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CONTROLLING EXPENDITURE IS A FORMIDABLE TASK FOR THE STATE OF TAMIL NADU A COMPARATIVE STUDY WITH OTHER MAJOR STATES IN INDIA

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I. INTRODUCTION:

II. This paper aims at analysing the various aspects of Budget of the State of Tamil Nadu such as State's Own Tax Revenue, Central Transfer, Grants-in-aid and Fiscal Deficit / Surplus of the State of Tamil Nadu with other major States in India. Of late, the role, functions and expenditure of the State Governments have been mounting in a growing economy. As the State Governments are much closer to the people than the Union Government, the accountability of providing many services is assigned with the State Governments. The States provide basic amenities like provision of roads, street lights, drainage facility, electricity, public transport facility, drinking water facility, maintain law and order, build up economic and social infrastructure, guarantee education and health for all and ensure social safety net for the downtrodden. (*Budget for the year 2018-19*) In addition, the States have to meet the ever increasing administrative costs, such as payment of salaries and pension, expenses towards implementation of Pay Commissions' recommendations, periodic hike in Dearness Allowance, Increments, creation of new posts, filling up of vacancies, expenses towards rescue, relief and rehabilitation in case of unforeseen circumstances like tsunami, flood, drought, etc. (*Budget for the year 2018-19*) The expenditure for providing all these services has to be met by the State Government from their own receipts. At the same time, it is also the responsibility of the State Governments to control the Revenue Deficit to the minimum, maintaining fiscal deficit within three per cent of Gross State Domestic Product.

III. **Objective of the Study:** In order to determine whether the fiscal condition of a State is sustainable, the following questions must be answered:

1. Whether the receipts of the State of Tamil Nadu can keep up with the expenditure
2. If not, what are unsustainable?

For answering the above questions, a detailed study has to be undertaken on the following:

IV. Financial Commitment of the State of Tamil Nadu:

The State of Tamil Nadu is of the firm view that significant outlay in providing social and economic infrastructure is indispensable so that economic growth will become self-propelling. (*State of Finance- Tamil Nadu Government - www.tn.gov.in - Accessed on 28-9-2018*) It is a known fact that Tamil Nadu is a welfare State and the Government has been aimed at the social, economic and political upliftment of the people, especially in the rural areas. The State has also been devolving a higher proportion of resources to Local Bodies at level more than twice the national average level. (*State of Finance- Tamil Nadu Government - www.tn.gov.in - accessed on 28-9-2018*) In the Budget, the State of Tamil Nadu has been allocating funds for the Energy Sector as power subsidy for agriculture and other purposes. Likewise, funds have been allocated for Transport Department for free bus passes to students and senior citizens. (*Paragraph 69 of Budget for the year 2018-2019*) The implementation of Nutritious Mid-day Meal Programme and ICDS Scheme, Universal Public Distribution System in which rice is supplied at free of cost, the distribution of free lap-top computers, Marriage Assistance Scheme, etc. has put a huge burden on the State. (*Paragraph Nos. 119, 105 and 177 of Budget for the year 2018-2019*) Similarly, the Government has been providing social security net to all weaker and deprived sections of the society by giving Rs. 1,000/- per month to senior citizens, widows, destitute, differently abled and transgenders. Recently, the Government launched a scheme called "Amma Two Wheeler Subsidy Assistance Scheme" in which the beneficiaries are being provided 50 per cent subsidy not exceeding Rs. 25,000/- per beneficiary to purchase two wheelers. (*G.O. No. 19 dated 20-2-2017 of Rural Development and Panchayat Raj Department*) The enlarged and essential responsibilities of service provision and the rising aspirations of the people have resulted in growing financial commitments on the part of the State. (*Para 118 of Budget for the year 2018-2019*) The expenditure for all the above services has to be met from the receipts of State's Own Tax as well as from Central share.

V. Total Revenue:

In order to address the fiscal sustainability, it is necessary to find out ways to mobilise revenue. First, let us see the State's Own tax revenue.

Table I - State's Own Tax Revenue in respect of Tamil Nadu

(Figures in crores of Rupees)

Year	State's Own Tax Revenue
2011-2012	65,200.88
2012-2013	77,808.54
2013-2014	83,061.38
2014-2015	87,007.14
2015-2016	89,394.39
2016-2017	95,855.17
2017-2018 (R.E.)	1,09,460.37

Source: Budget Statements of Government of Tamil Nadu, 2011-12 to 2018-19

Table II - Central Transfer and Grants-in-aid in respect of Tamil Nadu

(Figures in crores of Rupees)

Year	Central Transfer	Grants-in-aid
2011-2012	12,714.95	7,286.31
2012-2013	14,519.69	6,499.48
2013-2014	15,852.76	9,122.28
2014-2015	16,824.03	18,589.27
2015-2016	20,353.86	19,259.62
2016-2017	24,537.76	19,838.20
2017-2018 (R.E.)	27,099.72	19,264.60

