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**State Finances of Tamil Nadu :
Review and Projections
A Study for the Fourth State Finance Commission
of Tamil Nadu**

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March 2012

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Tamil Nadu

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Chapter 1

INTRODUCTION

The Fourth State Finance Commission (FSFC) was constituted by the Government of Tamil Nadu (GoTN) to deliberate on the issues of transfer of resources to the rural and urban local bodies of Tamil Nadu. Their recommendations are to be for the period from 2012-13 to 2016-17. This period coincides with the Twelfth Plan period. However, the recommendations of the Thirteenth Finance Commission (ThFC) will be applicable only up to 2014-15. The broader context in which the FSFC can deliberate on the matter is the need for providing better services at the local level both in the urban and rural areas. In this context, the views of the 13th Central Finance Commission and the approach they had adopted, as also the approach, methodology and assumptions used by the Third State Finance Commission, the Memorandum submitted by the GoTN to the Thirteenth Finance Commission alongwith the projections, the projections currently being made by the GoTN under its Fiscal Responsibility and Budget Management Act (FRBMA) are useful reference points.

This study focuses on the availability of resources with the GoTN that may be transferred to the local bodies after taking into account the relevant expenditures that require to be undertaken by the State government at the state level. GoTN has itself made projections of revenues and expenditures and a view can be taken regarding the assumptions used for these projections. An important empirical feature of the Tamil Nadu economy is its high and growing degree of urbanization. In providing urban services, higher unit costs may be involved.

In this Chapter, we look at salient observations made by the Thirteenth Finance Commission and their recommended transfers to the local bodies. The ThFC made reference to the principle of subsidiary and observed that services are best handled by the least centralized competent authority and that these institutions need to be adequately empowered—both functionally and financially—to enable them to fulfill the role envisaged for them in the Constitution.

The ThFC also highlighted a common feature observed uniformly across states, which is that all local bodies indicated to the Commission their inability to meet the basic needs of their constituents and urged the Commission to increase the volume of grants to them. The Commission noted that the local bodies particularly cited the need to

provide core services namely, drinking water, sewerage, solid waste management, and street lights at acceptable levels of service. The local bodies also requested support for enhancing their operational infrastructure including office buildings and skeleton staffing for maintaining accounts and data bases.

In this context, the present study aims at providing the following:

- (1) Review of projections of receipts and expenditure (revenue and capital) provided by Finance Department, GoTN for the period from 2012-13 to 2016-17, also comparing these with the projections already made by the State Government in its memorandum to the 13th Finance Commission; and with the fiscal objectives set out in the Medium Term Fiscal Plan under Tamil Nadu Fiscal Responsibilities Act, 2003 and the fiscal correction path drawn by the 13th Finance Commission;
- (2) Our projections of revenues and expenditures of GoTN taking into account the effect of central devolution and other resource transfers based on the recommendations of 13th Finance Commission on the State's finances;
- (3) Review of trend in revenue deficit, fiscal deficit, GSDP and tax-GSDP ratio from 2005-06 to 2011-12 and projections from 2012-13 to 2016-17;
- (4) Implications and impact of the implementation of Goods and Services Tax (as and when implemented) on the State's Finances and also on the SFC based devolution of funds from the State's Own Tax Revenue; and
- (5) Analysis on the sustainability of increasing SFC devolution to local bodies if it is increased from the present level of 10 percent of net SOTR for the period 2012-13 to 2016-17.

1.1 Local Bodies and Recommendations of the 13th Finance Commission

In making an assessment of the needs and resources of the local bodies in Tamil Nadu, the FSFC has to take into account projected resource flows to Tamil Nadu meant to be earmarked for its Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) under the recommendations of the Thirteenth Finance Commission. These grants are linked by the Thirteenth Finance Commission to the 'divisible pool' of the central taxes for the states. The amounts given by the Thirteenth Finance Commission are only 'projected' amounts and actual grants may differ depending on the revenue performance of the central taxes.

The ThFC earmarked for the first time a general grant where the nominal amount was not predetermined. It depended on the revenue raised under the central taxes. The grant amount was linked to the divisible pool of the previous year. Although the grants

under article 275 are to be specified in absolute amounts since the article makes reference to such sums as may be prescribed, the ThFC sought to introduce a degree of flexibility in determining the amount by making a link to the previous year's divisible pool of the Central Government. The criteria and grants recommended by the ThFC for local bodies are shown in Table 1.1.

Table 1.1: Grants Recommended by the Thirteenth Finance Commission for the Local Bodies

(Rs.crore)

Year	BE 2009- 10	2010- 11	2011- 12	2012- 13	2013- 14	2014- 15	2010-15
Percentage of the previous year's divisible pool to be given to all the states as grant under Article 275 of the constitution-	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
General performance Grants			0.50%	1.00%	1.00%	1.00%	0.78%
Aggregate Grants to Local Bodies		1.50%	2.00%	2.50%	2.50%	2.50%	2.28%
Projected (Rs. crore) Divisible Pool: 2009-14	545463	636183	746179	880156	1038188	1224595	3846169*
General Basic Grant and Total Special Areas Grant		8182	9543	11193	13202	15573	57693
General Basic Grant		8022	9303	10873	12883	15253	56335
General performance Grant		0	3181	7462	8802	10382	29826
General Basic Grant & General performance Grant		8022	12484	18335	21685	25635	86161
Total Special Areas Grant		160	239	319	319	319	1357
Special Areas Basic Grant		160	160	160	160	160	798
Special Areas performance Grant		0	80	160	160	160	559
Aggregate Grants to Local Bodies		8182	12724	18654	22004	25955	87519

Source: Report of the Thirteenth Finance Commission, Government of India.

The weights allotted to criteria for grants to local bodies (PRIs and ULBs) recommended by the commission are shown in Table 1.2.

Table 1.2: Weights Allotted to Criteria for Grants to Local Bodies

Criterion	Weights Allotted (%)	
	PRIs	ULBs
Population	50	50
Area	10	10
Distance from highest Per Capita Sectoral Income	10	20
Index of devolution	15	15
SC/STs proportion in the population	10	-
FC local body grants utilization index	5	5
Total	100	100

Source: Report of the Thirteenth Finance Commission, Government of India.

1.2 Recommendations of the Third State Finance Commission

It is also important to review the vertical and horizontal shares recommended by the Third State Finance Commission of Tamil Nadu for the PRIs and ULBs. Transfers to the local bodies are made in three parts: Pool A consists of assigned revenues; Pool B consists of tax devolution from the state government to the local bodies based on the recommendations of the State Finance Commission; and Pool C consists of grants.

For Pool B of the transfers, the Third State Finance Commission recommended that 10 percent of state own tax revenue (SOTR) may be devolved to the local bodies. In calculating the net tax revenues, the Commission recommended that only the collection charges for the staff employed in the departments concerned should be deducted. Table 1.3 gives the ratios for the vertical and horizontal sharing recommended by the Third State Finance Commission.

Table 1.3 Vertical and Horizontal Shares Recommended by the Third State Finance Commission

Pool B	RLBs	ULBs	
<i>Share (%)</i>	58	42	
Among RLBs	District Panchayats	Panchayat Unions	Village Panchayats
<i>Share (%)</i>	8	32	60
Among ULBs	Municipal Corporations	Municipalities	Town Panchayats
<i>Share (%)</i>	30	41	29

Source: Report of the Third State Finance Commission, Government of Tamil Nadu.

1.3 Implications of Introducing Goods and Services Tax

The idea of the Goods and Services Tax (GST) being implemented at the state level along with the central governments has been under discussion for some time. The central government has introduced a constitution amendment bill in this regard in Parliament with a view to introducing GST with effect from 2011-12. If the GST replaces the existing State VAT and sales taxes, this will have significant revenue implications. This needs to be taken into account in deciding on the transfers to the local bodies. We discuss this issue in greater detail in Chapter 2.

1.4 Methodology of Projections

Projections for the period 2012-13 to 2016-17 are required for states own revenue receipts as well the relevant transfers it expects to receive from the central government. Projections are also required for various expenditure heads. In this context, while making the projections, the state government follows what may be called a growth rate method, where the value of a variable (say, X_t) is linked to the previous year's value (X_{t-1}) by a growth rate (g). That is,

$$X_t = (1+g) \cdot X_{t-1} \quad (1)$$

Two important steps in this procedure are: (a) estimation of base year values and (b) estimation of the relevant growth rates. Since the projections are to be made for 2012-13 onwards, 2011-12 may serve as the base year. For 2011-12 although budget estimates are available, it might be useful to forecast its values starting from 2010-11 revised estimates. In estimating, the growth rates for major tax sources, we use a buoyancy based approach.

In the methodology of projection followed by us, one more step is inserted in (1) for major revenue items, where projections are based on tax buoyancies with respect to growth of the tax base. This is so because tax revenues respond to changes both in the tax rates and tax bases. Tax bases change as a result of economic growth in the economy, which is reflected in the growth of Gross State Domestic Product (GSDP).

The buoyancy (b) of a tax is defined as:

Buoyancy = percentage change in tax revenue/percentage change in GSDP

Writing R for tax revenue and change in revenue between two years: $\Delta R = R_t - R_{t-1}$, and correspondingly $\Delta X = X_t - X_{t-1}$ for GSDP, we define, GSDP-buoyancy of tax revenue as:

$$B = (\Delta R/R_{t-1}) / (\Delta X/X_{t-1}) \quad (2)$$

From this the growth rate of tax revenue can be derived as:

$$g(R) = (\Delta R/R_{t-1}) = b. g, \quad (3)$$

where $g = (\Delta X/X_{t-1})$.

In other words, we use a growth rate for revenues to project these forward, these growth rates are buoyancy-based growth rates reflecting the expected growth in the tax-bases of the state economy and both automatic responsiveness and discretionary changes of the tax under study. Expenditures, on the other hand, are more autonomous in nature. They may depend on the past history of data reflected in the historical growth rates or they depend on discretionary interventions. Expenditures may be divided into two parts: interest payments and primary expenditures. The projection methodology for these two parts may be different. Interest payments are linked to government debt and effective interest rate. The outstanding debt in turn depends on the debt at the beginning of a year and the net borrowing that is fiscal deficit incurred in a year. Primary expenditures are discretionary although different rules need to be followed with respect to committed expenditures and other expenditures.

Table 1.4 gives estimates of tax buoyancies of major taxes in Tamil Nadu estimated over two sample periods.¹We use the latter period's (2004-05 to 2011-12) buoyancy estimates for the projections.

¹ We have used the GSDP 2004-05 series in estimating the tax buoyancies. Since this series is available only from 2004-05, for years starting from 1999-00, we have converted the 1999-00 series into 2004-05 series up to 2003-04 using the simple ratio procedure. The tax buoyancy is computed by estimating the following simple regression: $\text{Log } T_t = \alpha + \beta \text{ Log GSDP}_t + u_t$, where T_t -tax revenue in time t . β is the buoyancy.

Table 1.4: Tax Buoyancies: Tamil Nadu

Taxes	Tax Buoyancies	
	1999-00 to 2011-12	2004-05 to 2011-12
Sales tax	1.06	0.97
Motor Vehicle tax	1.15	1.20
Stamp and Registration Duties	1.42	1.27
State Excise	1.26	1.38
Others	0.99	0.88
<i>Total Own Tax Revenues</i>	<i>1.13</i>	<i>1.07</i>

Source: computed.

1.5 Summary

This study aims to review the State Government Finances during 2004-05 to 2011-12 and project the resources and expenditures of Tamil Nadu Government for the period from 2012-13 to 2016-17. This also aims to compare the projections with projections provided by (i) the Finance Department, Government of Tamil Nadu, (ii) the Government of Tamil Nadu under FRBMA, and (iii) the Thirteenth Finance Commission.

The rest of this study proceeds as follows. Chapter 2 examines briefly the revenue implications of Goods and Services Tax in Tamil Nadu. Chapter 3 highlights key features of Tamil Nadu. While Chapter 4 reviews the State Government finances, Chapter 5 provides projections of relevant receipts and expenditures heads for the period from 2012-13 to 2016-17 and compares the projections.

Chapter 2

IMPLICATIONS OF GOODS AND SERVICES TAX

2.1 Introduction

An important consideration in the projection of state's own tax revenues is the possible implementation of the goods and services tax replacing the State VAT, the central sales tax and certain other taxes. The state will have access to taxation of services under GST.

At present, the Central government levies CENVAT, which covers value added in the case of production and sale of goods up to the stage of 'manufacturing'. State governments, on the other hand, are entitled to capture the value added up to the stage of final sale. This value covers the value added at different stages in production/sale cycle covering stages of manufacturing, wholesale, and retail that may be more than one. The taxation space up to the stage of value added in the production (manufacture) of goods is common between the centre and the states. Different states can have their own variations in terms of rates and classification of goods.

In the State-VAT system, an attempt has been made to arrive at a broad convergence of rates, but states have gone for their own classification schemes and there are many differences in the classification schemes. States have also deviated, in some instances, from the common rates originally agreed to by the different rates. Further, there is a levy of a central sales tax on inter-state sales, which is collected and retained by the states. In addition to these indirect taxes, the other important taxes on goods include central excise duty and sales tax on petroleum products, state excise duties on alcoholic beverages and, motor vehicle tax.

The service tax was levied for the first time in the 1994-95 budget by the Central Government under its residuary powers. A comprehensive value added tax requires encompassing both goods and services in a common tax base extending throughout the country, unfettered by state boundaries. This will be consistent with the provision of Article 301 of the Constitution, which provides, subject to the certain conditions, that trade, commerce and intercourse throughout the territory of India shall be free. Such a country-wide integrated market will also be 'efficient' from an economic viewpoint with a view to enabling the realization of the full potential of opportunities of economic growth. In a federal country like India, this requires careful handling of inter-state trade of goods and services.

There has been an on-going effort by the Central Government and the Empowered Committee of State Finance Ministers (henceforth referred to as EC) to move towards a comprehensive Goods and Services Tax (GST). The ThFC also came up with a design of GST, which the Commission has referred to as Model GST. The Central Government has expressed its views on different aspects of these proposals. The Central Government has also now introduced a Constitutional Amendment Bill in parliament with a view to introducing GST from April 2012.

2.2 VAT in Tamil Nadu

VAT has been levied in Tamil Nadu under the Tamil Nadu VAT Act of 2006, which was made effective from January 1, 2007. The TN VAT Act has six schedules. The First Schedule has three parts. Part A of the First Schedule deals with the goods that are taxed at the special rate of 1 percent (bullion and precious metals) and Part B of the First Schedule specifies goods that are taxed at the concessional rate of 4 percent. This list contains 150 items. Part C of the First Schedule provides the coverage of goods to be taxed at the rate of 12.5 percent. This list is defined residually by saying that "All goods other than those exempted in Fourth Schedule and those specified in Second Schedule and in Part-A and Part-B of the First Schedule" are to be taxed at 12.5 percent.

For the petroleum products and related goods higher rates are charged and the tax is levied at the first point of sale in the state. These rates are as follows:

- (1) Aviation Gasoline: 29 percent
- (2) Aviation Turbine Fuel including jet fuel: 29 percent
- (3) Aviation Turbine Fuel sold to a Turbo-Prop Aircraft: 4 percent
- (4) Petrol with or without additives: 27 percent
- (5) High Speed Diesel Oil: 21.43 percent
- (6) Light Diesel Oil: 25 percent.

In regard to items under the Additional Excise Duty (AED) arrangements, the Act had specified a 4 percent rate for items (sugar, textile and tobacco products) not produced or manufactured in India. The point of levy is the first sale in the State. The Government of India has permitted the taxation of the AED items by the states and the earlier additional excise duty stands merged with the basic duty.

In regard to the alcoholic liquors, the rates are as follows:

- (1) Alcoholic liquors of all kinds for human consumption which are purchased / procured / brought from outside the State other than foreign liquors falling under item: 58 percent
- (2) Alcoholic liquors of all kinds for human consumption, other than liquors falling under items 1 and 3:
 - (i) At the point of first sale in the State: 58 percent and
 - (ii) At the second point of sale in the State: 38 percent.
- (3) Foreign liquors, that is to say, wines, spirits and beers imported into India from foreign countries and dealt with under the Indian Tariff Act, 1934 (Central Act 32 of 1934) or under any other law for the time being in force relating to the duties of customs on goods imported into India: 58 percent.

For items at 1 and 3 above the point of taxation is the first point of sale in the states. Exempted goods are listed in the Fourth Schedule. This list includes 81 goods or groups of goods including agricultural implements, food items including coarse grains, paddy and rice, vegetable oils, pulses and grams, salt, and similar other items.

The Fifth Schedule contains the provisions for zero rated sales for certain international organizations and the Sixth Schedule gives goods that are extended the benefit of a transit pass. Tamil Nadu has a genuine concern both in the medium term and long term as to how the implementation of GST will affect its revenue prospects. Tamil Nadu is a net exporter to many other states for manufactured products. Many industries, particularly in the automobile, textile and leather sectors have a significant presence in Tamil Nadu, which serves as a manufacturing hub. Some of the important considerations in this regard may be summarized as follows:

- (a) As a net exporter, Tamil Nadu has had a significant share in revenue stream from the central sales tax. In the GST regime, since exports out of the state including inter-state sales will be zero-rated, there will be long term revenue loss, compared to the present situation when GST is not levied.
- (b) The GoTN has to spend on providing additional infrastructure for the manufacturers in order to facilitate their activities to operate in a cost effective manner. These services relate to infrastructure particularly roads and ports that serve the industries in providing access to markets. Apart from investment in building such infrastructure, there are additional maintenance requirements because of the heavy usage of such infrastructure. The beneficiaries of the manufactured products if

located outside the state do not pay for this additional expenditure of infrastructure creation and maintenance.

- (c) The location of manufacturing units in the state leads to higher localized pollution causing health and related hazards. For coping with the pollution impact, the state government needs to spend relatively more on health services. The main burden of health hazards may have to be borne by the Tamil Nadu citizens. This cost should ideally be borne by the final consumers of the products who may be located outside the state.

2.3 Trends in Revenue under VAT in Tamil Nadu

Table 2.1 gives the growth in revenues under different Acts in Tamil Nadu. After the levy of VAT, there has been an increase in the revenues compared to collection under the general sales tax. There has been a fall in revenue under the central sales tax after 2006-07, which is primarily due to rate reduction.

Table 2.1: Act-wise Revenue Trends

(Rs. crore)

Details	2003 -04	2004 -05	2005 -06	2006 -07	2007 -08	2008 -08	2009 -10
T N General Sales Tax	9790	11462	13652	13416	429	293	218
TN VAT				2290	16472	19440	21478
CST	1186	1495	1799	2033	1744	1653	1773
Entertainment tax	75	59	44	25	16	12	13
Betting tax	5	6	6	6	6	6	7
Luxury tax	63	78	92	128	160	170	168
Entry tax on vehicles and goods	638	808	1016	1319	1125	996	1162
Total	11757	13908	16609	19217	19952	22570	24819
Percentage Share							
T N General Sales Tax	83.27	82.41	82.20	69.81	2.15	1.30	0.88
TN VAT	0.00	0.00	0.00	11.92	82.56	86.13	86.54
CST	10.09	10.75	10.83	10.58	8.74	7.32	7.14
Entertainment tax	0.64	0.42	0.26	0.13	0.08	0.05	0.05
Betting tax	0.04	0.04	0.04	0.03	0.03	0.03	0.03
Luxury tax	0.54	0.56	0.55	0.67	0.80	0.75	0.68
Entry tax on vehicles and goods	5.43	5.81	6.12	6.86	5.64	4.41	4.68
Total	100	100	100	100	100	100	100

Table 2.2 gives Act wise revenue for 2008-09 and 2009-10. For VAT goods, the percentage increase in 2009-10 was more than 12 percent and that for non-VAT goods the increase was about 9 percent. CST revenue grew only by 7 percent.

Table 2.2: Act Wise Revenue in 2008-09 and 2009-10

(Rs. crore)				
Details	2008-09	2009-2010	Increase/Decrease	Growth rate (%)
Vat Goods	9038.1	10142.78	1104.68	12.22
Non-Vat Goods	10249.95	11175.63	925.68	9.03
VAT Others	16.73	17.11	0.38	2.27
CST	1653.03	1772.65	119.62	7.24
Entry tax	996.3	1162.48	166.18	16.68
Luxury tax	170.15	168.47	-1.68	-0.99
Entertainment tax	12.24	13.18	0.94	7.68
Betting tax	6.12	6.87	0.75	12.25
TNGST	292.45	217.67	-74.78	-25.57
TDS COLLECTION	135.05	142	6.95	5.15
Total	22570.12	24818.84	2248.72	9.96
Share of VAT Goods	40.04	40.87		
Share of Non-VAT Goods	45.41	45.03		

2.4 Revenue Impact and Calculations of Revenue Neutral Rates for Tamil Nadu

In considering the revenue impact of GST on Tamil Nadu finances, it is useful to distinguish between the short term and long term impact. There are three major effects that need to be taken into account:

- (a) The gain from access to services tax
- (b) The loss from abolition of central sales tax
- (c) The loss from lowering of effective tax rates on goods.

In the short to medium run perspective, most calculations focus on the calculation of revenue neutral rate or alternatively loss/gain of revenue by applying a given set of rates. In the long run, calculations should take into account the growth of the relevant tax base under GST, which depends on the growth of state income or state GSDP including changes in the structure of GSDP.

2.5 Revenue Impact of GST on Tamil Nadu: Short and Medium Terms

In another study, MSE (Srivastava, 2011) has studied in detail, the revenue impact of GST for Tamil Nadu. This exercise was done in two parts. First, an overall revenue neutral rate can be calculated with reference to a base or reference year. The answer in this kind of exercise generally is a single or standard rate, applied to both goods and services, which will provide the same amount of revenue that is being generated from the taxes that are to be merged in the GST.

A second exercise can be to apply a rate structure on the estimated GST base to generate revenues and compare these to the revenues of the reference year to study the pattern of revenue loss or gain. This second approach permits the application of different rates for goods and services, which can also be changed over time. It is also possible to have more than one rate for goods and use alternative assumptions for the coverage of lower rate and exempted categories of goods.

One of the objectives of estimation of revenue losses is to determine the amount of compensation that the Central Government may have to pay to the states for which earmarked aggregate amount has also been indicated by the Thirteenth Finance Commission. The second objective of estimating revenue loss is to facilitate forming a view on the longer term revenue impact of GST on the state revenues since the compensation from the Central Government to the states has only been envisaged for a limited of number of years.

The Thirteenth Finance Commission has earmarked an amount of Rs.50, 000 crore for compensation to the states who may suffer losses. The Central Government has also said from time to time that it would compensate the state for such losses. The Empowered Committee has evolved a formula for estimation of losses to the states for purposes of determining compensation and for determining the revenue neutral rates. The basic elements of the formula are discussed below.

In the estimation of the revenue neutral rate, the key considerations are the additional coverage provided by the addition of the services on the tax base, withdrawal of CST, and continuation of the lower rate category of goods while services are subjected to one uniform rate. The calculation of a revenue neutral rate is for a specific year, which may serve as the reference year. For calculation of the revenue-neutral rate for Tamil Nadu, we have used 2008-09 as the reference year.

During 2008-09 the mean CENVAT rate was reduced from 16 percent to 14 percent w.e.f. 01.03.2008. It was further reduced to 10 percent w.e.f. 07.12.2008 and to 8 percent w.e.f. 24.02.2009. The year 2008-09 appears to be a relevant base year because it is only towards the latter part of the year, where the CENVAT rates were reduced affecting about 3 months. The year 2009-10 was a recession year where the lower CENVAT rates applied and is therefore not suitable for comparisons. The year 2007-08 is too far back to serve as a relevant base for GST which is not slated to role out prior to April 1, 2012.

The following steps indicate the methodology.

- (1) Estimation of total revenue under state level taxes that are to be subsumed in GST. These items are given in Table 2. 3 as A, B, C, D, E, F, G, and H.
- (2) The revenue from VAT and sales tax excluding non-VAT goods is divided into two parts: those taxed at 12.5 percent and those taxed at 4 percent. The assumed ratio is - 70: 30.
- (3) Using these rates (12.5 percent and 4 percent as also the cascading effects), the corresponding revenues are converted into taxable turnovers or tax bases.
- (4) SGST revenue on two bases with standard rate for goods and for services is calculated.
- (5) Next, the taxable service tax base is calculated based on an exercise undertaken by NIPFP for 2007-08 for all-state as well state-specific service tax bases. On this, the SGST rate on services of 8 percent is applied after taking the estimated tax forward to 2008-08 by applying a growth rate of 12 percent.
- (6) Next, the tax base on all-India basis arising from the countervailing duty of imports is calculated. For this purpose, we have taken the revenue from special countervailing duty which was levied at 4 percent from the Union Budget 2009-10. This was converted into the corresponding tax base. Since most of the imports will be used as inputs and the SGST will be rebated, only 10 percent of the tax base is taken as being used for final consumption. Of the all-India base, 6 percent is taken as Tamil Nadu's share. On this tax base (imports), SGST rate at 10 percent is applied.

