

Tamil Nadu Budget Analysis 2019-20

The Finance Minister, Mr. O. Panneerselvam, presented the Budget for Tamil Nadu for financial year 2019-20 on February 8, 2019.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Tamil Nadu for 2019-20 at current prices is estimated to be Rs 17,25,639 crore, which is 8% higher than the revised estimate for 2018-19.*
- **Total expenditure** for 2019-20 is estimated to be Rs 2,64,556 crore, a 6.5% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, there is estimated to be an increase of Rs 6,707 crore (2.8%) of expenditure over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 2,02,788 crore, an increase of 8.2% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) is estimated to be higher than the budgeted estimate by Rs 5,621 crore (3.1%).
- **Revenue deficit** for the next financial year is targeted at Rs 14,315 crore, or 0.83% of the GSDP. **Fiscal deficit** is targeted at Rs 44,176 crore (2.56% of GSDP).
- Sectors such as energy (18%), transport (21%), and irrigation and flood control (38%) saw the highest increase in allocations. Allocations to rural development, and social welfare and nutrition have decreased.

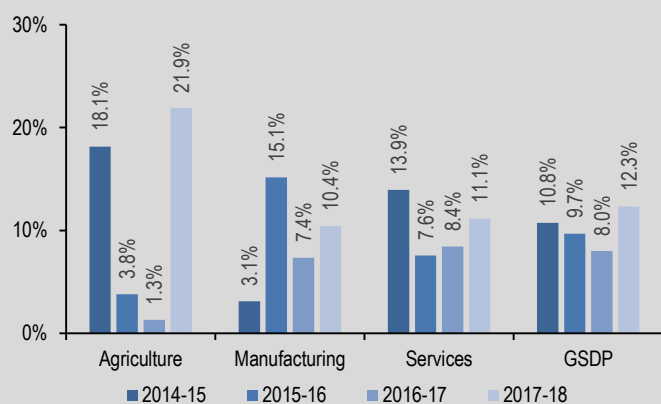
Policy Highlights

- **Accident cum life insurance scheme:** An accident cum life insurance scheme will be launched for all families below the poverty line. The scheme will provide an insurance cover of Rs two lakh and Rs four lakh for natural death and accidental death, respectively. In case of permanent disability, the amount will be Rs one lakh. Rs 250 crore has been allocated for payment of premium under the scheme in 2019-20.
- **Urban housing:** The Tamil Nadu Housing and Habitat Development for Urban Poor programme will be launched with the World Bank's assistance. Under the programme, 38,000 tenements, at a cost of Rs 4,648 crore, will be constructed in Chennai and the surrounding areas for poor families living at river margins.
- **Electric and BS-VI buses:** Rs 5,890 crore has been allocated to procure 12,000 new BS-VI buses and 2,000 new electric buses. 2,000 BS-VI buses and 500 electric buses will be introduced in the first phase.
- **Public health:** The Tamil Nadu Health Systems Reforms programme will be launched at a cost of Rs 2,686 crore to improve access of poor and disadvantaged to the government health facilities. Further, an essential diagnostics list will be formulated to guarantee a set of diagnostic tests at each level of health care.

Tamil Nadu's Economy

- **GSDP:** The GSDP of Tamil Nadu (at current prices) has grown at a rate of 10.2% during the period 2013-14 to 2017-18.
- **Sectors:** In 2017-18, Agriculture, Manufacturing, and Services contributed to 13%, 34%, and 53% of the Gross Value Added (GVA) by sectors. These sectors grew by 22%, 10%, and 11%, respectively.
- **Per capita GSDP:** The per capita GSDP of Tamil Nadu in 2017-18 (at current prices) was Rs 1,86,125. This is 11% higher than the figure for 2016-17 (Rs 1,67,240).

Figure 1: Growth in GSDP and sectors in Tamil Nadu (year-on-year)



Note: GVA by a sector denotes the contribution of that sector to state's economy. Sources: Central Statistics Office, MOSPI; PRS.

*GSDP for 2018-19 and 2019-20 has been calculated from 'fiscal deficit as % of GSDP' given in the Medium Term Fiscal Policy statement.

Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 2,64,556 crore. This is 6.5% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 2,02,788 crore and borrowings of Rs 58,978 crore. Receipts (other than borrowings) is expected to be 8.2% higher in 2019-20 than the revised estimate of 2018-19.
- In 2018-19, as per the revised figures, there is estimated to be an increase of Rs 6,707 crore (2.8%) of expenditure over the budgeted estimate. Receipts (excluding borrowings) is estimated to be higher than the budgeted estimate by Rs 5,621 crore (3.1%).

Table 1: Budget 2019-20: Key figures (in Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Total Expenditure	2,03,585	2,41,653	2,48,360	2.8%	2,64,556	6.5%
A. Receipts (except borrowings)	1,54,754	1,81,846	1,87,467	3.1%	2,02,788	8.2%
B. Borrowings (gross)	45,722	57,664	57,549	-0.2%	58,978	2.5%
Total Receipts (A+B)	2,00,476	2,39,510	2,45,016	2.3%	2,61,767	6.8%
Revenue Deficit	21,594	17,491	19,319	10.5%	14,315	-25.9%
<i>As % of GSDP</i>	1.49%	1.10%	1.21%		0.83%	
Fiscal Deficit	39,840	44,481	45,520	2.3%	44,176	-3.0%
<i>As % of GSDP</i>	2.76%	2.79%	2.85%		2.56%	
Primary Deficit	13,828	15,752	16,816	6.8%	11,715	-30.3%
<i>As % of GSDP</i>	0.96%	0.99%	1.05%		0.68%	

Note: Fiscal deficit and primary deficit (in Rs crore) have been calculated using the figures given in the Annual Financial Statement.
Sources: Tamil Nadu Annual Financial Statement 2019-20; Tamil Nadu Medium Term Fiscal Policy Statement 2019-20; PRS.

Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 52,520 crore, which is an increase of 8.5% over the revised estimate of 2018-19. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- In 2019-20, **capital outlay** is estimated to be Rs 31,251 crore, an increase of 19.3% over the revised estimate of 2018-19. However, the revised figure is estimated to be 7.4% lower than the budgeted estimate of 2018-19.
- **Revenue expenditure** for 2019-20 is proposed to be Rs 2,12,036 crore, which is 6.1% higher than the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interests, among others. Revenue expenditure forms 80% of the total expenditure proposed in 2019-20.

Committed Liabilities

Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for expenditure on committed liabilities limits the state's flexibility to decide on other expenditure priorities such as capital investments.

In 2019-20, Tamil Nadu is estimated to spend Rs 1,20,256 crore (46% of its expenditure) on committed liabilities, i.e. payment of salaries, pensions, and interest. This is 11.6% higher than the revised estimate of 2018-19 (Rs 1,07,783 crore, which is 43% of the revised expenditure).

Table 2: Expenditure budget 2019-20 (in Rs crore)

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
A. Revenue Expenditure	1,67,874	1,93,742	1,99,938	3.2%	2,12,036	6.1%
B. Capital Expenditure	35,711	47,911	48,422	1.1%	52,520	8.5%
of which Capital Outlay	20,203	28,283	26,192	-7.4%	31,251	19.3%
Total Expenditure (A+B)	2,03,585	2,41,653	2,48,360	2.8%	2,64,556	6.5%

Note: Capital outlay denotes expenditure which leads to creation of assets.
Sources: Tamil Nadu Annual Financial Statement 2019-20; PRS.

Sector-wise expenditure in 2019-20

The sectors listed below account for 54% of the total budgeted expenditure of Tamil Nadu in 2019-20. A comparison of Tamil Nadu's expenditure on key sectors with that by other states can be found in the Annexure.

Table 3: Sector-wise expenditure for Tamil Nadu Budget 2019-20 (Rs crore)