Source: Budget Statements of Government of Tamil Nadu, 2011-12 to 2018-19

The above tables show that there is a steady increase in State's Own Tax Revenue and Central Share but the percentage of increase varies from year to year. In respect of Grants-in-aid, the growth was negative for the years 2012-13 and 2017-18 (RE). For the year 2014-2015, there was an increase of around 1 per cent in respect of grants-in-aid. Overall revenue has been increasing gradually for the past seven years. (*Medium Term Fiscal Plan Table of Budget Statements of Government of Tamil Nadu, 2011-12 to 2018-2019*)

VI. Comparison of State' Own Tax Revenue with other major States: Let us now analyse the overall revenue of certain bigger States like Karnataka, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal and Tamil Nadu.

Table III - Comparison of State's Own Tax Revenue including Non-tax Revenue in respect of Karnataka, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar and West Bengal with Tamil Nadu

(Figures in crores of Rupees)

State	State's Own Tax Revenue						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
Bihar	13501.96	17388.35	21505.51	22308.20	27634.74	30281.05	34876.08
Karnataka	50562.82	57719.67	66635.43	74868.45	80,905.23	89309.63	96901.18
Kerala	28310.78	34275.13	37570.05	42516.19	47420.64	54604.94	65449.28
M.P.	34456.18	37581.92	41257.15	46942.36	48782.44	54545.19	61974.95
Maharashtra	95776.16	113432.92	119949.97	127644.78	140031.12	153822.78	173564.58
Rajasthan	34552.16	42636.24	47052.95	51902.44	53640.79	59455.33	69062.10
Tamil Nadu	65200.88	77808.54	83061.38	87007.14	89394.39	*95855.17	**109460.37
U.P.	62758.73	71068.34	83031.87	94107.22	104240.94	117793.41	101335.91
West Bengal	26278.41	34726.64	37853.28	41038.62	44353.87	50964.85	58007.70

Source: Reserve Bank of India - State Finances 2014 to 2018

*Budget Statements of Government of Tamil Nadu 2018-19 - 2016-17 Accounts

** Budget Statements of Government of Tamil Nadu 2018-19 - 2017-18 RE

From the above table, it can be observed that Tamil Nadu is well ahead of other States except the State of Maharashtra in respect of State's Own Tax Revenue which includes State's Own Non-tax Revenue. Though the State of Uttar Pradesh is more than two times bigger in terms of size and population than Tamil Nadu, the State's Own Tax Revenue of Uttar Pradesh was much lesser from 2011-12 to 2013-14. From the year 2014-15 to 2016-17, though there was a substantial increase in the collection of revenue in respect of Uttar Pradesh when compared to Tamil Nadu, considering its size and population, still Tamil Nadu has been performing well over these years. However, in the Revised Estimate for the year 2017-18, State's Own Tax Revenue was estimated as Rs. 1, 09,460.37 crores. (*Reserve Bank of India, State Finances 2014-2018 and Budget Statement of Government of Tamil Nadu 2018-19 - 2016-17 Accounts and Budget Statement of Government of Tamil Nadu 2018-19 - 2017-18 RE*) On the other hand, the State's Own Tax Revenue in respect of Uttar Pradesh was estimated as Rs. 1, 01,335.91 crores for the year 2017-18. It is pertinent to note here that the GST was introduced with effect from 1st July 2017, and three-fourth of the year, i.e. nine months period comes under GST regime. (*Reserve Bank of India, State Finances 2014-2018 and Budget Statement of Government of Tamil Nadu 2018-19 - 2016-17 Accounts and Budget Statement of Government of Tamil Nadu 2018-19 - 2017-18 RE*) The State of Maharashtra is not only bigger in size and population but also an industrially advanced State and because of these factors; the collection of revenue has been on the higher side compared to the State of Tamil Nadu. (*Annexure 8.2 of Fourteenth Finance Commission Report*) Though the States like West Bengal, Bihar are bigger than the State of Tamil Nadu in terms of population, the State's Own Tax Revenue in respect of those states was very much low. Similarly, the State's Own Tax Revenue in respect of Rajasthan, Madhya Pradesh and Kerala has not been encouraging compared to the State of Tamil Nadu. (*Economic Survey, 2014-2015, Government of India*) It is true that these States are smaller in terms of population. But even according to the population the collection of State's Own Tax Revenue has been much lower over these years.

