



Summary Report for the State of Tamil Nadu



1. Demography

As per Census population projections for 2022-23, Tamil Nadu has a population of 76.9 million and represents 6 percent of India's total population.¹ The State's projected population growth rate, at 0.3 percent, is markedly lower than the national average of 0.9 percent, as of 2022-23. The State's population density, at 587 persons per sq. km., is higher than the national average of 415 persons per sq. km., but its dependency ratio, at 50.4 percent, is lower than the national average of 55.7 percent, as of 2021. According to 2023 projections, about 54 percent of the State's population resides in urban areas, which exceeds the national average. The sex ratio at birth (female births per 1000 male births), as per the National Family Health Survey (NFHS V), is below the national estimate.

As of 2022-23, both the annual unemployment rate, at 4.3 percent, and the Female Labour Force Participation Rate, at 40.5 percent, in the State are above their respective national averages. The working population in the State is predominantly concentrated in the Services (35.2 percent); Agriculture, Forestry, and Fishing (28.9 percent); Construction (18 percent); and Manufacturing (16.8 percent) sectors.²

2. Economic Structure (Growth and Sectoral Composition)

Tamil Nadu's real GSDP grew at an average rate of 6.0 percent during the period 2012-13 to 2021-22, which is slightly above the national average growth rate of 5.6 percent.³ The State's share in the country's GDP, which was 7.8 percent in 1990-91, increased to 8.8 percent by 2021-22. Its nominal per capita income as a ratio of the country's per capita income has also increased, and currently stands at 60 percent higher than the national per capita income, as of 2021-22.

As of 2021-22, the Services sector is the largest contributor to the State's GSVA, with a share of 53 percent, followed by the Industry (33.9 percent) and Agriculture (13.2 percent) sectors, in that order. Among the major sectors, the Services, Manufacturing, and Agriculture sectors grew by 5.8 percent, 6.9 percent, and 6.6 percent, respectively, during the period 2013-14 to 2022-23.⁴

3. Socio-economic Indicators

Tamil Nadu's literacy rate, at 80.1 percent, is higher than the national average of 73 percent.⁵ As of 2016-17, the State had markedly lower school drop-out rates (10 percent for Classes VIII to X) and higher pass percentages (97 percent for Class X and 100 percent for Class XII) as compared to the respective national averages. The Gross Enrolment Ratios at the Higher

¹Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from "Population Projections for India and States 2011-2036" by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

² Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

³ Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

⁴ Data used is sourced from MoSPI, as of March 2024.

⁵ Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs and is for 2011.

Secondary level (82 percent in 2015-16) and at the Higher Education level (46.9 percent in 2021) are above the respective national averages.⁶ For people aged 18 to 23 years, the Gender Parity Index in higher education (the ratio of girls to boys enrolled in higher education institutions) is close to the national benchmark.⁷

As of 2020, the life expectancy in Tamil Nadu, at 73.2 years, is higher than the national average of 70 years. The Infant Mortality Rate (13 deaths per 1000 live births in 2020) in the State is much below the national average benchmark and the Total Fertility Rate (1.8 children per woman in 2019-21) is close to the national average. The percentage of fully immunised children is also above the national average, as of 2019-21. The State has shown improvement on the basic 'quality of life' indicators. Nearly all the households in the State have access to electricity. The share of households with access to drinking water is slightly above the national average, as of 2019-21, while the households' access to sanitation facilities mimics the all-India trend across the decades.

4. State of Public Finances and Tax Devolutions

Tamil Nadu's debt-to-GSDP ratio, at 31.4 percent, in 2022-23,⁸ is slightly higher than that of a median State. However, its contingent liabilities are significantly higher than those of a median State, as of 2021-22. The fiscal and primary deficit levels, at 3.2 percent and 1.2 percent of GSDP, respectively, are lower than that of the median State, as of 2022-23.⁹ The State ran a revenue deficit of 1.3 percent of GSDP in 2022-23 as compared to a deficit of 0.4 per cent recorded by a median State.

The State collects much less revenue as compared to a median State. In 2022-23, the State's total revenue receipts (own tax, own non-tax, and shared by the Centre), at about 10.4 percent of its GSDP, were lower than those of a median State. The State's expenditure-to-GSDP ratio is also lower than that of a median State, as of 2022-23.

The Debt Sustainability Analysis assessment and projections for the State reveal an upward and increasing trajectory, under all the scenarios including the baseline scenario (where debt level, primary deficit, real GDP growth, real effective interest rate remain as they are) during the period 2022-23 to 2026-27.

The State's share in taxes from the Centre, as per the recommendations of the Finance Commission (FC), remained consistent under the 14th and 15th FCs, at about 4 percent. The State's share in the total grants-in-aid increased by 0.2 percentage points under the 15th FC as compared to the 14th FC.

⁶ Data on dropout rates, pass percentage of students and Gross Enrolment Ratio at the Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

⁷ Data on Gross Enrolment Ratio at the Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

⁸ Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

⁹ For calculation of median state, variable as a percentage of GSDP was computed for each state, with the median across 22 major states shown (excluding all Union Territories and North Eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in States' Median (Large States), Column 6, Table 4A.

5. *Fiscal Rules*

As per the recommendations of the 12th FC, the Tamil Nadu Fiscal Responsibility Act (FRA) 2003, was enacted¹⁰. The FRA set targets for revenue deficit, fiscal deficit, total outstanding liabilities and outstanding guarantees with the State also required to present a Medium-Term Fiscal Plan. The Act has been amended eight times after its enactment – in 2004, 2005, 2010, 2011, 2015, 2020, 2021 and 2023.

The fiscal targets have been modified as follows:

Revenue Deficit: The original Act required the State to reduce its revenue deficit-to-revenue receipt ratio to a level of below 5 percent by March 31, 2007. A 2004 amendment extended the deadline to 31 March 2008, with a 3-5 percent annual reduction target. A 2005 amendment mandated elimination of the revenue deficit by 2008-09. The timeline has been revised multiple times, the latest amendment in 2023 mandates elimination of the revenue deficit by 2025-26.

Fiscal Deficit: In 2003, the FRA aimed to reduce the State's fiscal deficit to 2.5 percent of GSDP by March 31, 2007. The 2004 amendment raised the limit to 3% of GSDP, which remains unchanged. Though the timeline has been revised over the years, but the latest 2023 amendment mandates a fiscal deficit of not exceeding 3 percent of GSDP by March 31, 2025.

Outstanding Debt: The 2011 amendment capped the State's total outstanding debt for the each of the financial years starting from 24.5 percent in 2011-12 to 25.2 percent in 2014-15. As per the FRA, the limit of 25.2 percent of GSDP has prevailed for total outstanding debt.

Outstanding guarantees: The 2004 amendment introduced limits on outstanding guarantees, capping them at 100 percent of the preceding year's revenue receipts or 10 percent of GSDP, whichever is lower. The risk-weighted guarantees are capped at 75 percent of revenue receipts or 7.5 percent of GSDP, whichever is lower.

Fiscal Discipline: As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period from 2017-18 to 2021-22, the State was unable to achieve a revenue surplus; the fiscal deficit targets were met only for two years (2017-18 and 2018-19); and, was able to limit outstanding liabilities only for three years (2017-18 to 2019-20).

¹⁰ Data is sourced from State Audit Report of the CAG for the respective years and the state government Gazette.