



# ACE

## Engineering Academy

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### White Paper on Finances And Economic Growth

#### Practice Questions

01. The percentage of Urban Population as per 2011 census post bifurcation of Andhra Pradesh is
- (A) 29.3%                      (B) 29.4%  
(C) 29.6%                      (D) 29.8%
02. Consider the following
- I. Gross Value Added  
II. Sustainable Developments Goals  
III. Samaja Vikasam  
IV. Kutumba Vikasam
- Which of the above is/are part of AP's Monitoring strategy themes?
- (A) I,III,IV                      (B) I,II only  
(C) I,II,III,IV                      (D) III,IV only
03. Consider the following
- I. The average growth rate of Andhra Pradesh economy in last four years (2014 – 18) is 10.52%
- II. The average growth rate of Indian Economy in last four years (2014 – 18) is 7.3%
- Which of the above statements is/are correct?
- (A) I only                      (B) II only  
(C) Both I & II                      (D) None
04. Consider the following and choose the right match regarding Andhra Pradesh Economic Growth rate since Bifurcation?
- I. GSDP in 2014-15 – 9.2%  
II. GSDP in 2015-16 – 10.6%  
III. GSDP in 2016-17 – 11.07%  
IV. GSDP in 2017 -18 – 11.22%
- Choose from Below
- (A) I, II, III & IV                      (B) III & IV only  
(C) I & III only                      (D) I,II,III only
05. Consider the following
- I. At the time of bifurcation, the population was divided between Andhra Pradesh & Telangana at the ratio of 58.32::41.68
- II. At the time of bifurcation, the GSDP was divided between Andhra Pradesh & Telangana at the ratio of 50.7::49.3



- Which of the above statements is/are correct?
- (A) Both I & II                      (B) I only  
(C) None                                (D) II only
06. The GSDP gap between Andhra Pradesh & Telangana at the time of bifurcation was
- (A) 12,690 cr                      (B) 12,691 cr  
(C) 12,692 cr                      (D) 12,693 cr
07. As per the white paper of State finances & Economic Growth the total Actual Estimates of Andhra Pradesh Economy in 2017-18 is
- (A) 8,03,872 cr                      (B) 8,03,873 cr  
(C) 8,03,874 cr                      (D) 8,03,875 cr
08. Consider the following statements
- I. Agriculture and primary sector is the main source for Andhra Pradesh.  
II. Agriculture Sector contributed 34.4% of the total's Andhra Pradesh Economy in 2017-18 Actual Estimates  
III. The growth of agriculture sector in 2017-18(AE) in Andhra Pradesh is more than All India's Growth
- Choose from below
- (A) I only                                (B) II & III only  
(C) I & II only                        (D) I, II,III
09. The total contribution of Agriculture in 2017-18 Actual Estimates as per State Finances & Economic Growth white paper is
- (A) 34.4%                                (B) 34.5%  
(C) 34.8%                                (D) 40%
10. Consider the following
- I. Industrial contribution to Andhra Pradesh Economy in 2017-18(AE) is 22.1%  
II. Service sector contribution to Andhra Pradesh Economy in 2017-18(AE) is 43.5%
- Choose the correct statement
- (A) I only                                (B) II only  
(C) Both I & II                        (D) None
11. Consider the following
- I. The Industrial contribution to GSDP of Andhra Pradesh in 2017-18 has increased compared to its contribution in 2014-15  
II. The Service sector contribution to GSDP of Andhra Pradesh in 2017-18 has increased compared to its contribution in 2014-15
- Which of the above statements is/are correct?
- (A) I only                                (B) II only  
(C) Both I & II                        (D) None
12. Which of the following districts is not drought prone as per white paper "State Finances & Economic Growth"?
- (A) Kurnool                                (B) Prakasham  
(C) Krishna                                (D) Kadapa



13. Consider the following
- The average rainfall of Andhra Pradesh in an year is 966 MM
  - Andhra Pradesh receive  $2/3^{\text{rd}}$  of its rainfall from South West Monsoon
- Which of the above statements is/are correct?
- (A) I only                      (B) II only  
(C) Both I & II                (D) None
14. Andhra Pradesh Ranks \_\_\_\_\_ in largest drought prone state in India?
- (A)  $2^{\text{nd}}$                           (B)  $3^{\text{rd}}$   
(C)  $5^{\text{th}}$                           (D)  $1^{\text{st}}$
15. Consider the following
- The service sector contribution to Andhra Pradesh GSDP is 43.55% which is higher compared to all other southern states.
  - The service sector contribution to Andhra Pradesh GSDP is lower compared to all India contribution that is 53.85%
- Which of the above statements is/are correct?
- (A) I only                      (B) II only  
(C) Both I & II                (D) None
16. What is the Andhra Pradesh Per Capita Income in 2017-18 (AE) as per State Finances & Economic Growth paper?
- (A) 1.40 Lakh                (B) 1.42 Lakh  
(C) 1.43 Lakh                (D) 1.46 Lakh
17. Consider the following
- The per capita income of the Andhra Pradesh is lower compared to all other southern states
  - The per capita income of the Andhra Pradesh is Higher compared to all India Average that is 1, 12,835.
- Which of the above statements is/are correct?
- (A) I only                      (B) II only  
(C) Both I & II                (D) None
18. What are the total receipts (both Tax & Non Tax revenues) to Andhra Pradesh State in 2017-18 (AE) excluding receipts from Government of India?
- (A) 49,486 Cr                (B) 53,300 Cr  
(C) 38,038 Cr                (D) 51,762 Cr
19. What is the total receipts to Andhra Pradesh State in 2017-18 (AE) received from Government of India?
- (A) 53,300 Cr                (B) 52, 762 Cr  
(C) 51,762 Cr                (D) 52, 300 Cr
20. Consider the following
- Finance Commission Grants
  - Externally Aided projects
  - Backward areas grants
  - Grants for capital City of Amaravati
  - Reimbursement to expenses on Polavaram project