Of course, the State's Own Tax Revenue in respect of Karnataka has been more or less on par with the State of Tamil Nadu. (*Economic Survey, 2014-2015, Government of India*)

On a perusal of the above table, anyone can come to the conclusion that the performance of the State of Tamil Nadu has been encouraging since 2011 in respect of State's Own Tax Revenue when compared to the neighbouring and bigger States in India. It is an undisputable fact that the Tamil Nadu has the capacity to collect more revenue and the contribution of the people of Tamil Nadu to the State's exchequer has been positive over these years, both GST and non-GST regimes. (*Budget Statements of Government of Tamil Nadu 2011-12 to 2018-19*) It is also seen that Tamil Nadu is not only a manufacturing State but also a consuming State and this is the reason for steady increase in the growth of State's Own Tax Revenue even after the implementation of Goods and Services Tax. Hence, Tamil Nadu is one of the States which stood at the top in respect of State's Own Tax Revenue.

VII. Comparison of Central Transfers: Let us now analyse the Central Transfers. The following table highlights the transfer of Central Share in respect of Karnataka, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar and West Bengal with Tamil Nadu.

Table IV - Comparison of Central Transfer in respect of Karnataka, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar and West Bengal with Tamil Nadu

(Figures in crores of Rupees)

State	Central Transfer						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
Bihar	27935.23	31900.39	34829.11	36963.07	48922.76	58880.59	65326.34
Karnataka	11075.04	12647.14	13808.27	14654.25	23983.34	28759.94	31908.05
Kerala	5990.36	6840.65	7468.68	7926.29	12690.67	15225.02	16891.75
M.P.	18219.13	20805.16	22715.27	24106.99	38397.84	46064.10	51106.32
Maharashtra	13343.34	15191.92	16630.39	17630.03	28105.95	33741.71	37433.58
Rajasthan	14977.04	17102.84	18673.07	19816.97	27915.93	33555.86	37228.82
Tamil Nadu	12,714.95	14,519.69	15,852.76	16,824.03	20,353.86	*24,537.76	**27,099.72
U.P.	50350.95	57497.85	62776.70	66622.91	90973.66	102649.91	150009.21
West Bengal	18587.81	21226.27	23175.02	24594.95	37163.93	44625.16	49510.33

Source: Reserve Bank of India - State Finances 2014-2018

*Budget Statements of Government of Tamil Nadu 2018-19 - 2016-17

Accounts ** Budget Statements of Government of Tamil Nadu 2018 -19 - 2017-18 RE

The above table indicates that almost all the States except the State of Kerala which is smaller in size compared to Tamil Nadu has been receiving substantial share of the Central Government through Finance Commissions' recommendations. Though the State of Karnataka, which is smaller in size compared to the State of Tamil Nadu, has been receiving higher share of central share compared to the State of Tamil Nadu from the financial year 2015-16 onwards. This is because of the methods of calculation used by the Finance Commission for devolution of funds to the States. The method of calculation of Finance Commissions has so far helped the non-performing States, especially the BIMARU States. The word BIMARU was penned during 1980s to refer to the economic condition of Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh and at that time it was the impression among the economists and administrators that these States continue to pull India backward on social indicators. Because of this, the Finance Commissions have been giving more weightage to population, area, backwardness etc. (*BIMARU keeping India backward - NITI Aayog CEO - appeared in Financial Express dated 24-4-2018*)

The Fourteenth Finance Commission introduced 'Forest Cover' for the first time in the formula for the allocation of the single, divisible pool of taxes among the States. The features of the formula are (i) population as of 1971 with a weight of 17.5 per cent, (ii) demographic change reflecting population shifts between 1971 and 2011 with a weight of per cent; (iii) area with a weight of 15 per cent; (iv) Fiscal capacity measured by the Income distance method with a weight of 50 per cent and (v) forest cover with a weight of 7.5 per cent.

Though the Fourteenth Finance Commission (2015) made a courageous recommendation that 42 per cent of all taxes collected should be shared by the Central Government with the States, it should be done in accordance with the above mentioned formula. In the above formula, for the first time, the Fourteenth Finance Commission has given 10% weightage to demographic change reflecting population shifts between 1971 and 2011 in addition to 17.5% weightage for 1971 population. (*Fourteenth Finance Commission Report dated 5-12-2014*) Tamil Nadu has been pioneer in implementing Family Planning Programmes for making economic progress and protecting ecology and developed a comprehensive maternal and child welfare programme in the State. Having realised that unchecked population growth would lead to over-exploitation of natural resources, the State had taken several steps like creating awareness among the women, giving education to women, implementing Family Planning Programme, etc. to control the population. The concerted efforts of the Government have improved the health indicators in Tamil Nadu substantially. Tamil Nadu has already achieved the national targets and the Millennium Development Goals, placing the State in a position to achieve the Sustainable Development Goals much ahead of the deadline. (*Budget for the year 2017-2018*) These programmes had a positive effect

and the population growth has been controlled considerably compared to other States in India. Now, because of the weightage given to demographic change reflecting population shifts between 1971 and 2011, the Central Share to the State of Tamil Nadu has been reduced and the State of Tamil Nadu has been affected by this factor.

