

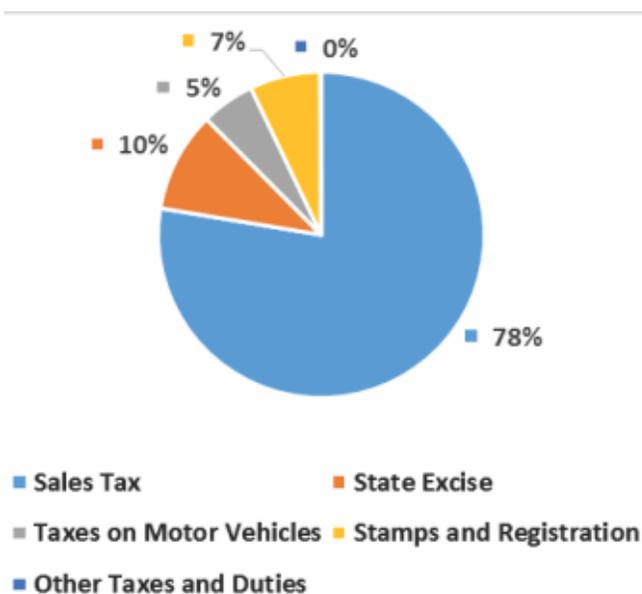
The State of Andhra Pradesh enacted APFRBM Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and matters connected therewith or incidental thereto. The State Government complied with the mandate of the Act till bifurcation of the State.

The State of Andhra Pradesh was bifurcated through A.P. Reorganisation Act (No.6 of 2014) by forming a new State of Telangana with effect from 2<sup>nd</sup> June 2014.

The provisions made in the A.P. Re-organization Act 2014 are inadequate to compensate the opportunities lost by the people of Andhra Pradesh, particularly, for the development of the State of Andhra Pradesh in regard to income generation, employment opportunities, health and educational institutions, R & D and training facilities and the social infrastructure. The post bifurcation issues, especially the huge financial deficits continue to haunt the new state of Andhra Pradesh, which accounts for 58.32% of the population of erstwhile undivided Andhra Pradesh State. Andhra Pradesh has lost significant resource base after division and is ill-equipped to compete with its revenue surplus neighbouring states. In addition, the burden of outstanding debt is also carry forward on the ratio of population basis resulting huge commitment for payment of interest and principal is vested with the residuary State of A.P. This has put the State at a great disadvantage.

## Revenue Mobilization - Own Tax Revenues

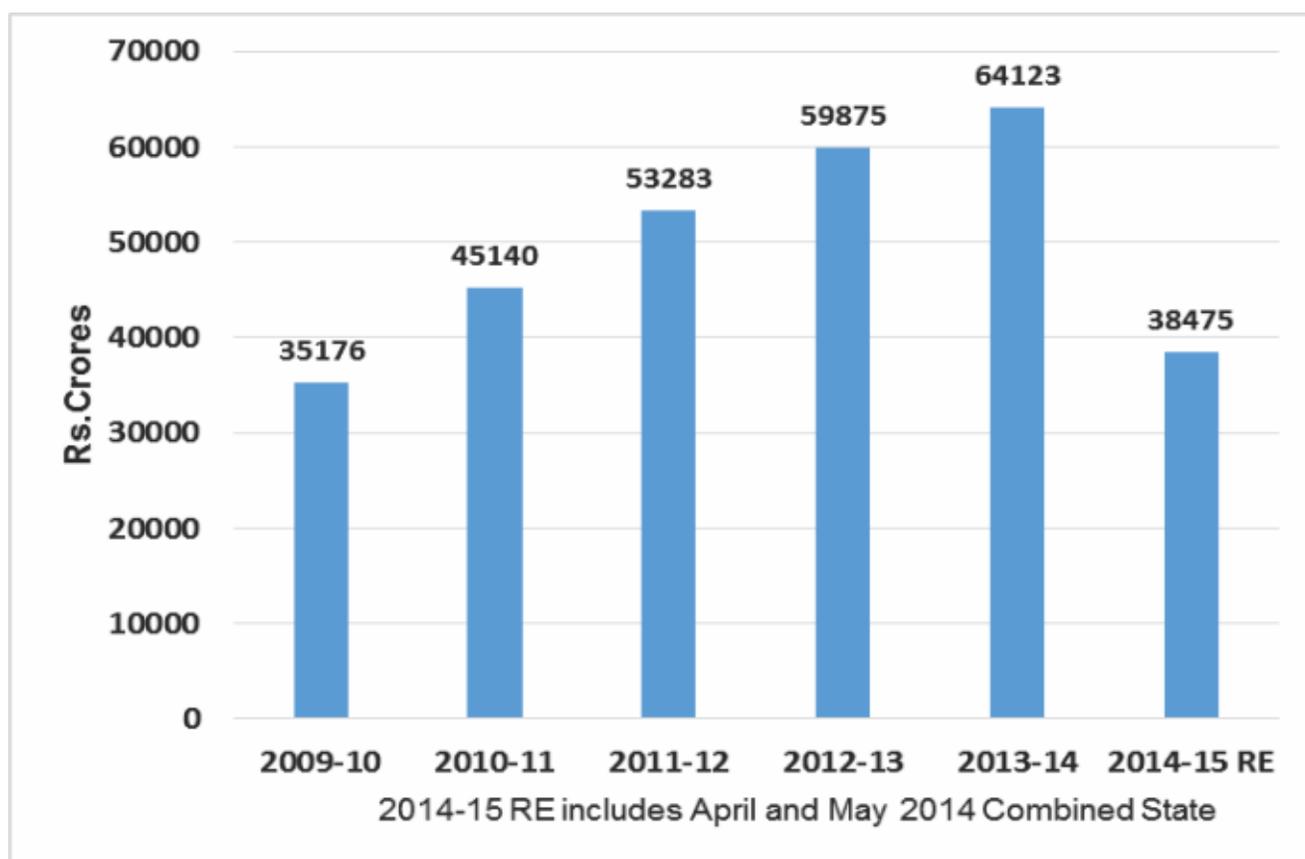
During the financial year **2013-14**, own tax revenue was at Rs.64123 crore which is a growth of 7 per cent over previous year. Sales Tax, Excise, Motor Vehicle Tax and Stamps and Registration contribute to the bulk of the Tax Revenues. The tax collections drastically decreased compared to the last five years. The effect of agitations, bunds etc., due to division of the State of Andhra Pradesh have effected the collection of tax revenue in the year 2013-14. The average rate of growth of tax revenue stands at 19 per cent during last 3 years. The Composition of the Own Tax Revenue during 2013-14 is depicted in Chart-3.1.



