646.16	(-) 15,235.43	(-) 22,096.51	(-) 26,667.81	(-) 28,410.75
	(c) Advances	7.71	7.67	7.64	7.62	7.57
L. Suspense and Miscellaneous	(b) Suspense	(-) 141.69	(-) 283.10	29.01	57.60	131.71
	(c) Other Accounts	10,100.00	3,692.59	5,841.15	15,108.59	14,402.40
	(d) Accounts with Governments of Foreign Countries	1.24	1.24	1.24	1.24	1.24
	(e) Miscellaneous	--	--	--	--	--
M. Remittances	(a) Money Orders, and other Remittances	(-) 0.50	(-) 0.51	(-) 0.48	5.47	5.55
	(b) Inter-Governmental Adjustment Account	5.10	8.56	8.48	8.83	5.02
<b>Total</b>		<b>(-) 37,122.39</b>	<b>(-) 49,766.54</b>	<b>(-) 55,720.69</b>	<b>(-) 53,541.65</b>	<b>(-) 61,143.99</b>

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

(Source: Finance Accounts for the respective years)

**Exhibit 2.15: Yearly changes in composition of Public Account balances**

(₹ in crore)



(Source: Finance Accounts for the respective years)

- The public account liability of the Government increased by 14.20 per cent from ₹53,541.65 crore in 2021-22 to ₹61,143.99 crore in 2022-23.

- The major contributions to the public account were from ‘small savings, provident fund, etc.’ and ‘Deposits and Advances’.

## 2.5.2 Reserve Funds

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

The total accumulated balance as on 31 March 2023 under Reserve Funds was ₹14,020.21 crore (includes ₹1,198.57 crore in interest bearing Reserve Funds and ₹12,821.64 crore under non-interest-bearing Reserve Funds). Some of the major Reserve Funds are discussed below.

### 2.5.2.1 Consolidated Sinking Fund

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

The State Government has created a Consolidated Sinking Fund (CSF) in 2005-06 for amortisation of Open Market Loans, Government of India Loans and Special Securities issued to National Small Savings Fund availed off by the State Government. The fund is managed by the Reserve Bank of India. As per the Notification in Tamil Nadu Gazette, the Government may contribute at the rate of 0.5 *per cent* of the outstanding liabilities as at the end of the previous year, to CSF. During the year, the State Government contributed ₹632.94 crore to the Fund, which works out to only 0.10 *per cent* of the outstanding liabilities of ₹6,10,666 crore as on 1 April 2022.

As on 31 March 2023, CSF had a balance of ₹8,703.35 crore. The interest earned on the investments made during the year was ₹112.86 lakh.

Due to the increased trend in the liabilities, the Government may initiate contributing the requisite amount as prescribed in the Act.

### 2.5.2.2 State Disaster Response Fund

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

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

Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

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

During the year 2022-23, the State Government transferred ₹1,142.40 crore to SDRF Account towards natural calamities (Central share of ₹856.80 crore and State Share of ₹285.60 crore)

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

**Table 2.28: Details of expenditure charged to SDRF**

		(₹ in crore)
Major Head of Account	Minor Head of Account	Expenditure during 2022-23
2245- Relief on Account of Natural Calamities - 01- Drought.	101 - Gratuitous Relief	0.04
	911 - Deduct-Recoveries of Overpayments	(-) 0.03
	<b>Sub Total</b>	<b>0.01</b>
2245- Relief on Account of Natural Calamities - 02- Floods, Cyclones etc.	101 - Gratuitous Relief	8.47
	102 - Drinking Water supply	373.50
	111 - Ex-Gratia payment to bereaved families	10.55
	113 - Assistance for repairs / reconstruction of houses	4.14
	114 - Assistance to Farmers for purchase of Agricultural inputs	172.11
	117 - Assistance to Farmers for purchase of livestock	0.57
	118 - Assistance for repairs / replacement of damaged boats and equipment for fishing	0.01
	800 - Other Expenditure	20.73
	282 – Public Health	0.00
	911 - Deduct-Recoveries of Overpayments	(-) 6.14
<b>Sub Total</b>	<b>583.94</b>	
80- General	102 - Management of Natural Disasters, Contingency plans in disaster prone areas	7.56
	800 - Other Expenditure	136.69
	911 - Deduct-Recoveries of Overpayments	(-) 9.91
	<b>Sub-Total</b>	<b>134.34</b>
<b>Grand Total</b>	<b>718.29</b>	
05 - State Disaster Response Fund	901- Deduct - Amount met from State Disaster Response Fund	329.25
08 - State Disaster Mitigation Fund	902- Deduct - Amount met from State Disaster Mitigation Fund	142.80

(Source: Finance Accounts '2022-23)

An expenditure of ₹329.25 crore has been defrayed from the Fund during 2022-23. The available balance in the Fund as on 31 March 2023 amounted to ₹813.15 crore.

### 2.5.2.3 State Disaster Mitigation Fund

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

During the year 2022-23, the State Government received ₹204 crore for 2021-22 and ₹107.10 crore for 2022-23 from the Central Government. The State Government transferred ₹68.00 crore for 2021-22 and ₹35.70 crore for 2022-23 to the fund and the total amount transferred to fund during 2022-23 was ₹414.80 crore. Government had spent ₹142.80 crore for disaster mitigation projects during 2022-23 and have a credit balance of ₹272 crore as on 31 March 2023.

### 2.5.2.4 Guarantee Redemption Fund

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

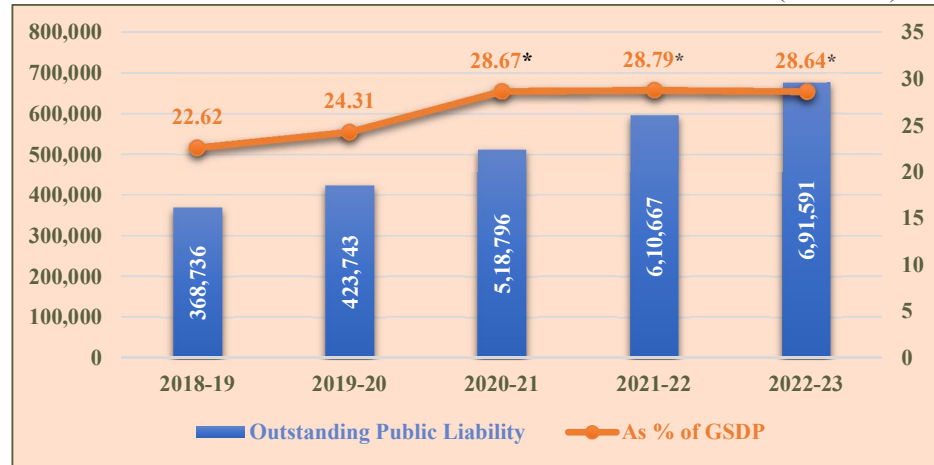
During the year, the Government had contributed only an amount of ₹1,004.50 crore (1.11 per cent) as against the due amount of ₹18,141.84 crore, being 1/5<sup>th</sup> of the outstanding guarantee at the end of the year. Thus, there was a short contribution of ₹17,137.34 crore to the fund during the year. The closing balance as on 31 March 2023 was ₹2,150.23 crore out of which ₹2,138.74 crore was invested in treasury bills. The gain on sale of securities during the year was ₹34.32 crore. No guarantees were invoked during 2022-23.