From these, revenue losses as also revenue neutral rates can be calculated. The parameters values are indicated in Table 2.3. This methodology works in two steps:

First, using tax revenue and the applicable tax rate, the tax-base for the relevant category is calculated ($\text{Tax base} = \text{tax revenue} / \text{tax rate}$). Any adjustments to the tax base, if considered relevant, are applied.

Second, using the tax base, the relevant SGST rate is applied to calculate the tax revenue under SGST.

Table 2.3: Revenue Impact of GST on Tamil Nadu Finances

	Items in GST	Details	2008-09
	A	VAT and Sales tax excluding tax on petroleum products and liquor	12996.0
	B	CST (Including ITC adjustments)	3508.0
	C	Entertainment tax (Unless levied by local bodies)	0.0
	D	Entry tax (not in lieu of Octroi)	996.0
	E	Luxury tax	170.0
	F	Lottery, betting, and gambling	6.0
	G	State cesses and surcharges	0.0
	H	Purchase tax	0.0
		Total revenue to be raised under SGST	17676.0
0.7		Portion of tax attributable to core rate (0.7): $[A \times 0.7]$	9097.2
0.3		Portion of tax attributable to lower rate (0.3): $[A \times 0.3]$	3898.8
		Cascading effects of Central excise duty (Part B of the Formula of EC)	
	Core rate	0.1425	
	Lower rate	0.0456	
		Tax base with respect to core rate after cascading taken into account $[(A \times 0.7)/0.1425]$	63840.0
		Tax base with respect to lower rate $[(A \times 0.3)/0.0456]$	85500.0
0		Portion of lower rate base shifted to core rate (40%)	0.0
		SGST Tax Base (standard rate)	63840.0
		SGST Tax Base (lower rate)	85500.0
	0.1	SGST 1 Revenue (R1)	6384.0
	0.06	SGST 2 Revenue (R2)	5130.0
		Total SGST Revenue on Goods (Refer Point 4 in page 22)	11514.0
		Part C of the Formula	
		Service tax revenue (all-India)	60941.0
		Service tax revenue attributable to Tamil Nadu*	1919.7
0.122		Service tax base for Tamil Nadu (Y)	15735
0.08		Service tax revenue	1259
0.2		Service tax revenue enhancement	252
		SGST (Service tax): $R3 = Y \times 0.08 \times 1.2$	1510.6
		Part D of the Formula	
		Special CVD on imports (as per Union budget 2009-10)	
		CVD on Imports (all India revenue): Z	14095.0
		CVD base $(Z/0.04)$	352375.0
		Tamil Nadu share at 6 percent	21142.5
		Tamil Nadu Share of imports used for final consumption (10 percent)	2114.3
		SGST revenue from CVD base, R4 (SGST rate of 10 percent)	211.4
		Total SGST Revenue $(R1+R2+R3+rR4)$	13236.0
		Loss (L)	4440.0
		Revenue neutral rate (SGST standard rate)	
		Revenue to be raised from standard rate, $R = (L) + (R1)$	10824.0
		Tax base applicable to standard rate (b)	63840.0
		RNR (standard rate for goods): $R/b \times 100$	17.0

* Using NIPFP estimates for Tamil Nadu for 2007-08 and taking it forward for 2008-09 by growth rate of 12 %

This is comparable to the EC methodology, which also makes the same set of calculations as explained below. The EC methodology takes the revenue from VAT on vatiable goods, converts it into the tax base, makes suitable adjustments to the tax base, and then applies the SGST rates to calculate the revenue from SGST. In other words, it moves from VAT tax revenue to SGST tax base and then to SGST tax revenue. The different components of the formula can be explained as below:

Part B of the Formula

VAT revenue on goods is divided into two parts in the proportion 'k' and '1-k' applicable to goods taxed at the core VAT rate of 12.5 percent and lower rate of 4 percent. Since the central excise duty at 14 percent cascades into VAT, a cascading factor is also applied. The VAT rate including the cascading factor is: (0.125×0.14) . Thus, the overall rate is: $[0.125 \times (1 + 0.14) = 0.1425]$ for goods subjected to the VAT rate of 12 percent and $[0.04 \times (1 + 0.14)]$ for goods subjected to 4 percent VAT rate. The rate goes in the denominator for the calculation of the base from revenue. [If Base is B, rate is r and revenue is R, the $R = a.B$ or $B = R/a$]. Thus, the tax base is:

$$\text{GST Base} = \text{VAT Rev} * k / 0.1425 + \text{VAT Rev} * (1-k) / 0.0456$$

From which, GST Revenue is calculated as:

$$\text{VAT Rev} * k * \text{SGST1} / 0.1425 + \text{VAT Rev} * (1-k) * \text{SGST2} / 0.0456$$

This is on the assumption that SGST rates will also be two and the same proportion of k and 1-k will apply to the two parts. The value of k was taken as 30 percent considered by the EC as an average. The value of 'k' can also be changed in both parts of the calculations considering the proportion of goods to which the higher and lower rate apply in the VAT regime and the SGST regime.

Part C of the Formula

This relates to the potential revenue from services. In this case also first the tax base is calculated from the service tax revenue accruing to the centre using the tax rate of 12.2 percent in the denominator. Thus,

$$\text{Service tax base} = \text{SER tax rev} / 0.122$$

The tax base is augmented by a factor 'm' to account for inclusion of additional services in the GST. 'm' was taken to account for 20 percent additionally, giving $m=1.2$. If the service tax SGST rate (say, SGST3) is different from the two SGST rates for goods, then revenue from services is:

$$\text{Tax base} \times \text{Tax rate} = [\text{SER tax rev} / 0.122] * (m) * \text{SGST3}.$$

Part D of the Formula

This part relates to countervailing duty on imports. Here again, first the tax base is calculated from the CVD revenue. For this purpose, we have taken the special countervailing duty for calculations. From these,

$$\text{SGST Revenue} = B + C + D$$

From this,

$$\text{Loss} = \text{SGST Revenue} - \text{Gross Revenue}$$

$$\text{Revenue Neutral Rate} = \text{Gross Revenue} / \text{SGST base applicable to the core rate}.$$

These estimates are useful as a first approximation. A major implicit assumption is that tax base does not change when the tax rate changes i.e., goods and services have price-inelastic demands. Since different goods and services have different demand elasticities, this assumption may not be viable. For those goods where, compared to the present, SGST rates are lower, consumption and tax base is likely to go up. On the other hand, reduction of number of items on the exempt list would imply that from an exempt status when a good is taxed at a positive SGST rate, its demand and therefore tax base will go down. Similarly, the overall service tax rate is slated to go up from the present 12 percent, which will adversely affect the service tax base. Some of these positive and negative effects may balance out.

2.6 GST: Longer Term Perspective

The longer term impact of the transition from VAT to GST will depend on two main considerations: one, how the service sector tax base will grow in Tamil Nadu relative to the country as a whole, and two, whether there will be a continuation of the lower rate category or where eventually all goods will be subjected to the same rate. For Tamil Nadu continuation with the lower rate category for a few years may be of significance because of distributional considerations.

The buoyancy of the service tax as levied by the centre has been coming down. The higher buoyancy of the service tax in the earlier years has been largely due to tax rate increases and increasing coverage of services. Once this settles down the overall growth will depend on the service sector growth for the India and the share of services consumed in Tamil Nadu. It may be noted that the service tax rate in recent years has been in the range of 10-12 percent, which will be increased to 16 percent. This will have an adverse effect on the growth of the service sector and consequently on the services

tax base. In any case, services in Tamil Nadu have been growing at a lower rate than the overall services tax base. This is why the service sector GSDP of Tamil Nadu as percentage of service sector GDP (all-India) has been falling.

The longer term environmental considerations are also significant. There are considerable health hazards that Tamil Nadu citizens face because of industrial pollution. State needs resources to mitigate the adverse effects of pollution. This may require additional investment in cleaning water, restoring the quality of soil and air by forestation and other technical interventions. This also requires making additional provision for health services. Under the 'polluter pays principle', it is the final consumer of the goods and services which have used polluting inputs and resulted into localized pollution, who should pay for the pollution. However, in a destination based system of taxation, such as the GST, while the tax revenue will go to the destination state, pollution will largely remain in the 'producing state'. This factor should be taken into account while planning the transition to GST. The local bodies may have to play a role in the environmental management, particularly when the effect of pollution is largely localized.

The main forms of pollution are atmospheric pollution, land degradation and soil pollution, water pollution, and noise pollution. Many forms of pollution have adverse effects on the local and state population in terms of health and consequently on economic activities. There are two major groups of policy instruments for achieving pollution reduction: regulatory and market based economic instruments. Regulatory instruments prescribe emission standards or effluent limits. These require considerable information and involve significant administrative costs for implementation and monitoring. Market based instruments include taxes, subsidies, and trading instruments. In comparison with the regulatory policies, market based instruments may be able to reduce the costs of achieving a given level of environmental protection through incentives.

Environmental tax reforms (ETR) constitute indirect, self-monitoring, incentive-based changes in the tax structure to achieve environmental objectives. These have the potential to induce appropriate environmental decisions through instituting an incentive structure by raising the relative costs of polluting inputs and outputs.

In undertaking reforms of the taxation of goods and services one needs to ensure that the ecological tax reforms are an integral part of the overall tax reforms. It should be recognized that in a value added tax regime, input taxes are to be fully

rebated. As such, taxation of polluting inputs will be ineffective as the tax paid on the inputs will be fully rebated, unless a non-rebatable cess is levied on the inputs. The more appropriate method would be to tax outputs and introduce ecological considerations by taxing at a higher rate, outputs that are either polluting or use highly polluting inputs. Eco-taxes should be designed in an integrated way for taxation at the central, state and local levels. These should complement each other and should not be at cross purposes. Global sources of pollution or pollution where state boundaries are generally crossed should be taxed at the national level, regional sources at the state level, and pollution with strong local characteristics should be taxed at the local level. There should be inter-state coordination so that as result of taxation of polluting inputs and outputs, industries do not attempt to relocate in other states where eco-taxes are less stringent.

As is done in European Union and other countries, the environmental considerations within the framework of a comprehensive GST requires that on certain outputs non-rebatable special duties be levied. This may be the only ground for levy of such special duties. Some of the items that may be covered under this provision are petroleum and related products, products involving extensive use of coal, plastics, lead, metals, and alcoholic beverages the production of which involves pollution. Most of these items are the ones that have relatively inelastic demand. As such, these can also serve as an instrument providing flexibility to the states to take into account local conditions in determining the relevant rates of special duties. These can also help the states in at least partially absorbing the revenue impact of moving to GST.

Under the existing constitutional arrangements, the states have autonomy in respect of taxation powers for items under the State List. Such autonomy implies powers to fix the tax rates, define the tax bases, provide exemptions, and generally use the tax as an economic instrument for social and economic objectives. These objectives include employment, output growth and distributional considerations. Autonomy also means that the state governments can jointly determine their expenditure and revenue policies. The constitution has certain basic features. One needs to examine whether these basic features are disturbed in any way by the proposed amendments.

2.7 Proposed Constitutional Amendment for GST

The Central Government has recently introduced a Constitutional Amendment Bill (no.22 of 2011), which seeks to confer simultaneous power on Parliament as well as the State Legislatures including every Union territory with Legislature to make laws for levying goods and services tax on every transaction of supply of goods or services or both. The

proposed Central and State goods and services tax would be levied on all transactions involving supply of goods and services except those that are exempt or kept out of the purview of the goods and services tax.

Some of the key changes in the proposed GST related constitutional amendments relate to articles 246 and 249, articles 268, 270 and the Seventh Schedule. A summary of the key constitutional articles where amendments have been proposed is given in Table 2.4. Some of the implications of these changes are discussed subsequently.

Table 2.4: Key Proposed Constitutional Amendments and Related Articles

Article No.	Subject	Nature of Amendment
246A	Power to levy GST	Power extended to Parliament; Exclusive power to Parliament for GST in the course of inter-state trade and commerce
249 (1)	Council of States	Parliament to have overriding power in GST matters through the instrumentality of the Council of States
268	Service tax; Existing provision for services tax to be dropped.	States also to have power to levy service tax
269	GST on inter-state trade	Parliament also to levy; apportionment to be determined
270	Sharing of GST	Sharing of GST on the basis of recommendations of the Finance Commission
271	Surcharges	Centre to have power to levy surcharge except on GST
279 A	Goods and Services Tax Council	Composition of the Goods and Services tax Council and the responsibilities of the GST Council
279 B	GST Dispute Settlement Authority	Constitution of the GST Dispute Settlement Authority and responsibilities
286	Imports and sale outside the state	Parliament to have exclusive jurisdiction of GST matters in respect of imports and sale outside the state
287	Consumption of electricity by central government institutional authorities in states	Earlier exemption to be withdrawn
366 and 29A	Definition of goods and definition of sale of goods and services	Definition of goods to exclude: Petroleum crude; High speed diesel; Motor spirit (commonly known as petrol); Natural gas; Aviation turbine fuel; and Alcoholic liquor for human consumption Supply to cover lease based supply of goods and services and works contracts
Seventh Schedule:	Entries 84 and 92 C	Services to be added to the state list Excise tax in the State List on (a) on tobacco and tobacco products; (b) Petroleum crude; (c) high speed diesel; (d) motor spirit (commonly known as petrol) (e) Natural Gas; and (f) aviation turbine fuel.

a. Article 246A and 248

Some of the main changes are discussed below. The proposed amendment to article 246 provides is as follows.

246A. Notwithstanding anything contained in articles 246 and 254, Parliament and the legislature of every State, have the power to make such laws with respect to the goods.

Seventh Schedule

With respect to the Seventh Schedule, the following amendments are proposed.

For the Union List, for entry 84, the following will be the modified entry.

84. Duties of excise on the following goods manufactured or produced in India namely:-

- (a) Petroleum crude;
- (b) high speed diesel;
- (c) (d) motor spirit (commonly known as petrol)
- (d) Natural Gas
- (e) aviation turbine fuel; and
- (f) tobacco and tobacco products;

Entry 92 and 92 C, which mentions 'Taxes on Services' are to be omitted.

For the State List, the following are the proposed changes.

- (i) for entry 52, the following entry shall be substituted, namely:—
"52. Taxes on the entry of goods into a local area for consumption, use or sale therein to the extent levied and collected by a Panchayat or a Municipality";
- (ii) for entry 54, the following entry shall be substituted, namely:—
"54. Taxes on the sale, other than sale in the course of inter-State trade or commerce or sale in the course of international trade and commerce of, petroleum crude, high speed diesel, natural gas, motor spirit (commonly known as petrol), aviation turbine fuel and alcoholic liquor for human consumption.";
- (iii) entry 55 shall be omitted;
- (iv) for entry 62, the following entry shall be substituted, namely:—
"62. Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council.".

The proposed amendment opens up the possibility of local bodies to play a role in the collection of taxes. While the entry tax cannot be levied by the state government, local bodies can be allowed to levy it. Similarly, the local bodies can levy the entertainment tax. For environment management also the local bodies will have a crucial role to play.

2.8 Summary

This Chapter has demonstrated how to compute revenue neutral rate (RNR) for Tamil Nadu if the proposed GST is imposed. Tamil Nadu may incur a loss. However, for purposes of our projections in Chapter 5, we have assumed that although Tamil Nadu will experience a revenue loss, the State will be compensated for this loss by the Central Government as grants have been provided by the Thirteenth Finance Commission for this purpose, and the Central Government has promised from time to time that it can allocate more resources for the purpose, if required.

Chapter 3

TAMIL NADU ECONOMY: KEY FEATURES

In this Chapter, we highlight the key features of the economy of Tamil Nadu, since revenue performance is dependent on the growth prospects. Tamil Nadu makes up only 4 percent of India's land area but accounts for almost 5.96 percent of the India's population of 1210 million as enumerated in the 2011 census. Tamil Nadu, one of the comparatively developed states in the country, ranks fifth in terms of per capita (GSDP) income² and third in terms of industrial development among the major Indian states (2009-10). Its GSDP comes largely from the non-agricultural sector. Tamil Nadu has also done well in terms of human development indicators.³ Three key features of the Tamil Nadu economy are (i) growing share of services sector, (ii) growing urbanization of population and (iii) growing urbanization of poverty. The central challenge is to absorb population migrating from rural to urban areas into productive activities by devoting much larger resources to education and ensuing high, sustained and inclusive growth.

3.1. Structure of GSDP

The structure of gross state domestic product (GSDP) in many states, particularly in Tamil Nadu has been shifting away from agriculture towards non-agriculture, particularly services. The share of agriculture in total GSDP (in 1999-00 prices) in 1993-94 was about 23 percent and the shares of secondary and tertiary sectors were 33.7 and 41.5 percent respectively (not shown). As indicated in Table 3.1, the share of agriculture declined to about 12 percent in 2004-05 (at 2004-05 prices) and further to about 9 percent in 2009-10. During 2004-05 to 2009-10, the share of secondary sector declined marginally from was 30.9 percent to 27.4 percent. At the same time, the contribution of tertiary sector increased from about 57.2 percent to about 63.5 percent.

Comparing the share of workforce in different sectors with those in GSDP, we have noted that the primary sector has a share in employment (43.8 percent in 2007-08) that is far exceeding its share in output (11.85 percent in 2007-08). Correspondingly, the services sector employs far less than its share in GSDP. It is only the secondary sector that contributes to a share in employment at 28.7 percent in 2007-08 and is comparable with its share in GSDP in 2004-05 at 29.3 percent.

² Next only to Haryana, Maharashtra, Gujarat, and Punjab.

³ It ranks third in terms of literacy rate and fourth in female literacy in 2011.

Table 3.1: Structural Changes in Tamil Nadu Economy: Share of GSDP at 2004-05 Prices

	(Percent)					
Sectors	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Primary <i>of which</i>	11.96	11.81	11.58	10.46	9.76	9.16
Agriculture	9.70	9.51	9.55	8.57	7.96	7.45
Secondary <i>of which</i>	30.87	30.52	30.00	29.24	27.43	27.39
Manufacturing	19.81	19.98	20.86	19.80	19.09	19.47
Tertiary <i>of which</i>	57.16	57.67	58.42	60.30	62.80	63.45
Trade, hotels etc.	17.04	17.54	18.39	18.12	17.68	17.33
Real Estate, ownership etc.	10.49	10.72	10.81	11.92	13.26	14.38
Transport, Storage & Communication	9.26	9.13	9.03	9.35	9.91	9.85
GSDP (2004-05 prices)	100.00	100.00	100.00	100.00	100.00	100.00

Source (Basic Data): Government of India, Central Statistical Organisation.

Table 3.2: Composition and Growth of Sectoral Employment

Sectors	1993-94	1999-00	2004-05	2007-08*
<i>Composition of Work Force (in Lakh)</i>				
Primary	154.81	145.65	127.42	122.16
Secondary	62.43	68.53	84.87	80.05
Tertiary	68.36	75.56	94.37	76.70
Total	285.6	289.74	306.66	278.91
<i>Sectoral Shares (percent)</i>				
Primary	54.21	50.27	41.55	43.80
Secondary	21.86	23.65	27.68	28.70
Tertiary	23.94	26.08	30.77	27.50
Total	100	100	100	100
<i>Growth Rates (percent)</i>				
Primary		-5.92	-12.52	-4.13
Secondary		9.77	23.84	-5.68
Tertiary		10.53	24.89	-18.72
Total		1.45	5.84	-9.05

Source: Government of Tamil Nadu (2007), Eleventh Five Year Plan 2007-2012.

* NSS 64th Round (2010), Employment and Unemployment Situation in India: 2007-08.

Table 3.2 indicates sectoral shares of employment and corresponding growth rates in recent years. It can be seen that the growth rates in agriculture employment during 1993-94 to 1999-00, 1999-00 to 2004-05 and 2004-05 to 2007-08 were negative. Between these periods, the agriculture share in total employment had progressively come

down. Correspondingly, shares of other sectors had gone up (except the tertiary between 2004-05 and 2007-08). The employment pattern indicates that there will be a growing number of job-seekers moving towards the non-agricultural sectors and urban areas, putting pressure on the urban services and urban infrastructure.

3.2. Sectoral Growth Pattern

Table 3.3 shows the sectoral growth pattern during 2004-05 to 2009-10. The average growth in the primary sector (including agriculture) has been low. The average annual growth rate in agriculture was 4.3 percent. In 2007-08 and 2008-09, growth rates of the primary sector and agriculture have been negative due to bad monsoon. The growth rates of manufacturing and tertiary sectors also declined significantly in those years due to global slow down. As a result, the overall GSDP growth also declined significantly. In 2009-10, the growth rates of agriculture and manufacturing improved.

Table 3.3: Annual Growth Rates: GSDP at Constant Prices

	(Percent)					
Sectors	2005-06	2006-07	2007-08	2008-09	2009-10	Average
Primary <i>of which</i>	11.87	12.64	-4.34	-1.30	2.19	4.21
Agriculture	11.19	15.28	-4.94	-1.72	1.98	4.36
Secondary <i>of which</i>	12.01	12.91	3.23	-0.76	8.79	7.24
Manufacturing	14.27	19.94	0.49	1.98	11.13	9.56
Tertiary <i>of which</i>	14.33	16.33	9.32	10.17	10.09	12.05
Trade, hotels etc.	16.62	20.46	4.31	3.20	6.79	10.28
Real Estate, ownership etc.	15.87	15.84	16.80	17.59	18.19	16.86
Transport, Storage & Communication	11.78	13.50	9.76	12.06	8.32	11.08
GSDP (2004-05 prices)	13.32	14.85	5.91	5.77	8.96	9.76
<i>GDP (2004-05 prices) factor cost</i>	9.49	9.71	9.22	6.72	7.44	8.52

Source (Basic Data): Government of India, Central Statistical Organisation.

Chart 3.1 shows the sectoral growth pattern in Tamil Nadu. All three sectors went through a recession in 2007-08 and 2008-09. After that the growth of primary sector slightly increased and that of secondary improved significantly. Thus, there has been deceleration in the annual growth of all sectors in the last three years. The formulation of a medium to long term fiscal strategy require to take into account the changing structure of the state economy and economic slowdown in the recent years.

Chart 3.1: Sectoral Growth in Tamil Nadu

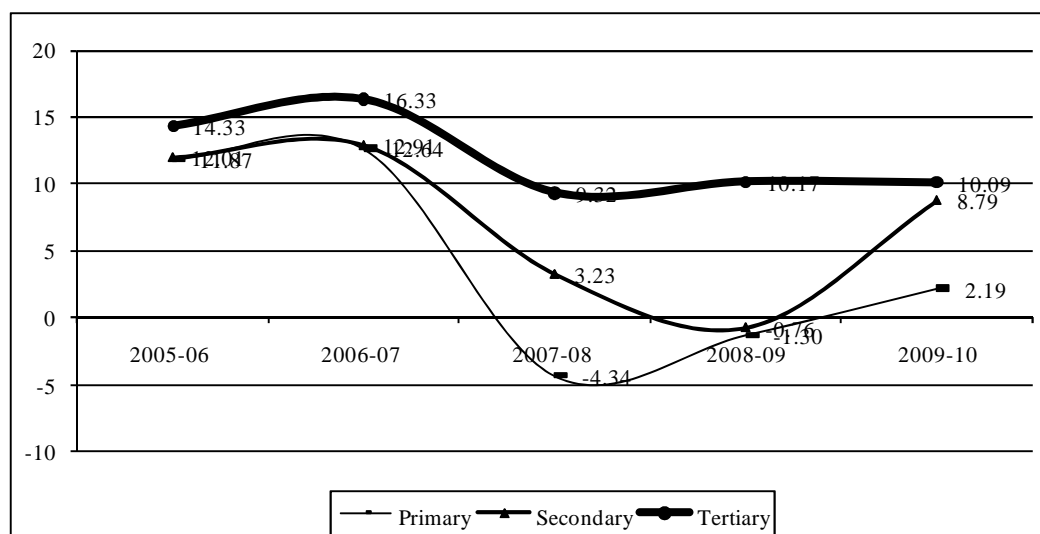


Table 3.4 shows the likely sectoral structure of the Tamil Nadu economy with alternative assumptions regarding growth rates during 2010-11 to 2019-20. In the first case, when average growth rates during 2004-05 to 2009-10 are used, the share of agriculture may shrink to 5.7 percent in 2014-15 and further to 4.5 percent by 2019-20.