**Chart 3.1: State's Own Tax Revenues – 2013-14**

Own tax revenue from 2009-10 to 2014-15 RE is shown in Chart-3.3 and the details of the composition of own tax revenue are given in Annexure 3.1.

**Chart 3.2: State's Own Tax Revenue – 2009-10 to 2014-15 (RE)**



### Own Non-Tax Revenue

Non-tax revenue collections recorded at Rs.15473 crore in the year 2013-14 whereas the actuals for the year 2012-13 was Rs.15999 crores. The growth in Non-tax revenue was decreased to an extent of 3.3 per cent in the year 2013-14 over 2012-13. The major components of State's own non-tax revenue from 2004-05 to 2014-15 (RE) are given in Annexure 3.2.

### Central Transfers

The receipts under Central Tax Devolution for the fiscal year 2013-14 stood at Rs.22132 Crore, which is an increase of 9.2 per cent over 2012-13. The flow of Total Central resources to the State from 2006-07 to 2014-15 (RE) is given in Annexure 3.3.

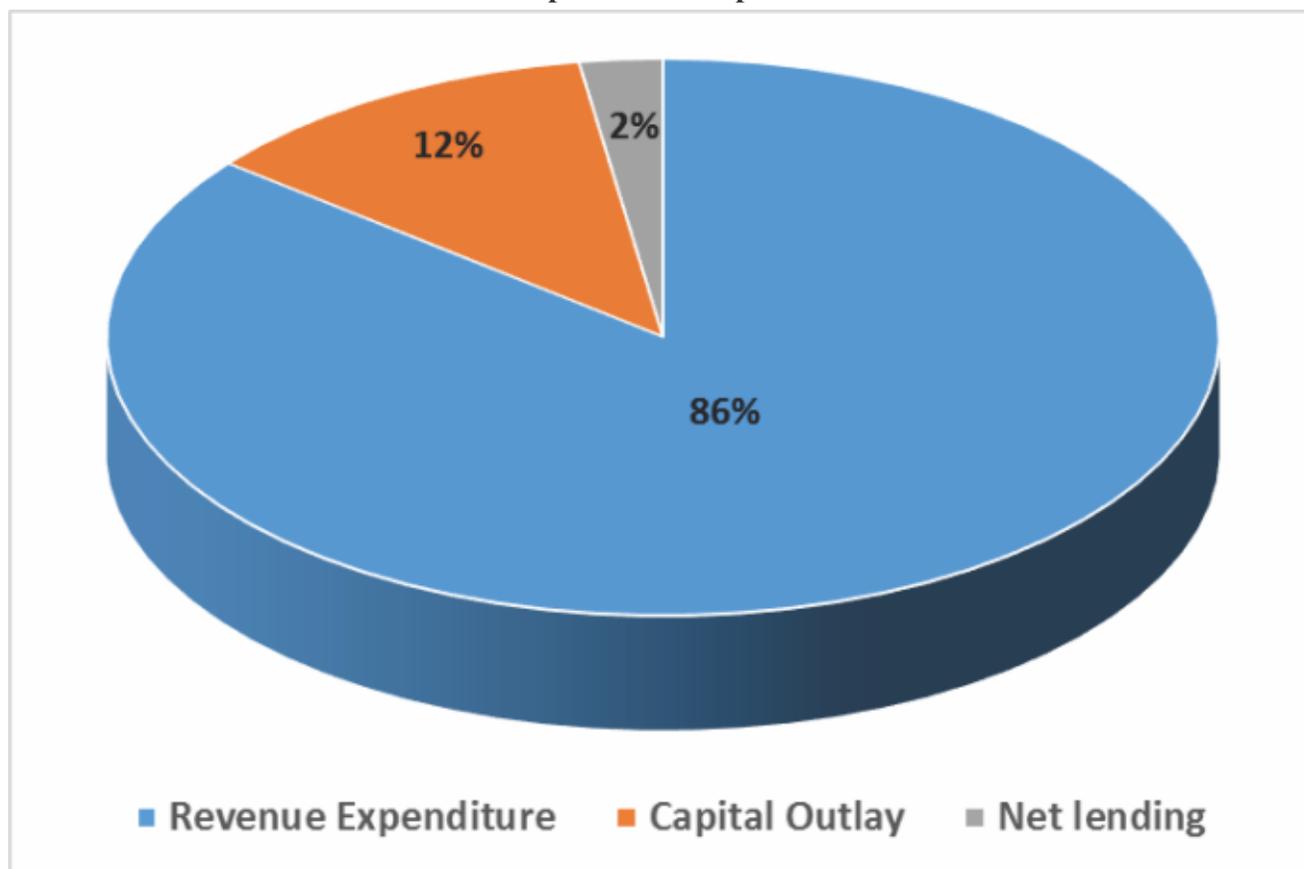
### Expenditure / Restructuring Expenditure

The total expenditure during 2013-14 was Rs.1,28,768 crores excluding the Public Debt repayments. The Revenue expenditure was

Rs.110374 crores and it constituted 85.72% of the total expenditure. During the year 2013-14, capital expenditure constituted 11.87 per cent out of the total expenditure. Out of the provision of Rs.25509 crore made in 2013-14 (BE), the net capital expenditure including loans and advances was Rs.18,394 crore. The major part of the capital expenditure was in irrigation sector, roads and bridges and welfare sector. The State is continuously implementing the schemes like subsidy rice, power subsidy, old age pensions, pavalavaddi to SHGs, Housing Programmes etc.

The composition of total expenditure in 2013-14 is depicted in Pie-Chart 3.3 and details of the expenditure from 2004-05 to 2014-15 (RE) are given in Annexure 3.4.