## 2.6 Public Liability Management

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

Trend analysis of outstanding liability (includes internal debt of the State Government, loans and advances from GoI and Public Account liabilities) and in terms of debt as a percentage of GSDP for the period 2018-19 to 2022-23 is given in **Exhibit 2.16**.

Exhibit 2.16: Outstanding Public Liability and its percentage to GDP  
(₹ in crore)



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

(Source: Finance Accounts for the respective years)

### 2.6.1 Liability profile: Components

Total liabilities of the State Government typically constitutes internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities. The component-wise liability trend is given in **Table 2.29** and breakup of outstanding liability at the end of 2022-23 is shown in **Exhibit 2.17**.

Table 2.29: Component wise liability trends

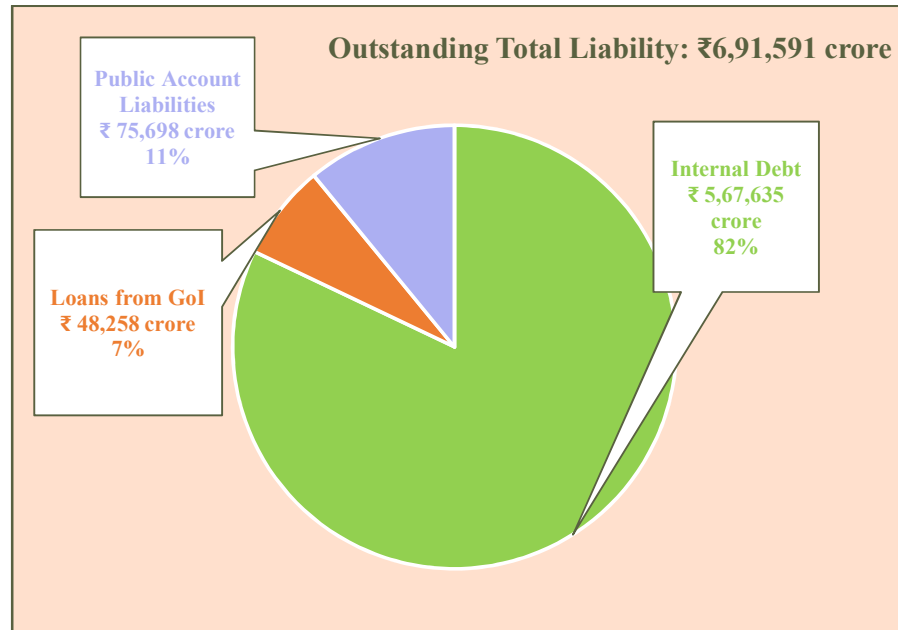
Components of Fiscal Liability		2018-19	2019-20	2020-21	2021-22	2022-23
<b>Outstanding Overall Liability (A+B)</b>		<b>3,68,736</b>	<b>4,23,743</b>	<b>5,18,796</b>	<b>6,10,667</b>	<b>6,91,591</b>
<i>A. Public Debt (₹ in crore)</i>	<i>Internal Debt</i>	3,04,350	3,52,625	4,29,748	5,02,205	5,67,635
	<i>Loans from GoI</i>	17,292	17,925	27,440	39,731	48,258*
<i>B. Public Account Liabilities (₹ in crore)</i>		47,094	53,193	61,608	68,731	75,698
<b>Rate of growth of outstanding total liability (percentage)</b>		<b>12.93</b>	<b>14.92</b>	<b>22.43</b>	<b>17.71</b>	<b>13.25</b>
<b>Liability/GSDP (per cent)</b>		<b>22.62</b>	<b>24.31</b>	<b>28.67</b>	<b>28.79</b>	<b>28.64<sup>^</sup></b>
<b>Total Receipts (₹ in crore)</b>		<b>1,63,335</b>	<b>1,87,208</b>	<b>2,44,197</b>	<b>2,48,996</b>	<b>2,28,906</b>
<b>Total Repayments (₹ in crore)</b>		<b>1,21,117</b>	<b>1,32,202</b>	<b>1,49,143</b>	<b>1,57,125</b>	<b>1,47,982</b>
<b>Net Funds Available (₹ in crore)</b>		<b>42,218</b>	<b>55,006</b>	<b>95,054</b>	<b>91,871</b>	<b>80,924</b>
<b>Repayments/ Receipts (per cent)</b>		<b>74.15</b>	<b>70.62</b>	<b>61.07</b>	<b>63.10</b>	<b>64.65</b>

\* Effective Loans and Advances from GoI would be ₹33,922 crore after excluding back to back loans of ₹6,241 crore in 2020-21 and ₹14,336 crore in 2021-22 and 2022-23 from GoI in lieu of GST compensation shortfall which are not to be repaid by the State from its sources. As a result, the net funds available would stand at ₹66,588 crore.

