

## **Fiscal Condition of Tamil Nadu**

### **What is the issue?**

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- The finances of Tamil Nadu are in a hazardous position due to the populist schemes pursued by successive governments.

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- To address this TN must balance development and capital spending, and rationalise work force.

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### **What is the Fiscal status of TN?**

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- The gross fiscal deficit has trebled during the last decade to 3 per cent in 2016-17 (Budget Estimate, BE) from 1.1 per cent in 2007-08.

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- Interest payments have climbed to 13.8 per cent in 2016-17 (BE) from 12.8 per cent in 2007-08, and have almost doubled from 7.1 per cent in 1980-81.

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- The share of TN's outstanding liabilities to that of all States' (including Delhi and Puducherry) has risen to 7.02 per cent in 2016-17 (BE) from 5.66 per cent in 1999-00.

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- Capital expenditure has declined to 2.5 per cent of gross state domestic product (GSDP) in 2016-17 (BE) from 3.6 per cent in 2007-08 and from 6.6 per cent in 1980-81.

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### **What are the concerns with TN's Fiscal status?**

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- Tamil Nadu has outperformed the nation on the social development front is no justification for its precarious fiscal position.

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<b>Social development indicators</b>							
	<b>Andhra Pradesh</b>	<b>Telangana</b>	<b>Karnataka</b>	<b>Maharashtra</b>	<b>Gujarat</b>	<b>Tamil Nadu</b>	<b>All India</b>
<b>Infant Mortality rate*</b>	34	31	24	19	30	17	34
<b>Birth rate*</b>	16.4	17.5	17.6	15.9	20.1	15.0	20.4
<b>Death rate *</b>	6.8	6.1	6.7	5.9	6.1	6.4	6.4
<b>Institutional deliveries (%)</b>	91.6	91.5	94.3	90.3	88.7	99	78.9
<b>Immunisation rate (%)</b>	65.3	68.1	62.6	56.3	50.4	69.7	62.0
<b>Life expectancy at birth (Years)</b>	68.5	NA	68.8	71.6	68.7	70.6	67.9
<b>Sex ratio (Females per 1000 Males)</b>	918	NA	939	878	854	911	900
<b>Fertility rate</b>	1.7	1.7	1.8	1.8	2.2	1.6	2.3
<b>Labour force participation</b>							
<b>Rural*</b>	528	NA	454	490	448	495	406
<b>Urban*</b>	380	NA	388	374	387	403	367
<b>Net school enrollment ratios*</b>							
<b>Primary</b>	72.1	80.6	96.4	85.8	82.5	90.9	87.3
<b>Upper primary</b>	63.4	68.5	79.4	78.5	73.4	77.1	74.7
<b>Secondary</b>	52.3	52.4	62.1	59.9	47.5	65.9	51.3
<b>Higher secondary</b>	24.8	21.0	27.0	41.9	27.7	52.0	32.3
<b>Tertiary gross enrollment ratio</b>	30.8	36.3	26.1	29.9	20.7	44.3	24.5

\*Per 1000 NA: Not available Source: <https://nid.gov.in/state-statistics>

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- Tamil Nadu's fiscal profile poses to be worst, when benchmarked with States of comparable size and economic development, namely Andhra Pradesh, Telangana, Karnataka, Maharashtra and Gujarat.

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- In the World Bank's ease of doing business ranking of 17 Indian cities, Chennai stands at 15, Ludhiana, Hyderabad and Bhubaneswar are the top three.

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- Tamil Nadu was ranked low on reform areas such as access to information, single-window system, land and property registrations, construction permit enablers, ease of obtaining electricity connection,

carrying out inspections and enforcing contracts.

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- Tamil Nadu's salary and pension pay-outs do not include the gratuity, provident fund, and pension.

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- The state government has withheld from 65,000 pensioners of the State Transport Corporation (TNSTC).

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## **What are the reasons behind TN's fiscal condition?**

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- Populist and insular policies and the low focus on building human and physical infrastructure have resulted in the State's diminished attractiveness as an investment destination.

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- Tamil Nadu's finances are clearly unsustainable and inadequate to meet the twin challenges of an agrarian crisis driven by water scarcity and the State's abysmal ranking as an investment destination.

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- The infighting in the ruling party seems to be diverting focus from governance, indecision and leakages from government expenditures are overflowing.

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- There is zero allocation of funds between development and capital expenditures, the higher liabilities incurred by the state have not been utilised to build the State's infrastructure.

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- Thus it is imperative for Tamil Nadu to explore the politically sensitive but critical measure of rationalising the State government work force.

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**Source: Business Line**

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