Sector	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019-20
Education	29,324	33,543	33,608	35,777	6%	<ul style="list-style-type: none"> Rs 28,758 crore has been allocated for school education including Rs 2,791 crore for the Samagra Shiksha Abhiyan. An amount of Rs 4,584 crore has been allocated for higher education.
Agriculture	12,400	13,415	13,968	15,247	9%	<ul style="list-style-type: none"> Rs 4,302 crore has been allocated for payment to the TN Electricity Board on behalf of farmers using farm pump sets. Rs 806 crore has been allocated as grants to cooperatives for farm loan waivers and related interest payments.
Water Supply, Sanitation, Housing, Urban Development	8,523	13,879	12,921	15,196	18%	<ul style="list-style-type: none"> Rs 2,662 crore, Rs 1,650 crore, and Rs 1,450 crore have been allocated for the PM Awas Yojana (Urban), Smart Cities, and AMRUT schemes, respectively. Rs 750 crore has been allocated for investment in Chennai Metro Rail Ltd.
Social Welfare and Nutrition	11,411	13,681	14,930	12,877	-14%	<ul style="list-style-type: none"> Rs 1,772 crore has been allocated for the MGR Nutritious Meal programme.
Health and Family Welfare	10,436	11,120	12,366	12,398	0%	<ul style="list-style-type: none"> Rs 1,363 crore has been allocated for the Chief Minister's Comprehensive Health Insurance Scheme. Rs 959 crore has been allocated under the Dr. Muthulakshmi Reddy Maternity Benefit Scheme.
Transport	11,988	10,821	10,111	12,223	21%	<ul style="list-style-type: none"> Rs 4,570 crore has been allocated for the Comprehensive Road Infrastructure Development programme. Rs 1,050 crore has been allocated for upgradation of panchayat roads.
Energy	9,209	8,806	8,257	9,771	18%	<ul style="list-style-type: none"> Rs 4,563 crore has been granted to TANGEDCO for paying off its debt as per the UDAY scheme. Further, Rs 1,255 crore has been allocated for taking over its future losses as per the scheme. Rs 3,230 crore has been allocated for providing subsidies for reduction in electricity tariff for domestic consumers.
Police	6,022	7,555	7,641	7,749	1%	<ul style="list-style-type: none"> Rs 431 crore has been allocated for payment to the TN Police Housing Corporation for construction works.
Rural Development	4,683	6,600	8,110	6,435	-21%	<ul style="list-style-type: none"> Rs 2,276 crore has been allocated for the PM Awas Yojana (Gramin).
Civil Supplies	6,223	6,147	6,163	6,147	0%	<ul style="list-style-type: none"> Rs 6,000 crore has been allocated for providing food subsidies under PDS.
Irrigation and Flood Control	2,794	4,439	3,681	5,071	38%	<ul style="list-style-type: none"> Rs 1,361 crore has been allocated to increase coverage of micro irrigation.
Welfare of SC, ST, OBC	3,715	4,730	4,804	4,796	0%	<ul style="list-style-type: none"> Rs 1,857 crore has been allocated for providing post-matric scholarships.
% of total expenditure	57%	56%	55%	54%		

Sources: Tamil Nadu Budget Speech, Annual Financial Statement and Demand for Grants, 2019-20; PRS.

Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,97,721 crore, an increase of 9.5% over the revised estimate of 2018-19. Of this, Rs 1,38,140 crore (70% of the revenue receipts) will be raised by the state through its **own resources**. Rs 59,581 crore (30% of the revenue receipts) will be **devolved from the centre** in the form of grants and the state's share in central taxes. In 2019-20, own revenue and central transfers are expected to be 10.6% and 6.9% higher than the revised estimates of 2018-19, respectively.
- **Central transfers:** In 2019-20, revenue from the state's share in central taxes is estimated to increase by 10.9% over the revised estimate of 2018-19. Revenue in the form of grants-in-aid is estimated to increase by 2% in 2019-20 over the previous year's revised estimate. In 2018-19, grants-in-aid revenue is estimated to increase by Rs 4,475 crore as per the revised figures, a 21.7% increase over the budgeted estimate.
- **Non-tax revenue:** Tamil Nadu has estimated to generate Rs 13,327 crore (7% of the revenue receipts) through non-tax sources in 2019-20. Non-tax sources include interest receipts, dividends, and royalties, among others. This is a decrease of 9.3% over the 2018-19 revised estimate. In 2018-19, non-tax revenue is estimated to increase by Rs 3,399 crore at the revised stage, a 30.1% increase over the budgeted estimate.

