

### Profile of Andhra Pradesh

**A**ndhra Pradesh is the fourth largest State in India in terms of geographical area of 2.75 lakh sq. km. with a population of 8.47 crore as per 2011 census. The economic growth of the State displayed a fluctuating trend during the last five years as can be seen in the table below. The trends in the annual growth of the State's GSDP *vis-à-vis* the national Gross Domestic Product (GDP) at current prices are given below:

Year	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP <sup>1</sup> (₹ in crore)	53,03,567	61,08,903	72,66,967	83,53,495	94,61,013
Growth rate of GDP (percentage)	15.75	15.18	18.96	14.95	13.26
State's GSDP <sup>2</sup> (₹ in crore)	4,26,765	4,76,835	5,70,992	6,55,181	7,45,782
		(TRE)	(SRE)	(FRE)	(PE)
Growth rate of GSDP (percentage)	16.98	11.73	19.75	14.74	13.83

*Appendix 1.1* shows the socio-economic indicators related to Andhra Pradesh. During the last 10 years (2003-2013), the population of the State grew by 9.50 *per cent* against 13.22 *per cent* in General Category States. The Compound Annual Growth Rate (CAGR) of per capita income of the State (15.18 *per cent*) has been higher than that of the General Category States<sup>3</sup> (14.94 *per cent*) during this period. From *Appendix 1.1*, it can be seen that the key socio-economic parameters of the State *viz.*, population Below Poverty Line (9.20 *per cent*), Infant Mortality Rate (41 per 1,000 live births) and Life Expectancy at birth (64.4 *years*) are better than the All India average. Also, inequality of income distribution, as reflected through the Gini co-efficient<sup>4</sup> was marginally lower in the State in rural areas (0.28) than the national average, but the same in urban areas (0.38) as the all-India position.

<sup>1</sup> GDP data as per Ministry of Statistics and Programme Implementation (August 2013)

<sup>2</sup> Gross State Domestic Product is taken from Directorate of Economics and Statistics, Govt. of Andhra Pradesh  
PE: Provisional Estimates; FRE: First Revised Estimates; SRE: Second Revised Estimates; TRE: Third Revised Estimates

<sup>3</sup> States other than the 11 states termed as Special Category States (Arunachal Pradesh, Assam, Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand)

<sup>4</sup> It is a measure of inequality of income distribution where zero refers to perfect equality and one refers to perfect inequality.

## 1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Andhra Pradesh during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. This analysis was made based on the Finance Accounts and the information obtained from the State Government. The structure of Government Accounts and the layout of Finance Accounts are given in *Appendix 1.2*.

## 1.2 Summary of current year's fiscal transactions

**Table 1.1** presents the summary of State Government's fiscal transactions during the current year *vis-à-vis* the previous year, while *Appendix 1.3* provides the details of receipts and disbursements as well as overall fiscal position during the current year.

**Table 1.1 Summary of balances**

(₹ in crore)

Receipts			Disbursements				
	2011-12	2012-13		2011-12	2012-13		
	Total	Total		Total	Non-Plan	Plan	Total
<b>Section A – Revenue</b>							
<b>Revenue Receipts</b>	<b>93,554</b>	<b>1,03,830</b>	<b>Revenue Expenditure</b>	<b>90,415</b>	<b>77,461</b>	<b>25,241</b>	<b>1,02,702</b>
<i>Tax Revenue</i>	53,284	59,875	<i>General Services</i>	29,874	33,007	57	33,064
<i>Non-tax Revenue</i>	11,694	15,999	<i>Social Services</i>	38,017	23,150	18,455	41,605
<i>Share of Union Taxes/Duties</i>	17,751	20,271	<i>Economic Services</i>	22,309	21,146	6,729	27,875
<i>Grants from GOI</i>	10,825	7,685	<i>Grants-in-aid and Contributions</i>	215	158	---	158
<b>Section B – Capital &amp; Others</b>							
<b>Misc. Capital Receipts</b>	---	---	Capital Outlay	13,722	12	15,137	15,149
<b>Recoveries of Loans and Advances</b>	164*	426	Loans and Advances disbursed	4,983	89	3,824	3,913
<b>Public Debt Receipts</b>	19,450	23,311	Repayment of Public Debt	6,761	---	7,677	7,677
<b>Contingency Fund</b>	2	---	Contingency Fund	---	2	---	2
<b>Public Account Receipts</b>	86,051	94,917	Public Account Disbursements	82,848	---	93,201	93,201
<b>Opening Cash Balance</b>	8,830	9,322	Closing Cash balance	9,322	---	9,162	9,162 <sup>5</sup>
<b>Total</b>	<b>2,08,051</b>	<b>2,31,806</b>	<b>Total</b>	<b>2,08,051</b>	<b>77,564</b>	<b>1,54,242</b>	<b>2,31,806</b>

Source: Finance Accounts

\*₹164.92 crore rounded off to ₹164 crore for balancing purpose

Significant changes in fiscal position of the State during 2012-13 over the previous year are given below:

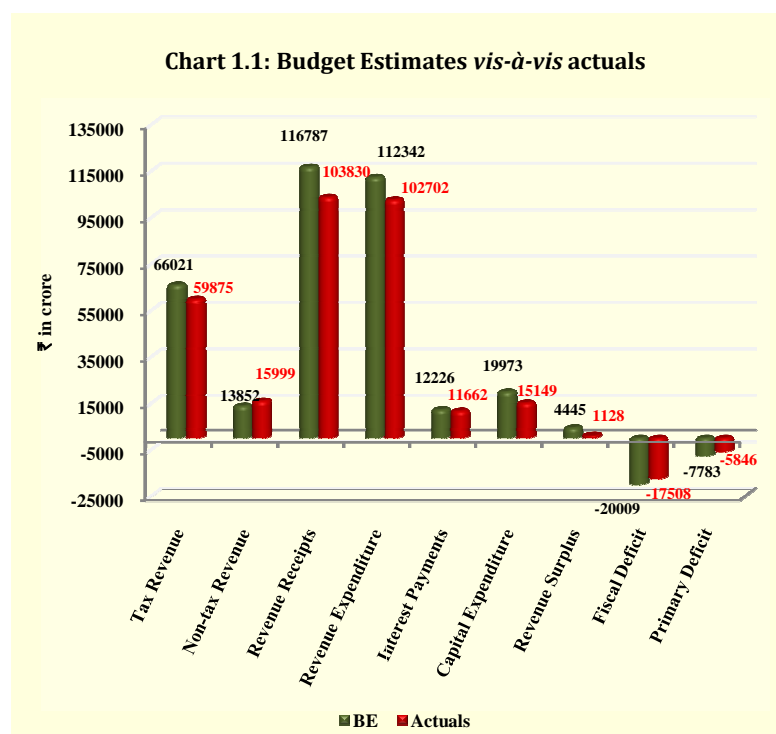
<sup>5</sup> Please see Para 1.11.5 and Table 1.21 for details. This includes balances in the cash balance investment account, other cash balances and investments as well, apart from cash balances held with RBI and other Banks.

<b>Revenue Receipts</b>	<ul style="list-style-type: none"> <li>Increased by 10.98 per cent</li> <li>Own tax revenue increased by 12.37 per cent</li> </ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"> <li>Increased by 13.59 per cent</li> <li>Plan expenditure increased by 6.66 per cent</li> <li>Non-plan expenditure increased by 16.04 per cent</li> </ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"> <li>Increased by 10.40 per cent</li> </ul>
<b>Loans &amp; Advances</b>	<ul style="list-style-type: none"> <li>Recoveries increased by 160 per cent</li> <li>Disbursements decreased by 21.47 per cent</li> </ul>
<b>Public Debt</b>	<ul style="list-style-type: none"> <li>Receipts increased by 19.85 per cent</li> <li>Repayment increased by 13.55 per cent</li> </ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"> <li>Decreased by 1.72 per cent</li> </ul>

Government of Andhra Pradesh achieved revenue surplus for the seventh consecutive year during 2012-13. Although fiscal deficit (₹ 17,508 crore) was higher at 2.35 per cent of GSDP during the current year compared to 2.27 per cent during 2011-12, it was within the ceiling of three per cent prescribed by the FRBM Act and the 13<sup>th</sup> Finance Commission.

### 1.3 Budget estimates and actuals

Budget estimates (BE) and actuals for key fiscal parameters are given in *Chart 1.1* and *Appendix 1.4*.



Source: Budget in Brief and Finance Accounts 2012-13

Overall, revenue expenditure was less than the budget estimates by 8.58 per cent while there were savings of 24.15 per cent in respect of capital expenditure. On the receipts side, revenue receipts fell short of BE by 11.09 per cent. Fiscal and primary deficits fell short of BE by 12.50 per cent and 24.89 per cent respectively while revenue surplus fell short of BE by 74.62 per cent.

There were considerable variations between budget estimates and actuals in respect of some items of expenditure. Expenditure in excess of BE by more than 25 per cent was noticed in Secretariat Economic Services (32.50 per cent) while savings in excess of 25 per cent were noticed in Urban Development (49.34 per cent), Rural Development (36.34 per cent), District Administration (27.78 per cent) and Forestry and Wildlife (26.52 per cent).

## 1.4 Fiscal Reform Path

State Government, in compliance with the recommendations of the Twelfth Finance Commission (TFC), enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 (amended in 2011), limiting its total outstanding liabilities to 28.90 *per cent* of GSDP for the year 2012-13. A Summary of FRBM Act, 2005 as amended in 2011 is given in **Appendix 1.5**. Due to the change in the base year for calculation of GSDP from 1999-2000 to 2004-2005 based on new series of National Accounts Statistics introduced by the Central Statistics Office, New Delhi, the calculation and comments on GSDP at current prices have undergone a change over the five year period 2008-13. Important targets relating to fiscal variables are indicated in **Table 1.2**.