The Fourteenth Finance Commission (2015) has given a weightage of 15% to the 'Area' on the ground that a State with larger area has to incur additional administrative costs to deliver services. More weightage to 'Area' factor has helped States like Rajasthan, Madhya Pradesh, Uttar Pradesh, etc. Again, it is advantage to most of the BIMARU States. (*Annexure 8.3 of Fourteenth Finance Commission Report*)

Fiscal capacity measured by the Income distance method with a weight of 50 per cent is the main factor which determines Central Share of the States. The Fourteenth Finance Commission has been taken a three-year average (2010-11 to 2012-13) per capita comparable GSDP for all the twenty-nine States. Income distance has been computed by taking the distance from the State having highest per capita GSDP. In this case, Goa has the highest per capita GSDP, followed by Sikkim. Since these two are very small States, adjustments are needed to avoid distortions and hence income distance has been computed from the State with the third highest per capita GSDP - Haryana. We have provided Goa, Sikkim and Haryana the same distance as obtained for the State with the smallest distance of income with Haryana. According to the data released by Central Statistical Organisation, among the 29 States, Goa, Sikkim and Haryana stood at first and the State of Tamil Nadu stood at fifth. The States like Bihar, Uttar Pradesh, Rajasthan, and Madhya Pradesh stood at twenty seven, twenty six, sixteen, and twenty four respectively. Again, the BIMARU States have the advantages because the States with lower per capita income will get higher share. (*Para 8.28 of Fourteenth Finance Commission Report*)

Another factor which affects the Central Share of Tamil Nadu is the 'Forest cover'. Fourteenth Finance Commission had used 'Very dense' and 'medium dense' forest cover. The States like Arunachal Pradesh, Madhya Pradesh, Chhattisgarh, Maharashtra, Odisha and Uttarkhand have largest 'very dense' and 'medium dense' forest cover as a proportion of the national area and that the Central share of these States has been increased to a great extent because of the factor 'Forest cover'. (*Forest Survey of India, 2013*)

Hence, by introducing the factors like demographic change, forest cover, area and income distance, systematically the State of Tamil Nadu has been side-lined, and there is no benefit for the State of Tamil Nadu even though it has been performing financially well continuously. Uttar Pradesh which is approximately two times bigger than Tamil Nadu in terms of population and size has got 18 per cent of Central Share. Similarly, the States of Bihar and West Bengal which are slightly bigger than Tamil Nadu in terms of population have got a central share of 9.7 per cent and 7.3 per cent respectively. The States of Madhya Pradesh, Karnataka, Rajasthan which are slightly smaller than Tamil Nadu in terms of population have got a central share of 7.6 per cent, 4.7 per cent and 5.5 per cent respectively. (*Table 8.2 - Inter-se Share of States of Fourteenth Finance Commission Report*) However, Tamil Nadu has got only 4 per cent of central share. In other words, non-performing States have been rewarded at the cost of performing States. It is argued that the best performing States in the areas of collection of revenue, controlling population growth, maintaining fiscal discipline, health indicators, and literacy indicators should be rewarded suitably so that the States like Tamil Nadu will be benefitted. Tamil Nadu is one of the main States in India which has shown significant progress on many Human Development Indicators which helped India to improve its ranking at the global at least to some extent. (*www.documents.worldbank.org - Tamil Nadu Indicators at a Glance - Accessed on 28.9.2018*)

VIII. Comparison of Grants-in-aid with other States: Another source of revenue to the States is the Grants-in-aid. Grants-in-aid are payments made by the Central Government to the State Governments. In all political systems, Grants-in-aid have been used as a balancing factor. Let us now compare the Grants-in-aid received by the States of Karnataka, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar and West Bengal with the State of Tamil Nadu.

Table V - Comparison of Grants-in-aid in respect of Karnataka, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar and West Bengal with the State of Tamil Nadu

(Figures in crores of Rupees)

State	Grants-in-aid						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
Bihar	9882.98	10277.92	12584.03	19146.26	19565.6	38375.74	36956.00
Karnataka	8168.41	7809.42	9098.82	14619.45	13928.75	14797.69	16082.31
Kerala	3709.23	3021.53	4138.21	7507.99	8921.35	10790.14	11243.71
M.P.	9928.77	12040.20	11776.82	17591.44	18330.31	25441.47	26034.40
Maharashtra	12166.64	14322.33	13241.44	20140.64	16898.61	32447.45	32739.39
Rajasthan	7481.56	7173.92	8744.36	19607.50	18728.40	23416.57	23871.15
Tamil Nadu	7,286.31	6,499.48	9,122.28	18,589.27	19,259.62	*19,838.20	*19,264.60
U.P.	17760.02	17337.79	22405.17	32691.48	31861.34	48963.54	68052.31
W.B.	13888.82	12342.84	11853.49	20880.64	28214.41	33750.23	35126.40