Table 4: Break up of state government receipts in 2019-20 (in Rs crore)

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	93,737	1,12,616	1,10,178	-2.2%	1,24,813	13.3%
State's Own Non-Tax	10,764	11,301	14,700	30.1%	13,327	-9.3%
State's share in Central Taxes	27,100	31,707	30,639	-3.4%	33,978	10.9%
Grants-in-aid from Centre	14,679	20,627	25,102	21.7%	25,603	2.0%
Total Revenue Receipts	1,46,280	1,76,251	1,80,619	2.5%	1,97,721	9.5%
Borrowings	45,722	57,664	57,549	-0.2%	58,978	2.5%
Other receipts	8,475	5,595	6,848	22.4%	5,067	-26.0%
Total Capital Receipts	54,196	63,259	64,397	1.8%	64,046	-0.5%
Total Receipts	2,00,476	2,39,510	2,45,016	2.3%	2,61,767	6.8%

Sources: Tamil Nadu Annual Financial Statement 2019-20; Tamil Nadu Detailed Revenue Estimates 2019-20; PRS.

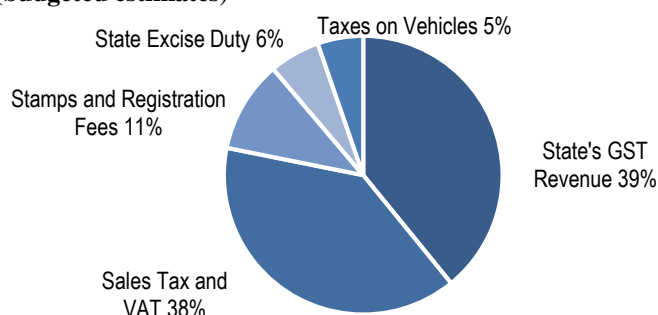
- **Tax revenue:** The state's own tax revenue is estimated to be Rs 1,24,813 crore in 2019-20 (63% of the revenue receipts). This is 13.3% higher than the revised estimate of 2018-19. In 2018-19, it is estimated to decrease by Rs 2,438 crore (2.2%) at the revised stage.
- The own tax to GSDP ratio is targeted at 7.2% in 2019-20, which is higher than the revised estimate of 6.9% in 2018-19. This implies that own tax collections' growth is estimated to be higher than the growth of economy.

GST Revenue

Tamil Nadu's total GST revenue (including central transfers) is estimated to be Rs 64,023 crore in 2019-20 (32% of the revenue receipts). In 2018-19, GST revenue is estimated to contribute 30% of the revenue receipts.

In 2019-20, the state expects to receive Rs 5,582 crore (2.8% of the revenue receipts) as compensation grants for loss of revenue due to GST. This is 32% higher than the revised estimate of 2018-19, i.e. Rs 4,238 crore.

Figure 2: Composition of the state's tax revenue in 2019-20 (budgeted estimates)



Note: The chart excludes some other taxes which form the rest 1% of this revenue.
Sources: Tamil Nadu Detailed Revenue Estimates 2019-20; PRS.

- State GST (SGST) is the largest component of the state's own tax revenue. It is expected to generate Rs 48,157 crore in 2019-20, an increase of 16.4% over the revised estimate of 2018-19.
- In 2019-20, the state is expected to generate Rs 48,034 crore through sales tax, and Rs 13,123 crore through stamps and registration fees. This is an increase of 11.7% and 14% over the revised estimate of 2018-19, respectively.

Deficits, Debts and FRBM Targets for 2019-20

The Tamil Nadu Fiscal Responsibility Act, 2003 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

Revenue deficit: It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets.

The budget estimates a revenue deficit of Rs 14,315 crore (or 0.83% of GSDP) in 2019-20, a decrease from 1.21% of GSDP as per the revised estimate of 2018-19. Revenue deficit was 1.49% of GSDP in 2017-18. These estimates indicate that the state is moving towards the target of eliminating revenue deficit, prescribed by the 14th Finance Commission.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the state government, and leads to an increase in total liabilities. In 2019-20, fiscal deficit is estimated to be Rs 44,176 crore, which is 2.56% of the GSDP. The estimate is under the 3% limit prescribed by the 14th Finance Commission. Fiscal deficit in 2017-18 and revised estimate of 2018-19 are also within the 3% limit.

Outstanding liabilities: It is the accumulation of borrowings undertaken by the state government over the years. In 2019-20, the outstanding liabilities of Tamil Nadu are expected to be at 23% of the GSDP. This is above the 20% limit suggested by the FRBM Review Committee for the cumulative debt of states in 2017.