**Table 1.2: Targets/Projections for Fiscal variables**

Fiscal variables	2012-13				
	13 <sup>th</sup> FC targets for the State	Targets prescribed in FRBM Act	Targets proposed in Budget	Projections made in MEFS <sup>6</sup>	Actuals
Revenue Deficit (₹ in crore)	0	0	0	0	0
Fiscal Deficit/ GSDP (in <i>per cent</i> )	3.0	3.0	2.5	2.86	2.35
Ratio of total outstanding debt to GSDP (in <i>per cent</i> )	28.90	28.90	N.A.	21.16	25.69

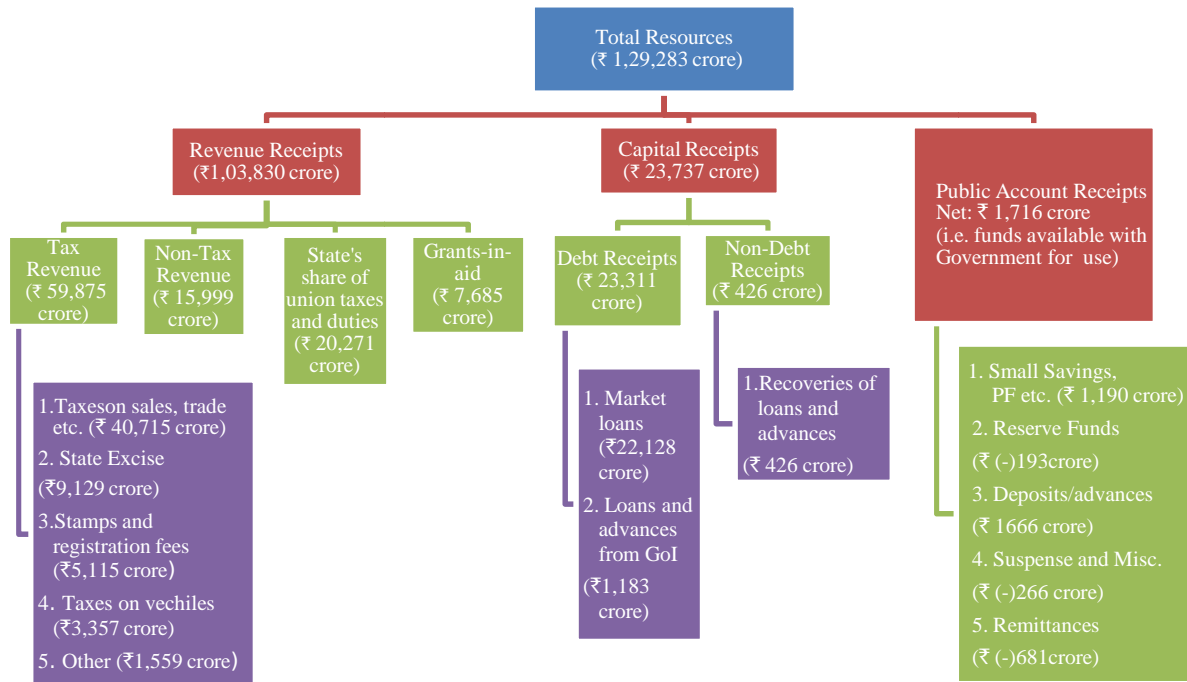
## 1.5 Resources of the State

### 1.5.1 Resources of the State as per Annual Finance Accounts

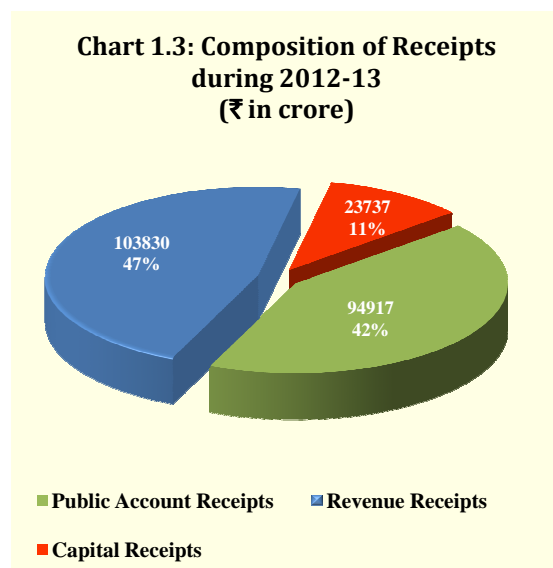
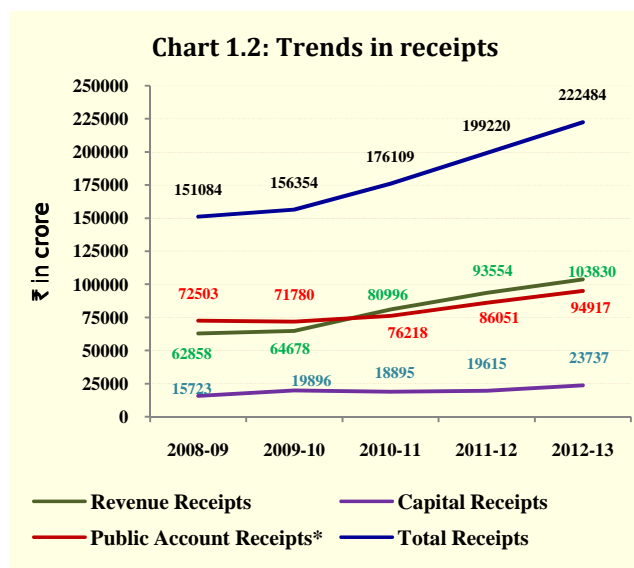
Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Account.

<sup>6</sup> Macro Economic Framework Statement

The following flowchart depicts the components and sub-components of resources of the State.



The total resources of the State Government in the year 2012-13 were ₹ 1,29,283 crore. Of these, revenue receipts were ₹ 1,03,830 crore constituting 80.31 per cent of total resources. The capital (₹ 23,737 crore) and net public account receipts (₹ 1,716 crore) constituted 18.36 per cent and 1.33 per cent of the total resources, respectively. **Chart 1.2** depicts the trends in various components of the total receipts (on the basis of gross receipts of public account) of the State during 2008-13. **Chart 1.3** depicts the composition of total receipts (on the basis of gross receipts of public account) of the State during the current year.



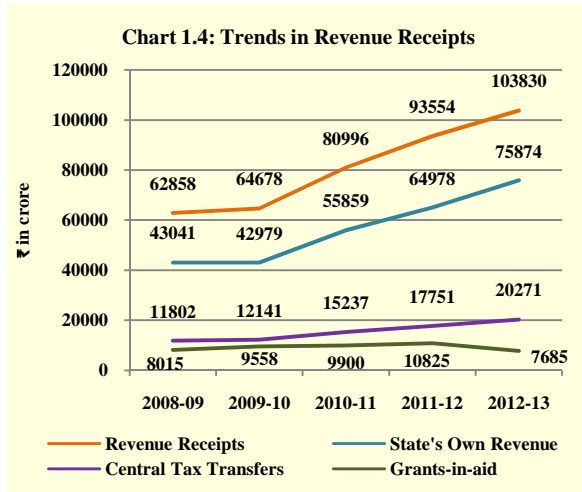
Source: Finance Accounts

\*Figures in the chart 1.2 and 1.3 have been depicted on gross receipts of Public Account.

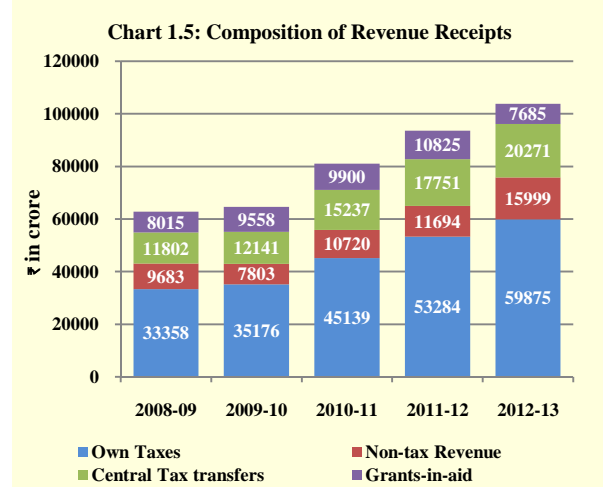
Source: Finance Accounts 2012-13

## 1.6 Revenue receipts

The trends and composition of revenue receipts over the five year period 2008-13 are presented in *Appendix 1.6* and also depicted in **Charts 1.4** and **1.5** below:



Source: Finance Accounts



Source: Finance Accounts

The rate of growth of revenue receipts has been fluctuating during the last five years as can be seen from **Table 1.4**. The growth rate of revenue (10.98 per cent) during the current year was lower than the growth rate during 2011-12 (15.50 per cent), primarily due to decrease in grants-in aid from the GoI as discussed in para 1.6.3. There was also a shortfall of ₹ 5,671 crore (5.18 per cent) in revenue (₹ 1,03,830 crore) realized during the year over the projection (₹ 1,09,501 crore) made in Macro Economic Framework Statement (MEFS). The actual receipts under State's tax and non tax revenue *vis-à-vis* assessments made by 13<sup>th</sup> Finance Commission and the State Government during 2012-13 are given in **Table 1.3** below:

**Table 1.3: Revenue receipts *vis-à-vis* assessment**

	(₹ in crore)		
	Assessment by 13 <sup>th</sup> Finance Commission	Projections by State Government in MEFS	Actuals
<b>Tax Revenue</b>	60,118	62,572	59,875
<b>Non-Tax Revenue</b>	7,713	12,864	15,999

Source: 13<sup>th</sup> Finance Commission recommendations; Finance Accounts 2012-13 and MEFS tabled in Legislature during 2012-13

Actual realization of tax revenue was lower than the projection made by Government and the assessment made by the 13<sup>th</sup> Finance Commission. Non-tax revenue realized was higher than the assessment made by the 13<sup>th</sup> Finance Commission and the Government. The share of interest receipts in non-tax revenue in the current year was ₹ 9,626 crore, including ₹ 7,666 crore from irrigation projects, which is only a notional revenue, since it has arisen out of book adjustment.

Government confirmed that the same amount of receipts and expenditure was only a book adjustment and stated (December 2013) that contra interest entries for irrigation and power projects are a well established practice in the southern states.

Revenue receipts constituted 13.92 *per cent* of GSDP in 2012-13 as shown in **Table 1.4**.

**Table 1.4: Trends in revenue receipts relative to GSDP**

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	62,858	64,678	80,996	93,554	1,03,830
Rate of Growth <sup>7</sup> of RR ( <i>per cent</i> )	16.10	2.90	25.23	15.50	10.98
RR/GSDP ( <i>per cent</i> )	14.73	13.56	14.19	14.28	13.92
<b>Buoyancy Ratios<sup>8</sup></b>					
Revenue Buoyancy w.r.t. GSDP	0.95	0.25	1.28	1.05	0.79
State's Own Tax Buoyancy w.r.t. GSDP	0.93	0.46	1.43	1.22	0.89

Source: Finance Accounts

### 1.6.1 State's own resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission and Central assistance for plan schemes etc, State's performance in mobilization of resources is assessed in terms of its own resources comprising revenue from its own tax and non-tax resources.

#### 1.6.1.1 Own tax revenue

Own tax revenue (OTR) registered a growth rate of 12.37 *per cent* over the previous year due to increase in taxes on sales and trade (16.63 *per cent*), stamp duty and registration (16.64 *per cent*) and taxes on vehicles (12.39 *per cent*) that was partially offset by decrease under state excise by five *per cent* over the previous year. Details are given below.

**Table 1.5: Components of State's Own Tax revenue**

Revenue Head	(₹ in crore)					
	2008-09	2009-10	2010-11	2011-12	2012-13	% increase over previous year
Taxes on sales, trades etc.	21,852	23,640	29,145	34,910	40,715	16.63
State excise	5,752	5,849	8,265	9,612	9,129	-5.02
Taxes on vehicles	1,801	1,995	2,626	2,987	3,357	12.39
Stamp duty and Registration fees	2,931	2,639	3,834	4,385	5,115	16.64
Land revenue	130	222	171	141	62	-56.03
Taxes on goods and passengers	16	10	9	12	12	0
Other taxes <sup>9</sup>	876	821	1,089	1,237	1,485	20.04
<b>Total</b>	<b>33,358</b>	<b>35,176</b>	<b>45,139</b>	<b>53,284</b>	<b>59,875</b>	<b>12.37</b>

Source: Finance Accounts

<sup>7</sup> See Glossary

<sup>8</sup> See Glossary

<sup>9</sup> Other Taxes include Taxes on Immovable Property other than Agricultural Land, Taxes and Duties on Electricity and Agricultural Income.