Table 3.4: Changing Structure of GSDP in Tamil Nadu: Future Outlook
Alternative Scenarios: Shares in 2014-15 and 2019-20

		(Percent)								
Sectors	Growth	2010	2011	2012	2013	2014	2016	2017	2018	2019
Matrix	-11	-12	-13	-14	-15	-17	-18	-19	-20	
Scenario 1										
Primary	4.21	8.67	8.21	7.77	7.34	6.94	6.55	6.18	5.83	5.50
Agriculture	4.36	7.07	6.70	6.35	6.01	5.69	5.38	5.08	4.80	4.53
Secondary	7.24	26.70	26.01	25.32	24.64	23.95	23.28	22.61	21.95	21.29
Tertiary	12.05	64.63	65.78	66.91	68.02	69.11	70.17	71.21	72.22	73.21
GSDP		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Scenario 2										
Primary	4.00	8.69	8.25	7.83	7.42	7.04	6.67	6.32	5.98	5.66
Agriculture	4.00	7.08	6.72	6.37	6.04	5.73	5.43	5.14	4.87	4.61
Secondary	8.00	27.01	26.62	26.22	25.82	25.42	25.02	24.61	24.20	23.80
Tertiary	11.00	64.30	65.13	65.95	66.75	67.54	68.31	69.07	69.81	70.54
GSDP		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

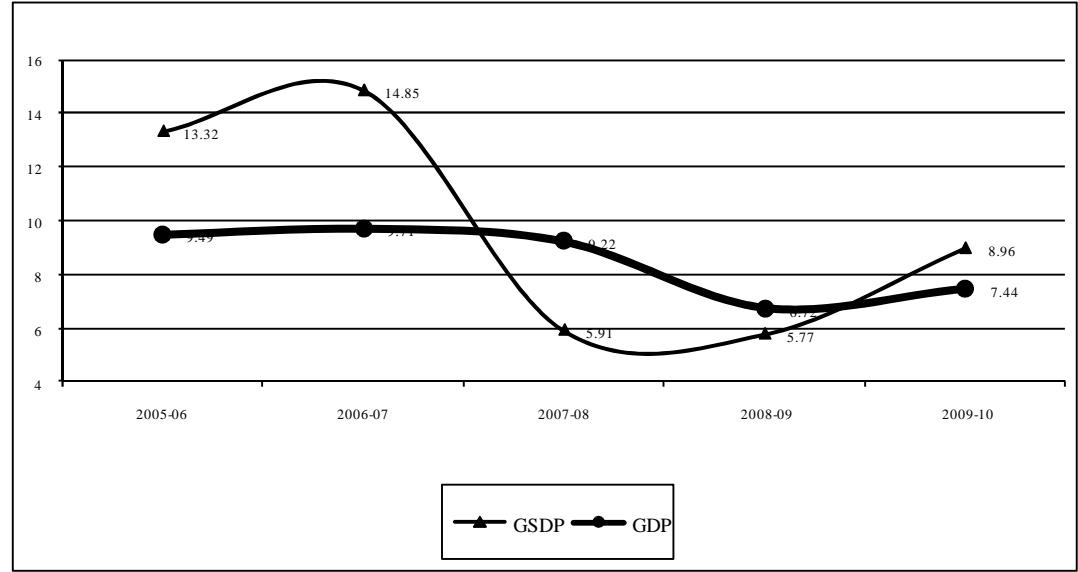
Source: Computed by authors.

The next scenario is based on more optimistic projections of growth rates of all sectors. With 4 percent growth rate, the share of agriculture goes down to 5.7 by 2014-15. These structural changes have significant implications for the growth of employment in the economy.

3.3. Comparing Tamil Nadu Growth with GDP Growth

Comparing the growth performance Tamil Nadu (at constant prices) with growth of the country during 2005-06 to 2009-10, three features stand out: (a) in the initial two years, Tamil Nadu compared well with the all India growth, b) during the recession (2007-08 and 2008-09), the state compared poorly with all India performance, and (c) in 2009-01, the revival in Tamil Nadu was faster than that in all India. Thus, growth rate of Tamil Nadu has been more than the GDP growth in some years but the reverse is also true for some other years. In general, there is greater volatility in Tamil Nadu’s growth rate as compared to the GDP growth rate (Chart 3.2). Thus, GSDP growth in Tamil Nadu, roughly follows the path of GDP growth. But when GDP rises, TNGSDP rises even faster and when GDP falls, TNGSDP falls even faster.

Chart 3.2: Growth Rate of Tamil Nadu GSDP and the Overall GDP Growth of the Economy



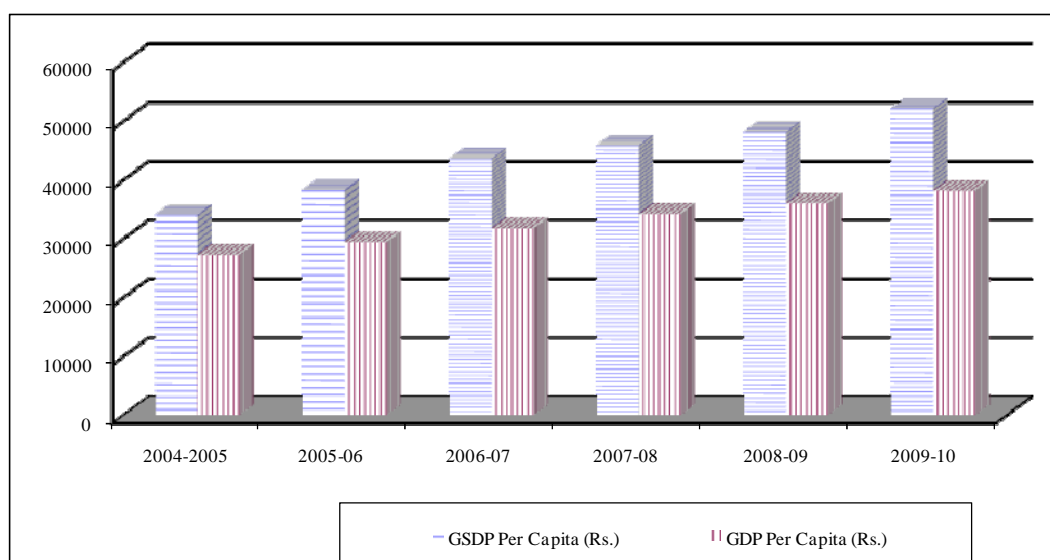
During 2005-06 to 2009-10, the average growth of per capita GSDP (in constant prices) of Tamil Nadu was 8.96 percent and that of all India was 6.97. During this period, the per capita income of the state was higher than that of the nation (Table 3.5 and Chart 3.3)

Table 3.5: Growth of Per Capita Income (in 2004-05 prices)

Details	2004-2005	2005-06	2006-07	2007-08	2008-09	2009-10
GSDP Per Capita (Rs.)	34034	38261	43606	45846	48151	52112
Growth Rate (%)		12.42	13.97	5.14	5.03	8.23
GDP Per Capita (Rs.)	27251	29379	31770	34213	36005	38155
Growth Rate (%)		7.81	8.14	7.69	5.24	5.97

Source (Basic Data): Government of India, Central Statistical Organisation.

Chart 3.3: Per Capita Income: Tamil Nadu and All India (2004-05 prices)



Given that the share of secondary and tertiary sectors in Tamil Nadu are higher than that in the all-India GDP, and since these are the high growth sectors, it is desirable for Tamil Nadu to aim at a growth rate that is at least 1.5 to 2.0 percentage points higher than the National GDP growth rate on a sustained basis. If the real GDP growth rate is likely to average at about 9 percent, the Tamil Nadu GSDP should be targeted to grow at 10 to 10.5 percent to 11 percent per annum in the medium term. Given Tamil Nadu's decadal population growth (2001-2011) of 15.6 percent as against the nation's growth of 17.64 percent, this could translate into higher growth in per capita income of about 2.0

to 2.5 percentages to the average for India. This will require attracting considerable investment from the rest of India and abroad. These trends will lead to a reduction in rural poverty both by reduction of the head count ratio in rural areas and migration of some poor to the urban areas. There will be a significant impact on poverty reduction in Tamil Nadu provided policies are in place to absorb larger and larger people migrating out of agriculture into the fast growing services sector.

3.4 Poverty in Tamil Nadu

Tamil Nadu has been very successful in reducing rural poverty. Table 3.6 summarises the improvement in the poverty profile in Tamil Nadu over time. Apart from the Head Count Ratio (HCR), it also gives the number of poor persons in the rural, urban and combined categories. During the period 1973-74 to 2004-05, the number of total poor decreased from 2.4 crore to nearly 1.46 crore. However, all of this reduction in the number of poor comes from rural areas. The number of urban poor actually increased over time in absolute terms reaching a peak of 80.4 lakh in 1993-94. After 1993-94, there was a reduction in the number of urban poor but even in 2004-05 the absolute number of urban poor was larger than that in 1973-74.

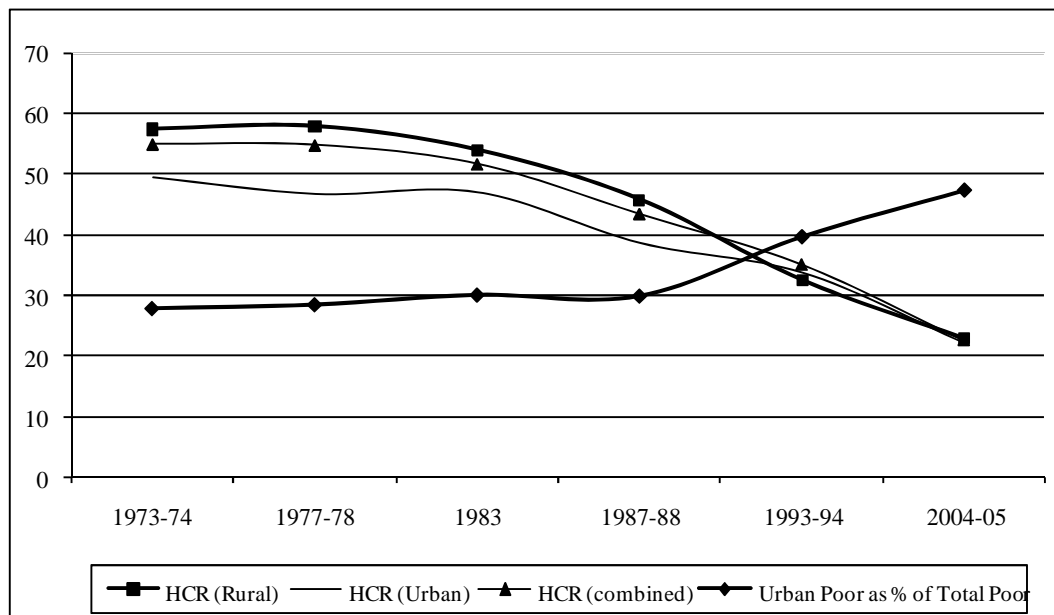
Table 3.6: Poverty in Tamil Nadu: Improvement Over Time

Years	Rural		Urban		Combined		% of Urban Poor to Total
	No. of Persons (Lakh)	% of Persons	No. of Persons (Lakh)	% of Persons	No. of Persons (Lakh)	% of Persons	
1973-74	172.60	57.43	66.92	49.40	239.52	54.94	27.94
1977-78	182.50	57.88	72.97	46.69	255.47	54.79	28.56
1983	181.61	53.99	78.46	46.96	260.07	51.66	30.17
1987-88	161.80	45.80	69.27	38.64	231.07	43.39	29.98
1993-94	121.70	32.48	80.40	33.77	202.10	35.03	39.78
2004-05	76.50	22.80	69.13	22.20	145.62	22.50	47.47

Source (Basic Data): Government of India, Press Information Bureau.

Chart 3.4 indicates the progress in reducing the head count ratio in Tamil Nadu for rural, urban and combined. It will be noted that the urban poverty HCR exceeded that of the rural poverty HCR during the nineties. From 1993-94 onwards, the share of urban poor in total poor increased significantly.

Chart 3.4: Head Count Ratios in Tamil Nadu and Urban Poor as % of Total Poor



3.5. Income Growth: Inter-District Profile

There are 30 districts in Tamil Nadu that are listed in Table 3.7. Coimbatore district was the first in terms of its average (Gross District Domestic Products in 1999-2000 prices) share in total GSDP of the state (9.7 percent) during the Tenth Plan period (2002-03 to 2006-07), followed by Chennai with 8.69 percent and Thiruvallur district with 5.5 percent. These three districts along with Vellore and Kancheepuram contributed about 35 percent of total income of the state during the Tenth Plan period.

The above 5 districts with Salem, Erode, Thirunelveli, Madurai, Thiruchirappalli and Virudhunagar jointly contributed more than 60 percent of total GSDP produced in the state. They also jointly accounted for about 63 percent of total GSDP services, about 67 percent of GSDP industry and about 41 percent of GSDP agriculture. Each of their share in GSDP services of the state exceeded more than 4 percent except Virudhunagar and each of their industrial share was close to 5 percent or more in total industrial GSDP, except Thiruchirappalli and Madurai. It is noticed that they recorded 8 percent or more than 8 percent growth of services sector (except Chennai with 6.7 percent) and 9 percent or more than 9 percent growth of industrial sector except Kancheepuram with 8.2 percent and Chennai with 8.52 percent during 2002-03 to 2006-07.

Table 3.7: District Wise Average Shares of GDDP and Growth (at 1999-00 prices) during the Tenth Plan Period (2002-03 to 2006-07)

Districts	% Share of State Total				Average Annual Growth (%)				Agri. Share in GDDP (%)
	GDDP	Agri-culture	Indus-try	Ter-tiary	GDDP	Agri-culture	Indus-try	Ter-tiary	
Perambalur	0.83	2.42	0.42	0.69	2.60	3.34	2.42	1.94	32.24
The Nilgiris	1.14	2.08	0.89	1.11	7.58	3.10	14.76	7.68	20.26
Thiruvavur	1.17	2.44	0.53	1.27	7.08	14.08	6.51	6.00	23.06
Theni	1.33	2.76	0.82	1.33	5.03	2.56	9.60	5.05	22.96
Sivagangai	1.41	1.40	1.08	1.56	7.28	0.70	8.82	8.62	11.00
Ramanathapuram	1.55	1.69	0.91	1.45	5.27	5.37	10.18	7.38	12.03
Karur	1.58	1.67	1.61	1.59	10.70	4.87	16.85	9.60	11.68
Dharmapuri	1.70	3.57	1.40	1.53	8.42	10.01	7.39	10.08	23.22
Pudukottai	1.74	2.19	1.31	1.65	6.74	0.43	11.63	8.17	13.90
Nagapattinam	1.80	2.56	0.93	1.66	7.97	19.00	9.58	6.63	15.70
Krishnagiri	2.16	2.73	2.46	1.95	13.01	9.59	19.95	11.40	13.97
Thiruvannamalai	2.18	3.75	1.85	2.09	7.35	6.57	9.94	8.05	19.07
Villupuram	2.66	5.02	1.85	2.65	6.94	4.89	10.52	7.83	20.86
Namakkal	2.84	6.11	2.79	2.32	8.72	9.00	12.00	9.38	23.79
Dindigul	2.85	4.52	2.60	2.71	7.85	5.64	9.86	7.94	17.50
Thanjavur	2.86	4.33	1.58	3.23	7.87	6.36	9.75	8.46	16.70
Thoothukodi	3.04	2.92	2.92	3.03	7.74	0.61	8.54	9.19	10.63
Cuddalore	3.17	4.94	1.86	2.95	7.85	2.54	9.80	10.33	17.20
Kanniyakumari	3.23	2.24	4.76	2.60	10.32	3.37	13.76	9.69	7.69
Virudhunagar	4.00	2.04	6.99	2.90	8.70	7.74	8.86	8.99	5.63
Thiruchirappalli	4.18	3.57	2.95	5.05	9.52	2.37	9.38	11.07	9.45
Madurai	4.23	2.73	3.46	5.05	8.60	2.98	10.01	9.18	7.13
Thirunelveli	4.36	4.07	4.92	4.16	8.79	10.10	9.88	8.54	10.34
Erode	4.54	6.50	4.47	4.34	8.00	9.27	9.26	8.67	15.82
Salem	4.76	4.52	5.84	4.35	8.18	3.68	10.01	9.46	10.51
Kancheepuram	5.35	2.57	5.98	5.64	8.40	-3.64	8.22	10.34	5.32
Vellore	5.40	4.14	6.41	5.23	8.83	1.33	10.64	9.59	8.48
Thiruvallur	5.55	2.87	7.24	5.32	10.08	0.80	10.88	10.79	5.72
Chennai	8.69	0.74	5.65	12.04	6.89	-6.64	8.52	6.68	0.94
Coimbatore	9.70	6.91	13.51	8.55	11.08	9.53	14.00	9.56	7.88
Tamil Nadu	100.00	100.00	100.0	100.0	8.47	4.26	10.55	8.85	11.06

Districts are arranged according to their shares in GSDP.

Source (Basic Data): Department of Economics and Statistics, Chennai.

Poor ten districts, contributing each less than 2 percent of GSDP were Perambalur, The Nilgiris, Thiruvavur, Theni, Sivagangai, Ramanathapuram, Karur, Dharmapuri, Pudukkottai, and Nagapattinam. They jointly accounted for about 14 percent of total GSDP of the state. Their sectoral contributions were also low. They jointly contributed only 9.9 percent of GSDP industry, 13.8 percent of GSDP services and 23 percent of GSDP agriculture.

Coimbatore ranked first in terms of its contribution to agriculture (6.9 percent) followed by Erode (6.5 percent) and Namakkal (6.1 percent). It also ranked first in industrial share (13.5 percent), followed by Thiruvallur (7.4 percent) and Virudhunagar (6.99 percent). Chennai ranked first in terms of contribution of services GSDP of 12.04 percent, followed by Coimbatore with 8.55 percent and Kancheepuram with 5.64 percent. Perambalur obtained the lowest rank in terms of contributions to industry and services.

The per capita income is widely used as a measure of relative regional economic development. Among 30 districts in Tamil Nadu, Virudhunagar (Rs. 46143) and Coimbatore (Rs. 44684) ranked first and second in per capita income (real) in 2006-07 (this is the latest year for which the district wise income data are available). Kanniyakumari obtained third rank. Perambalur (Rs. 13068), Villupuram (Rs. 18179) and Tiruvannamalai (Rs. 20301) districts were the poorest, occupying the last three ranks.

It is noted that the per capita income of the top ranked district is about 3.5 times larger than that of the poorest district (i.e., the latter is only 28.3 per cent of the former). The per capita income of the state was about Rs. 31986 in 2006-07. In 17 districts (out of 30), the per capita income was below the per capita income of the state (Table 3.8).

We can define an index of deficiency in order to highlight those districts that are the lowest in terms of per capita income (HDI) as well as the extent by which they fall below the average income (HDI) of the state. The index for i^{th} district is defined as:

$$\text{Index of Deficiency } (I_i) = \frac{[\text{Maximum} - \text{Actual}_i]}{\text{Average for the State}} \times 100$$

Thus, the index I is given by $[I_{\text{max}} - A_i] / I_a \times 100$ where, I_{max} = maximum (per capita income/HDI) value among all districts; A_i = actual (per capita) value of the concerned district and I_a = average (per capita or HDI) value of the state. Table 3.8

shows the per capita income index of deficiency for various districts in Tamil Nadu in 2006-07.

This index of deficiency can be used to impart a degree of progressivity in the distribution of resources among the local bodies.

Table 3.8: District wise Per Capita Income and Index of Deficiency: 2006-07

(Rs. in 1999-00 Prices)

Rank*	Districts	Per Capita Income	Index of Deficiency	Rank	Districts	Per Capita Income	Index of Deficiency
30	Perambalur	13068	103.40	15	Vellore	30696	48.29
29	Villupuram	18179	87.43	14	Salem	30742	48.15
28	Thiruvannamalai	20301	80.79	13	Thirunelveli	32449	42.81
27	Thiruvarur	21408	77.33	12	Madurai	33595	39.23
26	Pudukottai	23321	71.35	11	Erode	34941	35.02
25	Sivagangai	24076	68.99	10	Karur	35219	34.15
24	Theni	24110	68.88	9	Thiruchirappalli	35518	33.22
23	Ramanathapuram	25179	65.54	8	Kancheepuram	36097	31.41
22	Dharmapuri	25677	63.98	7	Chennai	37941	25.64
21	Nagapattinam	25835	63.49	6	Namakkal	38180	24.90
20	Thanjavur	26083	62.71	5	Thiruvallur	38255	24.66
19	Cuddalore	27780	57.41	4	Thoothukodi	38354	24.35
18	Krishnagiri	28056	56.55	3	Kanniyakumari	41436	14.72
17	The Nilgiris	28895	53.92	2	Coimbatore	44684	4.56
16	Dindigul	29608	51.69	1	Virudhunagar	46143	0
Tamil Nadu State		31986	44.26	C.V.		25.80%	50.44%

Source: Department of Economics and Statistics, Chennai; * Ranks in higher per capita income; CV=coefficient of variation (=standard deviation/mean).

We can observe from Table 3.7 that the relatively high-income districts are associated with a less share of agriculture sector in district income. Interestingly, almost all the poorest districts fall in the eastern part of the state below Kanchipuram and Vellore. The districts with the highest incomes (above the state average) are in 3 segments: at the top in the middle of the southern part (Virudhunagar, Kanniyakumari, Tuticorin, Thiruchirappalli), in the east (Tiruvallur, Chennai, and Kanchipuram) and in the northwestern part (Coimbatore, Namakkal, Karur, and Erode). The poorest district Perambalur was adjacent to the richer district Tiruchirappalli and the other poorest districts Thiruvannamalai and Villupuram are adjacent to the two richer districts (Chennai

and Kanchipuram). It seems that prosperity did not spread to the neighboring districts from Chennai, Kanchipuram and Tiruchirappalli. Since 17 out of 30 districts have a per capita income below the state average and the per capita income of the poorest district is only 35 percent of that of the richest district, we may infer that the inter-district distribution of income is much skewed.

3.6. Summary

In this Chapter, we have briefly reviewed the key features of Tamil Nadu economy. Tamil Nadu is one of the fastest growing states in the country. During 2005-06 to 2009-10, the real growth of its economy was 9.76 percent per annum as against the All-India average rate of growth of 8.52 percent. Its GSDP has come mainly from services, which grow at more than 12 percent per annum. Tamil Nadu has the potential to grow more than 10 percent per annum. The per capita income of Tamil Nadu has been higher than that of the Nation. However, the inter district distribution of income is much skewed.

Chapter 4

STATE FINANCES: REVIEW OF TRENDS

Tamil Nadu has managed its finances in a fiscally prudent manner. Like all other State Governments, Tamil Nadu had also witnessed a serious deterioration in various indicators of fiscal balance towards the end of the nineties and the early years of the current decade including large revenue deficits, and large fiscal deficits relative to GSDP. But these imbalances were brought under prudent limits in the framework of Fiscal Responsibility and Budget Management Act (FRBMA), which was enacted in 2003, making Tamil Nadu one of the first states to enact such legislation even prior to the recommendation of the Twelfth Finance Commission.

Table 4.1 provides the details of major fiscal aggregates-absolute as well as relative to GSDP (2004-05 series) over the period 2004-05 to 2011-12 BE. For a detailed break-ups, refer to Annexure Tables A1-A2.

4.1 Evolution of Fiscal Imbalance

Focusing first on fiscal imbalance, it is observed that the revenue deficit was only 0.32 percent of GSDP in 2004-05. Since 2005-06, the revenue account in Tamil Nadu has been in surplus, meeting the Fiscal Responsibility and Budget Management Act (FRBMA) targets (Chart 4.1). However, in 2009-10, the revenue account showed a deficit of 0.8 percent of GSDP. In 2011-12 BE, the revenue deficit is about 0.1 percent.

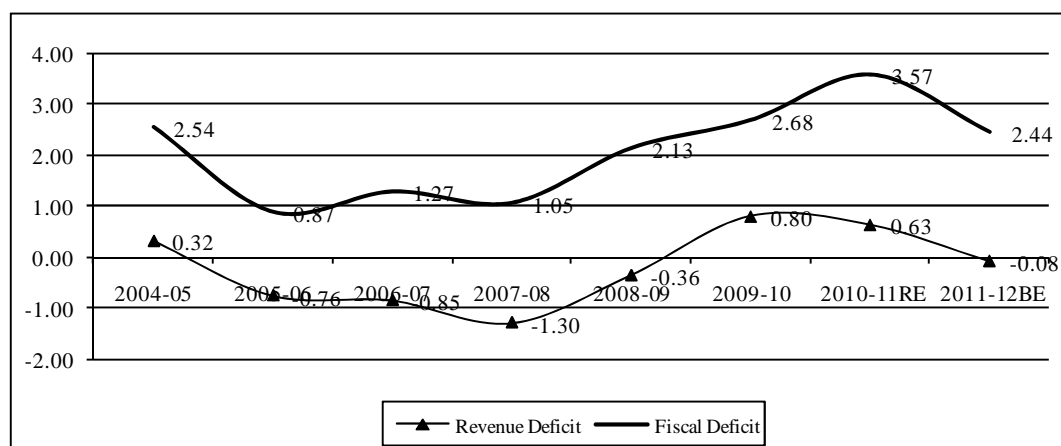
During 2004-05 to 2009-10, the fiscal deficit relative to GSDP was kept below 3 percent, signaling achievement of the FRBMA target. But in 2010-11 RE, it is shown to be 3.57 percent. This could be mainly because of a sudden 0.8 percentage point increase of capital outlay-GSDP ratio in that year over the previous year.