Source: Reserve Bank of India - State Finances 2014-2018

*Budget Statements of Government of Tamil Nadu 2018-19 - 2016-17 Accounts

** Budget Statements of Government of Tamil Nadu 201 -19 - 2017-18 RE

From the above table, it can be observed that again the States like Uttar Pradesh, Bihar, West Bengal, Madhya Pradesh and Rajasthan have received substantial portion as grants-in-aid. As per the recommendation of Fourteenth Finance Commission grants-in-aid constitute 12 per cent of central transfers to the States for three purposes namely disaster relief, local bodies and revenue deficit. However, the main objectives have greatly varied like removing inter-regional disparities in resources, encouraging States to improve particular services, achieving certain national objectives, etc. It is felt that though the State of Tamil Nadu witnessed floods, cyclones, droughts and the revenue deficit has been on the increasing side, the disbursement of grants-in-aid to Tamil Nadu has not been promising.

It can be seen from the above tables that that out of the total revenue of the States, the Central share and Grants-in-aid from the Union Government have contributed more to the exchequers of the States like Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh and West Bengal. (*Reserve Bank of India - State Finances - From 2014-2018*) According to the 2017-18 Budget Estimate of Uttar Pradesh Government, its total revenue is estimated at Rs. 3, 19,397 crores. Out of which Rs. 2, 18,061 crores comes from the Union Government by way of Central Share and Grants-in-aid, which constitutes 68 per cent of the total revenue. As far as Bihar is concerned, its total revenue is estimated at Rs. 1, 40,158 crores for the year 2017-18. Of which, Rs. 1, 05,282 crores comes by way of central share and grants-in-aid, which constitutes 75 per cent of the total revenue. Regarding West Bengal, its total revenue is estimated at Rs. 1, 42,644.43 crores for the year 2017-18. Out of which Central Share and Grants-in-aid have been estimated at Rs. 84,636 crores which constitutes 59 per cent of the total revenue. Likewise, 55 per cent of the revenue comes by way of Central Share and Grants-in-aid in respect of Madhya Pradesh and 53 per cent in respect of Rajasthan. However, in respect of States like Maharashtra, Karnataka, Kerala and Tamil Nadu, the Central share and grants-in-aid have been estimated at 24 per cent, 33 per cent, 30 per cent and 30 per cent respectively. The States like Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh and West Bengal are fully depending on Central Share and Grants-in-aid.

IX. Comparison of Expenditure with other States: Now let us compare the expenditure of the State of Tamil Nadu with that of other big States in India. The details of the expenditure are as follows:-

Table VI - Comparison of Expenditure in respect of Karnataka, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar and West Bengal with the State of Tamil Nadu

(Figures in crores of Rupees)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
Bihar	46499.48	54466.14	62477.23	72569.98	83615.94	119293.62	122602.82
Karnataka	65115.07	76293.26	89189.57	103614.30	117028.58	131804.76	144755.00
Kerala	46044.62	53488.74	60485.50	71746.43	78689.47	94555.63	109627.88
M.P.	52693.71	62968.53	69869.76	82372.82	99770.70	124516.01	134519.27
Maharashtra	123554.19	138735.98	154902.42	177553.11	190374.05	234389.66	248248.73
Rajasthan	53653.31	63461.79	75509.59	94541.97	106239.24	134266.17	143690.09
Tamil Nadu	83838.04	97067.44	109824.67	128828.00	140993.23	159259.07	175293.13
U.P.	123885.17	140723.64	158146.87	171027.33	212735.95	244900.91	307118.63
W.B.	73326.37	82110.88	91797.27	103651.61	118827.27	138809.50	142644.44

Source: *Reserve Bank of India - State Finances 2014-2018*

On analysing the figures given in the above table VI, the State of Tamil Nadu has been spending more compared to other States. It is true that the States like Uttar Pradesh and Maharashtra have been spending more compared to the State of Tamil Nadu. (*Reserve Bank of India - State Finances - From 2014-2018*) However, when compared to the size and population of Uttar Pradesh with that of Tamil Nadu, the expenditure of the State of Uttar Pradesh have been much less. Of course, the State of Maharashtra, which is slightly bigger than the State of Tamil Nadu both in terms of size and population, has been spending more or less equal to the State of Tamil Nadu. All other States have been incurring much lesser amount compared to the State of Tamil Nadu.

IX. Expenditure on Social Sector: Now-a-days, the Governments both at the Centre and in the States have been spending more on Social Sector. The term Social Sector is often used to refer to Education, Health, Food, Social Security and Nutrition Sectors. Investment in these sectors will not only enhance the quality of human capital but also increase the productivity of the labour force. Let us now see the expenditure incurred by these States on Social Sector. The following tables will give us a clear picture of the expenditure incurred by the States of Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh, West Bengal and Tamil Nadu.