<sup>^</sup> 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)

Exhibit 2.17: Break up of outstanding liabilities at the end of the Financial Year 2022-23



Effective Loans and Advances from GoI would be ₹33,922 crore after excluding back to back loans of ₹6,241 crore in 2020-21 and ₹14,336 crore in 2021-22 and 2022-23 from GoI in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

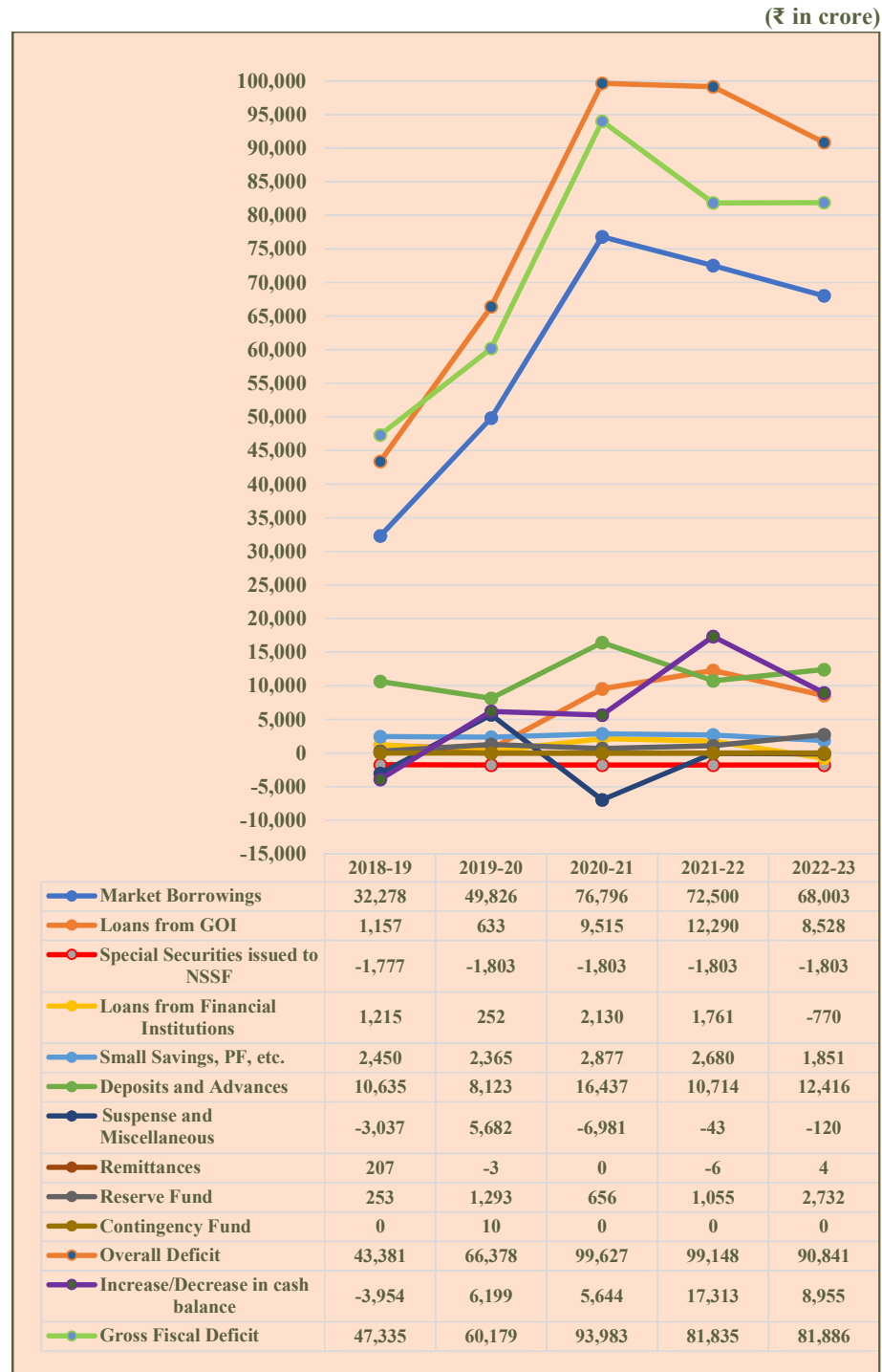
(Source: Finance Accounts '2022-23)

- The internal debt of the Government increased by 13.03 per cent from ₹5,02,205 crore at the end of 2021-22 to ₹5,67,635 crore at the end of 2022-23.
- During the year 2022-23, Open Market Loans were raised through the RBI by the State Government to the extent of ₹21,500 crore by re-issue of existing Government Securities which has resulted in allowing discount amount of ₹882.08 crore.
- Though the outstanding liability increased from ₹6,10,667 crore in 2021-22 to ₹6,91,591 crore in 2022-23, as a percentage of GSDP, it decreased from 28.79 per cent in 2021-22 to 28.64 per cent in 2022-23.

The component-wise debt trends and the repayments of internal debt *vis-à-vis* internal debt taken are shown below in **Exhibits 2.18 and 2.19**.



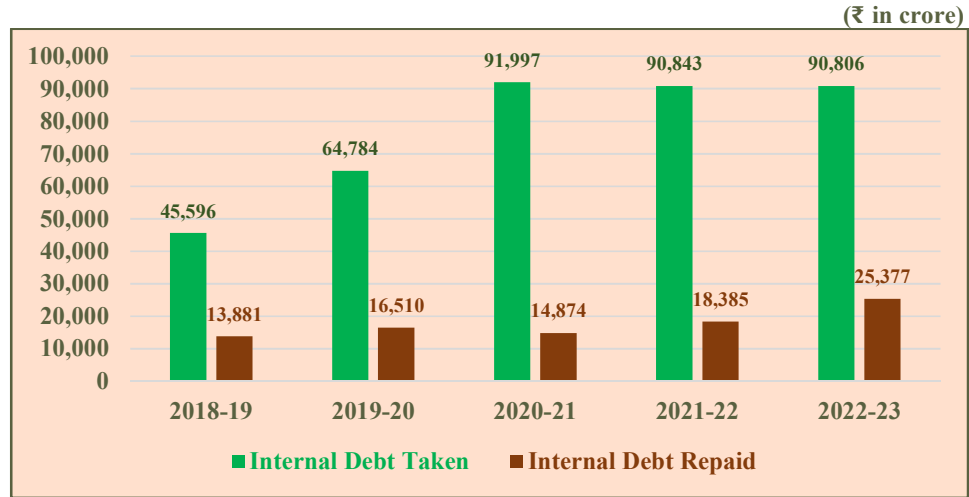
Exhibit 2.18: Component wise debt trends



Note: Effective Loans and Advances from GoI would be ₹33,922 crore after excluding back to back loans of ₹6,241 crore in 2020-21 and ₹14,336 crore in 2021-22 and 2022-23 from GoI in lieu of GST compensation shortfall which are not to be repaid by the State from its sources.

(Source: Finance Accounts for the respective years)

Exhibit 2.19: Internal debt taken vis-à-vis repaid



(Source: Finance Accounts for the respective years)

Internal debt receipts increased from ₹45,596 crore in 2018-19 to ₹90,806 crore in 2022-23 and repayment of internal debt had also increased in similar proportion from ₹13,881 crore to ₹25,377 crore.