Table 4.1: Tamil Nadu State Finances: Selected Fiscal Aggregates

Fiscal Indicators	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11RE	2011-12BE
Rs. Crore								
Own Tax Revenues	19357	23326	27771	29619	33684	36547	49125	53783
Own Non-tax Revenues	2208	2601	3423	3296	5712	5027	4721	4811
State's Own Revenue	21565	25926	31193	32915	39396	41574	53846	58594
Total Central Transfers	6886	8033	9720	14597	15646	14270	18568	20819
Share in Taxes and Duties	4236	5013	6394	8066	8511	8756	11757	13375
Grants	2650	3020	3326	6532	7135	5514	6811	7445
Total Revenue Receipts	28452	33960	40913	47512	55042	55844	72414	79413
Total Revenue Expenditure	29155	32009	38265	42975	53590	59375	75543	78974
Revenue Surplus/Deficit	-703	1951	2648	4545	1452	-3531	-3129	439
Fiscal surplus/deficit	-5570	-2251	-3956	-3686	-8548	-11807	-17608	-13507
Capital Outlay	4564	4055	5952	7462	9104	8573	13575	13131
Outstanding liabilities	49819	57457	60170	64655	74858	88883	101541	119001
GSDP (current price)	219234	257730	310978	350785	402082	441164	493045	553000
As Percent of GSDP								
Own Tax Revenues	8.83	9.05	8.93	8.44	8.38	8.28	9.96	9.73
Own Non-tax Revenues	1.01	1.01	1.10	0.94	1.42	1.14	0.96	0.87
State's Own Revenue	9.84	10.06	10.03	9.38	9.80	9.42	10.92	10.60
Total Central Transfers	3.14	3.12	3.13	4.16	3.89	3.23	3.77	3.76
Share in Taxes and Duties	1.93	1.94	2.06	2.30	2.12	1.98	2.38	2.42
Grants	1.21	1.17	1.07	1.86	1.77	1.25	1.38	1.35
Total Revenue Receipts	12.98	13.18	13.16	13.54	13.69	12.66	14.69	14.36
Total Revenue Expenditure	13.30	12.42	12.30	12.25	13.33	13.46	15.32	14.28
Revenue Surplus/Deficit	-0.32	0.76	0.85	1.30	0.36	-0.80	-0.63	0.08
Fiscal surplus/deficit	-2.54	-0.87	-1.27	-1.05	-2.13	-2.68	-3.57	-2.44
Capital Outlay	2.08	1.57	1.91	2.13	2.26	1.94	2.75	2.37
Outstanding liabilities	22.72	22.29	19.35	18.43	18.62	20.15	20.59	21.52

Source (Basic Data): State Budget Documents of Tamil Nadu, various years; Up to 2008-09, the GSDP (current prices-2004-05 base series) data from CSO are used and after that year, the projected GSDP figures given by SFC are used.

Chart 4.1: Revenue and Fiscal Deficit as Percent of GSDP: Tamil Nadu



Historically, Tamil Nadu has been one of the better performers in maintaining fiscal discipline. Table 4.2 places Tamil Nadu relative to other general category (southern) states in terms of four important indicators of fiscal performance in 2009-10.

Table 4.2: Tamil Nadu in Inter-State Comparison: Selected States: 2009-10 (RE)
(Percent)

States	Interest Payments to Revenue Expenditure	Interest Payments to Revenue Receipts	Own Tax Revenue/ Revenue Expenditure	Revenue Deficit/ Fiscal Deficit	Capital Outlay/ Fiscal Deficit
Andhra Pradesh	12.06	11.61	53.89	-20.60	112.06
Karnataka	11.45	11.31	63.96	-4.78	96.94
Kerala	17.00	19.61	56.86	60.94	28.98
Tamil Nadu	11.34	12.39	59.68	39.04	66.94
All States	13.57	14.36	42.80	21.59	74.23

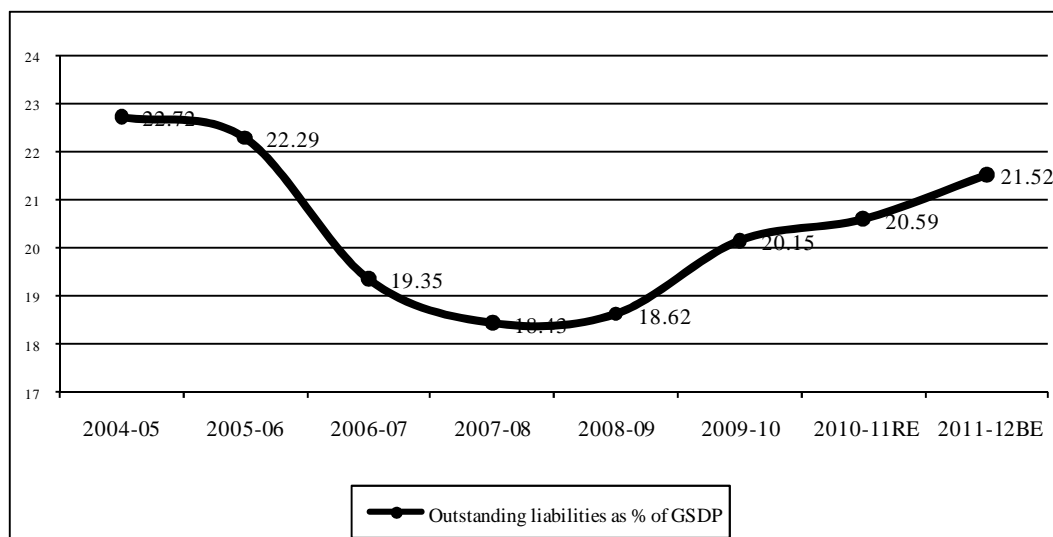
Source (Basic Data): Reserve Bank of India, State Finance: A Study of State Budgets, 2010-11.

4.2 Outstanding Liabilities and its Determinants

The accumulation of primary deficit, that remains un-neutralized by the excess of growth over interest rate results in an increase in outstanding liabilities of the government. In Tamil Nadu, the outstanding liabilities relative to GSDP was 22.72 percent in 2004-05. After this year, it started falling and reached 18.43 percent level in 2007-08 (Chart 4.2). Then it started increasing and was slated to be at 21.52 percent in 2011-12 BE. This may be an acceptable level considering that the Twelfth Finance Commission (TFC) has suggested an overall target of 28 percent for the states as a whole.

The TFC has recommended debt relief to the states in the form of restructuring of all central loans with state governments as on March 31, 2005 by consolidating and rescheduling at 7.5 percent interest rate repayable over twenty years. This was made conditional on a state enacting a Fiscal Responsibility Legislation, which Tamil Nadu government had already enacted in 2003. With some amendment, Tamil Nadu became eligible for the benefit of rescheduling and debt write-off. As a result, Rs. 6872 crore of outstanding central loans on Tamil Nadu government's books were to be restructured. The interest gain is estimated at Rs. 1195 crore in Tamil Nadu's case over the period 2005-10. The TFC had also recommended debt write-off linked to reduction in the revenue deficit of the state government. Under the scheme, a certain proportion of repayment of rescheduled debt is to be written off by Government of India over the period 2005-06 to 2009-10. The quantum of write-off is linked to the absolute amount of reduction in the revenue deficit each year with the ultimate objective of eliminating the revenue deficit by 2008-09.

Chart 4.2: Profile of Tamil Nadu State Debt Relative to GSDP



4.3 Own Tax Revenues

Relative to GSDP, own tax revenues in Tamil Nadu have historically been one of the highest among states for many years. The ratio of own tax revenues to GSDP remained below 9 percent for most years in the nineties (not shown).

In 2005-06 it increased marginally to 9.05 percent from 8.83 percent in 2004-05. After that it started declining and reached 8.28 percent level in 2009-10 (Table 4.1). However, it is slated to be at 9.96 percent in 2010-11 RE (and 9.73 percent in 2011-12 BE). Chart 4.3 also indicates this upward rise in the own tax to GSDP ratio since 2009-10. The slightly lower figure for own tax revenue relative to GSDP in 2009-10 reflects consensus of the revenue impact of introduction to VAT which the state has recently implemented.

Tamil Nadu has had the distinction of showing the highest tax-GSDP ratio among the general category states. After 2000-01, its tax-GDP ratio was more than doubled that of West Bengal. It has overtaken Kerala, which used to be the highest tax-GSDP ratio state earlier in the nineties. Only Karnataka comes anywhere close to Tamil Nadu's tax-GSDP ratio.

Chart 4.3: Own Tax Revenues Relative to GSDP: Sustained Growth

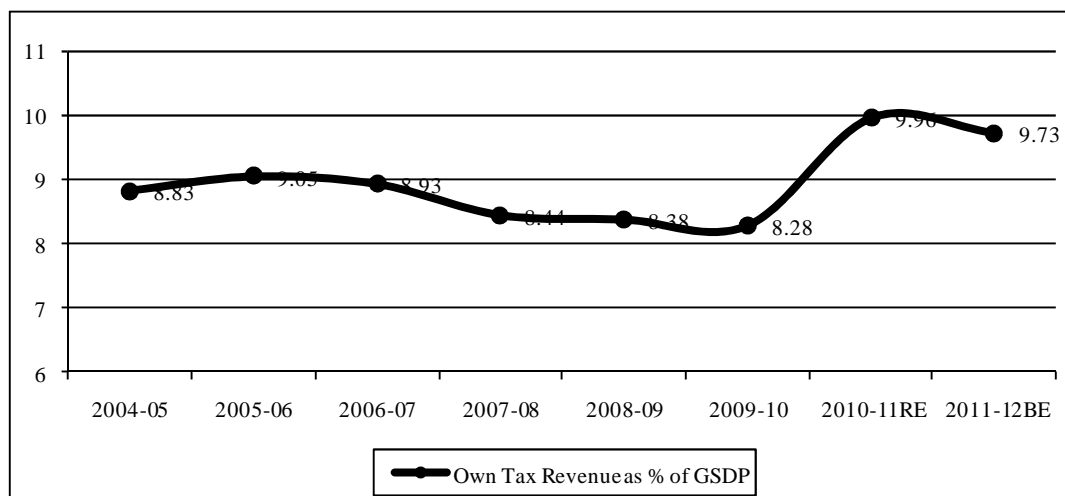


Table 4.3 shows the performance of own tax revenues in Tamil Nadu relative to GSDP in terms of major tax revenue sources. It also gives annual buoyancy and growth rates of major taxes. GSDP is taken as the 2004-05 base series. By far the sales taxes are the most important source of own tax revenue in Tamil Nadu, followed by state excise duties and stamp and registration duties.

The introduction of state value added tax (VAT) has implied some changes in the tax-GSDP ratio. The current practices in implementation imply restrictions on the tax-

rates that a state may have. For the states in general, the tax rates of 4, 8 and 12.5 have been prescribed by the Empowered Committee of Finance Ministers. An indicative list of goods to be placed in different categories has also been provided. Tamil Nadu has historically been a highly taxed state. The shift to VAT essentially means that its tax rates are in line with other states. As discussed earlier, the share of services in GSDP will continue to increase. But states are not able to tax the services since it has been placed in the union list. The fastest growth sector in Tamil Nadu is the services sector, taxation of which is reserved for the central Government. Much will depend on how the proposed goods and services tax (GST) takes shape.

Table 4.3: Tamil Nadu Own Tax Revenues: 2005-06 to 2011-12

Taxes	2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11RE	2011 -12 BE
As % of GSDP							
Sales Tax	6.04	5.70	5.18	5.14	5.14	6.16	6.04
Motor Vehicle tax	0.44	0.41	0.42	0.43	0.46	0.52	0.55
Stamp and Registration Duties	0.81	0.96	1.08	0.94	0.83	0.93	1.06
State Excise	1.23	1.28	1.36	1.43	1.53	1.61	1.62
Others	0.54	0.58	0.40	0.44	0.33	0.74	0.46
Total Own Tax Revenues	9.05	8.93	8.44	8.38	8.28	9.96	9.73
Growth Rates (%)							
Sales Tax	19.69	13.97	2.42	13.87	9.61	34.02	9.95
Motor Vehicle tax	10.86	12.09	17.63	15.26	18.43	27.27	17.71
Stamp and Registration Duties	29.95	43.77	26.93	-0.29	-3.47	25.59	27.32
State Excise	24.62	25.49	19.51	20.81	17.12	17.64	12.67
Others	16.07	29.93	-21.59	24.12	-16.73	150.27	-29.71
Total Own Tax Revenues	20.50	19.06	6.65	13.73	8.50	34.42	9.48
Buoyancy							
Sales Tax	1.12	0.68	0.19	0.95	0.99	2.89	0.82
Motor Vehicle tax	0.62	0.58	1.38	1.04	1.90	2.32	1.46
Stamp and Registration Duties	1.71	2.12	2.10	-0.02	-0.36	2.18	2.25
State Excise	1.40	1.23	1.52	1.42	1.76	1.50	1.04
Others	0.92	1.45	-1.69	1.65	-1.72	12.78	-2.44
Total Own Tax Revenues	1.17	0.92	0.52	0.94	0.87	2.93	0.78

Source: State Budget Documents, various years.

In 2007-08 and 2009-10, as shown in Table 4.3, growth rates have fallen for most of the taxes. Sales tax revenue has fallen showing the impact of introduction of VAT. However, as petroleum prices have increased substantially in 2008-09, and since

special rates apply for petroleum products, the tax revenue buoyancy is expected to remain high even in the case of State VAT.

4.4 Non-tax Revenue: Untapped Potential

Revenue collection in Tamil Nadu relies primarily on the state's own tax system (about 65 percent). Another 15 percent of revenue comes from shared central taxes devolved to Tamil Nadu. Only 9-10 percent of total revenue is from non-tax revenue. Tamil Nadu ranks low in non-tax revenue relative to 14 major Indian states.⁴ Part of the reason is that some user charges (such as bus fares) do not go directly to the state's treasury but are collected by state-owned enterprises. In non-tax revenue there is some potential for increases.

4.5 Fiscal Transfers to Tamil Nadu

Fiscal transfers to Tamil Nadu come from Finance Commission transfers, Plan grants, and grants under various centrally sponsored schemes. In the aggregate, the transfers remained around 3-4 percent during 2004-05 to 2011-12 except in 2007-08. In that year it was about 4.2 percent (Table 4.1).

The Twelfth Finance Commission (TFC) had fixed Tamil Nadu's share in the total divisible pool of central taxes at 5.305 percent as opposed to 5.385 percent recommended by the Eleventh Finance Commission. This marginal decrease was neutralized since states' share in the centre's divisible tax pool has been increased from 29.5 percent to 30.5 percent. Thus, the share of Tamil Nadu has remained unchanged at 1.6 percent of central taxes during 2005-06 to 2009-10. However, Tamil Nadu has not obtained any special grants for education and health. It is the higher overall tax-buoyancy of central taxes that has increased Tamil Nadu's share of central taxes relative to its own GSDP.

The Thirteenth Finance commission has fixed Tamil Nadu's share in the total divisible pool of central taxes at 4.969 percent (5.047 percent in the case of services tax) as opposed to 5.305 percent recommended by the Twelfth Finance Commission. The Thirteenth Commission has also recommended (Table 4.4) for Tamil Nadu, Rs. 1865 crore in grants for maintenance of roads and bridges, Rs. 252 crore for improving delivery of justice, Rs. 145 crore for issuing UIDS, Rs. 142 crore for forests, Rs. 192 crore

⁴ In 2009-10, the non tax revenue accounted only about 8% of the total revenue in Tamil Nadu, which was the fourth lowest among the general category states.

for water sector, Rs. 700 crore as grants for elementary education, Rs. 1300 crore as specific grants, Rs. 3567 crore as general basic grants, Rs. 1888 crore as general performance grants and Rs. 1216 crore as disaster relief fund share. As a result, for the five-year period Tamil Nadu has been given a total grant of Rs. 11366.9 crore by the Thirteenth Finance Commission. A grant of comparable magnitude has never been given to Tamil Nadu by earlier FCs.

Table 4.4: Grants Recommended for Tamil Nadu by the Thirteenth Finance Commission

(Rs. crore)						
Details	2010-11	2011-12	2012-13	2013-14	2014-15	Total
General Basic Grant	508.0	589.1	688.5	815.8	965.9	3567.3
General Performance Grant	0.0	201.4	472.5	557.3	657.4	1888.6
Centre's Disaster Relief Fund Share	220.1	231.2	242.7	254.8	267.6	1216.4
Grant for Capacity Building	5.0	5.0	5.0	5.0	5.0	25.0
Grant for Elementary Education	111.0	126.0	141.0	158.0	164.0	700.0
Grants-in-aid for Forests	17.8	17.8	35.6	35.6	35.6	142.5
Grants-in-aid for Water Sector	0.0	48.0	48.0	48.0	48.0	192.0
Grants for Improving Delivery of Justice						252.4
Incentive for Issuing UIDS						145.6
District Innovation Funds						31.0
Improving statistical system						31.0
Employee and Pension Data Base						10.0
Maintenance of Road and Bridges						1865.0
State Specific Grant						1300.0
Total Grants	862.0	1218.5	1633.3	1874.6	2143.5	11366.9

Source: Report of Thirteenth Finance Commission, 2010

4.6 Structure of Expenditure

Revenue expenditure constitutes by far the largest share of total expenditure. Of which, interest payments and salary/pensions constitute important components of committed

expenditures. Revenue expenditure as a whole has been rising since 1995-96 (not shown). It was 13.3 percent of GSDP in 2004-05. It fell for a few years and reached 12.25 percent in 2007-08. In the next year it again rose to 13.33 percent level (as a result of implementation of sixth pay commission). From that year onwards, it has been increasing and is slated to be at 15.32 percent in 2010-11RE (Table 4.1)

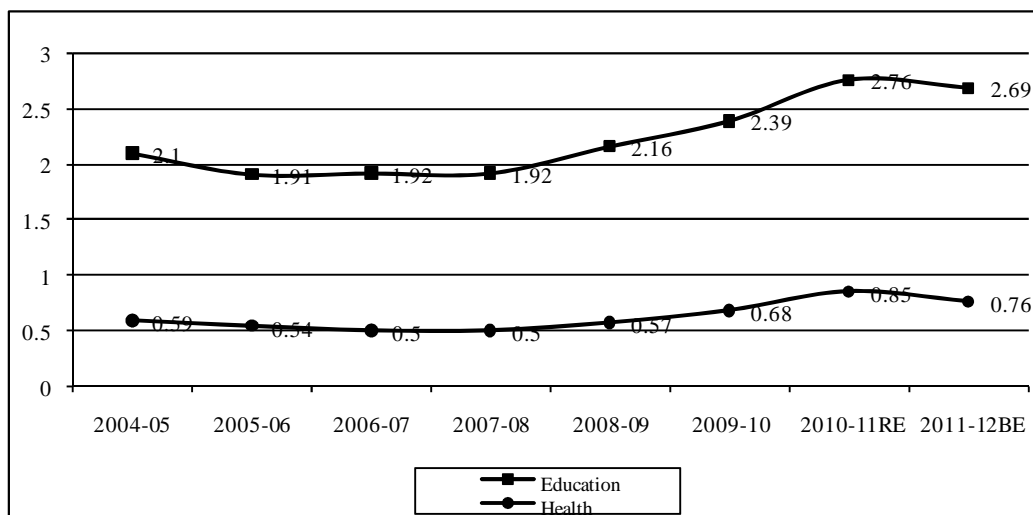
Within total revenue expenditure, the expenditures on health and education are of critical importance. Table 4.5 shows that the share of revenue expenditure on education was around 15.5 percent of total revenue expenditure during 2004-05 to 2007-08. Then its share started increasing marginally and is slated to be 18.84 percent in 2011-12. Relative to GSDP, the education expenditure declined from 2.10 percent in 2004-05 to 1.92 percent in 2007-08. Then it started increasing and slated to be 2.76 percent in 2010-11 (Chart 4.4). The share of health expenses was just 4 percent of total revenue expenses in 2007-08. Then it started rising and is slated to be 5.55 percent in 2011-12. It is noticed that the share of health expenditure has not reached one percent of GSDP till date (Chart 4.4).

Table 4.5: Expenditure on Health and Education in Tamil Nadu

(Rs. crore)								
Sector	2004 -05	2005 -06	2006- 07	2007 -08	2008- 09	2009- 10	2010- 11RE	2011- 12BE
Education	4597.3	4915.5	5967.9	6732.1	8668.1	10556.1	13616.2	14882.4
Health	1304.2	1392.9	1552.0	1737.1	2288.5	3016.5	4191.3	4184.2
As % of GSDP								
Education	2.10	1.91	1.92	1.92	2.16	2.39	2.76	2.69
Health	0.59	0.54	0.50	0.50	0.57	0.68	0.85	0.76
As % of Total Revenue Expenditure								
Education	15.77	15.36	15.60	15.67	16.17	17.78	18.02	18.84
Health	4.47	4.35	4.06	4.04	4.27	5.08	5.55	5.30

Source (Basic Data): State Budget Documents. Note: Education includes general and technical education
Health includes medical and public health and family welfare.

Chart 4.4: Revenue Expenditure on Education and Health Relative to GSDP

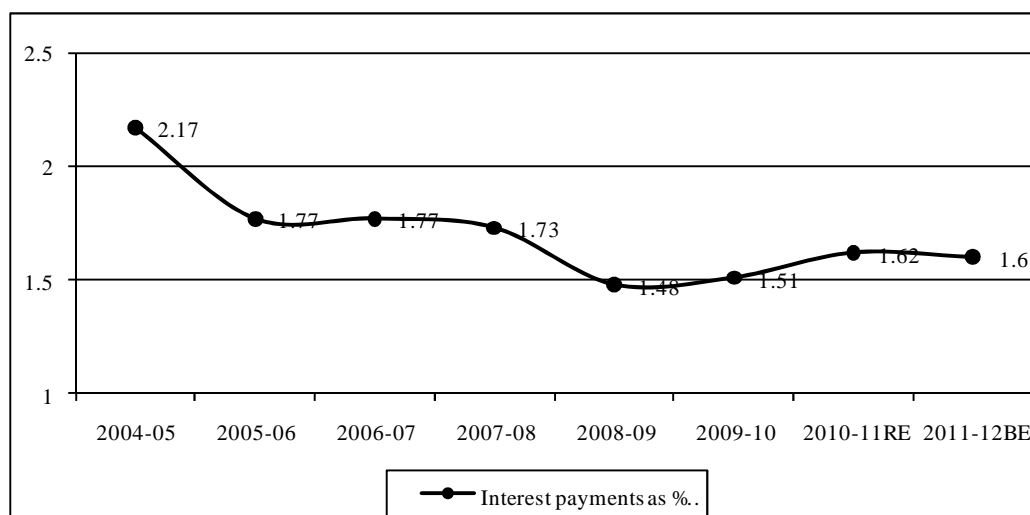


Interest payment was 2.17 percent of GSDP in 2004-05 and continuously decreased and reached 1.62 percent in 2010-11. At the same time the pension and other retirement benefits relative to GSDP increased from 1.78 percent to 2.37 percent as result of the Sixth pay commission (Table 4.6 and Chart 4.5).