Table VII Education, Sports, Arts and Culture

(Figures in crores of Rupees)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bihar	10157.28	14080.17	14343.54	16267.17	18605.32	22787.90	24696.22
Karnataka	12240.05	14624.26	16165.55	18062.81	18724.40	20581.06	19433.62
Kerala	9424.74	10532.02	11709.84	12790.19	14120.05	16313.27	19696.54
M.P.	9808.89	10896.42	13697.13	16222.33	17054.74	23014.55	25177.17
Maharashtra	29878.81	33856.59	38237.81	39695.70	42867.47	48071.24	55527.44
Rajasthan	11585.71	12952.48	15307.66	19362.94	21096.95	25563.18	26807.18
Tamil Nadu	15265.84	17661.84	21155.84	24244.18	25016.06	27720.54	31398.76
U.P.	25975.04	29382.62	31425.17	33949.05	45077.35	48465.09	50490.46
W.B.	15896.42	16988.90	18097.04	20607.34	20919.04	25213.69	29373.53

Source: Reserve Bank of India, State Finances 2014-2018

Table VIII Medical and Public Health

(Figures in crores of Rupees)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bihar	1503.78	1511.72	1752.69	2915.39	3115.54	6607.04	5482.99
Karnataka	2589.34	3139.48	3589.21	4433.10	4372.92	5513.75	5714.84
Kerala	2473.78	2789.36	3153.36	3638.64	4115.92	5012.98	5984.11
M.P.	2118.33	2778.30	2892.89	4093.03	4847.17	5541.39	6304.64
Maharashtra	4484.07	5350.05	6197.04	7861.56	8712.29	10985.92	10310.89
Rajasthan	2511.99	2921.44	3465.67	3953.99	4739.70	5632.06	6068.07
Tamil Nadu	3539.02	4134.02	4486.51	5307.02	5903.07	6426.01	7351.16
U.P.	4371.29	5068.20	5470.95	6138.91	6730.26	8462.78	10399.01
W.B.	3223.47	3446.64	3717.38	4719.74	5395.59	6270.68	6153.42

Source: Reserve Bank of India, State Finances 2014-2018

Table IX – Social Security and Welfare

(Figures in crores of Rupees)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bihar	2303.74	2004.59	2697.84	4311.25	4316.75	6824.43	5792.18
Karnataka	3673.30	3813.49	3995.22	4776.73	5378.82	6241.95	6446.38
Kerala	1510.36	2034.66	2205.22	3020.75	4308.49	5364.11	4327.12
M.P.	2522.86	2963.97	2791.62	2051.31	4094.89	4273.30	4891.09
Maharashtra	2255.04	2497.60	2942.07	3055.02	3948.52	4580.36	4152.68
Rajasthan	1054.71	1186.49	3824.91	4064.37	3974.03	4546.04	4801.63
Tamil Nadu	6574.24	8324.56	8948.68	8702.85	9422.06	8512.53	8230.02
U.P.	8664.51	9114.42	10499.62	11403.55	11721.11	14356.52	13943.80
W.B.	5074.24	6092.69	7853.29	5697.77	9291.39	14386.78	14262.20

Source: Reserve Bank of India, State Finances 2014-2018

Table X – Nutrition

(Figures in crores of Rupees)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bihar	737.81	799.69	1225.85	1196.78	1074.86	1225.23	1786.65
Karnataka	646.47	761.23	850.25	1079.77	1329.79	1399.70	1574.93
Kerala	1.6	1.99	2.61	2.45	2.77	.74	.91
M.P.	1030.44	1185.59	1084.32	1104.44	1319.14	1382.26	1401.60
Maharashtra	2286.09	2564.00	2466.09	2812.19	2969.59	2947.32	1977.72
Rajasthan	1076.86	1224.88	1299.88	1420.17	1305.60	1482.17	1503.54
Tamil Nadu	2152.69	2303.90	2591.30	3080.79	2940.88	3283.75	3518.08
U.P.	--	--	--	--	--	--	--
W.B.	685.53	733.41	856.87	994.14	1106.98	961.24	1134.15