Increase under taxes on vehicles was reported to be due to the drive for collection of quarterly tax and increase in enforcement revenue. Though there is a five *per cent* decline during the current year, the trend of increase under State Excise during the past few years is attributed to changes in taxation and due to change in the policy of disposal of A4 (liquor) shops from auction system to fixed licensing system that enabled strict implementation of Maximum Retail Price which resulted in increase in sale volume of liquor.

While presenting the budget for 2012-13, Government stated that the Commercial Taxes department has introduced measures for improved efficiency in tax collection. However, it was seen that there was a shortfall of ₹ 4,285 crore with respect to the budget estimates (₹ 45,000 crore) in respect of Sales Tax. Decrease under Land Revenue is due to transfer of receipts from Land Revenue cess (₹ 95.47 crore) to Major Irrigation from this year.

### 1.6.1.2 Non-tax revenue

Non-tax revenue (NTR), which constituted 12 to 15 *per cent* of the total revenue receipts during the five year (2008-13) period, increased by ₹ 4,305 crore in the current year, over the previous year (37 *per cent*) mainly due to increase in interest from Departmental Commercial Undertakings and under “Other receipts” which is notional in nature arising out of book adjustments (₹ 3,347 crore), receipts from Education, Sports, Art and Culture (₹ 521 crore) and Non-Ferrous Mining and Metallurgical Industries (₹ 434 crore). However, as stated earlier, 48 *per cent* of the total non-tax revenues are on account of notional interest receipts from irrigation projects.

**Table 1.6: Growth of Non-Tax Revenues**

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	% increase over previous year
Interest receipts	3,487	4,852	5,774	6,279	9,626	53.30
Dividends & Profits	19	23	39	52	64	23.08
Other non-tax receipts	6,177	2,929	4,906	5,363	6,309	17.64
<b>Total</b>	<b>9,683</b>	<b>7,804</b>	<b>10,719</b>	<b>11,694</b>	<b>15,999</b>	<b>36.81</b>

Source: Finance Accounts

Further, during the year, an amount of ₹ 1,018 crore (₹ 876 crore under Sarva Siksha Abhiyaan (*Rajiv Vidya Mission*) and ₹ 142 crore under RMSA (*Rashtriya Madhyamika Siksha Abhiyaan*) released by GoI directly to the implementing agencies was remitted through challans by State Project Officer to MH 0202 as revenue receipts. This related to reimbursement of teachers’ salary and should have been booked as reduction of expenditure. This has resulted in overstatement of revenue receipts and revenue expenditure to the extent of ₹ 1,018 crore.<sup>10</sup>

<sup>10</sup> Given as footnotes in the respective statements in the Finance Accounts.



## 1.6.2 Cost of Collection

The cost of collection of major State tax revenue is given below.

**Table 1.7: Cost of collection of revenue**

(₹ in crore)					
Head of revenue	Year	Gross collection	Expenditure on collection	Cost of collection (%)	All India Average (%)
Taxes on sales, trade etc,	2010-11	29,145	262	0.90	0.75
	2011-12	34,910	283	0.81	0.83
	2012-13*	40,715	317	0.78	--
State Excise	2010-11	8,265	234	2.83	3.05
	2011-12	9,612	264	2.75	2.98
	2012-13*	9,129	288	3.15	--
Taxes on Vehicles	2010-11	2,626	85	3.24	3.71
	2011-12	2,986	100	3.35	2.96
	2012-13*	3,357	111	3.31	--
Stamp Duty and Registration fee	2010-11	3,834	95	2.48	1.60
	2011-12	4,385	102	2.33	1.89
	2012-13*	5,115	141	2.76	--

Source: Finance Accounts

\*NOTE: All India Averages for the year 2012-13 are not yet available

The cost of collection has been fluctuating over the last three years without any uniform trend in respect of different taxes.

## 1.6.3 Central tax transfers

There was an increase in Central tax transfers by 14.20 *per cent* from ₹ 17,751 crore in 2011-12 to ₹ 20,271 crore in 2012-13. The increase was mainly on account of share of net proceeds under service tax (39.71 *per cent*) and taxes on income other than corporation tax (22.83 *per cent*).

### 1.6.3.1 Grants-in-aid from Government of India

The details of Grants-in-aid from GoI and its composition during 2008-13 are given below.

**Table 1.8: Grants-in-aid from Government of India**

(₹ in crore)					
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	2,224	3,275	4,183	3,499	784
Grants for State Plan Schemes	4,039	4,254	3,318	3,957	3,223
Grants for Central Plan Schemes	129	132	60	100	219
Grants for Centrally Sponsored Schemes	1,623	1,897	2,339	3,269	3,459
Grants for Special Plan Schemes	---	---	---	---	---
<b>Total</b>	<b>8,015</b>	<b>9,558</b>	<b>9,900</b>	<b>10,825</b>	<b>7,685</b>
Percentage of increase over previous year	12.88	19.24	3.58	9.34	-29
<b>Total grants as a percentage of Revenue Receipts</b>	<b>12.75</b>	<b>14.78</b>	<b>12.22</b>	<b>11.57</b>	<b>7.40</b>

Source: Finance Accounts

Grants-in-aid from GoI decreased by ₹ 3,140 crore over the previous year, mainly under Non-Plan Grants (₹ 2,715 crore) and Grants for State Plan Schemes (₹ 734 crore). However, there were minor increases under Centrally Sponsored Schemes (₹ 190 crore) and Central Plan Schemes (₹ 119 crore). Decrease under Non-plan grants was mainly under grants for Local Bodies, Service and Special Problems and National Disaster Response Fund etc. During the year, total grants-in-aid constituted 7.40 per cent of revenue receipts, as compared to 11.57 per cent in the previous year.

### 1.6.3.2 Optimisation of 13<sup>th</sup> Finance Commission grants

The details of Central transfers to the State on the basis of recommendations of the 13<sup>th</sup> FC are as follows.

**Table 1.9: 13<sup>th</sup> Finance Commission Grants**

(₹ in crore)					
Sl no	Transfers	Amount Recommended by FC	Actual release	Shortfall	Expenditure
<b>1</b>	<b>Local Bodies</b>				
	Grants to PRIs	659.55	Nil	659.55	Nil
	General performance grants to PRIs	452.62	Nil	452.62	Nil
	Grants to ULBs	242.15	Nil	242.15	Nil
	General performance grants to ULBs	166.18	Nil	166.18	Nil
	Special Area Grants	5.90	Nil	5.90	Nil
	Special Area performance grants	2.90	Nil	2.90	Nil
<b>2</b>	<b>Disaster Relief</b>	420.74	420.74	Nil	420.74
<b>3</b>	<b>Improving outcome grants</b>	83.96	Nil	83.96	Nil
	a. Reduction in Infant Mortality rate	Nil	13.70	Nil	Nil
<b>4</b>	<b>Environment related grants</b>	138.16	67.16	71	40.83
<b>5</b>	<b>Elementary education</b>	188	188	Nil	188
<b>6</b>	<b>Roads and bridges</b>	234	Nil	234	Nil
<b>7</b>	<b>Capacity Building</b>	6	6	Nil	6
<b>8</b>	<b>State specific grants</b>	312.50	29.90	282.60	29.46
<b>Total</b>		<b>2,912.66</b>	<b>725.50</b>	<b>2,200.86</b>	<b>685.03</b>

Source: Departmental information

As per the recommendations of 13<sup>th</sup> FC, under Non-plan Grants, GoI allocated ₹ 2,912.66 crore for the year, but released only ₹ 725.50 crore during 2012-13 due to non-conduct of elections to local bodies (₹ 1,529.30 crore), non-submission of Utilisation Certificates for the Grants released during the year 2011-12 (₹ 366.56 crore) and non-fulfillment of conditionalities (₹ 305 crore).

*Government replied (December 2013) that elections could not be conducted on time for local bodies due to stay orders from the Court, which was beyond its control.*

Government needs to monitor closely the utilization of grants by the implementing departments and streamline the system of submission of Utilisation Certificates so as to ensure that grants from the GoI are fully claimed and the State benefits from the same. Efforts should be made to expeditiously meet the prescribed conditionalities to be eligible for the performance grants.

### 1.6.4 Funds transferred to State Implementing Agencies outside the State budget

GoI has been transferring sizeable quantum of funds directly to the State implementing agencies for implementation of various schemes/programmes in social and economic sectors recognized as critical. As these funds are not routed through the State budget/State treasury System, Finance Accounts do not capture the flow of these funds. To present a holistic picture about the availability of aggregate resources, Audit has given the extent of funds directly transferred by the GoI to State implementing agencies<sup>11</sup> in respect of cases involving more than ₹ 10 crore in *Appendix 1.7*.

During the current year, GoI transferred ₹ 8,276 crore directly to the State implementing agencies concerning various Central Schemes/programmes, without routing these funds through the State budget.

There is no single agency monitoring the use of these funds and no data is readily available on the amount spent in any particular year on major flagship and other important schemes from out of these funds. Unless uniform accounting practices are followed by all these agencies and proper documentation is maintained with timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers.

## 1.7 Capital Receipts

The details of Capital Receipts and its composition during 2008-13 are given below.

**Table.1.10: Trends in growth and composition of Receipts**

(₹ in crore)					
Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Capital Receipts (CR)</b>	15723	19896	18895	19615	23737
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	370	143	173	165	426
Public Debt Receipts	15353	19753	18722	19450	23311
Rate of growth of debt capital receipts	37.92	28.66	-5.22	3.89	19.85
Rate of growth of non-debt capital receipts	93.72	-61.35	20.98	-4.62	158.18
Rate of growth of GSDP	16.98	11.73	19.75	14.74	13.83
Rate of growth of CR ( <i>per cent</i> )	-12.07	26.54	-5.03	3.81	21.01

Source: Finance Accounts

During 2012-13 Capital Receipts increased by 21 *per cent* over the previous year. This was mainly on account of increase in Recovery of Loans and Advances by ₹ 261 crore over the previous year (recovery of loans for power projects was ₹ 211 crore) and increases in Public Debt receipts by ₹ 3,861 crore (19.85 *per cent*).

<sup>11</sup>State Implementing Agencies include any Organization/Institution including Non-Governmental Organization, which is authorized by the State Government to receive funds from the GoI for implementing specific programmes in the State, such as State Implementation Society for SSA and State Health Mission for NRHM etc.