- Which of the above aid/grants are received by Andhra Pradesh from Government of India?
- (A) I,II,III,IV,V                      (B) I,IV,V only  
(C) I,III,IV,V only                    (D) I,II,III only
21. What is the total Tax Revenue of Andhra Pradesh state as a percentage to GSDP in 2017-18 (AE)?
- (A) 6.13%                                (B) 6.14%  
(C) 6.15%                                (D) 6.16%
22. Consider the following
- I. The 14<sup>th</sup> Finance Commission has laid a target of 8.31% for total Tax Revenue of Andhra Pradesh state as a percentage to GSDP
- II. Andhra Pradesh has not achieved the target of Tax Revenues after bifurcation because of loosing Hyderabad city.
- Which of the above statements is/are correct?
- (A) I only                                 (B) II only  
(C) Both I & II                         (D) None
23. Andhra Pradesh received Revenue Deficit grant of what amount as per the recommendations of 14<sup>th</sup> Finance Commission?
- (A) 22,112 Cr                            (B) 22,212 Cr  
(C) 22,121 Cr                            (D) 21,212 Cr
24. What is the Fiscal Deficit of the Andhra Pradesh state as a percentage to GSDP in 2017-18 (AE)?
- (A) 4.03%                                (B) 4.30%  
(C) 3.04%                                (D) 3.40%
25. eKuber 2.0 a platform which enables seamless payments to the beneficiaries across all categories to avoid leakages has been started by
- (A) CMO, Andhra Pradesh  
(B) NITI Aayog  
(C) RBI  
(D) Ministry of Finance , AP

**Note: Key Sheet available in last page.**

GOVERNMENT OF ANDHRA PRADESH



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WHITE PAPER ON STATE  
FINANCES AND ECONOMIC  
GROWTH

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JANUARY 1, 2019  
FINANCE DEPARTMENT



## **INTRODUCTION**

1. The Andhra Pradesh Reorganization Act, 2014, an Act of the Indian Parliament bifurcated the erstwhile State of Andhra Pradesh into Telangana and Andhra Pradesh, effective from June 2, 2014. Post bifurcation, the residuary State of Andhra Pradesh is the eighth largest State by area in India, comprising 13 districts with an overall population of 4.9 crore (as per Census 2011) out of which 29.6% reside in urban areas.

## **ECONOMIC GROWTH**

2. Government of Andhra Pradesh has been striving hard to rebuild the State post bifurcation. Not only has the State got to confront the challenges arising due to unscientific State bifurcation, but also deal with the unwillingness of Government of India even to implement the statutory provisions of AP Reorganisation Act 2014, Special Category Status and other assurances. This has made the task of rebuilding the State all the more difficult. Despite the hostile treatment and non-conducive environment, Andhra Pradesh has not derailed from the path of large scale development by resolving to overcome the challenges arising from State re-organization, taking the crisis as an opportunity and redefining our development agenda, and by putting in place an effective vision and strategy that ushers in holistic socio-economic development of the new State.

3. The Government of A.P. have taken up innovative initiatives such as 7 Missions, 5 Grids, 5 Campaigns apart from rolling-out workable interventions to put the State economy on track in such a way that the Vision is translated into reality and there is complete transformation of our society towards 'Prosperity with Happiness'.

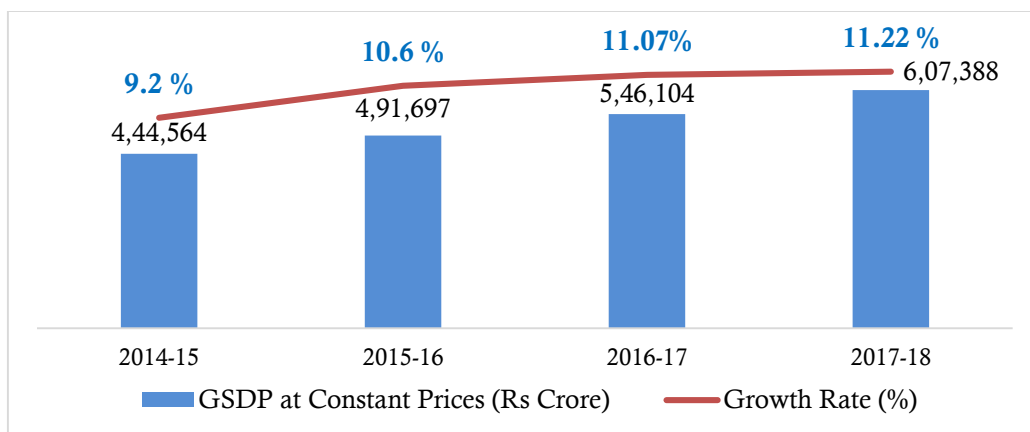
4. Besides that, the State Government has evolved a historic monitoring strategy encompassing five themes: 1. Gross Value Added (GVA), 2. Sustainable Development Goals – (17), 3. Samaja Vikasam-(10) assurances, 4. Kutumba Vikasam-(15) assurances, 5. Key Performance Indicators (KPI). Mission mode and targeted approach has been adopted towards attainment of holistic development of the State by ensuring inclusive and sustainable growth.

5. District wise untapped resources have been identified under each sector and a comprehensive plan has been prepared for achieving low hanging fruits initially apart from preparing perspective plans to achieve medium/ long term goals under each sector by

using the available resources meticulously to sustain the economy at desired pace. Besides the above, the Government have taken up various initiatives such as i) Adoption of global best practices, ii) Continuous capacity building initiatives for all stake holders, iii) Identification of Growth Engines in each sector which contribute around 80% of GVA for focussed action, iv) Effective coordination and convergence among the departments concerned, and vi) Periodical reviews and monitoring of implementation of all schemes under each sector at all levels.

6. All possible measures have been taken and no stone is left unturned, not only to overcome the difficulties but to convert the crisis into opportunity and also lay solid foundation for “Sunrise Andhra Pradesh”. As a result, the State has been able to register impressive growth rates in the last four years, as indicated in Figure 1 below.

Figure 1: GSDP Growth Rates at Constant (2011-12) Prices in last four years



7. During the last four years, Andhra Pradesh has emerged as the best economic performer by registering an average growth of 10.52% (at constant prices) whereas All India is 7.3% and Telangana is 9.7%. At Current Prices, the State economy has significantly improved year by year from Rs.4.64 lakh crores in 2013-14 to Rs.8.04 lakh crores in 2017-18(AE). The net increase is Rs.3.4 lakh crores (73 %) within a span of 4 years.

8. At the time of bifurcation, the population was divided in the ratio of 58.32:41.68 between AP and Telangana, but the GSDP contribution was in the ratio of 50.7:49.3. The gap between the two economies was only Rs. 12,692 crore (1.4%). Because of the consistent performance of AP with an average growth rate of 14.72% at current prices



during last four years (2014-15 to 2017-18(AE)), the GSDP contribution in 2017-18 is in the ratio of 52.3:47.7, with a gap of Rs. 71,216 crore (4.6%).