Debt Servicing

In 2019-20, Tamil Nadu is expected to spend Rs 50,052 crore on servicing its debt, which is 19% of its estimated expenditure. This expenditure includes Rs 17,591 crore towards repayment of loans, and Rs 32,461 crore towards interest payments.

Rs 1,779 crore is estimated to be paid as interest towards the debt of Tamil Nadu Generation and Distribution Corporation (TANGEDCO). This payment is towards the debt of Rs 22,815 crore taken over by the state under the UDAY scheme.

Table 5: Budgeted targets for deficits for Tamil Nadu in 2019-20 (as % of GSDP)

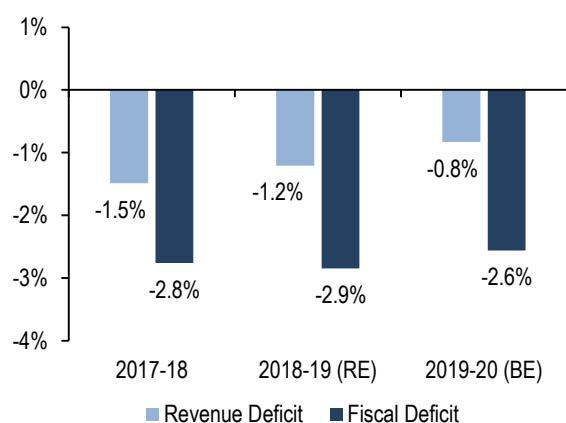
Year	Revenue	Fiscal	Outstanding Liabilities
	Deficit (-)/Surplus (+)	Deficit (-)/Surplus (+)	
2017-18	-1.5%	-2.8%	21.5%
2018-19 (RE)	-1.2%	-2.9%	22.2%
2019-20 (BE)	-0.8%	-2.6%	23.0%
2020-21	N/A	-2.4%	23.3%
2021-22	N/A	-2.3%	23.4%

Note: Projected data not available for revenue deficit as a % of GSDP for the years 2020-21 and 2021-22.

Sources: Tamil Nadu Medium Term Fiscal Policy Statement 2019-20; Tamil Nadu Annual Financial Statement 2019-20; PRS.

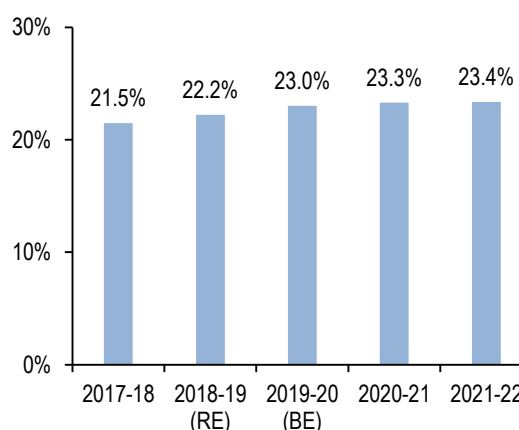
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

Figure 3: Revenue and Fiscal Deficit (as % of GSDP)



Sources: Tamil Nadu Medium Term Fiscal Policy Statement 2019-20; Tamil Nadu Annual Financial Statement 2019-20; PRS.

Figure 4: Outstanding liabilities targets (as % of GSDP)