Table 4.6: Interest Payments and Pension/Other Retirement Benefits

(Rs. crore)								
Details	2004 -05	2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11RE	2011 -12BE
Interest payments	4755	4559	5506	6086	5963	6667	7996	8853
Pension and Retirement benefits (RB)	3902	4460	5430	6017	7735	8385	11695	12305
As % of GSDP								
Interest payments	2.17	1.77	1.77	1.73	1.48	1.51	1.62	1.60
Pension and RB	1.78	1.73	1.75	1.72	1.92	1.90	2.37	2.23
As % of Revenue Expenditure								
Interest payments	16.31	14.24	14.39	14.16	11.13	11.23	10.58	11.21
Pension and RB	13.39	13.93	14.19	14.00	14.43	14.12	15.48	15.58

Chart 4.5: Interest Payment as Percent of GSDP



4.7 Compensations to Local Body Governments

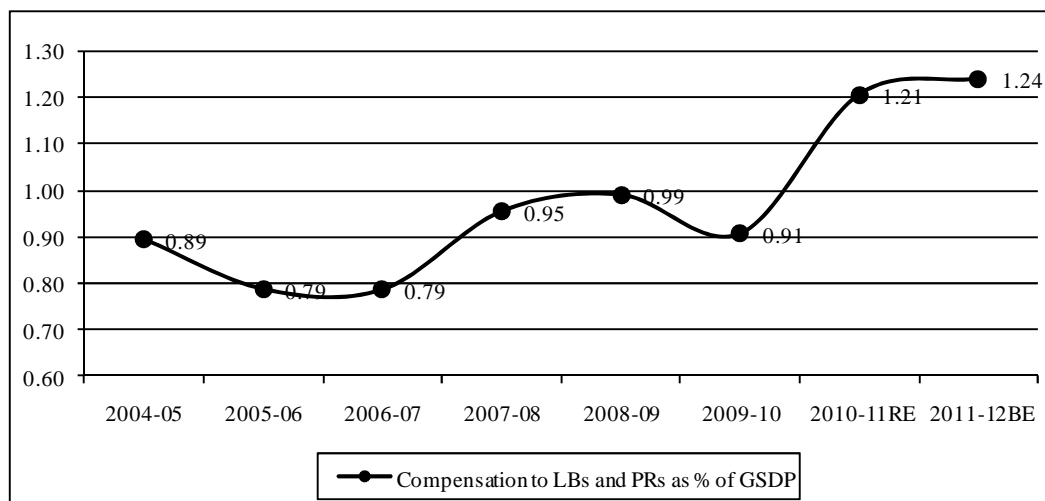
The share of compensations/assignments to Urban local bodies (LBs.) and Panchayat raj institutions increased from 0.89 percent of GSDP in 2004-05 to 1.21 percent in 2011-12 BE (Table 4.7 and Chart 4.6).

Table 4.7: Compensations and Assignments to LBS and Panchayat Rajs

Details	2004 -05	2005- 06	2006- 07	2007- 08	2008- 09	2009 -10	2010- 11RE	2011- 12BE
Rs. Crore	1959.8	2028.9	2447.0	3349.3	3979.8	3999.4	5944.7	6852.0
As % of GSDP	0.89	0.79	0.79	0.95	0.99	0.91	1.21	1.24

Source (Basic Data): State Budget Documents.

Chart 4.6: Compensations and Assignments to LBs and Panchayat Rajs as % of GSDP



The SFC devolution to LBs (both urban and rural bodies) comprises nearly three-fourth of the total compensations and assignments to LBs. The finance commission grants accounts for about 10 percent (Table 4.8).

Table 4.8: Composition of Grants and Contributions of LBs

Details	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11RE	2011-12BE
SFC devolution to PRIs	49.0	50.1	47.3	43.1	48.2	47.4	44.6
SFC devolution to ULBs	24.8	36.2	34.3	31.2	34.8	34.3	32.3
FC grants to PRIs	8.6	7.1	2.6	6.6	4.4	4.8	4.9
FC grants to ULBs	5.6	4.7	1.7	4.3	2.9	3.7	3.7
Assigned revenue transfer to PRIs	0.0	0.0	8.1	13.6	9.0	4.3	3.8
Others	12.0	1.9	6.0	1.2	0.9	5.5	10.8

Source (Basic Data): State Budget Documents

In term of the absolute amount, Tamil Nadu has provided the highest compensation to local bodies among the southern states in 2009-10 RE. However, in terms of the compensation as percent of own tax, revenue expenditure, and revenue receipts, Tamil Nadu ranks second after Kerala (Table 4.9).

**Table 4.9: Compensations to LBs and Panchayat Rajs in Southern States:
2009-10 (RE)**

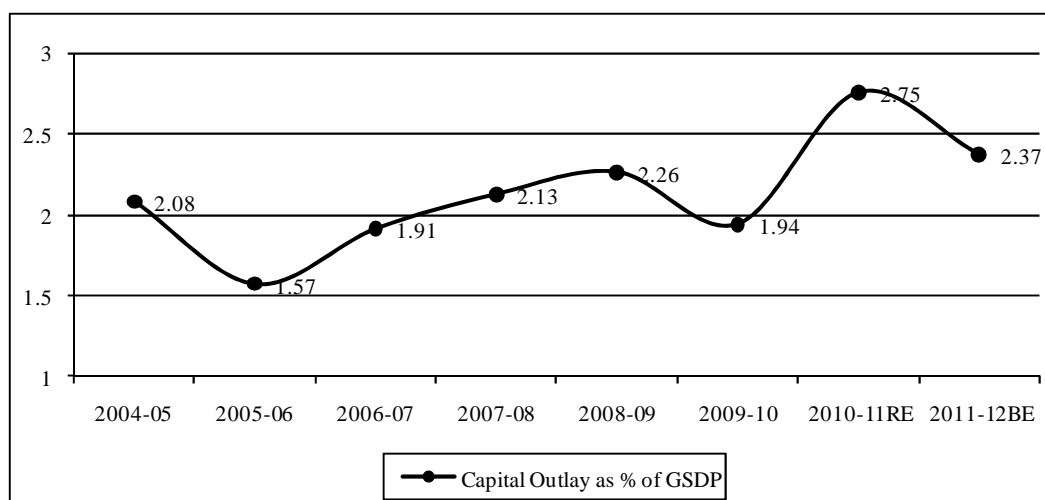
States	Rs. crore	% of Revenue Expenditures	% of Revenue Receipts	% of Own tax
Andhra Pradesh	327.55	0.43	0.42	0.81
Karnataka	2369.68	5.17	5.11	8.08
Kerala	2496.00	8.15	9.41	14.34
Tamil Nadu	3998.09	6.74	7.36	11.30
All States	21618.51	2.53	2.68	5.91

Source (Basic Data): Reserve Bank of India, State Finance: A Study of State Budgets, 2010-11.

4.8 Capital Outlays

A major contribution of state finances to the state economy comes in the form of capital expenditure, particularly if it is devoted to building infrastructure. In Tamil Nadu it has been rather low in the nineties remaining less than one percent of GSDP (not shown). However, since 2003-04, it has been rising, but still it is not close to the benchmark of 3 percent suggested by the Twelfth Finance Commission (Chart 4.7).

Chart 4.7: Capital Outlay as percent of GSDP: Growing but Inadequate



4.9 Summary

Tamil Nadu has managed its finances in a fiscally prudent manner. During 2004-05 to 2009-10, it has achieved the FRBMA targets in respect of many fiscal indicators including fiscal deficit. Its outstanding liabilities are at an acceptable level. Its own tax buoyancy is greater than one.

Chapter 5

PROJECTIONS OF REVENUES AND EXPENDITURE: 2012-13 TO 2016-17

In this Chapter, we provide projections of the relevant receipts and expenditure heads for the period 2012-13 to 2016-17. We also compare our projections with those provided by the GoTN to the Fourth State Finance Commission. The basic features of the projections methodology are:

- (a) 2010-11 RE is used as base year;
- (b) For major revenue items, tax buoyancy is used;
- (c) Nominal GSDP growth is taken as 14 percent consisting of 9 percent real growth and 5 percent inflation broadly consistent with the 12th Plan target;
- (d) Growth rates are used for most expenditure items; expenditure is considered discretionary; but sectoral growth rates are varied to suit the growth targets; in particular, expenditure on education, health, power and irrigation are allowed to grow at much higher rates than other sectors;
- (e) Interest payments are generated by applying an effective interest rate on the outstanding liabilities at the beginning of the financial year;
- (f) FRBM targets are met during the forecast period so that fiscal deficit relative to GSDP settles down at 3 percent; and revenue account balance is achieved.

5.1 Fiscal Responsibility Act (2003) and Related Statements

Tamil Nadu was amongst the first few states to enact Fiscal Responsibility Act, which lays the foundation for aggregate fiscal discipline. This act aims at ensuring fiscal stability and sustainability for Tamil Nadu while enhancing the scope of improving social and physical infrastructure as well human development. It emphasizes, for this purpose, the need for achieving revenue surplus, reduction in fiscal deficit, and prudent management of debt. It envisages limits on fiscal and revenue deficits as well as government guarantees. It also places emphasis on the need for greater transparency and provides for a medium term fiscal framework. The fiscal responsibility legislation envisages that a macroeconomic framework statement and a medium term fiscal policy statement be included in the budget.

Under the Macroeconomic Framework Statement an overview of the State's Economy is provided along with an analysis of growth and sectoral composition of GSDP, an assessment related to State Government finances and future prospects.

Under the Medium Term Fiscal Policy Statement, three year rolling targets of revenue deficits (RD) relative to total revenue receipts (TRR), gross fiscal deficit (GFD) as a percentage of GSDP and total outstanding liabilities as percentage of GSDP. This statement includes various assumptions behind the fiscal indicators and an assessment of sustainability relating to: (i) the balance between revenue receipts and revenue expenditure; (ii) the use of capital receipts including borrowings for generating productive assets; (iii) the estimated yearly pension liabilities worked out on actuarial basis for the next ten years.

Table 5.1 gives the Tamil Nadu Medium Term Fiscal Plan statement going up to 2013-14. It shows a fiscal deficit which is higher than 3 percent of GSDP by 2010-11 (RE). However, the rolling target for fiscal deficit for the next three years (2011-12 to 2013-14) is within the limit of less than 3 percent.

Table 5.1: Tamil Nadu Medium Term Fiscal Policy Statement: Budget 2010-11
(Percent)

Fiscal Indicators	2009-10	2010	2011	Targets	
	(Actual)	-11RE	-12BE	2012-13	2013-14
Revenue Deficit(-) as % of Total Revenues	-6.37	-4.35	0.56	3.34	3.92
Fiscal Deficit as % of GSDP	2.54	3.4	2.32	2.43	2.46
Outstanding Liabilities as % of GSDP*	19.16	19.58	20.46	20.62	20.79
Own Tax Revenues as % of GSDP	7.88	9.47	9.25	9.7	9.91

Source: Budget Memorandum, Part I, Interim Budget, 2011-12.* Excluding ways and means advance.

As per the provisions of the FRBMA, the Fiscal Policy Strategy Statement contains the following:

- (i) Fiscal policies of the State Government for the ensuing year relating to taxation, expenditure, borrowings and other liabilities, lending, investments, contingent liabilities, user charges on public goods/ utilities and description of other activities such as guarantees and activities of Public Sector Undertakings.
- (ii) Strategic priorities of the State Government in the fiscal area for the ensuing year.
- (iii) The key fiscal measures and the rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, borrowings and user charges.
- (iv) Evaluation of current policies of the State Government *vis-à-vis* the fiscal management principles.

The Fiscal Policy Strategy Statement has nine Disclosure Statements regarding select indicators of fiscal situation, components of state government liabilities and

interest cost of borrowings, Consolidated Sinking Fund, guarantees given by the state government, outstanding risk-weighted guarantees, guarantee redemption, assets, revenue demands raised but not realised and outstanding miscellaneous liabilities.

The state's medium term expenditure policy has to be consistent with its FRBMA. The deficit reduction targets have to go hand in hand with expenditure restructuring so as to achieve the objectives of the Act while bringing about fiscal restructuring that would facilitate achieving MDGs base poverty reduction in Tamil Nadu.

Tamil Nadu's Fiscal Policy, although serving well, can be further strengthened. Expenditure reform is the key to this objective. The followings are some of the key proposed components of restructuring of government expenditures.

(i) Increasing Share of Expenditure on Health and Education

Expenditures translate into outputs in the short run and outcomes in the final analysis. Thus, expenditure on education translates into changes in the literacy rate and other educational attainments. Similarly, expenditure on health makes an impact on lowering of IMR, MMR, and increasing life expectancy. In the case of capital expenditure also, there is need to focus on the quality and form of capital expenditure.

(ii) Reforming Subsidies and Transfers

The desirability of subsidies arises primarily because of the associated positive externalities in the public provision of the concerned goods and services. Two important cases are health and education. Equity requires that the benefits of the subsidies should accrue primarily to the relatively deprived sections of the society, which in some contexts are the low income groups, and women or female children. The case becomes stronger when concerns about low incomes and gender are present simultaneously. In Tamil Nadu, direct subsidies were the third fastest growing revenue expenditure, next to pension and interest expenditure. The largest subsidy went to food (of which the rice subsidy accounts for 90 percent) distributed through the public distribution system (PDS).

(iii) Strengthening Local Governance

Decentralization is generally considered efficiency augmenting. The provision of local public goods (LPGs) is best handled in a decentralised way. The efficiency advantages of decentralisation of LPGs are varied and quite significant. The first advantage of decentralisation is the possibility of having regional specific demands in the mix and level of local public goods, which can greatly enhance social welfare. Research has indicated

that preference revelation problems encountered in public finance are greatly diminished as the size and heterogeneity of the population decreases. With decentralization, competition, proximity, and transparency provide a strong motivation for local governments to be more responsive to the desires of the public. Our projections show that greater flows of resources to the local bodies are sustainable with respect to reforms listed here and meeting the FRBMA targets.

(iv) Augmenting Capital Expenditures

State government has a critical role to play in developing physical infrastructure in sectors like roads, power and irrigation. It is investment in these sectors that will strengthen growth and attract investment from outside. With higher growth, the revenues accruing to the government will also increase. Further, expenditure has to be restructured such that capital expenditure is increased with focus on infrastructure, and revenue expenditure has to be increased in social sectors like health and education.

5.2 Basic Features of Projections by GoTN

We first discuss some of the basic features of projections given by GoTN. The following assumptions are used in the projection of fiscal indicators. During the projection period, the own tax revenue grows annually at 10 percent and own non tax revenue grows at 3.5 percent. Grants are projected to grow at 10 percent while the shared taxes are shown to increase at 18 percent (Table 5.2).⁵

⁵ Projections of detailed break-ups of grant-in –aid from Government of India are shown in Annexure Table A3.

Table 5.2: Revenue Receipts in the Medium Term: Projections up to 2016-17
(Rs.crore)

Major Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13 to 2016- 17	% p.a.
<i>Own Tax Revenue</i>	<i>47839.95</i>	<i>52618.32</i>	<i>57886.38</i>	<i>63694.98</i>	<i>70100.28</i>	<i>292139.91</i>	<i>10%</i>
Land Revenue	39.18	39.37	39.57	39.77	39.97	197.86	0.5%
Taxes on goods and passengers	1202.74	1232.80	1263.62	1295.22	1327.60	6321.98	2.5%
Taxes on immovable property other than agricultural land	20.77	21.81	22.90	24.05	25.25	114.78	5.0%
Taxes & Duties on Electricity	582.92	612.07	642.67	674.80	708.54	3221.00	5.0%
Other taxes and duties on commodity and services	222.41	233.53	245.21	257.47	270.34	1228.97	5.0%
State Excise	9084.90	9993.39	10992.73	12092.00	13301.20	55464.22	10.0%
Tax on Sales, trades etc	28603.13	31463.44	34609.79	38070.76	41877.84	174624.96	10.0%
Taxes on Vehicles	2899.67	3189.64	3508.60	3859.46	4245.41	17702.78	10.0%
Stamps & Registration	5184.23	5832.26	6561.29	7381.45	8304.13	33263.36	12.5%
<i>Own Non Tax Revenue</i>	<i>4386.95</i>	<i>4539.43</i>	<i>4698.75</i>	<i>4865.24</i>	<i>5039.26</i>	<i>23529.64</i>	<i>3.5%</i>
Interest Receipts	1392.10	1406.02	1420.08	1434.28	1448.63	7101.11	1.0%
Miscellaneous	372.89	380.35	387.95	395.71	403.63	1940.53	2.0%
General Services							
all Others	2621.96	2753.06	2890.71	3035.25	3187.01	14488.00	5.0%
<i>Grants-aid from GOI</i>	<i>8652.05</i>	<i>9517.25</i>	<i>10468.98</i>	<i>11515.88</i>	<i>12667.47</i>	<i>52821.63</i>	<i>10.0%</i>
<i>Share in Central Taxes</i>	<i>14017.00</i>	<i>16534.00</i>	<i>19503.00</i>	<i>23013.54</i>	<i>27155.98</i>	<i>100223.52</i>	<i>18.0%</i>
Total Revenue Receipts	<i>74895.95</i>	<i>83209.00</i>	<i>92557.11</i>	<i>103089.65</i>	<i>114962.99</i>	<i>468714.69</i>	<i>11.3%</i>
GSDP	<i>622125</i>	<i>699890</i>	<i>787377</i>	<i>885799</i>	<i>996524</i>	<i>3991715</i>	<i>12.5%</i>

Source: Government of Tamil Nadu.

The interest payment and the committed revenue expenditures increase at 10 percent; pension and other retirement benefit (and contribution to LBs and Panjayat Rajs) at 13.5 percent and revenue expenditure on economic services at 12.5 percent. Other components of revenue expenditures are assumed to increase by 12 percent per annum during the forecast period (Table 5.3).

Table 5.3: Revenue Expenditures in the Medium Term: Projections up to 2016-17

(Rs.crore)								
Major Heads	2011-12 (Estimate)	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13 to 2016-17	% p.a.
General Services	27260.10	30533.50	34206.01	38326.99	42951.96	48143.41	194161.88	12%
Interest payments	8593.35	9452.68	10397.95	11437.75	12581.52	13839.67	57709.57	10%
Pension and other retirement benefits	11482.46	13032.60	14792.00	16788.92	19055.42	21627.90	85296.83	13.5%
Miscellaneous general services	120.96	137.29	155.82	176.86	200.73	227.83	898.54	13.5%
All Other General Services	7063.33	7910.93	8860.24	9923.47	11114.29	12448.01	50256.94	12%
Social Services	28371.89	31887.53	35841.68	40289.49	45293.04	50922.34	204234.08	12.4%
Relief on Account of Natural Calamities	22.31	25.10	28.24	31.77	35.74	40.21	161.07	12.5%
Social Security and Welfare	3696.50	4250.98	4888.63	5621.92	6465.21	7434.99	28661.73	13.5%
All Other Social Services	24653.07	27611.44	30924.82	34635.79	38792.09	43447.14	175411.28	12%
Economic Services	14247.12	16028.75	18034.96	20294.34	22839.12	25705.69	102902.86	12.5%
Rural Employment	469.79	540.26	621.30	714.50	821.67	944.92	3642.65	15%
Major and Medium Irrigation	1001.33	1151.53	1324.25	1522.89	1751.33	2014.03	7764.03	15%
Minor Irrigation	71.03	81.68	93.93	108.02	124.23	142.86	550.73	15%
Roads and Bridges	856.89	985.42	1133.23	1303.22	1498.70	1723.50	6644.06	15%
All Other Economic Services	11848.09	13269.86	14862.24	16645.71	18643.20	20880.38	84301.39	12%
Compensation and Assignments to local bodies and Panchayat Raj Institutions	5775.88	6555.63	7440.64	8445.12	9585.21	10879.22	42905.82	13.5%
of which								
SFC devolution to PRIs	2523.36	2774.72	3051.86	3357.41	3694.31	4065.82	16944.11	10%
SFC devolution to ULBs	1827.26	2009.28	2209.97	2431.23	2675.19	2944.21	12269.88	10%
TwFC / 13th FC grants to PRIs	446.81	656.23	776.11	917.53	0.00	0.00	2349.86	
TwFc / 13th FC grants to ULBs	369.96	566.41	669.69	791.53	0.00	0.00	2027.63	
Assigned revenue transfer to PRIs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Others	608.48	549.00	733.01	947.43	3215.72	3869.19	9314.34	
Committed Exp. on 11th 5 year Plan Schemes	0.00	4193.37	4612.72	5073.99	0.00	0.00	13880.08	
Total Revenue Expenditures	75655.00	89198.77	100136.02	112429.93	120669.34	135650.66	558084.72	

Source: Government of Tamil Nadu.

Further, the capital receipt is assumed to grow at 10 percent while the capital outlay at 15 percent. The GSDP at current prices is assumed to grow at an average rate of 12.5 percent during the projection period. The forecast values of major fiscal indicators as percentage of GSDP up to 2016-17 by GoTN are shown in Table 5.4.

Table 5.4: Tamil Nadu Government Finances in the Medium Term: Projections up to 2016-17

Fiscal Indicators	(Percent to GSDP)						
	2010-11 RE	2011-12 BE	Forecasts				
			2012-13	2013-14	2014-15	2015-16	2016-17
Own Tax Revenues	9.96	9.73	7.69	7.52	7.35	7.19	7.03
Non Tax Revenues	0.96	0.87	0.71	0.65	0.60	0.55	0.51
Grants	1.38	1.35	1.39	1.36	1.33	1.30	1.27
Share in Central Taxes	2.38	2.42	2.25	2.36	2.48	2.60	2.73
Revenue Receipts	14.69	14.36	12.04	11.89	11.76	11.64	11.54
Interest Payments	1.62	1.60	1.52	1.49	1.45	1.42	1.39
Pension and Retirement Benefits	2.37	2.23	2.09	2.11	2.13	2.15	2.17
Other General Services	1.36	1.28	1.29	1.29	1.28	1.28	1.27
Total Gen. Services	5.35	5.10	4.91	4.89	4.87	4.85	4.83
Education	2.76	2.69	2.39	2.38	2.37	2.36	2.35
Medical and Public Health	0.71	0.64	0.62	0.62	0.62	0.61	0.61
Family Welfare	0.14	0.12	0.11	0.11	0.11	0.11	0.11
Other Social Services	2.46	1.93	2.00	2.01	2.02	2.03	2.04
Total Social Services	6.07	5.37	5.13	5.12	5.12	5.11	5.11
Economic Services	2.69	2.56	2.58	2.58	2.58	2.58	2.58
Grants and Contributions	1.21	1.24	1.05	1.06	1.07	1.08	1.09
Committed on 11th Plan Schemes	0.00	0.00	0.67	0.66	0.64	0.00	0.00
Revenue Expenditures	15.32	14.28	14.34	14.31	14.28	13.62	13.61
Non-Debt Capital Receipts	0.13	0.07	0.07	0.07	0.07	0.06	0.06
Capital Receipts	3.19	3.69	3.26	3.27	3.20	3.13	3.06
Capital Outlays	2.75	2.37	2.61	2.67	2.73	2.79	2.85
Capital Disbursements	3.78	3.26	3.85	3.17	3.21	3.26	3.31
Revenue Deficit	-0.63	0.08	-2.30	-2.42	-2.52	-1.98	-2.08
Fiscal Deficit	-3.57	-2.44					
Outstanding Liabilities	20.59	21.52					

5.3 Basic Features of Projections by ThFC

The projections of revenues, non development expenditures etc. of Tamil Nadu State Government by the Thirteenth Finance Commission are shown in Table 5.5. The GSDP was assumed to grow at 12.5 percent, own taxes at 12.5 percent, interest payments at 13.5 percent and pensions at 10 percent.

Table 5.5: Assessed Own Revenue Receipts and Non-Plan Revenue Expenditure (As per Thirteenth Finance Commission)

(Rs.crore)						
Items	2010-11	2011-12	2012-13	2013-14	2014-15	2010-15
A. GSDP	436646	489754	550974	619845	697326	
B. Own Revenue Receipts	49706.74	55637.52	62486.67	70218.10	78964.93	317013.97
1. Own Tax Revenue	46986.31	52701.16	59288.81	66699.91	75037.40	300713.60
2. Own Non-tax Revenue	2720.43	2936.36	3197.86	3518.19	3927.53	16300.37
C. Non-plan Revenue Expenditure	43178.95	47185.12	55211.65	60083.42	65486.11	271145.26
1. Salary	7671.83	8128.70	8612.72	9125.47	9668.67	43207.39
2. Others (i to v):	35507.13	39056.42	46598.93	50957.95	55817.44	227937.87
i. General Services <i>of which:</i>	20191.59	22559.08	24956.53	27747.07	30920.22	126374.49
<i>Interest Payments</i>	<i>7958.23</i>	<i>9059.49</i>	<i>10298.41</i>	<i>11692.20</i>	<i>13260.21</i>	<i>52268.55</i>
<i>Pension</i>	<i>9018.46</i>	<i>9920.30</i>	<i>10912.33</i>	<i>12003.57</i>	<i>13203.92</i>	<i>55058.58</i>
ii. Social Services	7540.31	8143.53	8795.01	9498.62	10258.51	44235.98
iii. Economic Services	3194.56	3406.68	3634.14	3878.06	4139.69	18253.13
iv. Assignment to Local Bodies	4580.67	4947.12	5342.89	5770.32	6231.95	26872.96
v. Committed Liabilities	0.00	0.00	3870.36	4063.88	4267.07	12201.31
D. Pre. Dev. Non-plan Rev. Deficit(+)/Surplus(-)	-6527.79	-8452.40	-7275.02	-10134.68	-13478.82	
Implicit Growth Rates (%)						
A. GSDP		12.16	12.50	12.50	12.50	
B. Own Revenue Receipts		11.93	12.31	12.37	12.46	58.86
1. Own Tax Revenue		12.16	12.50	12.50	12.50	59.70
2. Own Non-tax Revenue		7.94	8.91	10.02	11.63	44.37
C. Non-plan Revenue Expenditure		9.28	17.01	8.82	8.99	51.66
1. Salary		5.96	5.95	5.95	5.95	26.03
2. Others (i to v):		10.00	19.31	9.35	9.54	57.20
i. General Services <i>of which:</i>		11.73	10.63	11.18	11.44	53.13
<i>Interest Payments</i>		13.84	13.68	13.53	13.41	66.62
<i>Pension</i>		10.00	10.00	10.00	10.00	46.41
ii. Social Services		8.00	8.00	8.00	8.00	36.05
iii. Economic Services		6.64	6.68	6.71	6.75	29.59
iv. Assignment to Local Bodies		8.00	8.00	8.00	8.00	36.05
v. Committed Liabilities				5.00	5.00	
D. Pre. Dev. Non-plan Rev. Deficit(+)/Surplus(-)		29.48	-13.93	39.31	33.00	

Source: Thirteenth Finance Commission (2010-2015), Volume II, Annexes, p398.