## 1.8 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

**Table 1.11: Trends in growth and composition of Public Account receipts and disbursements**

(₹ in crore)					
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
<b>A. Public Account Receipts</b>					
Small Savings, Provident Fund etc.,	2,351	2,383	3,130	3,376	3,580
Reserve Fund	1,411	1,897	3,017	2,873	2,243
Deposits and Advances	39,454	35,484	38,608	42,963	48,722
Suspense and Miscellaneous	12,329	12,229	16,433	19,315	22,333
Remittances	16,958	19,787	15,030	17,524	18,039
<b>Total (A)</b>	<b>72,503</b>	<b>71,780</b>	<b>76,218</b>	<b>86,051</b>	<b>94,917</b>
<b>B. Public Account Disbursements</b>					
Small Savings, Provident Fund etc.,	1,781	1,422	1,527	2,156	2,390
Reserve Fund	515	1,308	1,221	1,621	2,436
Deposits and Advances	41,266	36,921	36,905	41,618	47,056
Suspense and Miscellaneous	12,008	12,239	16,373	20,026	22,599
Remittances	18,579	18,353	16,381	17,427	18,720
<b>Total (B)</b>	<b>74,149</b>	<b>70,243</b>	<b>72,407</b>	<b>82,848</b>	<b>93,201</b>
<b>Public Account Net (A)-(B)</b>	<b>(-)1,646</b>	<b>1,537</b>	<b>3,811</b>	<b>3,203</b>	<b>1,716</b>

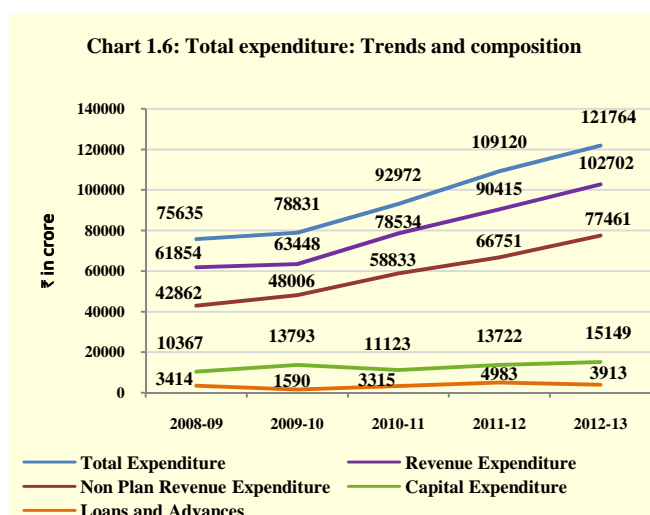
Source: Finance Accounts

Net Public Account receipts has shown increase during the period 2008-09 to 2010-11. However, during the current year, it decreased by ₹ 1,487 crore (46.42 per cent) over the previous year.

## 1.9 Application of resources

### 1.9.1 Growth and composition of expenditure

Chart 1.6 presents the trends and composition of total expenditure over a period of five years (2008-13). The composition of total expenditure both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Charts 1.7** and **1.8** respectively.

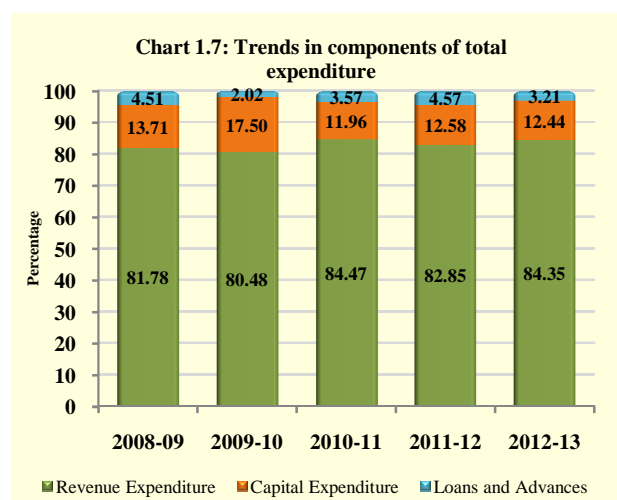


Source: Finance Accounts

Note: Total expenditure excludes repayment of public debt amounting to ₹ 7,677 crore.

Revenue expenditure increased by ₹ 12,287 crore over the previous year and constituted 13.77 per cent of GSDP. There was significant increase in revenue expenditure over the previous year under Irrigation and Flood Control (₹ 2,167 crore), Power (₹ 1,881 crore), Welfare of SCs and STs and other BCs (₹ 1,433 crore), Education, Sports, Art and culture (₹ 1,422 crore), interest payment and servicing of debt (₹ 1,101 crore) and Social Welfare and Nutrition (₹ 1,010 crore).

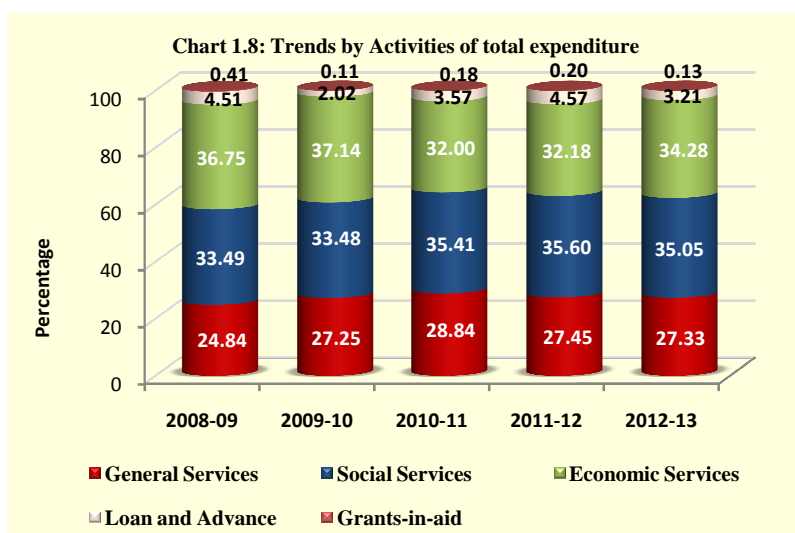
In the context of State finances, the quality of expenditure has always been an important issue. Currently, revenue expenditure accounts for around 84 per cent of the State's aggregate expenditure, which is in the nature of current consumption, leaving only 16 per cent for investment in infrastructure and asset creation. Since this impedes the growth prospects of the State, there is a need to curtail those items of revenue expenditure which are unproductive.



Source: Finance Accounts

Capital expenditure (₹ 15,149 crore) during 2012-13 increased by ₹ 1,427 crore over the previous year (₹ 13,722 crore) and constituted 12.44 per cent of total expenditure. The increase was mainly on Roads and Bridges (₹ 907 crore) and Major and Medium irrigation (₹ 131 crore). Capital expenditure at 2.03 per cent of GSDP was less than the projection (₹ 19,973 crore) made in MEFS for 2012-13.

Loans and advances disbursed during the current year decreased by 21.47 per cent over the previous year and constituted 3.21 per cent of the total expenditure. The share of disbursement of loans and advances in total expenditure was between two to five per cent during the period 2008-13.



**Trends by Activities:** The share of general services and social services in total expenditure decreased by 0.12 per cent and 0.55 per cent respectively during 2012-13 over the previous year. There was an increase in the share of economic services in total expenditure by 2.1 per cent.

Source: Finance Accounts

## 1.9.2 Committed Expenditure

Committed expenditure of Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.12** and **Chart 1.9** present the trends in the expenditure on these components during 2008-13.

**Table 1.12: Components of committed expenditure**

(₹ in crore)

Components of committed expenditure	2008-09	2009-10	2010-11	2011-12	2012-13		
					Budget estimates	Actuals	Percentage variation
<b>Salaries* &amp; Wages, of which</b>	14,539(23)	17,721(27)	23,844(29)	26,823(30)	29,514(29)	30,071(29)	1.89
<b>(i) Non-Plan</b>	12,883	15,706	21,128	23,828	27,673	28,071	1.44
<b>(ii) Plan**</b>	1,656	2,015	2,716	2,995	1,841	2,000	8.64
<b>Interest payments</b>	8,057	8,914	9,675	10,561	11,662	11,662	0
<b>Pensions</b>	5,518	6,339	9,609	11,110	11,480	12,089	5.30
<b>Subsidies</b>	6,213	6,056	6,543	7,313	9,983	10,658	6.76
<b>Total</b>	34,327(55)	39,030(62)	49,671(61)	55,807(62)	62,639(56)	64,480(63)	2.94

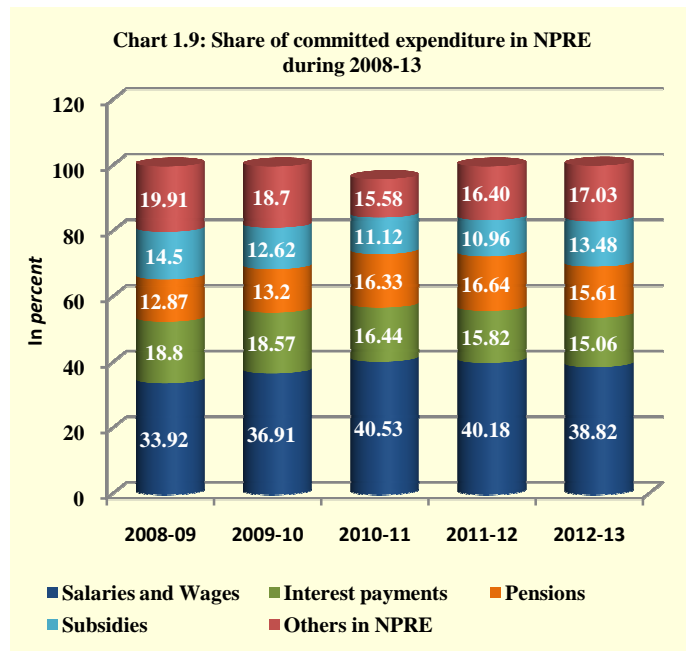
Source: Voucher Level Computerization (VLC) data of PAG (A&E) Andhra Pradesh

Note: Figures in parenthesis indicate percentage of Revenue Expenditure. \*It also includes the salaries paid out of grants-in-aid and work charged establishment. \*\*Plan head also includes the salaries and wages paid under CSS

Committed expenditure on salaries and wages, pensions, interest payments and subsidies constituted 83 per cent of NPRES during 2012-13.

### 1.9.2.1 Salaries and wages

Expenditure on salaries and wages during the current year increased by 12.10 *per cent* over the previous year. It was more than the budget estimates by 1.89 *per cent* and the assessment made by the 13<sup>th</sup> Finance Commission (₹ 16,672 crore) but less than the projections made in MEFS of State Government (₹ 30,517 crore). During the current year, expenditure on salary constituted 29 *per cent* of revenue expenditure and 39 *per cent* of non-plan revenue expenditure.



Source: Finance Accounts

### 1.9.2.2 Interest payments

Although the share of interest payments in revenue expenditure was 11 *per cent* during the current year, there was an increase in interest payments by ₹ 1,101 crore (10.42 *per cent*) over the previous year mainly under interest on Internal debt (₹ 1,004 crore). It was, however, lower than the projection made in MEFS (₹ 11,977 crore) and assessment made by the 13<sup>th</sup> Finance Commission (₹ 12,355 crore). During 2012-13, interest payments as a percentage of total revenue receipts stood at 11.23 *per cent* which was higher than the projection of 10.94 *per cent* made in the Medium Term Fiscal Policy (MTFP).