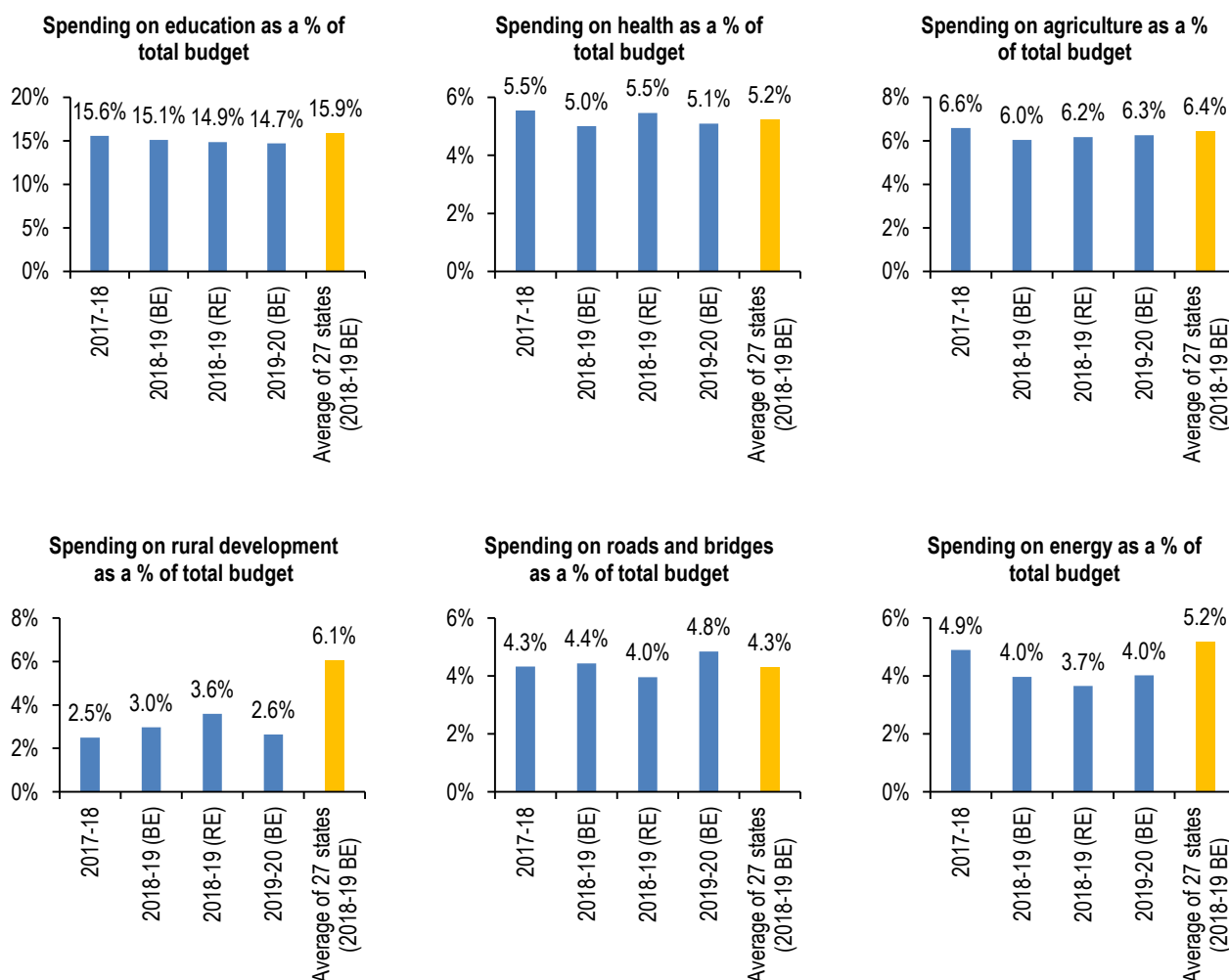
Sources: Tamil Nadu Medium Term Fiscal Policy Statement 2019-20; PRS.

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Annexure

The graphs below compare Tamil Nadu's expenditure on some key sectors, as a proportion of its total expenditure, with the average expenditure by other states (using budgeted estimates of 2018-19).[†]

- **Education:** Tamil Nadu has allocated 14.7% of its expenditure on education in 2019-20. This is lower than the average expenditure allocated to education (15.9%) by other states in 2018-19.
- **Health:** Tamil Nadu has allocated 5.1% of its expenditure towards health in 2019-20, which is marginally lower than the average allocation (5.2%) by other states in 2018-19.
- **Agriculture and allied activities:** The state has allocated 6.3% of its expenditure towards agriculture and allied activities in 2019-20. This is marginally lower than the allocations by other states (6.4%) in 2018-19.
- **Rural development:** Tamil Nadu has allocated 2.6% of its expenditure on rural development in 2019-20. This is significantly lower than the average (6.1%) for other states in 2018-19.
- **Roads and bridges:** The state has allocated 4.8% of its budget for expenditure on roads and bridges in 2019-20. This is higher than the allocations by other states (4.3%) in 2018-19.
- **Energy:** In 2019-20, Tamil Nadu has allocated 4% of its budget for expenditure on energy. This is lower than the allocations by other states (5.2%) in 2018-19.



Sources: Tamil Nadu Annual Financial Statement 2019-20; Annual Financial Statement 2018-19 of respective states; PRS.

[†] The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.