5.4 Basic Features of Projections by GoTN under FRBMA

The projections of major fiscal indicators of Tamil Nadu Government are shown as the Medium Term Fiscal Plan by the GoTN along with Budget Speech of Finance Minister in 2011-12 are reported in Table 5.6.

Table 5.6: Medium Term Fiscal Plan: Tamil Nadu

Indicators	(Rs.crore)							
	2009-10 Projection	2009-10 Accounts	2010-11 Projection	2010- 11 RE	2011-12 Projection	2011- 12 BE	2012-13 Projection	2013-14 Projection
Revenue	57317	55398	63419	71977	72770	78882	91442	104220
State's Own Revenues	41377	41127	46639	53400	52943	58063	67872	77524
Tax	38130	36547	43400	49125	49312	53783	63463	72983
Non- Tax	3248	4581	3239	4275	3631	4280	4409	4541
Central Transfer	15940	14270	16780	18568	19827	20819	23570	22696
Shared Taxes	10921	8456	10233	11757	11962	13375	15381	17688
Grants	5018	5514	6547	6811	7866	7445	8189	9008
Non- Interest Expenditures	62048	60557	69057	81610	78825	83568	97646	111676
Salaries (including Grants-in-Aid for education)	19741	19492	21624	24045	24536	26870	30891	35525
Pensions & Retirement Benefits	9137	8256	10108	11339	10884	11941	13.368.03	14972
Non- Wage O & M	5006	4911	4511	5918	4840	5167	6214	6524
Other Revenue Expenditures	8	7	7	18	8	22	23	24
Subsidies and Transfers	17104	19615	20483	25811	23825	25623	28185	32413
Capital Outlay	10498	8573	11583	13575	14127	13131	17953	21185
Net Lending	554	-297	742	904	606	814	1012	1032
Fiscal Indicators								
Primary Surplus (+)/ Deficit (-)	-4731	-5159	-5638	-9642	-6055	-4686	-6204	-7456
Interest Payments	6255	6648	6651	7966	8411	8821	9703	10674
Interest Payments / Total Revenue	11.00%	12.00%	10.49%	11.07%	12.00%	11.18:%	10.61%	10.24%
Receipts								
Revenue Surplus (+)/Deficit(-)	65	-3531	36	-3129	267	439	3058	4088
Revenue Surplus(+) / Deficit(-) Over TRR %	0.00%	-6.37%	0.06%	-4.35%	0.37%	0.56:%	3.34%	3.92%
Revenue Surplus(+) / Deficit(-) Over Fiscal Deficit(-)	-1.00%	29.91%	0.29%	17.77%	-1.85%	-3.25%	-19.00%	-23%
Fiscal Deficit(-)	-10986	-11807	-12289	-17608	-14466	-13507	-15907	-18129
Fiscal Deficit (-) over GSDP%	-3.00%	-2.54%	-2.73%	-3.40%	2.96%	-2.32%	-2.43%	-2.46%
GSDP	370943	464009	450474	518576	487996	581635	6543400	736132

Source: Budget Speech, Interim Budget 2011-12.

5.5 Projections of Receipts and Expenditures

Taking into account these projections, we provide our own (MSE) projections for the period 2012-13 to 2016-17.

(a) Main Assumptions

- (i) 2010-11 RE is used as the base year. GoTN has used 2009-10 while ThFC used 2008-09 as the base year.
- (ii) For tax revenues, tax buoyancy is used. But GoTN and ThFC used growth rates. Shared is expected to grow at 18 percent while grants at 10 percent.
- (iii) GSDP at current prices is assumed to grow at 14 percent (9 percent real growth and 5 percent inflation). Both GoTN and ThFC assumed that GSDP would grow at 12.5 percent.
- (iv) Growth rates are used for projecting most expenditure items. However, expenditure on education, health power and irrigation are allowed to grow at higher rates.
- (v) Fiscal deficit as percent of GSDP settles down at 3 percent in order to meet the FRBMA during the forecast period and the revenue account balance (or a small deficit) is achieved. GoTN shows revenue deficit. But the medium term fiscal plan framework of GoTN shows revenue surplus and fiscal deficit relative to GSDP is kept below 3 percent.

(b) Projections in Aggregate Terms

We give the revenue and expenditures (and GSDP at current prices) projections in aggregate terms in Table 5.7. The revenue account shows a small deficit during the forecast period except in 2011-12.⁶ The revenue deficit is expected to increase from Rs. 893 crore in 2012-13 to Rs.3332 crore in 2016-17 in absolute term. As percent of GSDP, it is expected to increase from -0.15 percent to -0.34 percent. During the same period, the fiscal deficit is shown to increase from Rs. 18734 crore to Rs. 29663 crore. The outstanding liability of the state is expected increase from Rs. 138249 crore to Rs. 236780 crore in absolute term.

(c) Projections Relative to GSDP

The projections of major fiscal indicators as percent of GSDP for the forecast period are shown in Table 5.8. The revenue expenditure as percent of GSDP is shown to increase from 15.22 percent in 2011-12 to 16.07 percent in 2016-17. At the same time, the revenue receipt relative to GSDP is expected to increase from 15.27 percent to 15.68

⁶ Detailed break-ups of our projections are given in Annexure Tables A 4 –A5.

percent. Throughout the forecast period starting from 2012-13, the revenue account registers a deficit, but it is very small. The fiscal deficit-GSDP ratio is 3.5 percent in the beginning of the forecast period and expected to be at 3 percent level at the end of forecast period. The debt-GSDP ratio ranges between 23.3 percent and 23.95 percent. This may be an acceptable level as it is lower than the 28 percent level suggested by TFC.

Table 5.7: Forecasts of Major Fiscal Indicators (2012-13 to 2016-17)

(Rs.crore)

Details	2010-11 RE	2011 -12	2012 -13	2013 -14	2014 -15	2015 -16	2016-17	Sum (2012- 2017)	% p. a
Own Tax Revenue	49125.1	53859.5	61797.1	70925.7	81427.0	93511.1	107421.1	415082.0	13.9
<i>of which</i>									
Stamps & Registration	4599.5	5417.3	6380.4	7514.9	8851.0	10424.8	12278.3	45449.4	17.8
State excise	7929.9	9328.8	10974.4	12910.3	15187.6	17866.7	21018.4	77957.5	17.6
Tax on Sales, trades etc	30370.8	32030.5	36380.3	41320.7	46932.1	53305.4	60544.3	238482.8	12.2
Tax on Vehicles	2576.8	2991.6	3473.3	4032.5	4681.7	5435.4	6310.5	23933.4	16.1
Non-tax Revenue	4720.8	5192.9	5712.1	6283.4	6911.7	7602.9	8363.2	34873.2	10.0
Grants-aid from GOI	6810.8	7491.9	8241.1	9065.2	9971.7	10968.9	12065.8	50312.8	10.0
Share in Central Taxes	11757.1	11884.0	14017.0	16534.0	19503.0	23013.5	27156.0	100223.5	15.2
Total Revenue Receipts	72413.8	78428.2	89767.4	102808.3	117813.4	135096.5	155006.1	600491.6	13.5
General Services	26383.5	20594.5	23065.9	25833.8	28933.8	32405.9	36294.6	146533.9	6.3
<i>of which</i>									
Interest payments	7995.5	9134.2	10751.1	12436.3	14237.4	16290.7	18631.4	72346.9	15.1
Pension and Other Retirement Benefits	11694.9	13098.3	14670.1	16430.5	18402.1	20610.4	23083.7	93196.8	12.0
Other General Services	6693.1	7496.2	8395.8	9403.3	10531.7	11795.5	13210.9	53337.2	12.0
Social Services	29943.8	35539.4	42205.9	49088.2	57116.0	66483.7	77419.4	292313.2	17.2
<i>which</i>									
General Education	13052.5	15663.0	18795.6	21802.9	25291.3	29338.0	34032.0	129259.8	17.3
Medical and Public Health	3509.2	4211.0	5053.3	5861.8	6799.7	7887.6	9149.6	34751.9	17.3
Urban Development	1285.2	1542.2	1850.6	2220.7	2664.9	3197.9	3837.5	13771.6	20.0
Economic Services	13270.6	15031.7	17111.2	19502.2	22137.5	25144.0	28576.3	112471.2	13.6
<i>of which</i>									
Crop Husbandry	86.5	96.8	108.5	121.5	136.1	152.4	170.7	689.1	12.0
Major and Medium Irrigation	797.5	925.1	1073.2	1244.9	1444.0	1675.1	1943.1	7380.3	16.0
Power Industries	1266.1	1519.3	1899.1	2373.9	2848.7	3418.4	4102.1	14642.3	21.7
Industries	886.6	993.0	1112.1	1245.6	1395.0	1562.5	1750.0	7065.2	12.0
Compensation and Assignment to LBs	5944.7	7014.7	8277.4	9767.3	11525.4	13600.0	16048.0	59218.2	18.0
Total Grants and Contributions	5944.7	7014.7	8277.4	9767.3	11525.4	13600.0	16048.0	59218.2	18.0
Total Revenue Expenditure	75542.6	78180.4	90660.4	104191.4	119712.8	137633.6	158338.3	610536.5	13.2
Capital Receipts	15740.3	17314.4	19045.8	20950.4	23045.4	25350.0	27885.0	116276.6	10.0
<i>of which</i>									
Fiscal deficit	15079.4	17973.9	18734.0	20021.9	22825.0	26020.5	29663.3	117264.7	12.0
Non-debt capital receipts	661.0	727.1	799.8	879.8	967.7	1064.5	1170.9	4882.7	10.0
Capital Disbursements net of repayments	12611.6	17562.2	18152.8	19567.2	21146.1	22812.9	24552.8	106231.7	12.3
Revenue account Surplus	-3128.8	247.8	-893.0	-1383.2	-1899.4	-2537.1	-3332.2	-10044.9	-68.5
Primary Deficit	7083.8	8839.7	7982.9	7585.6	8587.6	9729.8	11032.0	44917.8	8.3
Outstanding liabilities (end March)	101541.0	119514.9	138248.8	158270.7	181095.7	207116.2	236779.5	921511.0	15.2
GSDP at current prices	450474.0	513540.4	585436.0	667397.1	760832.6	867349.2	988778.1	3869793.0	14.0

Source: Calculated by the authors

Table 5.8: Forecasts of Major Fiscal Indicators Relative to GSDP at Current Prices

(percent)

Details	2010 -11 RE	2011 -12	2012 -13	2013- 14	2014 -15	2015 -16	2016 -17
Own Tax Revenue of which	10.91	10.49	10.56	10.63	10.70	10.78	10.86
Stamps & Registration	1.02	1.05	1.09	1.13	1.16	1.20	1.24
State excise	1.76	1.82	1.87	1.93	2.00	2.06	2.13
Tax on Sales, trades etc	6.74	6.24	6.21	6.19	6.17	6.15	6.12
Tax on Vehicles	0.57	0.58	0.59	0.60	0.62	0.63	0.64
Non-tax Revenue	1.05	1.01	0.98	0.94	0.91	0.88	0.85
Grants-aid from GOI	1.51	1.46	1.41	1.36	1.31	1.26	1.22
Share in Central Taxes	2.61	2.31	2.39	2.48	2.56	2.65	2.75
Total Revenue Receipts	16.08	15.27	15.33	15.40	15.48	15.58	15.68
General Services of which	5.86	4.01	3.94	3.87	3.80	3.74	3.67
Interest payments	1.77	1.78	1.84	1.86	1.87	1.88	1.88
Pension and Other	2.60	2.55	2.51	2.46	2.42	2.38	2.33
Retirement Benefits							
Other General Services	1.49	1.46	1.43	1.41	1.38	1.36	1.34
Social Services of which	6.65	6.92	7.21	7.36	7.51	7.67	7.83
General Education	2.90	3.05	3.21	3.27	3.32	3.38	3.44
Medical and Public Health	0.78	0.82	0.86	0.88	0.89	0.91	0.93
Urban Development	0.29	0.30	0.32	0.33	0.35	0.37	0.39
Economic Services of which	2.95	2.93	2.92	2.92	2.91	2.90	2.89
Crop Husbandry	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Major and Medium Irrigation	0.18	0.18	0.18	0.19	0.19	0.19	0.20
Power Industries	0.28	0.30	0.32	0.36	0.37	0.39	0.41
Industries	0.20	0.19	0.19	0.19	0.18	0.18	0.18
Compensation and Assignment to LBs	1.32	1.37	1.41	1.46	1.51	1.57	1.62
Total Grants and Contributions	1.32	1.37	1.41	1.46	1.51	1.57	1.62
Total Revenue Expenditure	16.77	15.22	15.49	15.61	15.73	15.87	16.01
Capital Receipts of which	3.49	3.37	3.25	3.14	3.03	2.92	2.82
Fiscal deficit	3.35	3.50	3.20	3.00	3.00	3.00	3.00
Non-debt capital receipts	0.15	0.14	0.14	0.13	0.13	0.12	0.12
Capital Disbursements net of repayments	2.80	3.42	3.10	2.93	2.78	2.63	2.48
Revenue account Surplus	-0.69	0.05	-0.15	-0.21	-0.25	-0.29	-0.34
Primary Deficit	1.57	1.72	1.36	1.14	1.13	1.12	1.12
Outstanding liabilities (end March)	22.54	23.27	23.61	23.71	23.80	23.88	23.95
GSDP at current prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculated by the authors

(d) Comparing Our Projections with GoTN Projections

We have shown above the projections given by us (MSE) and by (A) Finance Department, GoTN, (B) Government of Tamil Nadu's Medium Term Fiscal Plan under FRBMA, and (C) Thirteenth Finance Commission. Since (C) uses different GSDP (1999-

00) base and the projections of (B) are available to up to 2012-13, we can compare our projections with (A) below.

Table 5.9 compares our (MSE) revenue projections with that of GoTN. As indicated earlier, our projections differ slightly from that of GoTN mainly because of two reasons: (i) 2010-11RE is the base year in ours while 2008-09 is the base year in GoTN projections; and (ii) buoyancy is used to predict own tax revenues in our exercise while growth rate is employed in the GoTN projections.

Table 5.9: Comparing MSE and GoTN Revenue Projections

(Rs. crore)

Major Heads	2012-13	2013-14	2014-15	2015-16	2016-17	% p.a.
<i>MSE Projections</i>						
Own Tax Revenue	61797	70926	81427	93511	107421	14.8
Non-tax Revenue	5712	6283	6912	7603	8363	10.0
Grants-aid from GOI	8241	9065	9972	10969	12066	10.0
Share in Central Taxes	14017	16534	19503	23014	27156	18.0
Total Revenue Receipts	89767	102808	117813	135097	155006	14.6
<i>GoTN Projections</i>						
Own Tax Revenue	47840	52618	57886	63695	70100	10.0
Non-tax Revenue	4387	4539	4699	4865	5039	3.5
Grants-aid from GOI	8652	9517	10469	11516	12667	10.0
Share in Central Taxes	14017	16534	19503	23014	27156	18.0
Total Revenue Receipts	74896	83209	92557	103090	114963	11.3
<i>MSE-GoTN Differences</i>						
Own Tax Revenue	13957	18308	23541	29816	37321	4.8
Non-tax Revenue	1325	1744	2213	2738	3324	6.5
Grants-aid from GOI	-411	-452	-497	-547	-601	0
Share in Central Taxes	0	0	0	.0	0	0
Total Revenue Receipts	14871	19599	25256	32006	40043	3.3

Revenues grow at an average rate of 14.6 percent in our projections, and at 11.3 percent in GoTN projections. Thus, the difference is 3.3 percent. Higher growth of revenues shown in our projections is due to (i) usage of tax buoyancy (and not growth rate) and (ii) assumption of full compensation of GST loss by the centre.

A comparison between MSE and GoTN projections of revenue expenditures is shown in Table 15.10. Our projections indicate higher revenue expenditures because of it allows important sectors like education, health, power and irrigation to grow at higher

rates. In addition our projection applies effective interest on the outstanding liabilities. Pension component is allowed to grow at a higher rate. As a result, the total revenue expenditure grows at average rate of 15 percent in our projections as against 11.1 percent in GoTN projections.

Table 5.10: Revenue Expenditures- A Comparison between MSE and GoTN Projections

	(Rs. crore)					
Details	2012 -13	2013 -14	2014 -15	2015 -16	2016 -17	% p.a
MSE Projections						
General Services <i>of which</i>	23066	25834	28934	32406	36295	12.0
Interest payments	10751	12436	14237	16291	18631	14.7
Pension and Other Retirement Benefits	14670	16431	18402	20610	23084	12.0
Social Services	42206	49088	57116	66484	77419	16.4
Economic Services <i>of which</i>	17111	19502	22138	25144	28576	13.7
Major and Medium Irrigation	1073	1245	1444	1675	1943	16.0
Compensation and Assignment to LBs	8277	9767	11525	13600	16048	18.0
Total Revenue Expenditure	90660	104191	119713	137634	158338	15.0
GoTN Projections						
General Services <i>of which</i>	30533.5	34206.01	38326.99	42951.96	48143.41	12.0
Interest payments	9452.68	10397.95	11437.75	12581.52	13839.67	10.0
Pension and other retirement benefits	13032.6	14792	16788.92	19055.42	21627.9	13.5
Social Services	31887.53	35841.68	40289.49	45293.04	50922.34	12.4
Economic Services <i>of which</i>	16028.75	18034.96	20294.34	22839.12	25705.69	12.5
Major and Medium Irrigation	1151.53	1324.25	1522.89	1751.33	2014.03	15.0
Compensation and Assignment to LBs	6555.63	7440.64	8445.12	9585.21	10879.22	13.5
Total Revenue Expenditures	89198.77	100136	112429.9	120669.34	135650.66	11.1
MSE-GoTN Differences						
General Services <i>of which</i>	-7468	-8372	-9393	-10546	-11849	0.0
Interest payments	1298	2038	2800	3709	4792	4.7
Pension and other retirement benefits	1638	1639	1613	1555	1456	-1.5
Social Services	10318	13247	16827	21191	26497	4.0
Economic Services <i>of which</i>	1082	1467	1843	2305	2871	1.2
Major and Medium Irrigation	-78	-79	-79	-76	-71	1.0
Compensation and Assignment to LBs	1722	2327	3080	4015	5169	4.5
Total Revenue Expenditures	1462	4055	7283	16964	22688	3.9

Thus, revenues register 3.3 percent higher growth and revenue expenditures register 3.9 percent higher growth in our projections than in GoTN projections. As a result, our projections indicate a small revenue deficit in all projection years. The fiscal deficit is kept at 3 percent of GSDP. This is consistent with FRBMA target. The GoTN projections indicate a slightly higher revenue deficit in all years.

Recently, the state Government takes initiatives to mobilize more revenues. In the case of sales tax, because the State VAT rate is increased from 12.5 percent to 14.5

percent and the lower rate is increased from 4 percent to 5 percent for selected commodities, we have increased the sales tax buoyancy from 0.97 to 1.10. Because of the hike in prices of Indian Made Foreign Liquors, we have increased the buoyancy of excise from 1.26 percent to 1.5 percent and the growth of non-tax revenues from 10 percent to 14 percent. Regarding expenditure, we have already given provisions for higher growth of expenditures on education, health, irrigation etc. As a result of these changes in revenues, the revenue deficit shown in Table 5.7 is eliminated and a surplus emerges during the forecast period in Table 5.11 and Table 5.12 (scenario 2). This surplus increases in absolute amount as also relative to GSDP overtime. Since the fiscal deficit is kept as per the FRBMA, capital outlays also increase relative to GSDP.

As per the review of Government Finances in Chapter 4 and the projections in Chapter 5, we find that the overall revenue position of State Government during the projection period will show surplus on the revenue account. The State Finance Commission may consider whether the share of local bodies-urban and rural-may be increased by a small margin. This can be done on two conditions: (i) if the level of services, in terms of quantity and quality, provided by the local bodies needs to be increased and (ii) if the local bodies have enough capacity to provide those services and need additional fiscal support from the State Government. This additional support can be either in the form of share in state taxes or in the form of grants or both.

5.6 Concluding Observations

In making projections of revenue and expenditure of the Government of Tamil Nadu for the period from 2011-12 to 2016-17, the following key assumptions and findings are notable:

- (1) The nominal growth rate of state GSDP is kept at 14 percent per annum. Given the current levels of inflation and the GDP growth prospects in the range of 8.5 percent to 9.5 percent in real terms, we expect that this growth assumption will not prove to be an overestimate. If anything, we expect these to be somewhat conservative. We have also used the new GSDP series with 2004-05 base.