9. Table 1 illustrates the relative shares of Andhra Pradesh and Telangana in the combined economy. Andhra Pradesh has achieved faster growth rate than Telangana in spite of inheriting huge revenue deficit. This performance has been achieved despite the fact that the residuary State of Andhra Pradesh, comprising of 58.32% of the population, lost the advantages of having an established capital and a large metropolis like Hyderabad which was a driver of economic growth through job creation and revenue mobilization.

Table 1: Comparison of size of economy & share (%) of AP and Telangana at current prices

Year	Andhra Pradesh		Telangana		Gap (In Rs.Cr.)
	Size of economy (in Rs. Cr.)	%	Size of economy (in Rs. Cr.)	%	
2017-18(AE)	8,03,873	52.3	7,32,657	47.7	71,216
2016-17(FRE)	6,95,491	52	6,41,985	48	53,506
2015-16(SRE)	6,00,298	51.6	5,63,356	48.4	36,942
2014-15(TRE)	5,24,976	50.9	5,05,849	49.1	19,127
2013-14	4,64,272	50.7	4,51,580	49.3	12,692

## STATE REORGANISATION RELATED ISSUES

10. The nature of reorganization of erstwhile Andhra Pradesh was quite unique and unprecedented when one considers the unjust and unfair manner, and the undue haste with which it was carried out. Some of the issues are briefly mentioned below.

- 46% of the estimated revenue was given to Andhra Pradesh against a population of 58%. Assets have been allocated on location basis (most of which were located and thus left behind in Hyderabad), whereas liabilities have been divided on population basis.
- The pension liability of the combined State was also divided on population basis.
- The power allocation was done on consumption basis.

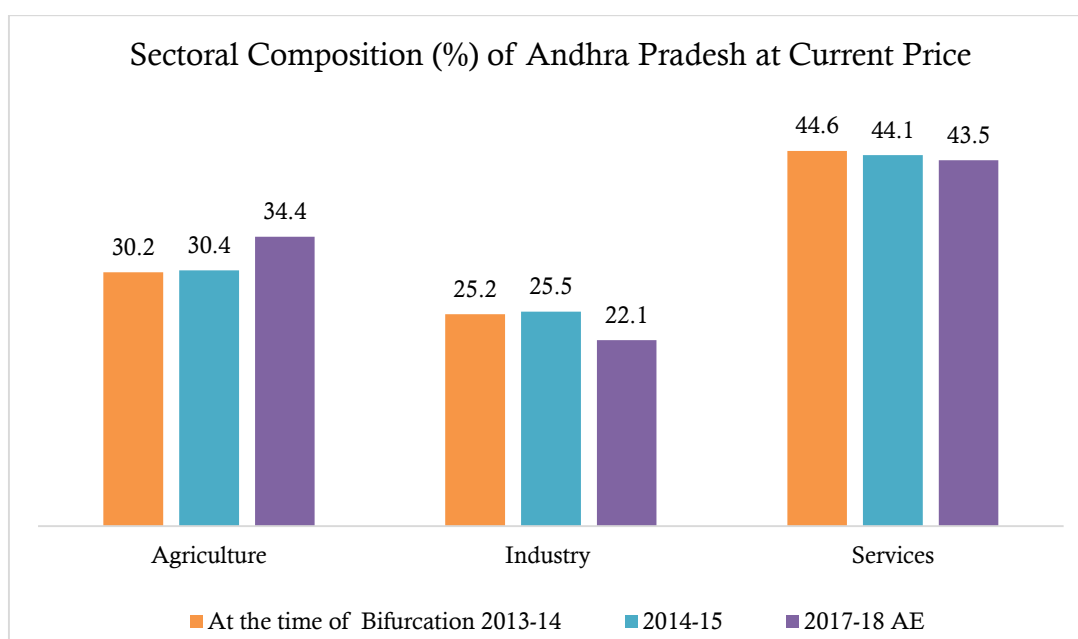
- Refund of taxes, a liability, was allocated on population ratio, whereas deferred tax collections, which is an asset, is given on location basis (being treated as the location of the Head Office, which are mostly in Hyderabad). This alone has caused a huge loss of about Rs. 3,800 crore to the State of Andhra Pradesh.
- The State of Andhra Pradesh lost its capital city, institutions, manufacturing centers and service sector hubs while inheriting the drought prone and cyclone hit areas.

11. At the time of the State's bifurcation, the Government of India acknowledged that the fiscal, economic and social conditions of the residuary State of Andhra Pradesh will be adversely affected. However, Government of India has not fulfilled the assurances given by it. Despite the adversities that arose due to bifurcation of the State and non-cooperative attitude of the Government of India in not fulfilling the assurances and provisions of APRA 2014, the State has strived hard and improved its economic and social conditions.

#### **NATURE OF STATE ECONOMY**

12. The economy of the residuary State of Andhra Pradesh is predominantly agrarian in nature. This is evident from the fact that the contribution of the agriculture sector which was 23% in the combined State during 2013-14, shot up to 30.2% at the time of bifurcation and has further gone up to 34.4% during 2017-18(AE). This also points to the loss of manufacturing and service sector areas due to unscientific bifurcation.

Figure 2: Changing nature of State Economy post bifurcation



13. Geographically, the State is uniquely placed which makes it prone to both drought and cyclones simultaneously. Out of the 13 districts, 5 districts viz. Ananthapur, Chittoor, Kadapa, Kurnool and Prakasam, are chronically drought prone. The average annual rainfall in the State is 966 mm, two-thirds of which is received during the south-west monsoon period (June to September). The distribution of rainfall is highly uneven. Table 3 indicates the variation registered in annual rainfall since 2014-15.

Table 3: Variation of Annual Rainfall (%)

Year	Rainfall deviation from normal
2014-15	-37.3%
2015-16	-5.5%
2016-17	-29.9%
2017-18	-14.4%
2018-19 (1 <sup>st</sup> June to 30 <sup>th</sup> December)	-31.8%

14. Andhra Pradesh has the third largest drought prone area after Rajasthan and Karnataka. The problem of high rainfall variability is compounded by high runoff in semi-arid drought prone areas of the State. Presence of hard rock in large areas limits the scope for groundwater exploitation. Hence, the impact of droughts is extremely severe in vulnerable areas.