### 2.6.1.1 Off Budget Borrowings

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

Table 2.30: Details of outstanding Off-Budget Borrowings

(₹ in crore)

Sl. No	Name of the Agency	Off-Budget borrowings as of 31 March 2022	Off-Budget Borrowings during the year	Borrowings repaid by Government during the year	Off-Budget borrowings as of 31 March 2023
1	Tamil Nadu Rural Housing and Infrastructure Development Corporation	373.03	--	64.32	308.71
2	Water and Sanitation Pooled Fund – Tamil Nadu Urban Infrastructure Financial Services Limited	239.17	164.48	23.51	380.14
3	Tamil Nadu Water Supply and Drainage Board	0.45	--	0.45	--
4	Tamil Nadu Water Resources Conservation and River Restoration	629.31	1,020.21	39.83	1,609.69
	<b>Total</b>	<b>1,241.96</b>	<b>1,184.69</b>	<b>128.11</b>	<b>2,298.54</b>

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

Though the repayment of principal and interest is made through the budget, the outstanding Off-Budget borrowings do not form part of the outstanding debt liability. The outstanding liability of the Government as on 31 March 2023 was ₹6,91,591 crore and it did not include the Off-Budget borrowing of ₹2,298.54 crore as of 31 March 2023. If Off-Budget borrowing takes into account, the outstanding liability would stand at ₹6,79,553.54 crore (excluding back to back loan) and debt GSDP ratio would increase from 28.64 per cent to 28.73 per cent. As they are not depicted in the Finance Accounts each year, there is lack of transparency in the actual outstanding borrowings of the Government at the end of year and hence true picture of the liability of the Government cannot be ascertained through books of accounts.

### 2.6.1.2 Composition of fiscal deficit and financing pattern

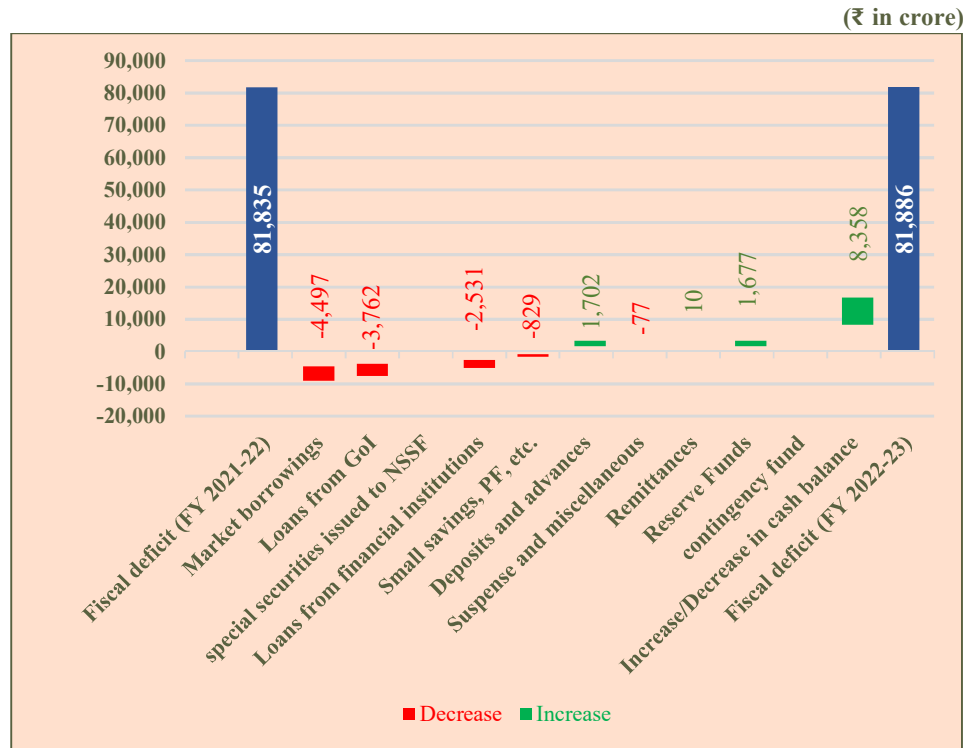
The components of Fiscal deficit and the financing pattern of the deficit is shown in **Table 2.31** and Financing of fiscal deficit expressed through a water fall Chart is shown in **Exhibit 2.20**.

Table 2.31: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
<b>Composition of Fiscal Deficit</b>		47,335	60,179	93,983	81,835	81,886
1	Revenue Deficit	23,459	35,909	62,326	46,538	36,215
2	Net Capital Expenditure	24,311	25,632	33,067	37,011	39,488
3	Net Loans and Advances	(-) 435	(-) 1,362	(-) 1,410	(-) 1,714	6,183
<b>Financing Pattern of Fiscal Deficit</b>						
1	Market Borrowings	32,278	49,826	76,796	72,500	68,003
2	Loans from GOI	1,157	633	9,515	12,290	8,528
3	Special Securities issued to NSSF	(-) 1,777	(-) 1,803	(-) 1,803	(-) 1,803	(-) 1,803
4	Loans from Financial Institutions	1,215	252	2,130	1,761	(-)770
5	Small Savings, PF, etc.	2,450	2,365	2,877	2,680	1,851
6	Deposits and Advances	10,635	8,123	16,437	10,714	12,416
7	Suspense and Miscellaneous	(-) 3,037	5,682	(-) 6,981	(-) 43	(-) 120
8	Remittances	207	(-) 3	--	(-) 6	4
9	Reserve Fund	253	1,293	656	1,055	2,732
10	Contingency Fund	--	10	--	--	--
11	<b>Overall Deficit</b>	<b>43,381</b>	<b>66,378</b>	<b>99,627</b>	<b>99,148</b>	<b>90,841</b>
12	Increase/Decrease in cash balance	(-) 3,954	6,199	5,644	17,313	8,955
13	<b>Gross Fiscal Deficit</b>	<b>47,335</b>	<b>60,179</b>	<b>93,983</b>	<b>81,835</b>	<b>81,886</b>

(Source: Finance Accounts for the respective years)

Exhibit 2.20: Financing of fiscal deficit



(Source: Finance Accounts '2022-23)

The details of receipts and disbursements financing the fiscal deficit component-wise during the year is shown in **Table 2.32**.

