

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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- 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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