15. Though the monsoons have not been favourable in the last four years, the agriculture and allied sector has seen an average growth rate of 11%, whereas the national average growth has been 2.4%. In absolute terms, at current prices the agriculture and

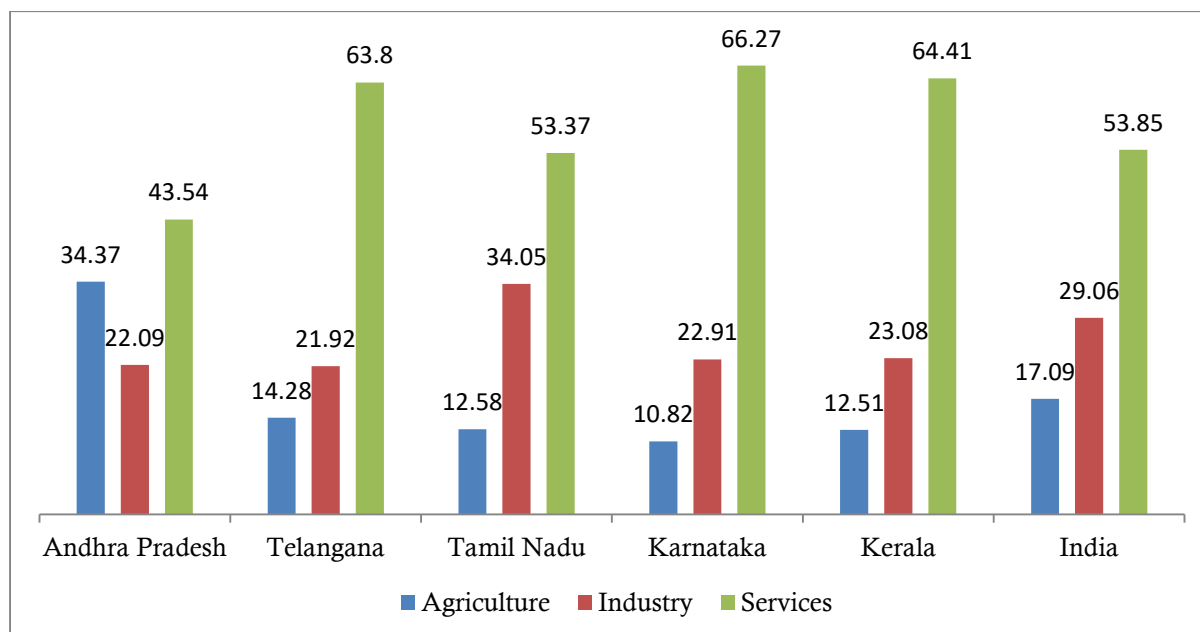
allied sector has significantly increased from Rs. 1.28 lakh crore during 2013-14 to Rs. 2.53 lakh crore during 2017-18(AE). The net increase of Rs. 1.25 lakh crore, almost doubled (97%), within a span of four years. This is a result of the efforts of the government focusing on agriculture and allied sectors like horticulture and aquaculture with convergence approach and effective management of natural resources leading to sustainability.

16. The industry sector significantly increased from Rs.1.07 lakh crores during 2013-14 to Rs.1.62 lakh crores during 2017-18(AE) at current prices. The net increase is Rs.0.55 lakh crores (51%). The government is promoting the industrial activities, attracting the investments both indigenously and abroad through creating effective eco- system leading to No.1 position in Ease of Doing Business.

17. The service sector significantly increased from Rs.1.90 lakh crores during 2013-14 to Rs.3.20 lakh crores during 2017-18(AE) at current prices. The net increase is Rs.1.30 lakh crores (68%). There has been a consistent growth in service sector because of shifting of administration from Hyderabad to Amaravati, boost to tourism sector, growth in industry sector due to ease of doing business, and fillip to ports and infrastructure sector. Establishing prestigious educational institutions viz. NIT, IIT, IIM, and IISc. would give further impetus to service sector.

18. The Service sector which generates higher tax revenue and higher per capita income, contributes only 43.55% to the economy of Andhra Pradesh, which is considerably lower compared to other Southern states viz., Telangana (63.8%), Tamil Nadu (53.36%), Karnataka (66.27%), Kerala (64.41%) and All India average of 53.85%.

Figure 3: Sectoral Composition (%) of Southern State Economies 2017-18(AE)



19. The impact of change in structure of the economy towards predominantly agrarian can be seen on per capita income. As can be seen from the Table 4, the per capita income of the combined state of Andhra Pradesh was Rs.89,214 for the year 2013-14. The per capita income of 13 districts of residuary Andhra Pradesh for the same year stood at Rs. 82,870 whereas it was Rs.1,12,162 for the state of Telangana, highlighting the loss of higher income generating areas to Telangana.

Table 4: Per capita Income on NSDP (Rs) of Southern States and All India

States	2013-14	2014-15	2015-16	2016-17	2017-18
AP (combined) 2004-05 Base	89,214	-	-	-	
Andhra Pradesh	82,870	93,903	1,07,276	1,23,664	1,42,054
Telangana	1,12,162	1,24,104	1,40,840	1,59,856	1,81,034
Tamil Nadu	1,16,236	1,28,372	1,40,441	1,50,036	1,66,934
Karnataka	1,18,829	1,30,024	1,48,110	1,61,936	1,81,788
Kerala	1,23,388	1,35,537	1,47,568	1,62,750	1,80,518
All India	79,118	86,647	94,731	1,03,870	1,12,835

20. In 2014-15, the PCI of Andhra Pradesh was 8.4% higher than the national PCI. In 2017-18, it is 25.9% more than the national PCI. The year on year growth rate of PCI is 13.31% in 2014-15, 14.24% in 2015-16, 15.28% in 2016-17 and 14.87% in 2017-18. In absolute terms the increase in PCI is Rs. 59,184 (71%) within the span of last four years.

21. Despite the highest average PCI growth (14.4%) in the country during last four years, Andhra Pradesh with a per capita income of Rs 1.42 lakh continues to lag behind the other Southern Indian states, three of which have crossed the mark of Rs.1.8 lakh per capita income, amounting to a huge debilitating gap of around Rs 38,000+ per person in Andhra Pradesh.

22. Broad sector wise performance on State Economy of AP at Constant (2011-12) prices and Current Prices for the last 4 years comparing All India are given in the table 5 & table 6 respectively.