### 1.9.2.3 Pensions

The expenditure on pension and other retirement benefits to State Government pensioners during the year was ₹ 12,089 crore, and constituted 11.64 *per cent* of revenue receipts. During the year 2012-13, Pensionary benefits increased by ₹ 979 crore over the previous year 2011-12 (₹ 11,110 crore) and was higher than the budget estimates (₹ 11,480 crore) and the assessment of the 13<sup>th</sup> Finance Commission (₹ 9,379 crore). Government had not estimated the yearly pension liabilities on actuarial basis for the ensuing years, as stipulated in the FRBM Act.

#### Contributory Pension Scheme

State Government introduced a Contributory Pension Scheme for employees recruited on or after 1 September 2004. As per the guidelines, it is mandatory for every employee to contribute 10 *per cent* of basic pay and dearness allowance every month from his/her salary and equal contribution is to be made by the Government. The contribution details and corresponding amounts are to be transferred to the National Securities Depository Limited (NSDL) and to the fund managers appointed by the New Pension Scheme (NPS) Trust respectively. Government entered into agreements with NSDL on 21 November 2008 and NPS Trust on 15 September 2009.

During the year 2012-13 an amount of ₹ 1,048.91 crore (both employee and Government contribution) was transferred to the NSDL/Trustee Bank while the progressive liability, yet to be transferred to NSDL as on 31 March 2013 was ₹ 703.55 crore. **Government has not yet estimated the amount of its contribution and that payable by the employees from the inception of the Scheme and the accrued interest thereon. Therefore, it has not been possible to estimate the shortfall, if any, in the matching contribution of the State Government in 2012-13 and its impact, if any, on the Revenue Surplus.** The Interest payable on the amounts that have been lying in the Fund without transfer to NSDL/Trustee Bank has also not been estimated and accounted for.

*State Government informed during the Entry Conference (August 2013) that the contributions received after 2010 have been transferred to the Fund Manager and as the data relating to employees contribution was not available with regard to pre-2010 period, information from all the DDOs was being collected and would be completed in three months. During the Exit Conference (December 2013), Government stated that it was yet to work out the interest payable on the amounts lying in the Fund and stated that transfer of legacy period deductions is in progress and after its completion, the interest liability will be worked out and transferred to the subscribers' account.*

#### 1.9.2.4 Subsidies

The total expenditure on subsidies during the current year was ₹ 10,658 crore, of which, subsidy on rice was ₹ 2,500 crore (23 per cent), power was ₹ 6,178 crore (58 per cent) and agriculture was ₹ 1,528 crore (14 per cent). While subsidies increased by ₹ 3,345 crore (45.74 per cent) over the previous year, the amount was lower than the projections made in the MEFS (₹ 13,362 crore).

Department wise subsidies are listed in **Table 1.13**.

**Table 1.13: Department wise Subsidies**

(₹ in crore)					
Departments	2008-09	2009-10	2010-11	2011-12	2012-13
Civil Supplies	2,439	2,481	2,329	2,358	2,692
Power	3,385	3,212	3,646	4,300	6,178
Agricultural and other Allied activities	154	238	243	639	1,528
Others <sup>12</sup>	235	125	325	16	260
<b>Total subsidy</b>	<b>6,213</b>	<b>6,056</b>	<b>6,543</b>	<b>7,313</b>	<b>10,658</b>
<b>Total Revenue Expenditure</b>	61,854	63,448	78,534	90,415	1,02,702
<b>Subsidy as a % of Revenue Expenditure</b>	10.04	9.54	8.33	8.09	10.38

Source: Finance Accounts

During the year, the percentage of subsidies to revenue expenditure was 10.38 per cent. This includes an amount of ₹ 6,393 crore given in the form of grants-in-aid (₹ 6,178 crore towards Assistance to APTRANSCO for agricultural and allied subsidy, power subsidy of ₹ 191 crore for industries, subsidy for Annapurna Scheme of ₹ three crore, subsidy for bank linked income generated scheme of ₹ 19 crore and interest subsidy of ₹ two crore).

<sup>12</sup> Industries and Commerce, Rural Development, Minority Welfare, Information Technology & Communication, Panchayat Raj, Social Welfare, Women, Child and Disabled Welfare and Backward Classes Welfare Departments



In addition, budgetary assistance has been provided in the form of grants-in-aid which are in the nature of subsidies for various socio-economic services. Scheme wise details of these grants-in-aid provided during 2012-13 are given in **Table 1.14**.

**Table 1.14 : Department/Organization-wise subsidies given as grants-in-aid**

(₹ in crore)				
Sector	Department	Name of the Scheme	Amount	
General Services	Revenue	Supply of Fodder	5	
		Assistance to below Poverty line Families under Accident Insurance Scheme ( <i>Apathbandhu</i> )	24	
		Supply of Seeds, Fertilizers and Agricultural Implements	69	
Social Services	Medical and Health	Aarogyasri Health Care Trust	463	
		Assistance to NIMS for treatment of BPL families not covered under <i>Aarogyasri</i>	10	
	Social Welfare	Acquisition of house sites for weaker sections under Indiramma Programme	102	
Economic Services	Agriculture	Assistance to Small and Marginal Farmers towards Premium for Crop Insurance Scheme	292	
	Transport	Assistance to A.P.S.R.T.C. towards reimbursement of concessions extended to various categories of citizens	200	
	Rural Development	<i>Streenidhi</i> Co-operative micro finance bank for women	100	
	Industries	Assistance to Co-operative Sugar Factories towards reimbursement of Purchase Tax incentives	50	
	Agriculture	Assistance to sugar factories for payment of better cane price to Sugarcane Farmers	30	
	Industries	Extension of <i>Pavalavaddi</i> Scheme to all SSI and Food Processing units	14	
	Animal Husbandry and Fisheries		Supply of Seeds, Fertilizers and Agricultural implements	650
			Supply of Milch Animals under CMs Package	7
			Assistance to Live Stock growers towards Insurance Premium	1
			Supply of Ice Boxes	1
			Supply of Milch Animals	0.43
	Energy	Assistance to AP TRANSCO/DISCOMS towards reimbursement under INDIRAMMA Scheme	0.38	
	<b>Total</b>			<b>2019</b>

Source: Finance Accounts 2012-13

Government stated (December 2013) that the increase in subsidies is inevitable in view of the welfare oriented activities undertaken by it for the benefit of the people.

### 1.9.3 Financial Assistance to local bodies and other institutions

GoI enacted the 73<sup>rd</sup> and 74<sup>th</sup> Amendments to the Constitution to empower the local self governing institutions like the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) to ensure a more participative governance structure in the country. GoI further entrusted the implementation of key socio-economic developmental programmes to PRIs and ULBs and devolved funds through successive Finance Commissions. The States, in turn, were required to entrust these local bodies with such powers, functions and responsibilities so

as to help them function as institutions of self-government and implement schemes for economic development and social justice including those enumerated in the Eleventh and Twelfth Schedules to the Constitution.

State Government enacted the Andhra Pradesh Panchayat Raj (APPR) Act in 1994 and established a three-tier governance system at Village, Mandal and District levels. The Andhra Pradesh Municipal Corporations Act, 1994 was enacted to set up Municipal Corporations in the State. The Municipalities are however, governed by the Andhra Pradesh Municipalities Act, 1965.

### 1.9.3.1 Financial Assistance to Local bodies

The quantum of financial assistance provided by the State Government to local bodies and other institutions by way of grants and loans during the current year, relative to the previous four years, is given below.

**Table 1.15: Financial assistance to Local Bodies, etc.**

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)</b>	1,820	1,994	2,876	7,178	<b>7,169</b>
<b>Municipal Corporations and Municipalities</b>	4,105	3,142	3,671	3,361	<b>3,468</b>
<b>Zilla Parishads and other PR Institutions</b>	2,503	1,867	1,745	3,023	<b>2,677</b>
<b>Development Agencies</b>	11,791	7,481	8,363	11,341	<b>12,262</b>
<b>Hospitals and Other Charitable Institutions</b>	1,152	1,393	1,721	1,192	<b>1,195</b>
<b>Autonomous Bodies</b>	--	--	--	1,473	<b>2,180</b>
<b>Co-operative Institutions</b>	--	--	--	52	<b>117</b>
<b>Other Institutions<sup>13</sup></b>	3,436	3,965	4,538	5,390	<b>5,752</b>
<b>Total</b>	<b>24,807</b>	<b>19,842</b>	<b>22,914</b>	<b>33,010</b>	<b>34,820</b>
<b>Assistance as percentage of RE</b>	<b>40.11</b>	<b>31.27</b>	<b>29.18</b>	<b>36.50</b>	<b>33.90</b>

Source: Finance Accounts

Financial assistance, including grants and loans, extended to local bodies and other institutions in 2012-13 increased by ₹ 1,810 crore, which is 5.48 per cent increase over the previous year and constituted 34 per cent of revenue expenditure. The major schemes/recipients of grants during the year were *INDIRAMMA* pensions (₹ 1,786 crore), interest free loans to *DWCRA* women (₹ 826 crore), Supply of seeds, fertilizers and agricultural implements (₹ 719 crore), Rajiv Vidya Mission (₹ 666 crore), *NRHM* (₹ 507 crore) and Weaker sections housing programme under *INDIRAMMA* (₹ 384 crore) etc.

State Government devolved only 10 out of 29 functions to PRIs and 17 out of 18 functions to ULBs.

<sup>13</sup>Other institutions include institutions that received ad-hoc or one time grants during the year

## 1.10 Quality of Expenditure

### 1.10.1 Adequacy of public expenditure

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. **Table 1.16** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2012-13.

**Table 1.16 : Fiscal Priority of the State in 2009-10 and 2012-13**

**(In per cent)**

Fiscal Priority by the State	AE/GSDP	DE <sup>#</sup> /AE	SSE/ AE	CE/AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2009-10*	17.06	66.05	35.73	14.96	16.19	4.24
Andhra Pradesh's Average (Ratio) 2009-10	16.53	72.53	35.28	17.50	10.76	4.33
General Category States Average (Ratio) 2012-13*	15.93	65.79	32.77	13.23	17.23	4.47
Andhra Pradesh's Average (Ratio) 2012-13	16.33	72.47	37.65	12.44	13.70	4.54

\*Averages (ratios) are calculated on the basis of data of 16 (out of 17) General Category States excluding Goa.  
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure. # Development expenditure includes Development Revenue Expenditure, Development Capital expenditure and Loans and Advances disbursed.

Source: Finance Accounts; For GSDP, information source: Directorate of Economics and Statistics, A.P.

