

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