Table 5: Broad sector wise performance of Andhra Pradesh for the last 4 years at constant (2011-12) prices

Rs. In Crores

Sector	Andhra Pradesh					All India				
	2014-15 (TRE)	2015-16 (SRE)	2016-17 (FRE)	2017-18 (AE)	4Yrs Avg.	2014-15 (TRE)	2015-16 (SRE)	2016-17 (FRE)	2017-18 (AE)	4Yrs Avg.
Agriculture sector	112200	120927	138957	163635		1605715	1615216	1716746	1767397	
Growth Rate	3.55	7.78	14.91	17.76	11.0	-0.2	0.6	6.3	3	2.4
Industry Sector	111842	122588	131657	142837		3021899	3317881	3542821	3714152	
Growth Rate	12.58	9.61	7.4	8.49	9.52	7.0	9.8	6.8	4.8	7.1
Services Sector	182970	202688	221760	241967		5084518	5570251	5988962	6482929	
Growth Rate	8.98	10.78	9.41	9.11	9.57	9.8	9.6	7.5	8.2	8.8
GVA	407011	446203	492374	548439		9712133	10503348	11247629	11964479	
Growth Rate	8.37	9.63	10.35	11.39	9.94	7.2	8.1	7.1	6.4	7.2
GSDP/GDP	444564	491697	546104	607388		10527674	11386145	12196006	13003897	
Growth Rate	9.2	10.6	11.07	11.22	10.52	7.4	8.2	7.1	6.6	7.3

Table 6: Broad sector wise performance of Andhra Pradesh for the last 4 years at current prices

Rs. In Crores

Sector	Andhra Pradesh					All India				
	2014-15 (TRE)	2015-16 (SRE)	2016-17 (FRE)	2017-18 (AE)	4Yrs Avg.	2014-15 (TRE)	2015-16 (SRE)	2016-17 (FRE)	2017-18 (AE)	4Yrs Avg.
Agriculture Sector	148196	172531	207881	252847		2093612	2225367	2484006	2588180	
Growth Rate	14.92	16.42	20.49	21.63	18.34	8.7	6.3	11.6	4.2	7.7
Industry Sector	124282	133322	145150	162482		3448189	3746625	4054112	4381470	
Growth Rate	15.71	7.27	8.87	11.94	10.95	8.1	8.7	8.2	8.1	8.3
Services Sector	215230	246129	281711	320380		5962478	6594653	7303474	8196730	
Growth Rate	13.07	14.36	14.46	13.73	13.91	13.7	10.6	10.7	12.2	11.8
GVA	487709	551982	634742	735709		11504279	12566646	13841591	15166380	
Growth Rate	14.29	13.18	14.99	15.91	14.59	11.0	9.2	10.1	9.6	10.0
GSDP/GDP	524976	600298	695491	803873		12467959	13764037	15253714	16751688	
Growth Rate	13.07	14.35	15.86	15.58	14.71	11.0	10.4	10.8	9.8	10.5
PCI (In.Rs)	93903	107276	123664	142054	-	86647	94731	103870	112835	-
Net Increase (In.Rs)	11033	13373	16388	18390	-	7529	8084	9139	8965	-
Growth Rate	13.31	14.24	15.28	14.87	14.43	9.52	9.33	9.65	8.56	9.26

Table 7: Broad sector wise Half year performance for the year 2018-19 at Constant (2011-12) prices and Current prices

Industry	A.P - 2017-18			A.P - 2018-19		
	Q1	Q2	H1	Q1	Q2	H1
Agrl. & Allied Sector	23374	29385	52759	26800	34433	61233
	<b>27.6</b>	<b>24.05</b>	<b>25.6</b>	<b>14.66</b>	<b>17.18</b>	<b>16.06</b>
Industry Sector	34599	33329	67928	38404	36557	74961
	<b>8.05</b>	<b>6.8</b>	<b>7.43</b>	<b>11</b>	<b>9.68</b>	<b>10.33</b>
Services Sector	61679	64770	126449	67911	70712	138623
	<b>8.67</b>	<b>8.1</b>	<b>8.38</b>	<b>10.1</b>	<b>9.17</b>	<b>9.63</b>
GVA at Basic Price	119652	127484	247136	133115	141702	274816
	<b>11.72</b>	<b>11.04</b>	<b>11.37</b>	<b>11.25</b>	<b>11.15</b>	<b>11.20</b>

Sl.No	Industry	(H1) GVA at Constant (2011-12) Prices		(H1) GVA at Current Prices		Percentage change over previous year	
		2017-18	2018-19	2017-18	2018-19	Constant	Current
1	Agriculture sector	52759	61233	70057	82817	16.06	18.21
2	Industry Sector	67928	74961	73070	85229	10.35	16.64
3	Services Sector	126449	138623	163659	185546	9.63	13.37
<b>Total GVA</b>		<b>247136</b>	<b>274816</b>	<b>306786</b>	<b>353592</b>	<b>11.20</b>	<b>15.26</b>

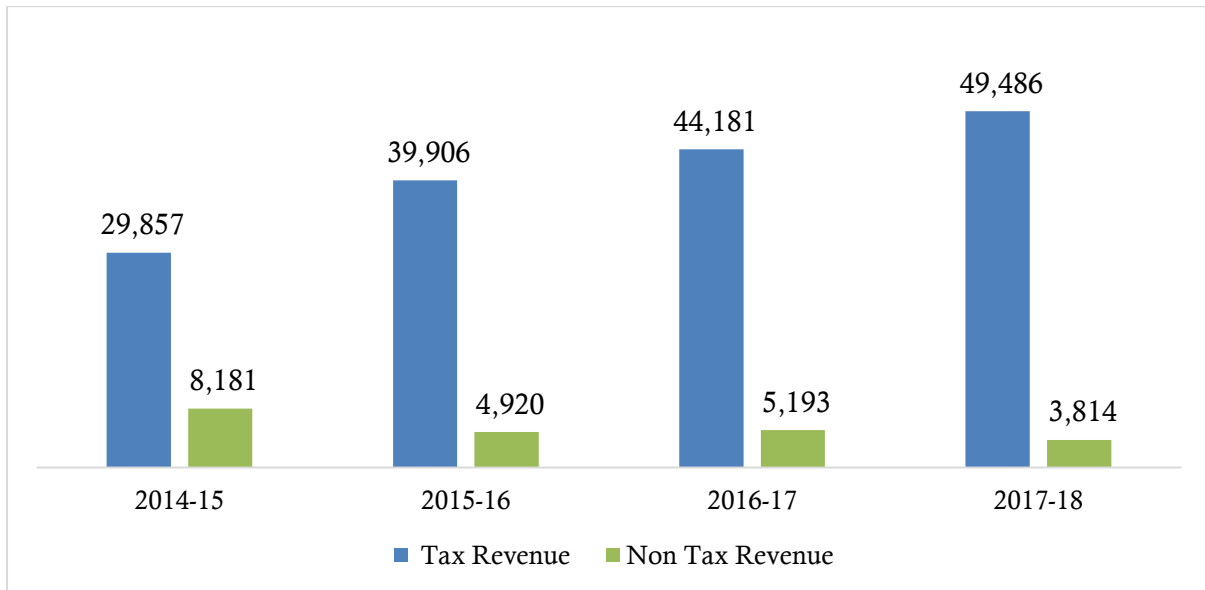
## FISCAL PARAMETERS

### REVENUE

23. Despite the adversities caused by bifurcation, rainfall deficit and non-cooperative attitude of the Government of India, the State has strived hard and has made significant efforts to improve its fiscal, economic and social conditions. The increase in own tax resources and transfers from GoI are shown in the following figures.