Source: Reserve Bank of India, State Finances 2014-2018

Table XI – Civil Supplies

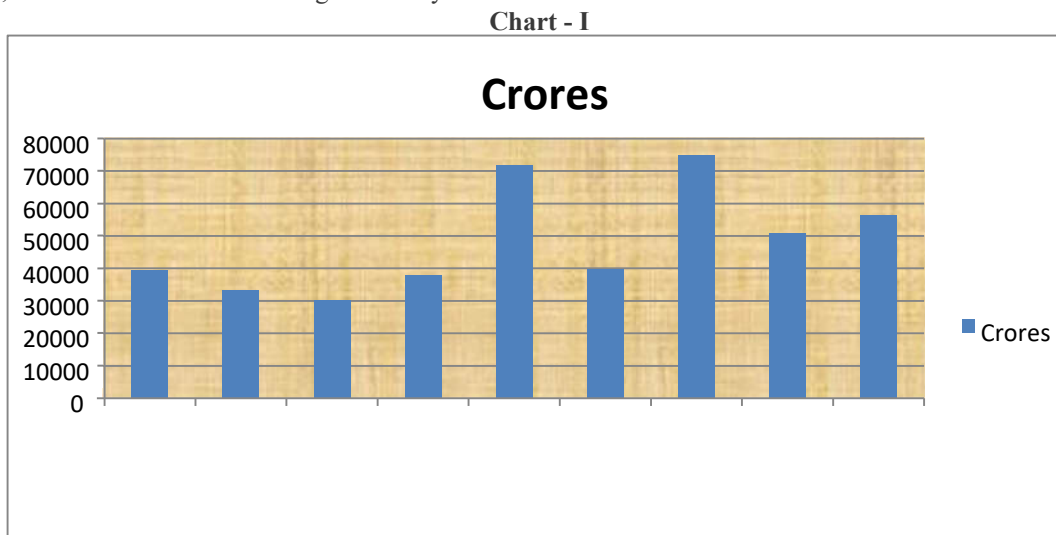
(Figures in crores of Rupees)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bihar	368.05	481.15	396.36	440.53	795.17	2126.54	1635.15
Karnataka	13.44	9.52	27.55	12.11	14.17	35.04	66.40
Kerala	21.57	15.29	15.88	20.07	27.00	28.00	122.69
M.P.	53.79	63.34	112.09	65.58	61.94	114.51	113.45
Maharashtra	--	--	--	--	--	--	.15
Rajasthan	388.33	675.96	890.67	833.14	309.90	527.11	470.60
Tamil Nadu	5019.88	4972.43	4973.98	5101.29	5425.47	5702.89	5718.86
U.P.	16.12	28.12	26.05	30.62	32.62	83.04	55.12
W.B.	35.57	44.70	52.20	62.03	76.10	111.31	97.64

Source: Reserve Bank of India, State Finances 2014-2018

On examination of the above tables, it is evident that the State of Tamil Nadu has been spending huge amount on Social Sectors. As far as spending on Education and Health Sectors are concerned, Tamil Nadu stood at number three after Maharashtra and Uttar Pradesh. The expenditure incurred by the Government of Uttar Pradesh from 2011-12 to 2017-18 has been much less when compared to its size and population. Though the Government of Maharashtra has been incurring more expenditure towards Education and Health Sectors according to the above statistics, considering the size and population of the State of Maharashtra, the State of Tamil Nadu has been incurring more or less the same expenditure. Regarding social security, Tamil Nadu stood at second next to Uttar Pradesh. However, according to the Revised Estimate of 2016-17 and Budget Estimate of 2017-18, West Bengal stood at second place and pushed back Tamil Nadu to the third place. With regard to Nutrition, the Government of Tamil Nadu has been spending huge amount continuously and stood at first followed by the State of Maharashtra. All other States are well behind the State of Tamil Nadu. No amount has been spent by the State of Uttar Pradesh on this sector. The State of Tamil Nadu has been pioneer in implementing Nutritious Meal Programme since 1982. The main objective of the programme is to emphasize on education along with nutrition. Under this programme free hot cooked nutritious meal is being provided to children studying in Government Schools and Government aided schools. This scheme was introduced in several other States also in a limited way. Regarding the expenditure on Civil Supplies, again the State of Tamil Nadu has been incurring huge amount. In this category alone, Tamil Nadu Government has been spending around Rs. 5000 to 6000 crores and stood at first followed by Bihar and Rajasthan, which are far behind the State of Tamil Nadu. The State of Tamil Nadu extends the benefits of Public Distribution System to all families without making any discrimination on the basis of their economic status. This type of Universal Public Distribution System has been widely appreciated. Under this system, rice or wheat is supplied free of cost to every card holder with effect 1.6.2011. In addition, sugar, tur dal, palmolein oil and kerosene are distributed to cardholders at subsidised rate. (Policy Note of Food and Consumer Protection Department of Government of Tamil Nadu) No other State in India followed this type of Universal Public Distribution system. All the States in India have been incurring only a meagre amount on this sector.

In addition, the State of Tamil Nadu is continuously supporting the Power Sector through subsidy schemes aimed at supporting poor and marginal consumers and agriculturists. (Budget for the year 2018-2019) Similar support is also given to various Transport Undertakings. If the subsidy components towards power and transport sectors are included, there is no doubt that Tamil Nadu stood first in incurring expenditure for the welfare of the people. The following chart gives a clear picture of expenditure estimated in respect of Tamil Nadu, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra Rajasthan, Uttar Pradesh and West Bengal for the year 2017-18 on social sectors.



The above chart excludes subsidy towards Power and Transport Sectors. For subsidies and grants, Rs. 75,723 crore has been allocated in the Tamil Nadu Budget Estimates for the year 2018-2019. As Tamil Nadu has been spending huge amounts on Social Sector, its commitment towards interest has been on the increasing side.