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

Sl. No	Particulars	Receipt	Disbursement	Net
1	Market Borrowings	87,000	18,997	68,003
2	Loans from GOI	10,255	1,727	8,528
3	Special Securities issued to NSSF	0	1,803	(-) 1,803
4	Loans from Financial Institutions	3,806	4,576	(-) 770
5	Small Savings, PF, etc.	9,177	7,326	1,851
6	Deposits and Advances	98,511	86,095	12,416
7	Suspense and Miscellaneous	3,66,528	3,66,648	(-) 120
8	Remittances	0	(-) 4	4
9	Reserve Fund	5,126	2,394	2,732
10	Contingency Fund	--	--	--
11	<b>Total / Overall Deficit</b>	<b>5,80,403</b>	<b>4,89,562</b>	<b>90,841</b>
12	Cash balance	72,386	81,341	8,955
13	<b>Total / Gross Fiscal Deficit</b>	<b>5,08,017</b>	<b>4,08,221</b>	<b>81,886</b>

(Source: Finance Accounts '2022-23)

## 2.6.2 Debt profile: Maturity and Repayment

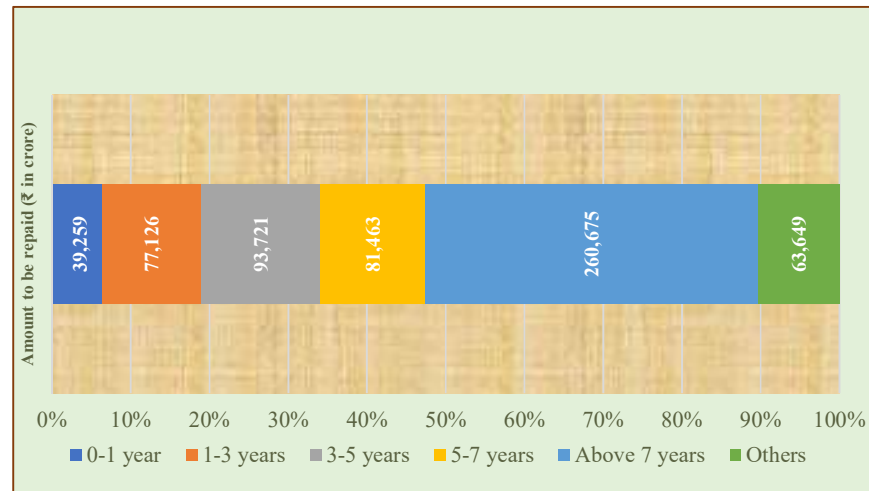
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The details of debt and the debt repayment period is shown in **Table 2.33** and **Exhibit 2.21**.

**Table 2.33: Debt Maturity profile of repayment of State debt**

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0-1 years	39,259	6.37
>1 to 3 years	77,126	12.52
>3 to 5 years	93,721	15.22
>5 to 7 years	81,463	13.23
Above 7 years	2,60,675	42.33
Others <sup>7</sup>	63,649	10.33
<b>Total</b>	<b>6,15,893</b>	<b>100.00</b>

(Source: Finance Accounts)

**Exhibit 2.21: Repayment Schedule of Public Debt**



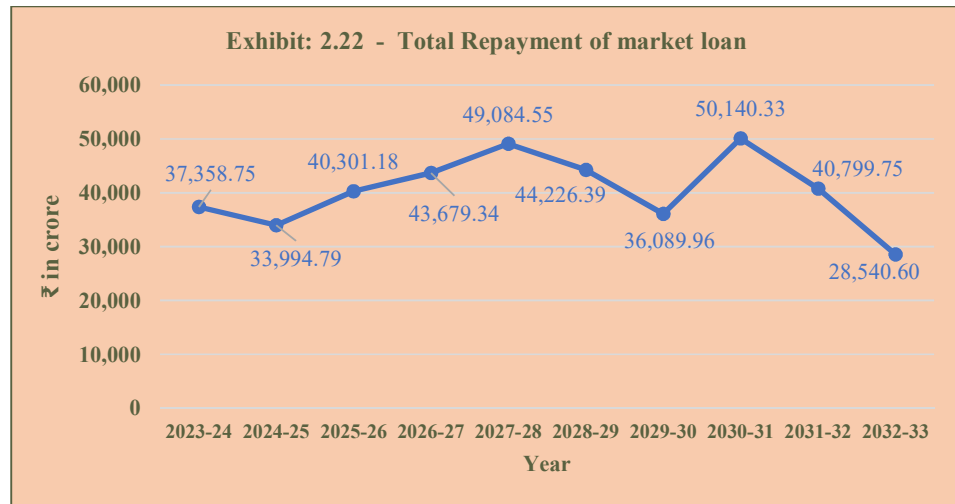
(Source: Finance Accounts)

The details of repayment of principal and interest of the outstanding market loan in the next 10 years (2023-24 onwards) is shown in **Table 2.34** and **Exhibit 2.22** below:

<sup>7</sup> Payment schedule of this amount is not being maintained by the Accountant General (A&E).

Table 2.34: Repayment of Debt and interest

Year	Repayment of		
	Market loans	Interest	Total
2023-24	34,749.15	2,609.60	37,358.75
2024-25	31,450.00	2,544.79	33,994.79
2025-26	37,375.00	2,926.18	40,301.18
2026-27	40,610.00	3,069.34	43,679.34
2027-28	45,635.32	3,449.23	49,084.55
2028-29	40,905.50	3,320.89	44,226.39
2029-30	33,650.00	2,439.96	36,089.96
2030-31	46,977.00	3,163.33	50,140.33
2031-32	38,100.00	2,699.75	40,799.75
2032-33	26,500.00	2,040.60	28,540.60
<b>Total</b>	<b>3,75,951.97</b>	<b>28,263.67</b>	<b>4,04,215.64</b>



(Source: Finance Accounts '2022-23)

Over the period of the next ten years, the above trend indicates that the State's repayment of outstanding market loans along with interest shows a fluctuating trend. The State's liability on account of interest would be ₹28,263.67 crore and the liability towards principal amount of market loan would be ₹3,75,951.97 crore over the next 10 years.

## 2.7 Debt Sustainability Analysis (DSA)

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

(being unable to fulfil borrowing requirements or being able to do so at high interest rates).

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

(A) Analysis of variations in debt sustainability indicators for the period 2018-19 to 2022-23 is shown below in **Table 2.35** and **Exhibit 2.23**.