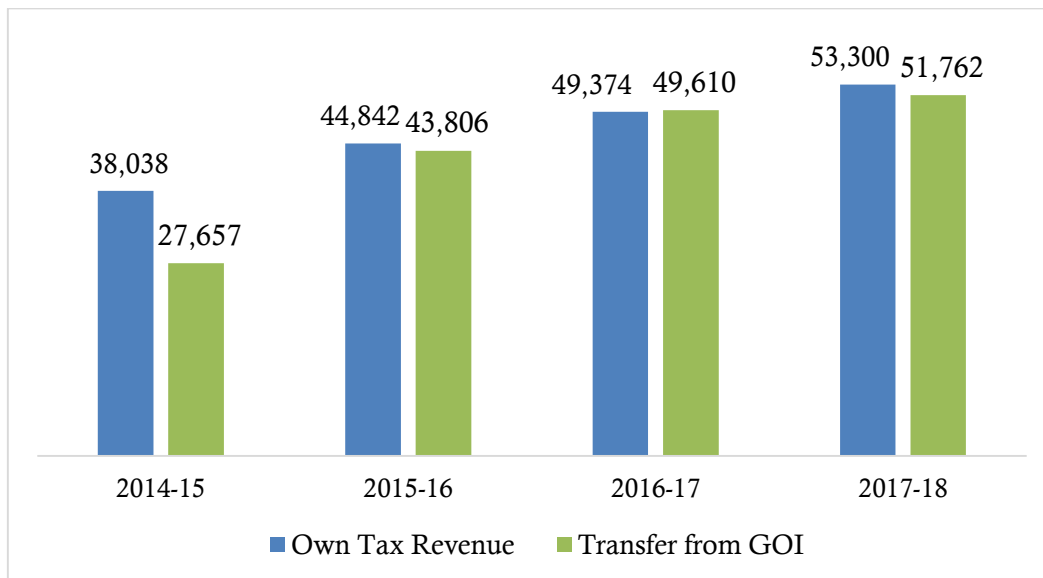


Figure 4: Tax and Non Tax Revenues in last four years (Rs crore)



2014-15 figures include 10 months data from June 2014 to March 2015

Figure 5: Growth in Receipts of the State in last four years (Rs. crore)



2014-15 figures include 10 months data from June 2014 to March 2015

24. Transfers from Government of India include Finance Commission grants; releases for Centrally Sponsored Schemes (CSS) - which are based on performance of the States; Specific grants such as NDRF, externally aided projects; Grants under AP Reorganisation Act, 2014 such as revenue deficit grant for 2014-15, backward areas grant, grants for capital city; and reimbursement of expenditure on Polavaram project.

25. Out of these, the Finance Commission grants are received by all States as per the award of Finance Commissions and it is a constitutional mandate for Government of India to fulfil. As mentioned earlier, the Government of India has not fulfilled its assurances of providing financial assistance under APRA, 2014. Therefore, the increase in flow of funds from the Centre to the State have been on account of greater effort made by the State to tap more resources under CSS. Measures have been taken to streamline the process of submission of proposals and utilisation certificates of CSS funds in a timely manner.

26. The tax revenue as percentage of GSDP was 6.71%, 6.32% and 6.16% as against 7.98 %, 8.26% and 8.31% projected by the 14th Finance Commission during 2015-16, 2016-17 and 2017-18 respectively. This is because the State is yet to develop the tax base after losing the main hub of economic activity, Hyderabad. Since the major contribution to GSDP of residuary State is from agriculture and contribution from service sector is lower, the tax to GSDP ratio is also low.

## EXPENDITURE

27. The aggregate revenue expenditure in the residuary State of Andhra Pradesh is increasing. The composition of the expenditure is given below.

Table 8: Composition of Total Expenditure (Rs crore)

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
		April- May	June- March			
1 Revenue Expenditure	1,10,375	35,395	79,471	95,950	1,16,215	1,21,214
A General Services	36,899	9,110	19,480	28,573	32,786	39,075
Of which						
Interest payments	13,690	2,091	8,429	9,848	12,292	14,192
Pensions	13,682	3,834	6,138	11,249	12,872	16,236
Others	10,306	3,185	4,913	7,475	7,622	8,647
B Social Services	44,956	10,950	31,308	46,449	50,228	59,159
C Economic Services	28,302	15,292	28,599	20,813	33,108	22,894
D Grants-in-aid and contribution	218	42	84	116	93	86
2 Capital Expenditure	15,281	4,885	6,523	14,171	15,144	13,491
3 Capital Disbursements	7,285	1,745	4,193	5,842	5,622	9,720

4	Loans & Advances	3,689	465	745	674	564	2781
5	Interstate Adjustment	-	-	-	195	-	-
6	Total Expenditure	136,630	42,490	90,932	116,832	137,545	147,206

28. The increase in the revenue expenditure is mainly due to shifting of the capital and offices from Hyderabad to Amaravati; revision of pay scales of employees and pensions to retired government servants from 2015-16; revision of wages of anganwadi workers, ASHAs, village assistants; increase in rates for various welfare schemes like scholarships, midday meal diet charges; loan waiver to farmers; fivefold increase in social security pensions; capital infusion to SHGs groups.

29. The combined State of Andhra Pradesh enacted Fiscal Responsibility and budget Management Act (FRBM) in 2005 mandating elimination of revenue deficit and limiting fiscal deficit to 3 per cent of the GSDP. These limits were adhered to till 2013-14. From 2014-15, the State could not adhere to the fiscal indicators as envisaged by the 13<sup>th</sup> and 14<sup>th</sup> Finance Commissions due to bifurcation of the State.