Table 5.11: Forecasts of Major Fiscal Indicators (2012-13 to 2016-17): Scenario 2
(Rs.crore)

Details	2010-11 RE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Sum (2012-2017)	% pa
Own Tax Revenue	49125.1	54639.2	63608.2	74082.2	86319.1	100622.5	117349.4	441981.5	15.6
<i>of which</i>									
Stamps & Registration	4599.5	5417.3	6380.4	7514.9	8851.0	10424.8	12278.3	45449.4	17.8
State excise	7929.9	9595.2	11610.2	14048.4	16998.5	20568.2	24887.6	88113.0	21.0
Tax on Sales, trades etc	30370.8	32543.8	37555.5	43339.1	50013.3	57715.3	66603.5	255226.8	14.0
Tax on Vehicles	2576.8	2991.6	3473.3	4032.5	4681.7	5435.4	6310.5	23933.4	16.1
Non-tax Revenue	4720.8	5381.7	6135.1	6994.0	7973.2	9089.5	10362.0	40553.9	14.0
Grants-aid from GOI	6810.8	7491.9	8241.1	9065.2	9971.7	10968.9	12065.8	50312.8	10.0
Share in Central Taxes	11757.1	11884.0	14017.0	16534.0	19503.0	23013.5	27156.0	100223.5	15.2
Total Revenue Receipts	72413.8	79396.8	92001.5	106675.4	123767.1	143694.5	166933.2	633071.7	15.0
General Services	26383.5	20594.5	23065.9	25833.8	28933.8	32405.9	36294.6	146533.9	6.3
<i>of which</i>									
Interest payments	7995.5	9134.2	10751.1	12436.3	14237.4	16290.7	18631.4	72346.91	15.1
Pension and Other Retirement Benefits	11694.9	13098.3	14670.1	16430.5	18402.1	20610.4	23083.7	93196.8	12.0
Other General Services	6693.1	7496.2	8395.8	9403.3	10531.7	11795.5	13210.9	53337.2	12.0
Social Services	29943.8	35539.4	42205.9	49088.2	57116.0	66483.7	77419.4	292313.2	17.2
<i>of which</i>									
General Education	13052.5	15663.0	18795.6	21802.9	25291.3	29338.0	34032.0	129259.8	17.3
Medical and Public Health	3509.2	4211.0	5053.3	5861.8	6799.7	7887.6	9149.6	34751.9	17.3
Urban Development	1285.2	1542.2	1850.6	2220.7	2664.9	3197.9	3837.5	13771.6	20.0
Economic Services	13270.6	15031.7	17111.2	19502.2	22137.5	25144.0	28576.3	112471.2	13.6
<i>of which</i>									
Crop Husbandry	86.5	96.8	108.5	121.5	136.1	152.4	170.7	689.1	12.0
Major and Medium Irrigation	797.5	925.1	1073.2	1244.9	1444.0	1675.1	1943.1	7380.3	16.0
Power Industries	1266.1	1519.3	1899.1	2373.9	2848.7	3418.4	4102.1	14642.3	21.7
Industries	886.6	993.0	1112.1	1245.6	1395.0	1562.5	1750.0	7065.2	12.0
Compensation and Assignment to LBs	5944.7	7014.7	8277.4	9767.3	11525.4	13600.0	16048.0	59218.2	18.0
Total Grants and Contributions	5944.7	7014.7	8277.4	9767.3	11525.4	13600.0	16048.0	59218.2	18.0
Total Revenue Expenditure	75542.6	78180.4	90660.4	104191.4	119712.8	137633.6	158338.3	610536.5	13.2
Capital Receipts	15740.3	17314.4	19045.8	20950.4	23045.4	25350.0	27885.0	116276.6	10.0
<i>of which</i>									
Fiscal deficit	15079.4	17973.9	18734.0	20021.9	22825.0	26020.5	29663.3	117264.7	12.0
Non-debt capital receipts	661.0	727.1	799.8	879.8	967.7	1064.5	1170.9	4882.7	10.0
Capital Disbursements net of repayments	12611.6	18530.7	20386.9	23434.4	27099.7	31410.8	36479.9	138811.8	19.9
Revenue account Surplus	-3128.8	1216.4	1341.1	2484.0	4054.3	6060.9	8595.0	22535.1	18.5
Primary Deficit	7083.8	8839.7	7982.9	7585.6	8587.6	9729.8	11032.0	44917.8	8.3
Outstanding liabilities (end March)	101540.96	119514.9	138248.8	158270.7	181095.7	207116.2	236779.5	921511	15.2
GSDP at current Prices	450474	513540.4	585436	667397.1	760832.6	867349.2	988778.1	3869793	14.0

Source: Calculated by the authors

Table 5.12: Forecasts of Major Fiscal Indicators Relative to GSDP: Scenario 2

(percent)

Details	2010 -11 RE	2011 -12	2012 -13	2013 -14	2014 -15	2015 -16	2016 -17
Own Tax Revenue <i>of which</i>	10.91	10.64	10.87	11.10	11.35	11.60	11.87
Stamps & Registration	1.02	1.05	1.09	1.13	1.16	1.20	1.24
State excise	1.76	1.87	1.98	2.10	2.23	2.37	2.52
Tax on Sales, trades etc	6.74	6.34	6.41	6.49	6.57	6.65	6.74
Tax on Vehicles	0.57	0.58	0.59	0.60	0.62	0.63	0.64
Non-tax Revenue	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Grants-aid from GOI	1.51	1.46	1.41	1.36	1.31	1.26	1.22
Share in Central Taxes	2.61	2.31	2.39	2.48	2.56	2.65	2.75
Total Revenue Receipts	16.08	15.46	15.72	15.98	16.27	16.57	16.88
General Services <i>of which</i>	5.86	4.01	3.94	3.87	3.80	3.74	3.67
Interest payments	1.77	1.78	1.84	1.86	1.87	1.88	1.88
Pension and Other Retirement Benefits	2.60	2.55	2.51	2.46	2.42	2.38	2.33
Other General Services	1.49	1.46	1.43	1.41	1.38	1.36	1.34
Social Services <i>of which</i>	6.65	6.92	7.21	7.36	7.51	7.67	7.83
General Education	2.90	3.05	3.21	3.27	3.32	3.38	3.44
Medical and Public Health	0.78	0.82	0.86	0.88	0.89	0.91	0.93
Urban Development	0.29	0.30	0.32	0.33	0.35	0.37	0.39
Economic Services <i>of which</i>	2.95	2.93	2.92	2.92	2.91	2.90	2.89
Crop Husbandry	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Major and Medium Irrigation	0.18	0.18	0.18	0.19	0.19	0.19	0.20
Power Industries	0.28	0.30	0.32	0.36	0.37	0.39	0.41
Industries	0.20	0.19	0.19	0.19	0.18	0.18	0.18
Compensation and Assignment to LBs	1.32	1.37	1.41	1.46	1.51	1.57	1.62
Total Grants and Contributions	1.32	1.37	1.41	1.46	1.51	1.57	1.62
Total Revenue Expenditure	16.77	15.22	15.49	15.61	15.73	15.87	16.01
Capital Receipts	3.49	3.37	3.25	3.14	3.03	2.92	2.82
of which							
Fiscal deficit	3.35	3.50	3.20	3.00	3.00	3.00	3.00
Non-debt capital receipts	0.15	0.14	0.14	0.13	0.13	0.12	0.12
Capital Disbursements net of repayments	2.80	3.61	3.48	3.51	3.56	3.62	3.69
Revenue account Surplus	-0.69	0.24	0.23	0.37	0.53	0.70	0.87
Primary Deficit	1.57	1.72	1.36	1.14	1.13	1.12	1.12
Outstanding liabilities (end March)	22.54	23.27	23.61	23.71	23.80	23.88	23.95
GSDP at current prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculated by the authors

- (2) The tax revenue projections have been based on growth rates that are calculated on the basis of tax-buoyancy and GSDP growth rate. As indicated in Chapter 1, we have estimated buoyancy for two sample periods: (i) one for a longer period and one for a shorter period beginning 2004-05. Of the two sets of buoyancy figures, we have used for each tax, the lower of the two buoyancies. As such we do not expect the growth assumptions regarding tax revenues to be unrealistic.
- (3) If the GST is implemented, we expect that adequate compensation will be paid by the Central Government to Government of Tamil Nadu, which will continue at least up to 2016-17. This should not therefore affect the tax revenue estimates.
- (4) In the case of non-tax revenue, we have used a growth rate of 10 percent (and 14 percent in scenarios 2) only.
- (5) In the case of expenditure, the growth rates are subject to priorities accorded to different sectors by the State Government. In general most items are allowed to grow at 14 percent so that their shares with respect to GSDP are not affected. Some sectors are, however, treated as priorities sectors. We have provided for higher growth rates for these, especially in the first three years of projections. These sectors are education, health, urban development, social security, major, and medium and minor irrigation, power, and roads.
- (6) We find that, given the configuration of revenue and expenditure profiles on the revenue account, the state finances would remain more or less in revenue account balance or only a small revenue deficit will emerge. If revenue account balance is to be achieved fully, inline with FRBM Act, small adjustments will need to be done in some of the expenditure items.
- (7) These projections will also provide for adequate growth in capital expenditure while following the FRBM norms regarding fiscal deficit. In fact, all Government borrowing can be used for capital expenditure subject to small adjustments for revenue deficit.

In conclusion, we find that it is possible to utilize Government revenue's from tax and non-tax sources including transfers from the Central Government in the form of shares in central taxes and grants such that the growth momentum in Tamil Nadu can be

strengthened and service standards can be uplifted, particularly in sectors like health, education, power, infrastructure, and urban development. This also provides scope for supporting local government finances to uplift the standards of locally provided public services.

Annexure

Table A1: Components of Revenue Receipts of Tamil Nadu: 2005-06 to 2011-12 BE
(Rs. crore)

Sl.	Major/Minor Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 RE	2011- 12BE
I	Own Tax Revenue (1 to 10)	23325.61	27770.75	29618.79	33684.04	36546.66	49125.10	53782.54
1	Taxes on Agricultural Income	0.13	0.07	0.11	0.01	0.00	0.00	0.00
2	Land Revenue (State share)	179.48	120.68	78.03	207.73	116.66	95.03	70.82
	Land Revenue share to local bodies	6.52	9.73	15.47	0.17	0.00	0.00	0.00
3	Stamps & Registration	2084.86	2997.46	3804.74	3793.68	3662.16	4599.47	5856.07
	Of which Surcharge on stamp duty transferred to local bodies.	406.68	544.99	539.21	468.25	290.63	506.46	0.00
4	Taxes on immovable property other than agricultural land	11.86	14.45	15.75	11.79	12.01	12.01	12.61
5	State Excise	3176.65	3986.42	4764.06	5755.52	6740.68	7929.95	8935.03
6	Tax on Sales, trades etc	15554.69	17727.16	18156.36	20674.70	22661.52	30370.81	33393.95
	i) Central Sales tax	1860.84	2261.91	1722.24	1645.65	1675.78	2169.96	2386.95
	ii) State Sales tax	13693.86	15465.25	16434.12	19029.04	20985.74	28200.86	31006.99
7	Taxes on Vehicles	1124.93	1260.88	1483.21	1709.57	2024.64	2576.76	3033.11
8	Taxes on goods and passengers	984.94	1243.50	1097.47	978.74	1091.92	1527.53	1680.29
9	Taxes & Duties on Electricity	95.22	266.40	37.22	355.69	37.06	1766.43	532.03
10	Other taxes and duties on commodity and services	112.84	153.73	181.85	196.63	200.02	247.10	268.64
	i) Entertainment Tax given to LBs	-32.11	-10.41	-10.40	-6.23	-3.78	-3.84	-4.22
	ii) Less net proceeds assigned to states.	-0.41	-0.40	-0.31	-0.33	-0.01	-0.01	-0.01
	Others	145.36	164.53	192.56	203.19	203.81	250.95	272.87
II	Non-Tax Revenue (11 to 59)	2600.75	3422.57	3296.34	5712.33	5027.05	4720.83	4811.42
11	Other Fiscal Services	0.02	0.03	0.00	0.12	0.04	0.05	0.05
12	Interest Receipts	797.44	1103.79	1242.49	1465.08	1797.29	1461.19	1636.64
	i) Interest from local bodies	19.08	66.49	0.99	0.43	0.41	0.00	0.00
	ii) Others	778.36	1037.30	1241.50	1464.65	1796.88	1461.19	1636.64
13	Dividends and profits	22.47	30.20	39.71	36.01	48.32	40.96	41.70
14	Public Service Commission	2.99	5.71	4.86	4.01	4.90	18.30	17.75
15	Police	60.40	50.77	82.72	132.47	96.08	139.04	125.43
16	Jails	1.82	1.65	1.65	1.13	1.43	1.62	1.62
17	Stationery & Printing	6.68	10.45	8.95	7.72	9.14	7.77	8.63

(Contd ... Table A1)

Sl.	Major/Minor Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 RE	2011-12 BE
18	Public Works	13.07	13.20	21.50	14.84	19.54	18.83	19.88
19	Other Administrative Services	86.47	92.69	118.51	130.17	197.34	160.76	175.39
20	Contributions and Recoveries towards pension and other retirement benefits	14.35	11.79	16.19	14.57	14.52	20.33	20.64
21	Miscellaneous General Services	39.18	639.10	303.23	370.62	366.26	328.40	110.08
22	Education, Sports Art and Culture	209.98	215.83	301.40	302.74	383.64	736.58	787.00
23	Medical and Public Health	90.69	96.64	97.56	141.53	91.26	135.62	134.75
24	Family Welfare	36.01	44.11	0.08	26.23	29.07	46.13	48.39
25	Water Supply and Sanitation	2.93	1.31	0.79	0.18	0.27	0.20	0.21
26	Housing	25.01	59.98	30.26	29.62	46.70	56.14	57.54
27	Urban Development	21.50	23.02	37.89	6.05	658.86	442.76	409.56
28	Information and Publicity	6.26	5.93	5.39	8.94	26.90	3.84	4.07
29	Labour and Employment	28.03	38.98	36.19	41.15	38.02	43.04	42.42
30	Social Security and Welfare	20.39	31.08	37.72	32.65	44.74	42.24	42.26
31	Other Social Services	5.42	3.54	4.43	5.54	4.97	5.97	6.09
32	Crop Husbandry	66.43	74.45	82.41	73.53	92.54	96.71	99.03
33	Animal Husbandry	7.62	7.32	7.22	8.08	8.77	9.27	9.33
34	Dairy Development	1.71	1.33	1.36	1.51	1.54	1.95	2.09
35	Fisheries	17.44	18.20	21.27	19.55	4.49	5.47	5.63
36	Forestry and Wildlife	138.59	82.31	46.42	82.65	86.90	89.25	121.33
	i) Less Farm Forestry Revenue transferred to Panchayats	-5.13	0.01	-11.42	0.00	-0.04	-24.15	-3.50
	Others	143.72	82.30	57.83	82.65	86.94	113.40	124.83
37	Food storage and warehousing	221.40	0.00	0.00	0.00	0.00	0.00	0.00
38	Agricultural Research and Education	0.00	0.00	0.00	0.13	0.03	0.23	0.00
39	Cooperation	29.72	14.37	17.01	18.69	21.02	22.24	23.48
40	Other agricultural programmes	19.99	23.11	22.34	24.20	30.02	29.63	28.69
42	Other Rural Development programmes	2.92	1.46	4.22	2.42	3.48	7.44	4.04
43	Hill areas	0.97	0.30	0.07	0.12	0.07	0.01	0.01
44	Major and Medium irrigation	14.90	28.51	19.14	25.47	33.17	35.59	105.08
45	Minor irrigation	2.16	1.57	1.67	7.32	1.63	2.36	2.65
46	Power	0.00	0.01	0.00	0.00	0.00	0.00	0.00
47	Petroleum	0.02	0.01	0.01	0.01	0.01	0.01	0.01
49	Village & Small industries	20.41	51.63	15.07	8.50	8.96	23.84	10.61
50	Industries	0.20	0.12	0.18	2046.42	151.47	24.86	0.06
51	Non-Ferrous mining and metallurgical industries	465.68	566.64	581.76	527.36	610.89	593.25	647.44
53	Ports and Lighthouses.	0.00	0.00	1.00	0.00	2.75	4.75	4.75

(Contd ... Table A1)

Sl.	Major/Minor Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 RE	2011-12 BE
54	Roads & Bridges	36.11	33.01	39.92	45.57	61.53	34.82	28.61
55	Inland Water Transport	1.76	2.64	2.43	2.57	2.32	2.53	2.54
56	Other Scientific Research	0.00	0.14	0.00	0.00	0.00	0.00	0.00
57	Tourism	35.09	15.42	22.73	25.61	3.16	3.00	3.00
58	Civil Supplies	9.53	2.86	2.89	5.12	4.25	5.80	4.65
59	Other General Eco-Services	16.97	17.35	15.71	16.11	18.75	18.04	18.32
III	Grants-aid from GOI (60 to 69)	3020.47	3325.64	6531.77	7135.01	5514.22	6810.84	7444.71
	Maintenance of Roads and Bridges	0.00	303.60	303.60	303.60	303.60	0.00	0.00
60	Maintenance of Public Buildings	0.00	60.64	30.32	30.32	60.63	60.63	0.00
61	Maintenance of Forests	6.00	6.00	6.00	6.00	6.00	0.00	0.00
62	Heritage Conservation	10.00	0.00	0.00	0.00	10.00	20.00	0.00
63	State's specific needs	0.00	75.00	45.78	32.50	116.72	30.00	0.00
64	Composite share of State in allocation for PRIs	174.00	174.00	87.00	261.00	174.00	287.13	332.97
65	General Performance Grant	0.00	0.00	0.00	0.00	0.00	0.00	113.84
66	Composite share of State in allocation for Urban Local Bodies	114.40	114.40	57.20	171.60	114.40	220.87	256.13
67	General Performance Grant	0.00	0.00	0.00	0.00	0.00	0.00	87.56
68	Calamity Relief Fund / NCCF	78.41	243.06	172.88	229.17	142.95	220.14	231.15
69	Others	2637.66	2348.94	5828.99	6100.83	4585.92	5972.07	6423.06
IV	Share in Central taxes	5012.7	6393.8	8065.5	8510.8	8756.2	11757.0	13374.5
	Total Revenue Receipts(I+II+III+IV)	33959.5	40912.8	47512.4	55042.1	55844.1	72413.8	79413.2

Source: Budget Documents (various years)

Table A2: Composition of Revenue Expenditures of Tamil Nadu: 2005-06 to 2011-12

(Rs. crore)

Sl.	Major Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11RE	2011-12BE
I	General Services (1 to 27)	12890.90	14994.86	16128.78	18577.70	20296.54	26383.50	28230.61
1	Parliament / State / Union Territory legislatures.	17.98	15.81	18.14	22.04	27.39	36.03	46.44
	Salary	14.05	11.88	14.22	18.00	24.05	29.50	40.08
	Non-Salary	3.93	3.93	3.92	4.04	3.34	6.53	6.37
2	President / Vice President / Governor/ Administrator of Union Territories.	3.11	3.58	4.03	5.14	6.15	7.02	7.41
	Salary	1.98	2.39	2.64	3.69	4.10	5.16	5.84
	Non-Salary	1.13	1.19	1.40	1.45	2.05	1.87	1.57
3	Council of Ministers	6.76	5.12	4.19	5.58	4.44	6.88	6.55
	Salary	1.41	0.77	0.99	1.05	1.26	1.39	1.42
	Non-Salary	5.35	4.35	3.21	4.53	3.18	5.48	5.13
4	Administration of Justice	178.14	214.66	241.96	327.11	393.57	623.40	644.83
	Salary	153.17	189.76	215.11	295.73	359.20	571.53	563.96
	Non-Salary	24.97	24.90	26.85	31.38	34.37	51.87	80.87
5	Elections	39.13	126.25	42.44	39.39	119.59	80.87	132.72
	Salary	10.44	13.94	11.47	14.45	22.05	22.18	29.19
	Non-Salary	28.69	112.30	30.97	24.94	97.54	58.69	103.53
6	Collection of taxes on income and expenditure	0.87	0.48	0.23	0.13	0.09	0.10	0.11
	Salary	0.81	0.47	0.22	0.13	0.09	0.10	0.02
	Non-Salary	0.07	0.01	0.01	0.00	0.00	0.00	0.09
7	Land Revenue	83.92	99.88	107.41	135.44	152.54	169.21	182.20
	Salary	79.05	89.67	100.87	125.59	145.78	161.00	176.22
	Non-Salary	4.87	10.21	6.55	9.86	6.75	8.21	5.98
8	Stamps & Registration	86.83	102.08	129.24	128.44	156.63	167.42	159.52
	Salary	51.32	57.85	61.05	75.13	83.38	93.14	101.34
	Non-Salary	35.51	44.23	68.19	53.30	73.25	74.27	58.18
9	Collection of other taxes on property and capital transactions	3.58	4.00	4.19	4.86	5.47	5.73	6.15
	Salary	3.40	3.72	4.00	4.63	5.25	5.44	5.94
	Non-Salary	0.19	0.28	0.19	0.23	0.22	0.30	0.21
10	State Excise	27.82	33.11	38.64	45.11	48.43	63.13	59.67
	Salary	13.13	14.56	14.47	17.11	20.11	21.93	23.78
	Non-Salary	14.69	18.56	24.17	28.00	28.32	41.21	35.88
11	Taxes on Sales, trade etc	353.91	323.38	140.85	151.59	166.74	229.36	213.93
	Salary	95.12	106.74	111.82	142.01	153.15	177.34	198.21
	Non-Salary	258.79	216.64	29.03	9.59	13.59	52.02	15.72
	i) Amount transferred to Infrastructure development fund	230.87	195.03	0.00	0.00	0.00	31.80	1.41
	Others of Non-Salary	27.92	21.61	29.03	9.59	13.59	20.22	14.30

(Contd.. Table A2)

Sl.	Major Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11RE	2011-12BE
12	Taxes on Vehicles	41.95	54.76	42.75	62.04	69.39	107.46	103.07
	Salary	20.43	24.26	24.83	33.46	39.68	48.64	53.49
	Non-Salary	21.52	30.50	17.91	28.57	29.70	58.82	49.57
13	Others taxes and duties on commodities and services	3.16	3.14	4.03	5.33	6.41	9.81	6.64
	Salary	2.68	2.85	2.96	3.98	5.01	5.68	6.22
	Non-Salary	0.48	0.28	1.07	1.35	1.40	4.13	0.42
14	Other fiscal services	74.21	49.09	35.25	30.04	30.23	47.53	37.03
	Salary	1.84	2.04	2.73	3.53	3.69	5.72	5.40
	Non-Salary	72.37	47.05	32.52	26.51	26.54	41.81	31.63
15	Appropriation for reduction or avoidance of debt.	450.00	450.00	450.00	450.00	182.29	450.00	450.00
	Salary	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Non-Salary	450.00	450.00	450.00	450.00	182.29	450.00	450.00
16	Interest payments	4558.79	5505.99	6085.85	5962.81	6667.35	7995.53	8853.05
17	Public Service Commission	10.67	14.39	20.88	20.60	26.23	33.38	28.96
18	Secretariat General Services.	58.34	68.11	85.57	89.51	101.11	125.08	132.91
19	District Administration	352.82	418.45	434.52	565.15	617.86	681.70	737.41
20	Treasury and Accounts Administration	92.59	102.92	102.81	123.66	143.55	179.61	235.95
21	Police	1226.53	1432.75	1564.35	1966.50	2367.22	2899.53	3084.83
22	Jails	59.48	66.90	77.48	90.52	109.59	125.39	135.66
23	Stationery and Printing	50.74	64.27	55.49	67.01	65.56	73.95	74.79
24	Public works	124.09	196.08	202.75	271.73	132.43	167.34	187.66
25	Other Administrative Services	154.01	151.34	160.37	195.28	235.33	303.10	291.62
26	Pension and other retirement benefits	4459.57	5429.61	6017.03	7734.54	8384.89	11694.90	12304.66
27	Miscellaneous general services	371.90	58.70	58.32	78.14	76.05	100.05	106.87
II	Social Services (28 to 44)	11316.41	13026.35	15725.63	21371.48	22957.52	29943.83	29715.21
28	General education	4747.80	5794.79	6565.43	8465.93	10341.03	13052.49	14248.37
29	Technical Education	167.73	173.13	166.65	202.17	215.09	563.68	634.00
30	Sports and Youth Services	63.00	50.09	60.24	69.50	72.98	82.57	77.59
31	Art and Culture	34.04	43.11	53.43	66.55	82.03	95.08	94.32
32	Medical and Public Health	1107.90	1309.72	1442.23	1895.06	2520.50	3509.20	3524.32
33	Family Welfare	284.97	242.25	294.82	393.43	496.02	682.13	659.90
34	Water Supply and Sanitation	64.64	84.22	46.28	249.13	185.39	478.99	412.69
35	Housing	144.10	469.78	457.15	1249.76	392.49	591.66	533.78
36	Urban Development	195.29	631.21	775.86	1209.99	1731.51	1285.16	1725.48
37	Information and Publicity	27.69	723.86	783.50	789.52	793.89	1019.74	41.96
38	Welfare of Scheduled Caste, Scheduled Tribes and other Backward Classes	764.36	874.33	957.86	1082.92	1207.07	1423.73	1397.82

(Contd.. Table A2)

Sl.	Major Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11RE	2011-12BE
39	Labour and Employment	128.68	144.30	139.84	202.81	221.21	347.54	351.70
40	Social Security and Welfare	1199.89	1594.79	2367.10	2726.94	3001.92	3558.04	3696.47
41	Nutrition	781.99	876.64	1133.21	1330.48	1575.31	2029.45	2218.32
42	Relief on Account of Natural Calamities	1574.55	-22.06	427.09	1379.51	66.39	1158.80	4.79
43	Other Social Services	2.99	5.17	14.08	13.08	10.75	7.81	31.40
44	Secretariat - Social Services	26.80	31.03	40.87	44.69	43.95	57.76	62.32
III Economic Services (45 to 82)		5772.50	7796.75	7771.30	9661.33	12121.88	13270.59	14176.69
45	Crop Husbandry	543.50	922.33	872.00	1303.98	1579.37	1443.67	1549.27
46	Soil and Water Conservation	70.74	122.96	91.35	60.33	97.07	126.56	151.97
47	Animal Husbandry	130.93	132.48	146.75	201.14	235.88	271.92	289.73
48	Dairy Development	24.68	19.06	22.61	38.88	28.57	24.92	25.58
49	Fisheries	46.68	93.11	108.55	111.13	150.08	117.88	150.20
50	Forestry and Wild Life	115.70	119.60	130.48	160.14	193.73	229.67	238.84
51	Plantations	0.01	0.02	0.02	-0.51	0.03	0.05	0.04
52	Food Storage and Warehousing	0.00	0.00	0.00	0.06	0.00	0.00	0.00
53	Agricultural Research and Education	112.20	140.20	187.94	259.54	281.30	346.56	371.39
54	Co-Operation	173.25	208.78	230.73	279.60	541.47	486.69	460.81
55	Other Agricultural Programmes	34.04	40.76	41.43	63.81	78.82	86.47	93.16
56	Special Programmes for Rural Development	37.59	41.71	56.19	76.89	49.53	86.80	76.97
57	Rural Employment	160.97	161.79	311.80	283.48	543.54	461.07	467.78
58	Land Reforms	6.04	8.67	0.00	0.11	0.00	0.00	0.00
59	Other Rural Development Programmes	393.53	466.01	436.84	369.50	567.59	556.28	553.88
60	Hill areas	9.27	12.65	12.03	13.97	13.56	10.19	8.49
61	Major and Medium Irrigation	461.64	537.09	560.56	639.88	694.83	797.53	929.38
62	Minor Irrigation	45.57	47.92	45.79	56.09	57.70	79.03	88.93
63	Command Area Development	15.97	17.23	16.38	17.39	16.65	20.38	20.48
64	Flood Control and Drainage	9.15	2.90	6.14	8.01	16.42	17.67	27.35
65	Power	1026.13	1181.11	1169.15	1292.99	1313.53	1266.09	1383.94
66	New and Renewable Energy	0.94	0.95	1.11	1.11	1.73	2.92	3.09
67	Village and Small Industries	285.93	430.24	322.31	350.24	412.68	854.74	530.93
68	Industries	15.05	47.59	16.79	137.10	36.35	886.58	1171.20
69	Non Ferrous Mining and Metallurgical Industries	4.26	5.05	5.17	51.04	7.73	8.96	9.19
70	Other Industries	-1.31	0.00	0.00	0.00	0.00	0.00	0.00
71	Other Outlays on Industries and Minerals	0.43	-0.64	0.05	-6.39	-0.13	0.00	0.00
72	Civil Aviation	0.06	0.09	0.08	0.08	0.08	0.08	0.08
73	Roads and Bridges	617.56	856.27	873.77	911.68	963.78	785.60	1216.14
74	Road Transport	0.04	1.80	0.02	1.38	2.79	22.81	22.81
75	Inland Water Transport	1.17	1.22	1.21	2.10	1.73	0.92	1.03
76	Other Scientific Research	9.65	6.83	6.66	8.93	4.78	8.05	6.66
77	Ecology and Environment	1.43	2.18	3.43	3.67	3.88	14.75	5.83