A comparison of the data related to Andhra Pradesh with that of the General Category States (GCS) revealed the following:

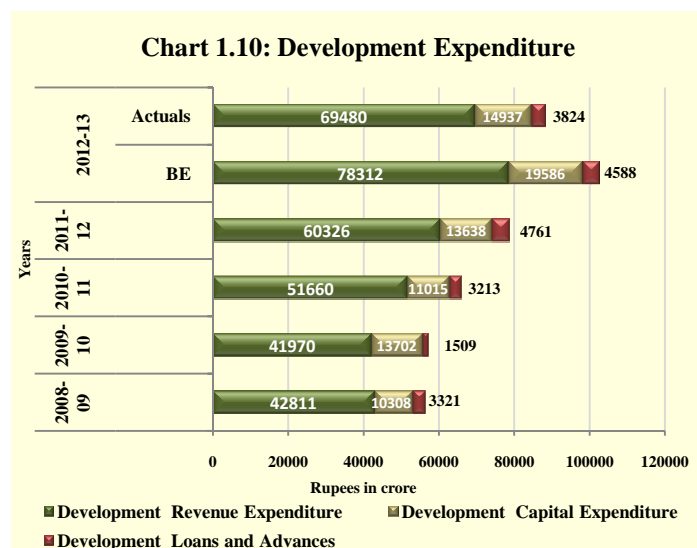
- Development expenditure as a proportion of aggregate expenditure has been higher in the State compared to the GCS average both during 2009-10 and 2012-13.
- Expenditure on Social Sector as a proportion of aggregate expenditure was marginally lower than the GCS average during 2009-10; however, it was higher than the GCS average in 2012-13. The share of expenditure on education as a proportion of aggregate expenditure was lower than the GCS averages in both the years, though it improved in 2012-13. The level of expenditure on health was, however, comparable in both the years.
- The share (17.50 per cent) of capital expenditure was higher than the GCS average in 2009-10, but declined during 2012-13.

### 1.10.2 Efficiency of expenditure use

In view of the emphasis on public expenditure on socio-economic developmental works in successive Plans, it is important that the State Government takes appropriate expenditure rationalization measures and focus on provisioning of core public and merit goods<sup>14</sup>. Apart

<sup>14</sup> See glossary

from improving the allocation towards development expenditure<sup>15</sup>, the efficiency of expenditure use is also reflected in the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Chart 1.10** presents the trends in development expenditure.



During 2012-13, the total development expenditure increased by ₹ 9,516 crore (12 per cent) over the previous year and constituted 72 per cent of aggregate expenditure. Development revenue expenditure increased by ₹ 9,154 crore over the previous year, with all components of social services and economic services registering an increase, and constituted 56 to 57 per cent of aggregate expenditure.

Source: Finance Accounts

During the current year, while the developmental capital expenditure increased by ₹ 1,299 crore (nine per cent), development loans and advances decreased by ₹ 937 crore (19.68 per cent) over the previous year. The increase in developmental capital expenditure was essentially in economic services (₹ 1,056 crore) under roads and buildings (₹ 907 crore). During 2012-13, the share of social services and economic services constituted 35 and 34 per cent of total expenditure respectively.

**Table 1.17** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

**Table 1.17: Efficiency of expenditure use in selected social and economic services**

(In per cent)

Social/Economic Infrastructure	2011-12			2012-13		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
<b>Social Services (SS)</b>						
General Education	0.80	73.86	0.10	1.67	80.49	0.10
Health and Family Welfare	1.45	44.76	0.39	1.51	56.88	0.60
Water supply, Sanitation, Housing & Urban Development	4.45	22.29	0.39	6.69	26.31	0.53
<b>Total (SS)</b>	<b>2.13</b>	<b>39.59</b>	<b>0.16</b>	<b>2.51</b>	<b>45.26</b>	<b>0.26</b>

<sup>15</sup> See glossary

Social/Economic Infrastructure	2011-12			2012-13		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
<b>Economic Services (ES)</b>						
Agriculture & Allied Activities	1.81	24.37	1.99	0.26	33.63	2.04
Irrigation and Flood Control	61.00	5.87	11.41	54.54	4.07	9.73
Power & Energy	0.74	0.35	0.12	1.43	0.37	0.08
Transport	42.37	7.00	74.31	49.50	1.53	64.90
<b>Total (ES)</b>	<b>36.47</b>	<b>12.19</b>	<b>10.21</b>	<b>33.22</b>	<b>12.25</b>	<b>9.82</b>
<b>Total (SS+ES)</b>	<b>18.43</b>	<b>29.46</b>	<b>3.88</b>	<b>17.69</b>	<b>32.02</b>	<b>4.10</b>
TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation & Maintenance of respective sector.						

Source: Finance Accounts

The ratio of CE/TE on Economic Services decreased by 3.25 per cent over the previous year, while there was a marginal increase under Social Services, indicating that capital expenditure has been given less priority in the developmental plan of the State. The percentage of capital expenditure in Social Sector under General Education, Health and Family Welfare, Water supply and Sanitation constituted 2.51 per cent of the total expenditure in the sector. Funds earmarked for specific social sector activities were not always released on time/ not released at all, thereby negating the objective of allocating these funds as discussed in **Chapter-2**. Operation and Maintenance expenditure in these sectors showed an increase of 0.22 per cent over the previous year.

*Government stated (December 2013) that it was focusing extra attention on timely release of funds to social sector schemes through introduction of the Green Channel Scheme<sup>16</sup> with effect from 2011-12 to enable the departments to incur expenditure on flagship programmes based on their requirement. However, savings continue to exist with regard to the programmes which have been categorized under Green Channel Scheme.*

*Government also attributed the poor outlay on education to the inclusion of the expenditure (₹ 4,603.46 crore) on scholarships/fee re-imburements to students in the expenditure of welfare departments rather than education related departments.*

## 1.11 Financial analysis of Government expenditure and investments

In the post-Fiscal Responsibility Legislation (FRL) framework, the State is expected to keep its fiscal deficit at low levels. In addition, in a transition to complete dependence on market based resources, the State Government is expected to initiate measures to earn adequate returns on its investments and recover the cost of borrowed funds substantially. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis previous years.

<sup>16</sup> Green Channel Scheme implies release of budget order without formal request from the concerned departments. It is applicable to several schemes in Agriculture, Rural Development, School Education and Medical & Health departments.

### 1.11.1 Financial Results of Irrigation Projects

The State Government has not disclosed<sup>17</sup> financial results of any of its irrigation projects since 1986-87, despite the State having some of the largest irrigation projects in the country.

### 1.11.2 Incomplete Projects

Blocking of funds on incomplete projects/works impinge negatively on the quality of expenditure. As per the information provided by the Government, none of the 528 projects/works which were due for completion by 31 March 2013 has been completed as on that date. The total amount of funds expended on these projects/works as of 31 March 2013 was ₹ 71,595 crore (previous year ₹ 49,516 crore). Further, of the 528 incomplete projects/works, the original cost of 53 projects/works was revised upwards by the Government to ₹ 57,554 crore. Non-completion of these projects/works within the stipulated period not only resulted in increase in cost, but also deprived the State of the intended benefits for prolonged periods.

The department-wise position of incomplete projects, each costing above ₹ one crore and due for completion are detailed in **Table 1.18**. The details of major and medium irrigation projects pending completion are given in *Appendix 1.8*.

**Table 1.18: Department-wise profile of incomplete projects/works**

(₹ in crore)					
Nature of works	No. of incomplete Projects	Original cost	Revised total cost of projects	Cost over run	Cumulative Expenditure as on 31-03-2013
<i>Irrigation and Command Area Development Department</i>					
Jalayagnam Projects	72	1,28,662	1,86,089	57,427 (21 Projects)	<b>69,108</b>
Minor-Irrigation and APSIDC	61	969	976	7 ( 1 work )	<b>604</b>
<i>Roads and Bridges Department</i>					
Roads and Bridges	25	288	326	38 ( 8 Works)	<b>148</b>
PHED	32	938	974	36 (4 Works)	<b>800</b>
Panchayat Raj and Rural Development (PR, RWS&S and ICDS)	90	1,045	1,062	17 (14 projects/ works)	<b>783</b>
Others	248	325	354	29 (5 works)	<b>152</b>
<b>Total</b>	<b>528</b>	<b>1,32,227</b>	<b>1,89,781</b>	<b>57,554</b>	<b>71,595</b>

Source: Departmental information

Government stated (December 2013) that a series of measures have been taken to complete the infrastructural works on time to achieve the desired benefits including review meetings at the Chief Minister/Chief Secretary level, dispensing with the system of Letter of Credit for Works Department, and implementation of an online bill monitoring system.

<sup>17</sup> Appendix-IX of Finance Accounts 2012-13

### 1.11.3 Investment and return

As of 31 March 2013, the State Government invested ₹ 6,210 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. The status of return on the amount invested in these corporations/companies is given in **Table 1.19**.

**Table 1.19: Return on investment**

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Investment at the end of the year (₹ in crore)</b>	5,979	6,003	6,046	6,093	<b>6,210</b>
<b>Return (₹ in crore)</b>	19	23	39	52	<b>64</b>
<b>Return (per cent)</b>	0.32	0.38	0.65	0.85	<b>1.03</b>
<b>Average rate of interest on Government borrowing (per cent)</b>	7.88	7.86	7.60	7.40	<b>7.30</b>
<b>Difference between interest rate and return (per cent)</b>	<b>7.57</b>	<b>7.48</b>	<b>6.95</b>	<b>6.55</b>	<b>6.27</b>

Source: Finance Accounts

Government earned a meager return of ₹ 64 crore in 2012-13 on its investment of ₹ 6,210 crore in various corporations/companies. The average rate of return on investment was a negligible 0.65 per cent during 2008-13, while the average rate of interest paid by the Government during the period was 7.6 per cent.

As of March 2013, there were 52 working Companies/Corporations (49 Government Companies and three Statutory Corporations). Up to the year of accounts finalized (September 2013), 14<sup>18</sup> Companies/Corporations had suffered a loss of ₹ 972 crore and an accumulated loss of ₹ 5,970 crore. Out of these, AP State Housing Corporation Limited (₹ 3,617 crore) and APSRTC (₹ 1,984 crore) were major loss making organizations. Six Companies/Corporations had total negative net worth of ₹ 311 crore. As of September 2013, 60 accounts were pending finalization in respect of 25 working PSUs. Government investments in 23 non-working PSUs was ₹ 81.97 crore (March 2013).

The massive investment in State level public enterprises in the form of equity capital raised legitimate expectations of significant contributions from these enterprises to the State exchequer. On the contrary, the average returns on investment continue to be negligible.

*Government replied that it would be difficult to assess the return on investment since the PSUs are service oriented and do not operate with profit motive. It was however, assured that every effort would be made to ensure that the investments in PSUs are efficiently used and losses are prevented.*

### 1.11.4 Loans and advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government has also been providing loans and advances to institutions/organisations.