### REVENUE DEFICIT

30. The 14<sup>th</sup> FC recommended revenue deficit grant to 11 States including Andhra Pradesh. Out of the total amount of Rs.1,91,824 crore, Andhra Pradesh received Rs. 22,112 crore (11.53 %). But the actual revenue deficit has been higher as shown in Table 9.

Table 9: Actual Revenue Deficit (Rs. crore)

Year	Grants Recommended by 14 <sup>th</sup> FC	Received from GoI	Revenue deficit as per accounts (*)	Actual Revenue deficit (3+4)
2015-16	6,609	6,609	7,302	13,911
2016-17	4,930	4,930	17,231	22,161
2017-18	4,430	4,430	16,152	20,582

(\*) After receiving RD grant from GOI

31. The actual revenue deficit is substantially higher than that projected by the 14<sup>th</sup> FC. Revenue deficit during the year 2014-15 was Rs. 16,078.76 crore (excluding the RD grant of

Rs. 2,303 crore). The revenue gap in the subsequent years was on the same lines but Government of India is giving lower amounts as revenue deficit grants which has created a financial stress on the State finances.

## FISCAL DEFICIT

32. Fiscal deficit is as indicated below.

Table 10: Fiscal Deficit (Rs. crore)

Item	2013-14	2014-15		2015-16	2016-17	2017-18
		April to May	June to March			
Fiscal Deficit	-18,041	-10,972	-20,745	-22,059	-30,908	-32,380
% to GSDP	-2.11	-1.12	-3.98	-3.66	-4.42	-4.03

33. Although the State has managed to increase its revenue receipts, GSDP growth, and capital expenditure, lot of funds are required to rebuild the newly formed State. Thus, the State has had to stretch its financial resources which led to an increase in debt and deficit in revenue and fiscal areas. Non fulfilment of commitments given by Government of India also contributed to widening of revenue and fiscal deficits.

## DEBT POSITION

34. Andhra Pradesh is facing a peculiar situation regarding debt and liabilities. The residuary State is left with a lower revenue base but much higher commitments, resulting in the persistence of revenue deficit from 2014-15. In order to meet the deficit, the State is forced to borrow, which is the main reason for increase of debt of the State. On bifurcation of the State, the debt and liabilities also needed to be divided between Andhra and Telangana. But this has not been done fully so far. According to the AP Reorganisation Act, un-apportioned amounts are being shown against residuary State of Andhra Pradesh. As such the debt and liabilities appear much more due to inclusion of the un-apportioned amounts. The debt and liabilities of the State with and without un-apportioned amounts are given in the following table.

Table 11: Trends in Debt and Liabilities of the State (Rs. crore)

Year	Public Debt	% to GSDP	Public Account	% to GSDP	Total Liabilities	% to GSDP
2012-13	138,737	18.60	30,347	4.07	169,084	22.67
2013-14	156,744	18.36	32,997	3.86	189,741	22.22
2014-15 including un-apportioned amount	109,425	20.84	39,319	7.49	148,744	28.33
If apportioned	109,344	20.83	25,365	4.83	134,709	25.66
2015-16 including un-apportioned amount	124,662	20.77	44,796	7.46	169,458	28.23
If apportioned	124,581	20.75	35,008	5.83	159,589	26.59
2016-17 including un-apportioned amount	149,808	21.54	45,053	6.48	194,861	28.02
If apportioned	149,727	21.53	35,265	5.07	184,992	26.60
2017-18 including un-apportioned amount	168,791	21.00	54,915	6.83	223,706	27.83
If apportioned	168,872	21.01	47,816	5.95	216,688	26.96

35. The debt to GSDP ratio for the combined State (2013-14) was within the stipulated limits of the Finance Commission. Due to bifurcation, the ratio had increased to 28.33% in 2014-15 from 22.22% in 2013-14 because a major portion of the debt has been inherited and the same is being continued.

36. For a State like Andhra Pradesh which is charting its own development trajectory, the exercise of financial management goes beyond the available budgetary resources. Government has ensured that borrowings by corporations are channelized into capital expenditure whose benefits will accrue in the years to come. The Government has given guarantees to corporations enabling them to borrow funds at lower interest rates for capital asset creation.

Table: 12: Borrowings by corporations for capital expenditure

Sl.No.	Corporation	Amount of loan Availed (Rs. Crore)
1	AP State Civil Supplies Corporation*	13,500
2	APCRDA	4,060
3	Water Resources Department	4,000
4	APTIDCO	3,150
5	APRDC	3,000
6	Ryuthu Sadhikara Samstha	2,000
7	APIIC	2,000
8	APSRTC	1,644
9	AP Drinking Water Supply Corporation	980
10	Municipal Corporations (Vijayawada, Nellore, Tirupati)	741
11	AP State Warehousing Corporation	308
12	SC Corporation	235
13	AP State Fibernet Corporation	150
	Total	35,768

\*Loans taken for working capital management

## MAJOR ACHIEVEMENTS OF GOVERNMENT OF ANDHRA PRADESH DURING LAST FOUR YEARS

37. Andhra Pradesh is the first State in the country to achieve the rare distinction of implementing an ERP application through a sustained measure of process rationalization, harmonization and standardization in realizing its objectives of overall digital transformation. Andhra Pradesh Centre for Financial Systems and Services (APCFSS), the special purpose vehicle established under the administrative control of Finance Department, has enabled this path breaking achievement by successfully launching and operationalizing the Comprehensive Financial Management System (CFMS) on the SAP platform. The primary objective of CFMS is to establish a 'single source of truth' through an integrated system. The key foundational pillars of CFMS are – Efficiency, Effectiveness, Transparency, Accountability, Stakeholder Convenience, Enterprise Approach and Sustainability. Encompassing the wide range of processes and functions across the Public Financial Management space, CFMS is just not an IT system, software or a tool but a process driven approach for engagement in governance. The spread of CFMS covers the entire gamut of G2C, G2B, G2E and G2G services. In a nutshell, the

transformation and gains that are realized and are in the process of being realized are as follows:

- i. Better fiscal management – through the inherent tie up between the budgetary and expenditure functions/processes there is an improved level of expenditure control with transparency and accountability.
- ii. Paradigm shifts in the functioning of treasuries, where the need for the departmental users and public to visit the treasuries is drastically reduced thereby saving a lot of productive time, financial and human capital and free that for development priorities
- iii. End to End paperless transactions – first to submit full accounts online and reduce movement of paper, storage of paper and enhance retrieval of documents.
- iv. Seamless integrations – integrate within the system and across the legacy systems through a standardized approach of recording financial events, while ensuring the internal controls over transaction processing.
- v. Functional structured approach for all financial management functions under one umbrella for the purpose of transparency, accuracy and timeliness.
- vi. Evolving standard data classification within CFMS and propagating the same across the other core systems to ensure transaction processing along with implementing right internal controls over data entry, simplifying the interpretation of rules, eliminating duplicate data entry and harmonizing and standardizing the processes.
- vii. Standardization of accounting processes - Works Accounts are migrated to the Treasury mode (first state to do so end to end in the country) through dispensing of transitory accounts; dispensing with suspense accounts and streamlined judicial transactions.
- viii. Near zero accounting of misclassifications, posting errors and elimination of the wanting vouchers epidemic.
- ix. Ease of use - a citizen, a business, or an employee are enabled to conduct their transactions with the Government in an end to end online mode. The ease of conducting this transaction at the comfort of home or office and online through Web, mobile or a tablet is a major change.
- x. Introduction of Multiple modes of payment – net Banking, debit card or credit card - through a payment aggregator service enabled seamless auto reconciliation and

improvement in the overall revenue realization cycles, thereby bettering the revenue forecasts for the State for better deficit management.

- xi. Direct integration with RBI eKuber 2.0 platform enabling seamless payments to the beneficiaries across the spectrum avoiding leakages and parking of funds.
- xii. Ability to track expenditure on all grants and schemes to the last level including in PD Accounts.
- xiii. A top down and bottom up mapping of all Offices, Positions and Relationships between them is available at one source.
- xiv. Collation of historical and transactional data at one common source paving the way for robust data analytics.
- xv. Unique identity to all persons through their life cycle with GoAP.
- xvi. Validation of vendor records through Aadhar and PAN & duplicate/redundancies elimination.
- xvii. Wherever feasible, manual interventions are removed by implementing rules engines for seamless processing, like reconciliations through eKuber etc.
- xviii. Ability to track self-drawls and curtail excess drawls and also control parking of funds outside government.

38. The Government also carried out debt swap to replace high cost loans of various corporations with low cost loans and thereby achieved reduction in expenditure on interest payments. As a result of this prudent financial exercise, saving of nearly Rs. 573 crore in interest payments per year has been achieved.

39. In the past four years, the Government of Andhra Pradesh has taken several measures for the welfare of the regular/contract/outsourcing/NMR/contingent employees. These include:

- i. A fitment of 43% of the Basic Pay was allowed for fixing the pay in the Revised Scales of Pay 2015 as against 29% recommended by the 10th Pay Revision Commission to the regular Government Employees.
- ii. Permission has been accorded to the relevant recruiting agencies for filling up of about 29,000 vacant posts.
- iii. Remuneration to the outsourcing employees has been enhanced.
- iv. Remuneration of contract employees has been enhanced by 50%.



- v. Remuneration equivalent to the minimum of time scale in the Revised pay scales, 2015 has been extended to the Full Time/NMR/Daily Wage/Consolidated pay/Part-time employees, who are appointed before the crucial date of 25-11-1993 and working in Government Departments.
- vi. Benefit of funeral charges (obsequies charges) of Rs.15,000/- has been extended to the deceased contract and outsourcing persons.

## **CONCLUSION**

40. The economy of residuary Andhra Pradesh has inherent weaknesses. It is an agrarian economy, has a low tax base and hence suffers from revenue disability. The inheritance of huge debt due to unscientific bifurcation, non-co-operative attitude of Government of India in fulfilling assurances have further put stress on the fiscal position of the State. However, the financial impediments are being overcome by mobilising low interest finance and debt restructuring. The Government has always encouraged and embraced innovative ideas and convergence approach to achieve greater outcomes with limited resources. The vision is to increase the gross value added in the economy on a sustainable basis, develop an ecosystem for wealth creation which will lead to poverty alleviation. In order to ensure long term economic growth sustainability and wealth creation, the Government is focussed on strategic management of natural resources. Government is making all out efforts to increase water conservation by adoption of effective water management techniques, and increase availability of water for agriculture, industry and drinking through capital expenditure on major irrigation projects like Polavaram and others. Core infrastructure in villages is being developed on saturation mode including concrete roads, gram panchayat buildings, school buildings, anganwadi buildings, LED street lights, sanitation infrastructure for ODF.

41. Apart from effective natural resource management, the Government is equally focussed on human resource building. Despite the financial adversities, the State Government has not compromised on welfare. Upholding the principle of democratic governance, the Government is steadfast in its resolve to build its social capital by investing heavily on education, health and social welfare. The Government has embarked on the path of building a futuristic knowledge economy through introduction of digital class rooms and providing enhanced support to students by increasing scholarship amounts,

dietary allowance for better nutrition and cosmetic amounts for better hygiene; as well as adopting specific measures for empowering girl child. On the health front, Government efforts are directed towards reducing out of pocket expenditure on healthcare. The Government is going ahead with implementing social welfare schemes on saturation mode. There has been a fivefold increase in social security pensions. Government has revised wages of anganwadi workers, ASHAs, village assistants. Village economy has also been strengthened through capital infusion to SHGs groups.

42. Even in times of adversity, with dedication and commitment, the State could achieve a record double digit economic growth due to a well laid out action plan to realise the vision of being a happy, inclusive, innovative and globally competitive State and society. A plan to achieve the SDG milestones by 2022, earlier than the UN stipulated timeframe of 2030, saturating the rural infrastructure, a vision of a green economy, 100% Fibre net connectivity, building the confidence of investors for creating employment, ecosystem for skill and innovation, globally competitive cities and infrastructure, leveraging technology for real time governance are included in the strategy of being among the three best States in country by 2022 and the best State in country by 2029.



# ACE

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### White Paper on Finances And Economic Growth

#### *Key Sheet*

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|---------|---------|---------|---------|---------|---------|
| 01. (C) | 02. (C) | 03. (C) | 04. (A) | 05. (A) | 06. (C) |
| 07. (B) | 08. (D) | 09. (A) | 10. (C) | 11. (D) | 12. (C) |
| 13. (C) | 14. (B) | 15. (B) | 16. (B) | 17. (C) | 18. (B) |
| 19. (C) | 20. (A) | 21. (D) | 22. (C) | 23. (A) | 24. (A) |
| 25. (C) |         |         |         |         |         |