**Table 2.35: Trends in debt Sustainability indicators**

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
(1)	(2)	(3)	(4)	(5)	(6)
Outstanding Public Debt* (₹ in crore) (as on 31 <sup>st</sup> March of the year)	3,21,642	3,70,550	4,50,947	5,27,600	6,01,557
Rate of Growth of Outstanding Public Debt (per cent)	11.38	15.21	21.70	17.00	14.02
GSDP (₹ in crore)	16,30,209	17,43,144	17,88,074	20,71,286	23,64,514
Rate of Growth of GSDP (per cent)	11.27	6.93	2.58	15.84	14.16
Public Debt*/GSDP (per cent)	19.73	21.26	25.22	25.47	25.44
Average Interest Rate of Outstanding Public Debt (per cent) ^	7.97	7.71	7.54	7.26	7.12
Interest payments on Public Debt (₹ in crore)	24,310	26,690	30,983	35,521	40,182
Revenue deficit (-) / surplus (+) without interest payment (₹ in crore)	851	(-) 9,219	(-) 31,343	(-) 11,017	3,967
Revenue deficit (-) due to interest payment (₹ in crore)	(-) 23,459	(-) 35,909	(-) 62,326	(-) 46,538	(-) 36,215
Percentage of Interest payment to Revenue Receipt	13.99	15.29	17.80	17.12	16.48
Percentage of Debt Repayment to Debt Receipt	31.43	26.76	15.78	18.89	26.82
Net Debt available to the State# (₹ in crore)	8,562	22,218	49,414	41,132	33,775
Net Debt available as per cent to Debt Receipts**	17.86	33.27	51.14	42.67	33.42
Primary Deficit	18,578	28,199	57,486	40,271	34,975
Debt Stabilisation (Quantum spread <sup>§</sup> + Primary Deficit) (₹ in crore)	(-) 7,964	(-) 31,089	(-) 79,853	4,997	7,375

\*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government after excluding the back-to-back loan of ₹8,095 crore in 2021-22 and ₹6,241 crore in 2020-21.

#Net debt available to the State Government is calculated as excess of 'Public debt' receipts over Public debt repayment and interest payment on Public Debt and does not include back to back loan.

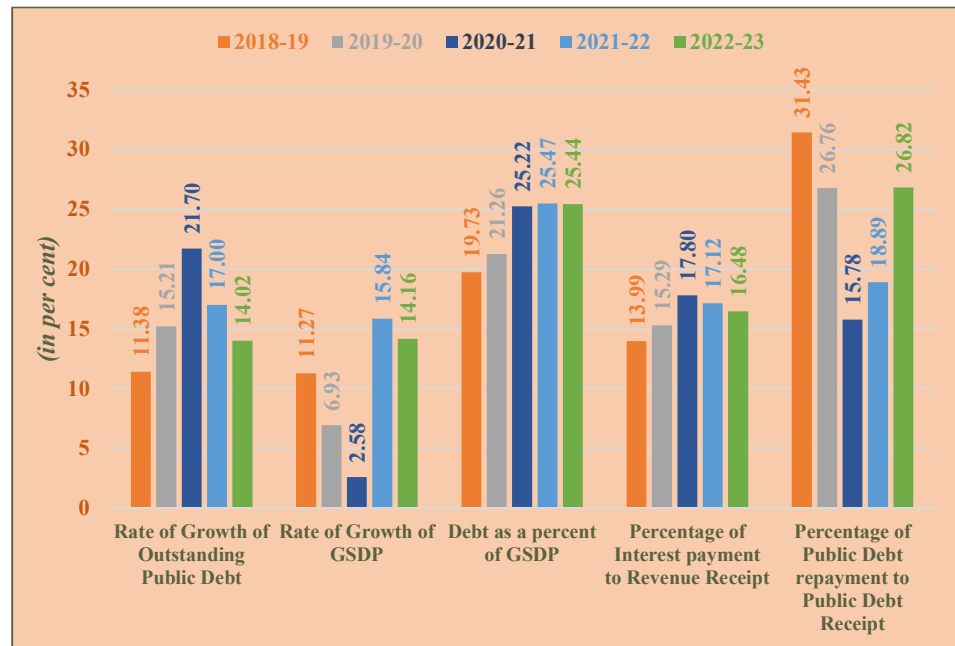
\*\* Debt receipts do not include the back to back loan of 2020-21 and 2021-22

§ Quantum Spread = Debt X (GSDP growth rate – interest rate)/100

^Average Interest Rate of outstanding Public Debt = {Interest Payments on Public Debt / (Opening Balance of Public Debt + Closing Balance of Public Debt)/2}\*100}

(Source: Finance Accounts for the respective years)

Exhibit 2.23: Trends of Debt Sustainability indicators



(Source: Finance Accounts for the respective years)

Effective outstanding public debt would be ₹6,01,557 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹6,241 crore and ₹8,095 crore given to the State, during 2020-21 and 2021-22 respectively, 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 and therefore, the ratio of effective outstanding public debt to GSDP would be 25.44 per cent.

- A sustainable fiscal policy is one where the debt to GSDP ratio is stable or declining over a period of time. However, from the above it could be seen that the debt to GSDP ratio was on an increasing trend till the previous year, marginally reduced during the current year. High debt to GSDP ratio means higher levels of debt which in turn leads to higher deficits.
- The ratio of interest payments on public debt to revenue receipts has decreased considerably to 16.48 per cent. If significant portion of borrowed funds are used for repayment of borrowings and interest thereon, the net debt available with the State for developmental activities is curtailed.

**(B)** An analysis on debt sustainability was carried out based on a study by E.D Domar<sup>8</sup> [Domar 1944]. The Domar model states that the necessary premise

<sup>8</sup> Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.



for ensuring stability of public indebtedness is that the interest rates for Government loans should not exceed the growth rate of GDP.

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

$g-r$ ( $g$ – real economic growth rate; $r$ – real interest rate)	$s < 0$ (primary deficit)	$s > 0$ (primary surplus)
$g - r > 0$ (strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than zero	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
$g - r < 0$ (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.	Undefined situation

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

**Table 2.36: Debt Sustainability analysis based on Domar model**

Year	Real Growth (g)	Real Interest (r)	$g - r$ (Domar Gap)	Primary Deficit (-)/ Surplus(+) (₹ in crore)	Remarks
2018-19	7.01	4.59	2.41	(-) 18,578	Public debt as percentage of GSDP should converge to a stable level greater than zero
2019-20	3.25	2.37	0.88	(-) 28,199	
2020-21	0.07	0.98	(-) 0.91	(-) 57,486	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2021-22	7.92	1.82	6.10	(-) 40,271	Public debt as percentage of GSDP should converge to a stable level greater than zero
2022-23	8.19	1.42	6.77	(-) 34,975	

Note: Real Growth rate calculated for GSDP at constant prices  
Real Interest rate is the average interest rate adjusted for inflation of Tamil Nadu

The DOMAR analysis showed that the Domar gap ( $g-r$ ) was positive during the period from 2018-19 to 2022-23, except in 2020-21. During the pre-COVID period i.e. 2018-19 and 2019-20, the real growth rate of the GSDP was 7.01 per cent and 3.25 per cent respectively and the Domar gap (express as  $g-r$ ) remained positive but there was primary deficit in the State. Covid-19 affected the real growth rate of GSDP during 2020-21 and the Domar gap turned negative during the year. In the subsequent years (2021-22 and 2022-23), the Domar gap became positive along with primary deficit, which reflect that Public debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.