(Contd.. Table A2)

Sl.	Major Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11RE	2011-12BE
78	Secretariat - Economic Service	23.17	28.31	38.25	37.67	40.38	48.49	52.36
79	Tourism	28.09	44.66	37.66	36.48	41.31	42.95	39.52
80	Census Surveys and Statistics	25.65	24.46	25.25	30.52	36.69	124.22	137.88
81	Civil Supplies	1328.91	2053.57	1968.85	2830.00	4077.23	4005.50	4055.26
82	Other General Economic Services	13.85	17.79	23.95	29.33	31.22	34.60	36.51
IV	Compensation and Assignments to local bodies and Panchayat Raj Institutions	2028.86	2447.01	3349.30	3979.75	3999.41	5944.69	6851.97
	of which	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SFC devolution to PRIs	994.75	1224.76	1583.59	1716.43	1926.57	2814.88	3053.46
	SFC devolution to ULBs	502.21	886.90	1150.36	1242.94	1389.81	2038.36	2211.12
	Tw FC / 13th FC grants to PRIs	174.00	174.00	87.00	261.00	174.00	287.13	332.97
	Twfc / 13th FC grants to ULBs	114.40	114.40	57.20	171.60	114.40	220.87	256.13
	Assigned revenue transfer to PRIs	0.00	0.00	270.05	541.77	359.49	257.43	259.30
	Others	243.50	46.95	201.11	46.02	35.14	326.02	738.99
	Total Revenue Expenditures (I+II+III+IV)	32008.66	38264.97	42975.01	53590.26	59375.35	75542.61	78974.48

Source: Budget Documents (various years)

Table A3: Projections of Grant-in-Aid from Government of India (2012-13 to 2016-17)

(Rs.crore)

Details	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13 to 2016-17
<i>Maintenance of Roads and Bridges</i>	453.00	478.00	506.00			1437.00
<i>Maintenance of Public Buildings</i>	0.00	0.00	0.00			0.00
<i>Maintenance of Forests</i>	35.62	35.62	35.62			106.86
<i>Heritage Conservation</i>	0.00	0.00	0.00			0.00
<i>State's specific needs</i>	325.00	325.00	325.00			975.00
<i>Composite share of State in allocation for PRIs</i>	389.16	461.11	545.95			1396.22
<i>General Performance Grant</i>	267.07	315.00	371.58			953.65
<i>Composite share of State in allocation for Urban Local Bodies</i>	299.34	354.69	419.95			1073.98
<i>General Performance Grant</i>	205.43	242.30	285.82			733.55
<i>Calamity Relief Fund / NCCF</i>	242.71	254.84	267.59			765.14
<i>Others</i>	6434.72	7050.69	7711.47			21196.88
Grants-aid from GOI	8652.05	9517.25	10468.98	11515.88	12667.47	52821.63

Source: Government of Tamil Nadu.

Table A4: MSE's Detailed Projections of Revenues

SI	Details	2010 -11 RE	2011 -12	2012 -13	2013- 14	2014- 15	2015 -16	2016-17	Sum (2012- 17)
I	State's Own Tax Revenue	49125.1	53859.5	61797.1	70925.7	81427.0	93511.1	1107421.1	415082.0
1	Taxes on Agricultural Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Land Revenue	95.0	99.8	104.8	110.0	115.5	121.3	127.4	578.9
3	Stamps & Registration	4599.5	5417.3	6380.4	7514.9	8851.0	10424.8	12278.3	45449.4
	i) Stamp duty	3870.1	4558.2	5368.6	6323.2	7447.4	8771.6	10331.2	38242.0
3a	ii) Of which Surcharge on stamp duty transferred to local bodies.	506.5	596.5	702.6	827.5	974.6	1147.9	1352.0	5004.6
	iii) Registration	729.4	859.1	1011.8	1191.7	1403.6	1653.2	1947.1	7207.5
4	Taxes on immovable property other than agricultural land	12.0	14.1	16.7	19.6	23.1	27.2	32.1	118.7
5	State Excise	7929.9	9328.8	10974.4	12910.3	15187.6	17866.7	21018.4	77957.5
6	Tax on Sales, trades etc	30370.8	32030.5	36380.3	41320.7	46932.1	53305.4	60544.3	238482.8
	i) Central Sales tax	2170.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	ii) State Sales tax	28200.9	32030.5	36380.3	41320.7	46932.1	53305.4	60544.3	238482.8
	iii) of which, Infrastructure - surcharge on sales tax	1.4	1.6	1.8	2.1	2.4	2.7	3.0	12.0
7	Taxes on Vehicles	2576.8	2991.6	3473.3	4032.5	4681.7	5435.4	6310.5	23933.4
8	Taxes on goods and passengers	1527.5	1715.7	1927.1	2164.5	2431.2	2730.7	3067.1	12320.7
9	Taxes & Duties on Electricity	1766.4	1984.1	2228.5	2503.0	2811.4	3157.8	3546.8	14247.6
10	Other taxes and duties on commodity and services	247.1	277.5	311.7	350.1	393.3	441.7	496.2	1993.0
II	Non-tax Revenue	4720.8	5192.9	5712.1	6283.4	6911.7	7602.9	8363.2	34873.2
11	Other Fiscal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Interest Receipts	1461.2	1607.3	1768.0	1944.8	2139.3	2353.3	2588.6	10794.0
	i) Interest from local bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	ii) Others	1461.2	1607.3	1768.0	1944.8	2139.3	2353.3	2588.6	10794.0
13	Dividends and profits	41.0	45.1	49.6	54.5	60.0	66.0	72.6	302.6
14	Public Service Commission	18.3	20.1	22.1	24.4	26.8	29.5	32.4	135.2
15	Police	139.0	152.9	168.2	185.1	203.6	223.9	246.3	1027.1
16	Jails	1.6	1.8	2.0	2.2	2.4	2.6	2.9	12.0
17	Stationery & Printing	7.8	8.5	9.4	10.3	11.4	12.5	13.8	57.4
18	Public Works	18.8	20.7	22.8	25.1	27.6	30.3	33.4	139.1
19	Other Administrative Services	160.8	176.8	194.5	214.0	235.4	258.9	284.8	1187.6
20	Contributions and Recoveries towards pension and other retirement benefits	20.3	22.4	24.6	27.1	29.8	32.7	36.0	150.2
21	Miscellaneous General Services	328.4	361.2	397.4	437.1	480.8	528.9	581.8	2426.0
22	Education, Sports Art and Culture	736.6	810.2	891.3	980.4	1078.4	1186.3	1304.9	5441.2
23	Medical and public Health	135.6	149.2	164.1	180.5	198.6	218.4	240.3	1001.9
24	Family Welfare	46.1	50.7	55.8	61.4	67.5	74.3	81.7	340.8
25	Water Supply and sanitation	0.2	0.2	0.2	0.3	0.3	0.3	0.4	1.5
26	Housing	56.1	61.8	67.9	74.7	82.2	90.4	99.5	414.7
27	Urban Development	442.8	487.0	535.7	589.3	648.2	713.1	784.4	3270.8
28	Information and publicity	3.8	4.2	4.6	5.1	5.6	6.2	6.8	28.4
29	Labour and Employment	43.0	47.3	52.1	57.3	63.0	69.3	76.3	318.0
30	Social Security and Welfare	42.2	46.5	51.1	56.2	61.8	68.0	74.8	312.0
31	Other Social Services	6.0	6.6	7.2	7.9	8.7	9.6	10.6	44.1
32	Crop Husbandry	96.7	106.4	117.0	128.7	141.6	155.8	171.3	714.4
33	Animal Husbandry	9.3	10.2	11.2	12.3	13.6	14.9	16.4	68.5
34	Dairy Development	2.0	2.1	2.4	2.6	2.9	3.1	3.5	14.4
35	Fisheries	5.5	6.0	6.6	7.3	8.0	8.8	9.7	40.4
36	Forestry and Wildlife	89.2	98.2	108.0	118.8	130.7	143.7	158.1	659.3
37	Food storage and warehousing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(Contd.. Table A4)

Sl	Details	2010 -11 RE	2011 -12	2012 -13	2013- 14	2014- 15	2015 -16	2016-17	Sum (2012- 17)
38	Agricultural Research and Education	0.2	0.3	0.3	0.3	0.3	0.4	0.4	1.7
39	Cooperation	22.2	24.5	26.9	29.6	32.6	35.8	39.4	164.3
40	Other agricultural programmes	29.6	32.6	35.8	39.4	43.4	47.7	52.5	218.8
41	Land Reforms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42	Other Rural Development programmes	7.4	8.2	9.0	9.9	10.9	12.0	13.2	55.0
43	Hill areas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
44	Major and Medium irrigation	35.6	39.1	43.1	47.4	52.1	57.3	63.0	262.9
45	Minor irrigation	2.4	2.6	2.9	3.1	3.5	3.8	4.2	17.4
46	Power	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
47	Petroleum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
48	Non-conventional sources of energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
49	Village & Small industries	23.8	26.2	28.8	31.7	34.9	38.4	42.2	176.1
50	Industries	24.9	27.3	30.1	33.1	36.4	40.0	44.0	183.6
51	Non-Ferrous mining and metallurgical industries	593.2	652.6	717.8	789.6	868.6	955.4	1051.0	4382.4
52	Other Industries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
53	Ports and Lighthouses.	4.8	5.2	5.7	6.3	7.0	7.7	8.4	35.1
54	Roads & Bridges	34.8	38.3	42.1	46.3	51.0	56.1	61.7	257.2
55	Inland Water Transport	2.5	2.8	3.1	3.4	3.7	4.1	4.5	18.7
56	Other Scientific Research	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
57	Tourism	3.0	3.3	3.6	4.0	4.4	4.8	5.3	22.2
58	Civil Supplies	5.8	6.4	7.0	7.7	8.5	9.3	10.3	42.9
59	Other General Eco-Services	18.0	19.8	21.8	24.0	26.4	29.1	32.0	133.3
III	Grants-aid from GOI	6810.8	7491.9	8241.1	9065.2	9971.7	10968.9	12065.8	50312.8
60	Maintenance of Roads and Bridges	0.0	428.0	453.0	478.0	506.0	0.0	0.0	1437.0
61	Maintenance of Public Buildings	60.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
62	Maintenance of Forests	0.0	17.8	35.6	35.6	35.6	0.0	0.0	106.9
63	Heritage Conservation	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
64	State's specific needs	30.0	325.0	325.0	325.0	325.0	0.0	0.0	975.0
65	Composite share of State in allocation for PRIs	287.1	333.0	389.2	461.1	546.0	0.0	0.0	1396.2
66	General Performance Grant	0.0	113.8	267.1	315.0	371.6	0.0	0.0	953.6
67	Composite share of State in allocation for Urban Local Bodies	220.9	256.1	299.3	354.7	419.9	0.0	0.0	1074.0
68	General Performance Grant	0.0	87.6	205.4	242.3	285.8	0.0	0.0	733.6
69	Calamity Relief Fund / NCCF	220.1	231.2	242.7	254.8	267.6	0.0	0.0	765.1
70	Others	6810.8	7491.9	8241.1	9065.2	9971.7	0.0	0.0	27278.1
IV	Share in Central Taxes	11757.1	11884.0	14017.0	16534.0	19503.0	23013.5	27156.0	100223.5
	Total Revenue Receipts	72413.8	78428.2	89767.4	102808.3	117813.4	135096.5	155006.1	600491.6

Table A5: MSE's Detailed Projections of Revenue Expenditures

Sl.	Details	2010-11RE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
A	General Services	26383.5	20594.5	23065.9	25833.8	28933.8	32405.9	36294.6
1	Parliament / State / Union Territory legislatures	36.0	40.4	45.2	50.6	56.7	63.5	71.1
	Salary	29.5	34.3	38.4	43.0	48.1	53.9	60.4
	Non-Salary	6.5	6.1	6.8	7.6	8.5	9.6	10.7
2	President / Vice President / Governor/ Administrator of Union Territories.	7.0	7.9	8.8	9.9	11.0	12.4	13.9
	Salary	5.2	6.1	6.9	7.7	8.6	9.6	10.8
	Non-Salary	1.9	1.7	1.9	2.2	2.4	2.7	3.1
3	Council of Ministers	6.9	7.7	8.6	9.7	10.8	12.1	13.6
	Salary	1.4	1.6	1.8	2.0	2.2	2.5	2.8
	Non-Salary	5.5	6.1	6.8	7.7	8.6	9.6	10.8
4	Administration of Justice	623.4	698.2	782.0	875.8	980.9	1098.6	1230.5
	Salary	571.5	648.7	726.5	813.7	911.4	1020.7	1143.2
	Non-Salary	51.9	49.5	55.4	62.1	69.5	77.9	87.2
5	Elections	80.9	90.6	101.4	113.6	127.3	142.5	159.6
	Salary	22.2	38.0	42.6	47.7	53.4	59.8	67.0
	Non-Salary	58.7	52.6	58.9	66.0	73.9	82.7	92.7
6	Collection of taxes on income and expenditure	0.1	0.1	0.1	0.1	0.2	0.2	0.2
	Salary	0.1	0.1	0.1	0.1	0.2	0.2	0.2
	Non-Salary	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Land Revenue	169.2	189.5	212.3	237.7	266.3	298.2	334.0
	Salary	161.0	183.8	205.9	230.6	258.2	289.2	323.9
	Non-Salary	8.2	5.7	6.4	7.2	8.0	9.0	10.1
8	Stamps & Registration	167.4	187.5	210.0	235.2	263.4	295.0	330.5
	Salary	93.1	114.5	128.2	143.6	160.9	180.2	201.8
	Non-Salary	74.3	73.0	81.8	91.6	102.6	114.9	128.7
9	Collection of other taxes on property and capital transactions	5.7	6.4	7.2	8.1	9.0	10.1	11.3
	Salary	5.4	6.1	6.8	7.6	8.5	9.6	10.7
	Non-Salary	0.3	0.3	0.4	0.4	0.5	0.5	0.6
10	State Excise	63.1	70.7	79.2	88.7	99.3	111.3	124.6
	Salary	21.9	27.3	30.6	34.3	38.4	43.0	48.1
	Non-Salary	41.2	43.4	48.6	54.4	61.0	68.3	76.5
11	Taxes on Sales, trade etc	229.4	256.9	287.7	322.2	360.9	404.2	452.7
	Salary	177.3	240.1	268.9	301.2	337.3	377.8	423.1
	Non-Salary	52.0	16.8	18.8	21.1	23.6	26.4	29.6
	i) Amount transferred to Infrastructure development fund	31.8	0.0	0.0	0.0	0.0	0.0	0.0
	Others of Non-Salary	20.2	16.8	18.8	21.1	23.6	26.4	29.6
12	Taxes on Vehicles	107.5	120.4	134.8	151.0	169.1	189.4	212.1
	Salary	48.6	52.3	58.6	65.6	73.5	82.3	92.1
	Non-Salary	58.8	68.1	76.2	85.4	95.6	107.1	120.0
13	Others taxes and duties on commodities and services	9.8	11.0	12.3	13.8	15.4	17.3	19.4
	Salary	5.7	9.3	10.4	11.7	13.1	14.7	16.4
	Non-Salary	4.1	1.7	1.9	2.1	2.3	2.6	2.9
14	Other fiscal services	47.5	53.2	59.6	66.8	74.8	83.8	93.8
	Salary	5.7	9.7	10.9	12.2	13.6	15.3	17.1

(Contd... Table A5)

Sl.	Details	2010-11RE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Non-Salary	41.8	43.5	48.7	54.6	61.1	68.5	76.7
15	Appropriation for reduction / avoidance of debt	450.0	504.0	564.5	632.2	708.1	793.1	888.2
	Salary	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Non-Salary	450.0	504.0	564.5	632.2	708.1	793.1	888.2
	Total (1) to (15)	2004.0	2244.4	2513.8	2815.4	3153.3	3531.6	3955.4
	Salary	1148.7	1371.9	1536.5	1720.9	1927.4	2158.7	2417.7
	Non-Salary	855.2	872.5	977.2	1094.5	1225.8	1372.9	1537.7
16	Interest payments	7995.5	0.0	0.0	0.0	0.0	0.0	0.0
	i) Interest paid on behalf of local bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	ii) Others.	7995.5	0.0	0.0	0.0	0.0	0.0	0.0
17	Public Service Commission	33.4	37.4	41.9	46.9	52.5	58.8	65.9
18	Secretariat General Services.	125.1	140.1	156.9	175.7	196.8	220.4	246.9
19	District Administration	681.7	763.5	855.1	957.7	1072.7	1201.4	1345.6
20	Treasury and Accounts Administration	179.6	201.2	225.3	252.3	282.6	316.5	354.5
21	Police	2899.5	3247.5	3637.2	4073.6	4562.5	5110.0	5723.1
22	Jails	125.4	140.4	157.3	176.2	197.3	221.0	247.5
23	Stationery and Printing	73.9	82.8	92.8	103.9	116.4	130.3	146.0
24	Public works	167.3	187.4	209.9	235.1	263.3	294.9	330.3
25	Other Administrative Services	303.1	339.5	380.2	425.8	476.9	534.2	598.3
26	Pension and other retirement benefits	11694.9	13098.3	14670.1	16430.5	18402.1	20610.4	23083.7
27	Miscellaneous general services	100.0	112.1	125.5	140.6	157.4	176.3	197.5
B	Social Services.	29943.8	35539.4	42205.9	49088.2	57116.0	66483.7	77419.4
28	General education	13052.5	15663.0	18795.6	21802.9	25291.3	29338.0	34032.0
29	Technical Education	563.7	676.4	811.7	941.6	1092.2	1267.0	1469.7
30	Sports and Youth Services	82.6	99.1	118.9	137.9	160.0	185.6	215.3
31	Art and Culture	95.1	114.1	136.9	158.8	184.2	213.7	247.9
32	Medical and Public Health	3509.2	4211.0	5053.3	5861.8	6799.7	7887.6	9149.6
33	Family Welfare	682.1	818.6	982.3	1139.4	1321.7	1533.2	1778.5
34	Water Supply and Sanitation	479.0	574.8	689.7	800.1	928.1	1076.6	1248.9
35	Housing	591.7	686.3	796.1	923.5	1071.3	1242.7	1441.5
36	Urban Development	1285.2	1542.2	1850.6	2220.7	2664.9	3197.9	3837.5
37	Information and Publicity	1019.7	1142.1	1279.2	1432.7	1604.6	1797.1	2012.8
38	Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes	1423.7	1708.5	2050.2	2460.2	2952.3	3542.7	4251.2
39	Labour and Employment	347.5	389.2	436.0	488.3	546.9	612.5	686.0
40	Social Security and Welfare	3558.0	4269.7	5123.6	6148.3	7378.0	8853.6	10624.3
41	Nutrition	2029.5	2273.0	2545.7	2851.2	3193.4	3576.6	4005.8
42	Relief on Account of Natural Calamities	1158.8	1297.9	1453.6	1628.0	1823.4	2042.2	2287.3
43	Other Social Services	7.8	8.9	10.2	11.6	13.2	15.0	17.1
44	Secretariat - Social Services	57.8	64.7	72.5	81.1	90.9	101.8	114.0
C	Economic Services	13270.6	15031.7	17111.2	19502.2	22137.5	25144.0	28576.3
45	Crop Husbandry	1443.7	1616.9	1810.9	2028.2	2271.6	2544.2	2849.5
46	Soil and Water Conservation	126.6	141.7	158.8	177.8	199.1	223.0	249.8
47	Animal Husbandry	271.9	304.6	341.1	382.0	427.9	479.2	536.7

(Contd... Table A5)

Sl.	Details	2010-11RE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
48	Dairy Development	24.9	27.9	31.3	35.0	39.2	43.9	49.2
49	Fisheries	117.9	132.0	147.9	165.6	185.5	207.7	232.7
50	Forestry and Wild Life	229.7	257.2	288.1	322.7	361.4	404.8	453.3
51	Plantations	0.0	0.1	0.1	0.1	0.1	0.1	0.1
52	Food Storage and Warehousing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
53	Agricultural Research and Education	346.6	388.1	434.7	486.9	545.3	610.8	684.0
54	Co-Operation	486.7	545.1	610.5	683.8	765.8	857.7	960.6
55	Other Agricultural Programmes	86.5	96.8	108.5	121.5	136.1	152.4	170.7
56	Special Programmes for Rural Development	86.8	97.2	108.9	121.9	136.6	153.0	171.3
57	Rural Employment	461.1	516.4	578.4	647.8	725.5	812.6	910.1
58	Land Reforms	0.0	0.0	0.0	0.0	0.0	0.0	0.0
59	Other Rural Development Programmes	556.3	623.0	697.8	781.5	875.3	980.4	1098.0
60	Hill Areas	10.2	11.4	12.8	14.3	16.0	18.0	20.1
61	Major and Medium Irrigation	797.5	925.1	1073.2	1244.9	1444.0	1675.1	1943.1
62	Minor Irrigation	79.0	91.7	106.3	123.4	143.1	166.0	192.5
63	Command Area Development	20.4	22.8	25.6	28.6	32.1	35.9	40.2
64	Flood Control and Drainage	17.7	19.8	22.2	24.8	27.8	31.1	34.9
65	Power	1266.1	1519.3	1899.1	2373.9	2848.7	3418.4	4102.1
66	New and Renewable Energy	2.9	3.3	3.7	4.1	4.6	5.2	5.8
67	Village and Small Industries	854.7	957.3	1072.2	1200.8	1344.9	1506.3	1687.1
68	Industries	886.6	993.0	1112.1	1245.6	1395.0	1562.5	1750.0
69	Non Ferrous Mining and Metallurgical Industries	9.0	10.0	11.2	12.6	14.1	15.8	17.7
70	Other Industries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
71	Other Outlays on Industries and Minerals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
72	Civil Aviation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
73	Roads and Bridges	785.6	911.3	1057.1	1226.2	1422.4	1650.0	1914.0
74	Road Transport	22.8	26.5	30.7	35.6	41.3	47.9	55.6
75	Inland Water Transport	0.9	1.0	1.2	1.3	1.4	1.6	1.8
76	Other Scientific Research	8.1	9.0	10.1	11.3	12.7	14.2	15.9
77	Ecology and Environment	14.7	16.5	18.5	20.7	23.2	26.0	29.1
78	Secretariat - Economic Service	48.5	54.3	60.8	68.1	76.3	85.5	95.7

(Contd... Table A5)

Sl.	Details	2010-11RE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
79	Tourism	43.0	48.1	53.9	60.3	67.6	75.7	84.8
80	Census Surveys and Statistics	124.2	139.1	155.8	174.5	195.5	218.9	245.2
81	Civil Supplies	4005.5	4486.2	5024.5	5627.4	6302.7	7059.1	7906.1
	Other General Economic Services	34.6	38.8	43.4	48.6	54.4	61.0	68.3
D	Compensation and Assignments to local bodies and Panchayat Raj Institutions	5944.7	7014.7	8277.4	9767.3	11525.4	13600.0	16048.0
	Total Revenue	75542.6	78180.4	90660.4	104191.4	119712.8	137633.6	158338.3
	Expenditure (A+B+C+D)							

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