<sup>18</sup> 1. A.P. Gas Distribution Corporation Limited, 2. Infrastructure Corporation of A.P. Ltd., 3. Damodhara Minerals Pvt. Limited, 4. Leather Industries Development Corporation of A.P. Ltd., 5. The Nizam Sugars Ltd., 6. A.P. Trade Promotion Corporation Limited, 7. Vizag Apparel Park for Export, 8. Visakhapatnam Urban Transport Company Limited, 9. A.P. State Road Transport Corporation, 10. A.P. State Housing Corporation Limited, 11. Hyderabad Growth Corridor Ltd., 12. A.P. Urban Finance & Infrastructure Development Corporation Ltd. 13. A.P. Tourism Development Corporation Ltd., 14. Andhra Pradesh Rajiv Swagruha Corporation Ltd.,

**Table 1.20** presents the details of outstanding loans and advances during the last five years.

**Table 1.20: Average interest received on loans advanced by State Government**

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actual
Opening Balance	13,378	16,421	17,868	21,011	NA	25,829
Amount advanced during the year	3,413	1,590	3,315	4,983	4,726	3,913
Amount repaid during the year	370	143	172	165	245	426
<b>Closing Balance</b>	<b>16,421</b>	<b>17,868</b>	<b>21,011</b>	<b>25,829</b>	NA	29,316
<i>Of which</i> , outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA	NA	NA
Net addition	3,043	1,447	3,142	4,818	4,481	3,487
Interest Receipts	21	32	60	95	NA	131
Interest receipts as percentage of outstanding Loans and Advances	0.13	0.18	0.29	0.37	NA	0.45
Interest payments as percentage to outstanding fiscal liabilities of the State Government.	7.54	7.44	7.17	7.02	NA	6.90
Difference between interest receipts and interest payments ( <i>per cent</i> )	(-)7.41	(-)7.26	(-)6.88	6.65	NA	(-)6.45

Source: Finance Accounts NA: Not applicable

It can be seen that the current level of recovery of loans is low with the gap between disbursement (₹ 3,913 crore) and recovery (₹ 426 crore) showing only a slight improvement over the previous year.

State Housing Corporation (₹ 1,169 crore) and Hyderabad Metro Water Supply & Sewerage Board (₹ 480 crore) were the major recipients of loans during the current year. At the end of 2012-13 recovery of ₹ 26,677 crore (₹ 21,002 crore (Principal) and ₹ 5,675 crore (Interest) was due from Municipalities, Local bodies, Panchayati Raj Institutions, etc. Of these, ₹ 18,212 crore (Principal: ₹ 13,271 crore and Interest: ₹ 4,941 crore) was outstanding for more than two years. Despite constant pursuance, Government departments have not furnished the complete details relating to investments and outstanding loans in their records as of 31 March 2013<sup>19</sup>. State Government is yet to obtain confirmation with regard to balances of loans advanced to the tune of ₹ 12,148 crore from various departments/organizations. The earliest loan for which confirmation of balances was awaited relates to 1984-85. Housing (₹ 7,022 crore) and Urban Development (₹ 3,631 crore) are the major departments yet to convey acceptance of the balances as of 31 March 2013.

<sup>19</sup> Consequently, the data used in this paragraph were compiled from the limited information available.



### 1.11.4.1 Non-recovery of loans

Test check of outstanding loans revealed the following:

- Loans amounting to ₹ 181.41 crore were outstanding against 13 non-working companies as of 31 March 2012<sup>20</sup> and the chances of recovery of the amounts are remote.
- Government of Andhra Pradesh provided (August 1994 to August 2004) loan of ₹ 48.08 crore (₹ 12.64 crore unsecured and ₹ 35.44 crore secured loan) to AP State Irrigation Development Corporation Limited for implementation of Voluntary Retirement Scheme and for payment of salaries, which were yet to be recovered.

Finance Department did not maintain any centralized database of loans with entity wise information viz., loan ledgers, repayment schedules, monthly schedule of recovery indicating principal and interest, classification of NPAs etc. Finance Department did not obtain confirmation or acceptance of balances from Statutory Corporations, Government Companies and other institutions to whom loans have been advanced.

*Government stated (December 2013) that the Comprehensive Financial Management System (CFMS), which is under development, will take care of the issues relating to entity-wise information, especially the data relating to loans and advances.*

### 1.11.5 Cash balances and investment of Cash balances

During the current year, State Government invested ₹ 4,567 crore in GoI Treasury Bills as against ₹ 3,486 crore in the previous year. **Table 1.21** depicts the cash balances and investments made by the State Government out of these during the year.

**Table 1.21: Cash balances and their investment**

	(₹ in crore)	
	Opening balance on 1/4/2012	Closing balance on 31/3/2013
<b>(a) General Cash Balance -</b>		
<b>Cash in Treasuries</b>	---	---
<b>Deposits with Reserve Bank</b>	401.03	-565.60
<b>Deposits with other Banks</b>	1.34	1.34
<b>Remittances in transit - Local</b>	4.97	4.97
<b>Total</b>	407.34	-559.29
<b>Investments held in Cash Balance investment account</b>	3,486.20	4,567.43
<b>Total (a)</b>	3,893.54	4,008.14
<b>(b) Other Cash Balances and Investments</b>		
<b>Cash with departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors</b>	0.91	0.91
<b>Permanent advances for contingent expenditure with departmental officers</b>	1.42	1.42
<b>Investment of earmarked funds</b>	5,426.03	5,151.04
<b>Total (b)</b>	5,428.36	5,153.37
<b>Grand total (a)+ (b)</b>	9,321.90	9,161.51

Source: Finance Accounts 2012-13

<sup>20</sup> Accounts for 2012-13 have not been finalized by all the State PSUs

The rate of interest earned on the investments from cash balances and investments from earmarked balances worked out to 4.82 per cent and 7.37 per cent respectively during the year 2012-13, against the average market borrowing rate of 7.30 per cent.

State Government maintained the minimum daily cash balance of ₹ 3.32 crore with RBI during the year without obtaining any Ways and Means Advances or overdrafts. The cash balance of the State decreased by ₹ 160 crore (1.72 per cent) at the end of 2012-13 over the previous year.

### **1.11.6 Consolidated Sinking Fund**

Consolidated Sinking Fund was created in 1999-2000 for amortization of open market loans availed of by the State Government. On the recommendations of the Twelfth Finance Commission, and in accordance with revised guidelines of the scheme (January 2010), State Government is required to make annual contributions to the Fund at 0.5 per cent of the outstanding liabilities at the end of the previous financial year. In terms of RBI guidelines the outstanding liabilities as on 31 March 2012 stood at ₹ 1,50,512 crore. Against the requirement of ₹ 752.56 crore, State Government contributed only ₹ 691.87 crore to the Fund during the year 2012-13, resulting in overstatement of Revenue Surplus by ₹ 60.69 crore.

*Government contended (December 2013) that there was no short contribution to the Sinking Fund and that, against the requirement of ₹ 671.79 crore, it had invested ₹ 691.87 crore in the Fund. The reply is not correct as the total outstanding liabilities as of 31 March 2012 as per Finance Accounts amounted to ₹ 1,50,512 crore and not ₹ 1,34,358.53 crore as contended by Government.*

### **1.11.7 Reserve Funds**

Reserve Funds are created for specific and defined purposes and are funded by contributions/grants from the Consolidated Fund of India/ State. Out of the gross accumulated balance of ₹ 7,459.46 crore as on 31 March 2013 lying in these Funds, the State Government had invested ₹ 5,151.04 crore (69 per cent). ₹ 319.97 crore has been lying in 34 inoperative funds since 2001-02. Action needs to be taken to close these and remit the balances into the Consolidated Fund.

## **1.12 Assets and Liabilities**

### **1.12.1 Growth and composition of assets and liabilities**

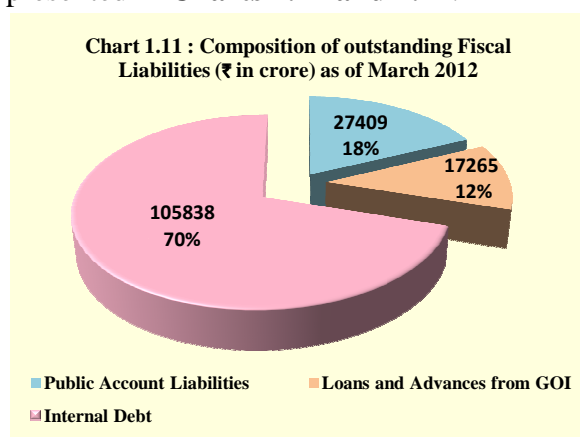
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.9* gives an abstract of such liabilities and the assets as on 31 March 2013, compared with the corresponding position as on 31 March 2012. While liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from Public account and Reserve Funds, assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

The total liabilities of the State as defined under the FRBM Act of the State means the “liabilities under the Consolidated Fund of the State and the Public Account of the State and

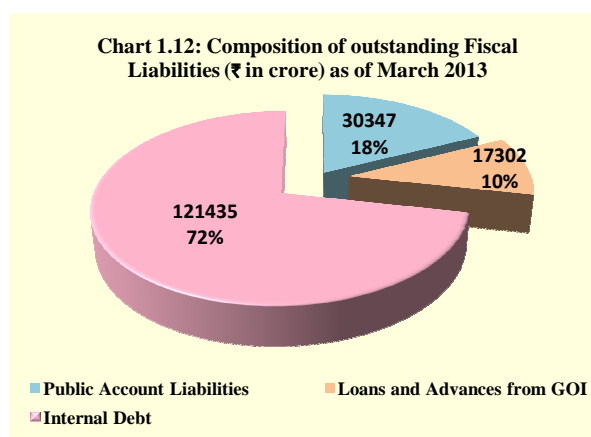
shall also include borrowings by the public sector undertakings and the special purpose vehicles and other equivalent instruments including guarantees where the principal and/or interest are to be serviced out of the State budgets”.

### 1.12.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.6*. The composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 1.11 and 1.12**.



Source: Finance Accounts 2011-12



Source: Finance Accounts 2012-13

The total fiscal liabilities of the State at the end of 2012-13 (₹ 1,69,084 crore) increased by ₹18,572 crore (12 per cent) over the previous year (₹ 1,50,512 crore) and stood at 1.62 times of revenue receipts.

Total fiscal liabilities as defined in FRBM Act worked out to ₹ 1,69,084 crore and stood at 22.67 per cent of GSDP at the end of current year. The 13<sup>th</sup> FC has recommended that by the end of 2014-15, fiscal liabilities should be brought down to 25 per cent of GSDP. In line with the FRBM Act, the State Government established Sinking Fund for reduction or avoidance of debt and Guarantee Redemption Fund, and has been contributing to these funds at the rates prescribed by the RBI except in respect of Sinking Fund for the current year (refer to para 1.11.6).

### 1.12.3 Status of guarantees-contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. State Government in its FRBM Act, committed to limit the amount of annual incremental guarantees to 90 per cent of the total revenue receipts in the year preceding the current year, and constituted (2002-03) Guarantee Redemption Fund for discharging the guarantees invoked. During the current year, ₹ 70 crore was contributed to the Fund and the entire balance (₹ 783 crore) as on 31 March 2013 was invested in Government securities.

As per Statement No.9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table 1.22**.

**Table 1.22: Guarantees given by the Government of Andhra Pradesh**

Guarantees	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Maximum amount guaranteed	29,990	20,324	29,554	23,543	<b>38,084</b>
Outstanding amount of guarantees	15,239	13,135	12,290	12,286	<b>14,857</b>
Percentage of maximum amount guaranteed to total revenue receipts	<b>47.71</b>	<b>31.42</b>	<b>36.49</b>	<b>25.17</b>	<b>36.68</b>

Source: Finance Accounts

The maximum amount guaranteed during the year (₹ 38,084 crore) to 35 entities is below the norm prescribed by the FRBM Act., i.e. 90 *per cent* of the total revenue receipts (₹ 93,554 crore) of the preceding year. The increase in the maximum amount guaranteed at the end of 2012-13 by ₹ 14,541 crore over the previous year was mainly in respect of Power (₹ 2,548 crore), State Financial Corporation (₹ 224 crore) and Municipalities/Local Bodies/Universities (₹ 295 crore).

