Kearney Study Highlights Measures to Boost Tamil Nadu's Fiscal Capacity

> A report titled 'Tamil Nadu's Fiscal Crossroads' by global consultancy firm Kearney highlighted strategies to enhance the State's revenue efficiency.

> Fiscal capacity refers to the ability of a government to mobilize revenue from its economic base to meet public expenditure and development commitments.

KEY EXAM POINTS

- Global management consulting firm **Kearney** released a detailed analytical report titled '**Tamil Nadu's Fiscal Crossroads**'.
- The study noted that Tamil Nadu operates with a **revenue deficit** of **₹78,324 crore**.
- Tamil Nadu's total **outstanding debt** has exceeded the threshold of **₹10 lakh crore**.
- The State's **own-tax-to-GSDP ratio** stands at approximately **5.45%**.
- The report highlights that the primary issue is optimizing **revenue collection** and **expenditure efficiency** compared to other peer States.
- Narrowing fiscal collection gaps could potentially unlock more than **₹1.2 lakh crore** of additional annual **fiscal space**.

DID YOU KNOW..!?

> The **Tamil Nadu Fiscal Responsibility Act** was enacted in **2003** to establish financial discipline and manage fiscal deficits.

> **Article 293** of the Indian Constitution governs the financial **borrowing powers** and limitations of State Governments.

> **Article 280** mandates the constitution of a **Finance Commission** every five years by the President to recommend tax devolution between Centre and States.

> The **16th Finance Commission** is chaired by Dr. **Arvind Panagariya** to determine tax devolution shares for the 2026–2031 period.

> **State Own Tax Revenue** (SOTR) in Tamil Nadu predominantly comprises State GST, VAT on petroleum and alcohol, Stamp Duty, and Motor Vehicle Tax.

> **Revenue deficit** indicates the excess of government **revenue expenditure** over revenue receipts, requiring debt to meet day-to-day administrative obligations.

> The **Rajamannar Committee** was appointed by Tamil Nadu in **1969** to examine Centre-State relations and promote fiscal federalism.

REVISION FLASHCARD

Tamil Nadu Fiscal Responsibility Act was enacted in 2003; Article 293 governs State borrowing powers.

Syllabus Relevance: Essential for Group 1, Group 2, and 2A Mains & Prelims questions on Tamil Nadu Economy, public debt management, SOTR, and fiscal federalism.