X Interest Payment - A comparison with other States: Let us now compare the interest payment of the State of Tamil Nadu with the States of Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh, West Bengal and Tamil Nadu.

Table XII - Interest Payment

(Figures in crores of Rupees)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bihar	4540.09	4683.26	5895.32	7104.01	7589.55	9030.91	10255.36
Karnataka	6061.85	6833.43	7837.33	9403.98	11816.37	12826.27	14508.88
Kerala	6303.60	7204.81	8265.38	9769.59	11110.62	12386.74	13631.83
M.P.	5299.77	5573.74	6391.32	7071.25	8090.88	9936.50	11540.73
Maharashtra	18512.63	20319.64	22799.04	25854.74	27991.41	31429.69	34127.11
Rajasthan	7891.82	8340.05	9063.20	10462.90	12008.30	17734.50	19626.91
Tamil Nadu	9090.03	10988.80	12692.98	14887.17	17742.43	21069.12	25691.38
U.P.	24107.57	25182.28	25776.69	23364.44	28414.64	38151.45	45444.39
W.B.	15895.99	17620.70	20856.81	21687.99	23414.92	26083.96	26243.12

Source: Reserve Bank of India, State Finances, 2014-2018

In scrutinising the above table, the interest payment of the State of Tamil Nadu has been constantly increasing from 2011-12 onwards and it is now at Rs. 25,691.38 crores. Uttar Pradesh, Maharashtra, West Bengal and Tamil Nadu are at the top. It is because of the fact that there has been huge spending on Social Sector which includes free education, free health care, free rice, financial assistance and 8 gram gold for marriages, social security pension to old age people, destitute widows, orphans, differently abled, etc., and implementation of Pay Commission for the employees and teachers of the Government. (*Budget for the year 201819*) It led to commitment towards interest payment. In order to reduce the interest payment, the Governments have to increase the revenue and decrease the expenditure, especially the freebies.

As far as Tamil Nadu is concerned, State's Own Tax Revenue has been raising continuously. On the other hand, the expenditure on social sector has been increasing every year, as the Government is committed for the welfare of the people, especially the people who are below the poverty line.

XI Comparison of Gross Fiscal Deficit with other States: Let us now compare the gross fiscal deficit of Tamil Nadu with other States.

Table XIII - Gross Fiscal Deficit

(In crores)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
Bihar	5910	6550	8350	11180	12060	22510	18110
Karnataka	12300	14510	17090	19580	19170	24150	33360
Kerala	12810	15000	16940	18640	17820	23460	25760
M.P.	5760	9420	9880	11350	14060	29900	25690
Maharashtra	19970	13740	26020	31830	28360	50320	38790
Rajasthan	3630	8530	15190	19000	63070	47650	24750
Tamil Nadu	17270	16520	20580	27160	32630	61340	41980
U.P.	15430	19240	23680	32510	58480	55020	42970
W.B.	17700	19150	25350	27350	20890	25340	19350

Source: Reserve Bank of India, State Finances, 2014-2018

By examining the above table, it can be observed that the gross fiscal deficit in respect of Tamil Nadu has been constantly increasing since 2011-12 except during the year 2012-13. According to the accounts for the year 2015-16, the gross fiscal deficit of Rajasthan was 63,070 crores, followed by Uttar Pradesh at Rs. 58,480 crores, Tamil Nadu at Rs. 32,630 crores. However, according to the revised estimate of 2016-17, the gross fiscal deficit of Tamil Nadu has been doubled and Tamil Nadu is at the top. However, as per the Budget estimate of 2017-18, it has come down to Rs. 41,980 crores next to Uttar Pradesh which is at Rs. 42,970 crores.

XII. Conclusion: It is concluded that there are two factors which affect the fiscal deficit of the State of Tamil Nadu are the reduction in Central Share and Grants-in-aid and higher spending on Social Sector. It revealed a high dependence of

the States on the Centre with regard to grants and tax sharing mechanisms for growth. The above tables demonstrate that the level of spending on certain Government schemes, especially on Social Sector is unsustainable. Unless some stringent measures are taken to curtail the expenditure, the coming years are very tough for the State of Tamil Nadu.

According to the Medium Term Fiscal Plan for the year 2018-19, Tamil Nadu has reached the stage of violating the 3 per cent margin in respect of Fiscal Deficit prescribed by the Tamil Nadu Fiscal Responsibility Act. For the year 2016-17, the Fiscal Deficit is at 4.20 per cent. The data published by the Reserve Bank of India and the Budget Statements of the Tamil Nadu show that Tamil Nadu has higher fiscal deficit. Tamil Nadu is going through a difficult situation and the Government has been spending beyond its means which is the main cause of deficits. The escalation in Government spending is alarming and unmanageable. The expenditure is evidencing to be a formidable challenge and it has to be restructured.

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