It may be mentioned that the sustainability of Public Debt will depend on whether the State economy maintains the real growth rate in the long run keeping the real interest rate under control.

### 2.7.1 Utilisation of borrowed funds

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

The trends in the utilisation of borrowed funds during the period 2018-19 to 2022-23 is shown in **Table 2.37** and **Exhibit 2.24**.

**Table 2.37: Utilisation of borrowed funds**

(₹ in crore)

Year		2018-19	2019-20	2020-21	2021-22	2022-23
Total Borrowings (Public Debt)	A	47,936	66,774	1,02,867	1,04,485	1,01,062
Repayment of earlier borrowings (Principal) (percentage)	B	15,064 (31.43)	17,866 (26.75)	16,229 (15.78)	19,737 (18.89)	27,104 (26.82)
Net capital expenditure (percentage)	C	24,311 (50.72)	25,632 (38.39)	33,067 (32.14)	37,011 (35.42)	39,488 (39.07)
Net loans and advances (percentage)	D	435 (0.90)	1,362 (2.04)	1,410 (1.37)	1,714 (1.64)	(-) 6,183 (-) 6.12)
Portion of Revenue expenditure met out of net available borrowings (percentage)	E = A-B-C-D	8,126 (16.95)	21,914 (32.82)	52,161 (50.71)	46,023 (44.05)	40,653 (40.23)

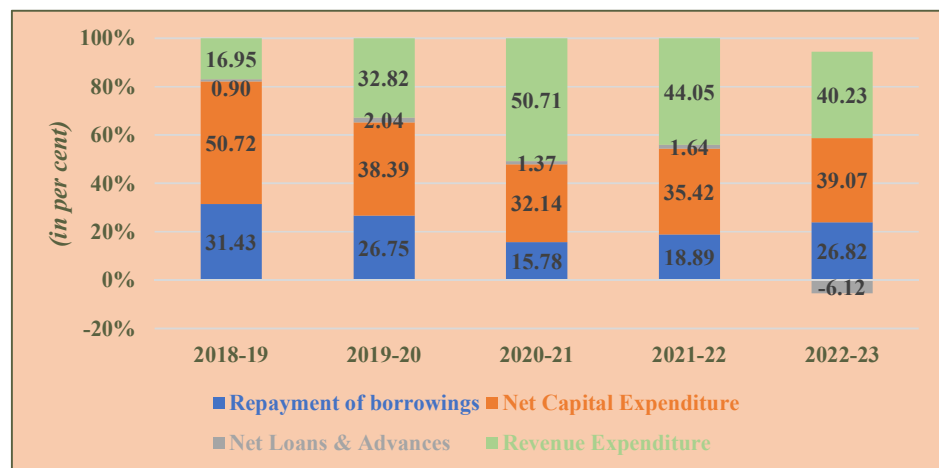
(Source: Finance Accounts for the respective years)

- 40.23 per cent of the borrowed funds was utilised for revenue expenditure.
- Borrowings decreased by 3.28 per cent during the year due to a steep increase (17.47 per cent) in revenue receipts.

As per the Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. In 2021-22 and 2022-23, GoTN received post devolution revenue deficit grant of ₹3,010 crore in 2021-22 and ₹801 crore in 2022-23.

As per TNFR Act, revenue deficit should be eliminated by 2023-24. Though 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.

**Exhibit 2.24: Trends of utilisation of borrowed funds**



(Source: Finance Accounts for the respective years)

### 2.7.2 Status of Guarantees – Contingent Liabilities

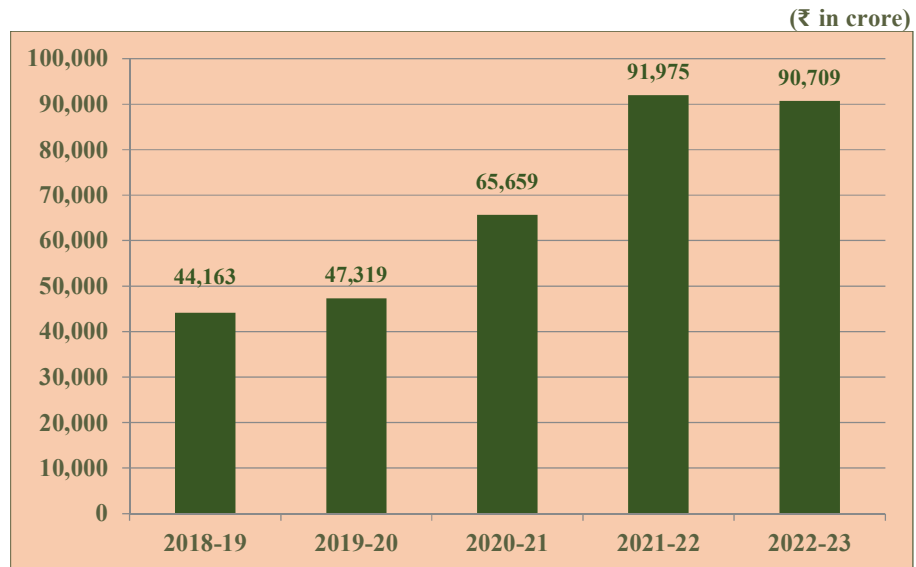
Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to cap on the guarantees.

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

The total outstanding guarantees of the State Government were ₹90,709.22 crore as on 31 March 2023. This constituted 43.72 *per cent* of the total revenue receipts of 2021-22 (₹2,07,492.40 crore) and 3.84 *per cent* of the GSDP (₹23,64,514 crore at current prices). No guarantee was invoked during the year. Further, as against the estimated receivable Guarantee Fees of ₹1,762.81 crore, Guarantee Fees received by the Government was ₹968.37 crore. Thus, there was a short collection of Guarantee Fees to the tune of ₹794.44 crore.

The details of outstanding amount of guarantees including interest for the period 2018-19 to 2022-23 is given below in **Exhibit 2.25**.