**Chart 3.3: Composition of Expenditure -2013-14**



### Debt and Interest Payments

Interest payments on Government debt had gone up from Rs.11662 crore in 2012-13 to Rs.12911 crores in 2013-14. The interest payment during 2013-14 increased by 10.71 per cent over previous year. The total outstanding debt by the end of March 2014 was Rs.189741 crore, which comes to 22.2 per cent of GSDP. The outstanding debt includes the net balance of Reserve Funds and Deposits in Public Account. The State Government is well within the limits of the outstanding debt of 28.2 per cent fixed in the APFRBM Act. The Outstanding Central Loans as a proportion of the total debt comprises of 9.17 per cent and market borrowings constitute another 58.70 per cent. The composition of Outstanding Debt from 2004-05 to 2014-15 (RE) is given in Annexure 3.5.

### Revenue Deficit & Fiscal Deficit

In the year 2013-14, Revenue expenditure shows at

Rs.110374 crore which results revenue surplus of Rs.344 crore. The Fiscal deficit recorded at Rs.18041 crore constitutes the actual percentage of fiscal deficit to GSDP is at 2.11 per cent. Thus, the State Government is within the target percentage of fiscal deficit limits (3 per cent) prescribed by Government of India. The GSDP for the year 2013-14 (combined State) arrived at Rs.855935 crores (as per the data of Central Statistical Office). In 2014-15 (RE), keeping in view the stress on State finances on account of bifurcation and also two months period in the united State, the revenue deficit shown at Rs.14243 crores as against the revenue surplus in the combined State. The fiscal deficit is also estimated at Rs.20320 crores.

The Interest Payments, Revenue Deficit / Surplus and Fiscal Deficit from 2006-07 to 2014-15 (RE) are given in Annexure-3.6. The Revenue Deficit / Surplus and Fiscal Deficit shown in Chart 3.4.

Chart 3.4: Revenue Deficit / Surplus and Fiscal Deficit - 2006-07 to 2014-15 (RE)