Exhibit 2.25: Guarantees given by the State Government



(Source: Finance Accounts for the respective years)

### 2.7.3 Management of Cash Balances

As per the agreement with the Reserve Bank of India, Tamil Nadu State has to maintain a minimum daily cash balance of ₹3.25 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made

good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for Ordinary Ways and Means Advances to the State Government is ₹3,601 crore with effect from 31 March 2022. The limit of Special ways and Means Advances is revised by the Bank from time to time. State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

The State Government maintained the minimum daily cash balance with the RBI during 2022-23 and no WMA/ SWMA/ OD was availed during the year.

The details of cash balance and their investments during the year 2022-23 is shown in **Table 2.38** below:

**Table 2.38: Cash Balances and their investment**

(₹ in crore)

	Opening balance on 1 April 2022	Closing balance on 31 March 2023
<b>A. General Cash Balance</b>		
Cash in treasuries	--	--
Deposits with Reserve Bank of India	266.95	(-) 59.17
Deposits with other Banks	--	--
Remittances in transit – Local	16.80	16.80
<b>Total</b>	<b>283.75</b>	<b>(-) 42.37</b>
Investments held in Cash Balance investment account	14,875.95	14,123.55
<b>Total (A)</b>	<b>15,159.70</b>	<b>14,081.18</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	4.16	4.16
Permanent advances for contingent expenditure with department officers	7.59	7.35
Investment in earmarked funds	57,214.65	67,248.03
<b>Total (B)</b>	<b>57,226.40</b>	<b>67,259.54</b>
<b>Total (A + B)</b>	<b>72,386.10</b>	<b>81,340.72</b>
<b>Interest realized</b>	<b>3,917.94</b>	<b>4,747.10</b>

(Source: Finance Accounts'2022-23)

Cash Balances (and its investments) of the State Government at the end of the current year increased by ₹8,955 crore from ₹72,386 crore in 2021-22 to ₹81,341 crore in 2022-23.

The State Government has earned an interest of ₹130 crore during 2022-23 from the investments made in GoI Securities and Treasury Bills. Out of the investment of ₹67,248 crore in earmarked funds, ₹8,320.93 crore was invested

in the Consolidated Sinking Fund and ₹2,138.74 crore in Guarantee Redemption Fund at the end of the year.

The general cash balance would have gone negative had the entire budget provision of ₹3,94,255.72 crore was utilized without leaving the unspent (savings) provisions of ₹35,089.39 crore.

The trends of cash balance investment account of the Government during the period 2018-19 to 2022-23 are shown in **Table 2.39**.

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

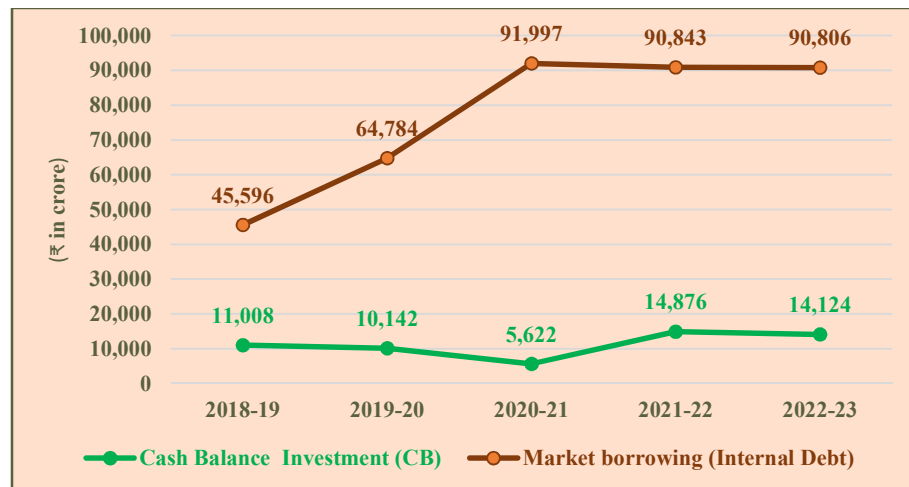
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2018-19	18,585.03	11,008.09	(-) 7,576.94	729.20
2019-20	11,008.09	10,141.94	(-) 866.15	300.72
2020-21	10,141.94	5,622.30	(-) 4,519.64	214.51
2021-22	5,622.30	14,875.95	9,253.65	120.58
2022-23	14,875.95	14,123.55	(-) 752.40	130.32

(Source: Finance Accounts for the respective years)

The trend analysis of the cash balance investment of the State Government during 2018-23 revealed that the investment at the end of 2018-19, which was ₹11,008 crore, gradually reduced to ₹5,622 crore at the end of the 2020-21 and then further increased significantly to ₹14,124 crore at the end of March 2023. The Government paid interest at an average rate of 7.12 per cent towards outstanding public debt.

**Exhibit 2.26** compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2018-23. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

**Exhibit 2.26: Market loans vis-à-vis Cash Balance**



(Source: Finance Accounts for the respective years)

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

General cash balance of ₹14,081 crore includes cash balance investment of ₹14,124 crore and Deposits with RBI and remittance in transit was (-) ₹43 crore.

## 2.8 Conclusion

### State's Own Resources:

**Own tax revenue:** The annual growth rate of own tax revenue during 2022-23 was 22.27 per cent.

Own tax revenue as a percentage of GSDP of the State during 2022-23 was 6.35.

**Non-tax revenue:** The non-tax revenue of the State increased by ₹4,944 crore (40.80 per cent) in 2022-23 over the previous year.

**State's performance in mobilization of resources:** During the year, State's own tax revenue receipts fell short of the budget projections but exceeded the target fixed under XV FC while non-tax revenue receipts fell short of the target fixed under XV FC but exceeded the Budget projections.

*(Paragraphs 2.3.2 and 2.3.4)*

**Revenue expenditure:** During 2022-23, the revenue expenditure witnessed an increase of ₹25,934.06 crore (10.21 per cent) during the year as against an increase of 7.46 per cent during the previous year. As a percentage of GSDP the Revenue expenditure decreased from 12.26 per cent in 2021-22 to 11.84 per cent during the current year. There was short devolution of ₹461.26 crore to local bodies due to non-sharing of GST compensation.

**Capital expenditure** increased by 6.81 per cent during the year. As a percentage of total expenditure, capital expenditure decreased by 0.46 per cent during the current year.

*(Paragraphs 2.4.1 and 2.4.3)*

## 2.9 Recommendations

- (i) The State Government should mobilise its resources to minimise dependence on borrowings.
- (ii) Committed expenditure such as salaries, pension and interest payments, which are on increasing trend, requires utmost attention of the State Government.