During the current year, the Government received ₹ 0.13 crore on account of guarantee commission from Cooperatives and ₹ 4 crore from State Financial Corporation against an amount of ₹ 24.70 crore due from various organizations.

#### 1.12.4 Off-Budget Borrowings

The borrowings of a State are governed by Article 293 of the Constitution of India. In addition to the liabilities shown in *Appendix 1.9*, the State Government guarantees loans availed by Government Companies/Corporations. These Companies/Corporations borrow funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Although the State Government projects that funds for these programmes would be met out of the Company or Corporation's budget, in reality, the borrowings of many of these concerns ultimately turn out to be the liabilities of the State Government and hence, constitute off-budget borrowings.

Out of the off-budget borrowings of ₹ 16,607 crore (APPFC: ₹ 13,656 crore, APSRTC: ₹ 720 crore, APTRANSCO: ₹ 2,231 crore) raised by various Government Companies/Corporations through adjustment bonds and other sources during the period 2001-2012, State Government repaid ₹ 8,963 crore towards principal (APPFC: ₹ 7,727 crore, APSRTC: ₹ 292 crore, APTRANSCO: ₹ 944 crore) and ₹ 6,376 crore (APPFC: ₹ 6,260 crore, APTRANSCO: ₹ 116 crore) towards interest of earlier years, leaving a balance of ₹ 7,644 crore (APPFC: ₹ 5,929 crore, APSRTC: ₹ 428 crore, APTRANSCO: ₹ 1,287 crore) yet to be repaid.

The total liabilities of the State comprising fiscal liabilities (₹ 1,69,084 crore), off-budget borrowings (₹ 7,644 crore) and outstanding guarantees including interest at the end of March 2013 (₹ 14,857 crore) were ₹ 1,91,585 crore, which, as a ratio of GSDP, stood at 25.69 *per cent* i.e. less than the ceiling of 28.90 *per cent* prescribed by the FRBM Act for the year 2012-13.

During the year an amount of ₹ 168 crore of discharges were made under public debt towards repayment of loans (APPFC).

### 1.13 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability<sup>21</sup> of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization<sup>22</sup>, sufficiency of non-debt receipts<sup>23</sup>, net availability of borrowed funds<sup>24</sup>, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of State Government securities. **Table 1.23** analyses the debt sustainability of the State according to these indicators during the five year period 2008-13.

**Table 1.23: Debt sustainability: Indicators and trends**

Indicators of Debt Sustainability	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit) (₹ in crore)	10,861	12,800	18,101	22,375	<b>16,887</b>
Debt-GSDP ratio	0.26	0.25	0.24	0.22	<b>0.23</b>
Sufficiency of Non-debt Receipts (Resource Gap) (₹ in crore)	(-) 3,710	(-) 1,603	(+) 2,207	(-) 3,598	<b>(-)2,107</b>
Net Availability of Borrowed Funds (₹ in crore)	3,033	5,523	2,769	3,348	<b>5,162</b>
Net Availability of Borrowed Funds percentage to borrowings	17.13	24.95	12.67	14.67	<b>19.20</b>
Debt Redemption (Principal + Interest)/Total Debt Receipts	0.840	0.850	0.915	0.853	<b>0.808</b>
Burden of Interest Payments (IP/RR Ratio)	<b>0.13</b>	<b>0.14</b>	<b>0.12</b>	<b>0.11</b>	<b>0.11</b>

Source: Finance Accounts

The quantum spread together with primary deficit has been positive for the last five years, resulting in decline in Debt/GSDP ratio from 26 *per cent* in 2008-09 to 23 *per cent* in 2012-13. These trends point to debt stabilization. However, the resource gap has been negative in four out of the five year period indicating that the incremental non-debt receipts were not sufficient to meet the incremental primary expenditure and the additional interest burden. Thus, the State needs to step up its resource mobilization as well as to prune unproductive expenditure to maintain debt stability. The net availability of borrowed funds was positive during the last five years, indicating the availability of borrowed funds for purposes other than debt repayment.

### 1.14 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. Deficit in Government accounts represents the gap between its receipts and expenditure and the nature of deficit is an indicator of the prudence of the Government in fiscal management. Further, the ways in which the deficit is financed and the resources raised are applied, are

<sup>21</sup> See glossary

<sup>22</sup> See glossary

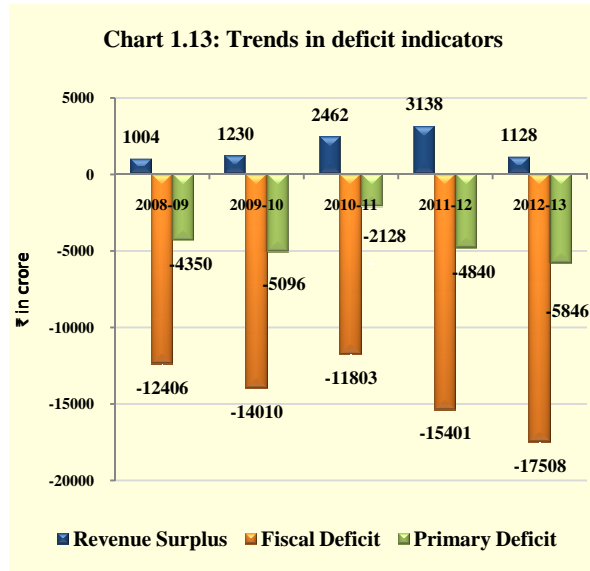
<sup>23</sup> See glossary

<sup>24</sup> See glossary

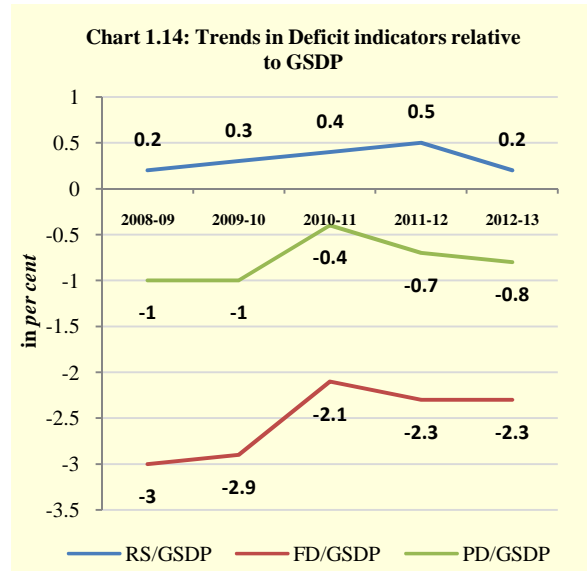
important pointers to fiscal health. This section presents the trends, nature, magnitude and the manner of financing these deficits and also assesses the actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2012-13.

### 1.14.1 Trends in deficits

Charts 1.13 and 1.14 present the trends in deficit indicators over the five year period 2008-13.



Source: Finance Accounts



Source: Finance Accounts

There was revenue surplus for the seventh consecutive year during 2012-13. At ₹ 1,128 crore, revenue surplus decreased by ₹ 2,010 crore over the previous year (₹ 3,138 crore). Fiscal deficit increased to ₹ 17,508 crore in 2012-13 (2.35 per cent of GSDP) from ₹15,401 crore (2.27 per cent of GSDP) in 2011-12. Primary deficit increased to ₹ 5,846 crore from ₹4,840 crore in 2011-12.

### 1.14.2 Components of fiscal deficit and its financing pattern

The decomposition and financing of fiscal deficit are shown in Table 1.24.

Table 1.24: Components of fiscal deficit and their financing pattern

Sl.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13		
						Receipts	Disbursements	Net
<b>A</b>	<b>Decomposition of Fiscal Deficit (1 to 3)</b>	(-) 12,407	(-) 14,010	(-) 11,803	(-) 15,401	1,04,256	1,21,764	(-)17,508
	1. Revenue Surplus	1,004	1,230	2,462	3,138	1,03,830	1,02,702	1,128
	2. Capital Outlay	(-) 10,367	(-) 13,793	(-) 11,123	(-) 13,722	0	15,149	(-)15,149
	3. Net Loans and Advances	(-) 3,044	(-) 1,447	(-) 3,142	(-) 4,818	426	3,913	(-)3,487
<b>B</b>	<b>Financing Pattern of Fiscal Deficit</b>							
	Net Borrowings from Consolidated Fund	10,520	13,476	10,841	12,689	23,311	7,676	15,635
	Market Borrowings*	10,911	13,403	10,154	10,918	22,128	6,530	15,598
	Loans from GoI	(-) 391	73	687	1,771	1,183	1,146	37

Sl.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13		
						Receipts	Disbursements	Net
	<b>Net Public Account</b>	<b>1,813</b>	<b>845</b>	<b>700</b>	<b>3,351</b>	<b>2,04,737</b>	<b>2,03,827</b>	<b>910</b>
	Small Savings, PF etc.	570	961	1,603	1,220	3,580	2,390	1,190
	Reserve Funds	271	(-) 113	945	351	3,593	3,511	82
	Deposits and Advances	(-) 1,812	(-) 1,437	1,703	1,346	48,722	47,056	1,666
	Suspense and Misc.	4,405	(-) 1	(-) 2,200	337	1,30,803	1,32,150	(-)1,347
	Remittances	(-) 1,621	1,435	(-) 1,351	97	18,039	18,720	(-)681
<b>C</b>	<b>Contingency Fund</b>	<b>(-) 6</b>	<b>7</b>	<b>(-) 1</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>(-)2</b>
<b>D</b>	<b>Net Drawal from Cash Balance</b>	<b>80</b>	<b>(-)318</b>	<b>263</b>	<b>(-)640</b>	<b>1,874</b>	<b>909</b>	<b>965</b>

Source: Finance Accounts. \*Includes borrowings from other institutions

It can be seen that capital outlay mostly accounted for the fiscal deficit (86.52 per cent) while market borrowings financed 89.09 per cent of the fiscal deficit. Public account contributed only 5.19 per cent while the 5.51 per cent was financed by drawing down the State's cash balances with the RBI.

The maturity profile of State debt is shown in **Table 1.25**.

**Table 1.25: Maturity Profile of State Debt**

Maturity profile	₹ in crore)	
	Amount	Percentage
0 – 1 years	6,193	4.46
1 – 3 years	12,499	9.00
3 – 5 years	16,090	11.59
5 – 7 years	31,958	23.02
7 years and above	72,083	51.93
<b>Total</b>	<b>1,38,823</b>	<b>100.00</b>

Source: Finance Accounts 2012-13

To discharge its expenditure obligations, the Government had to borrow further, since fiscal surplus was not available during any of the last five years. The State Government raised ₹ 73,817 crore from market borrowings and ₹ 8,112 crore from Central loans during the five year period 2008-09 to 2012-13 which could lead to large repayment obligations from the year 2019-20 onwards.

The maturity profile of outstanding stock of public debt as on 31 March 2013 shows that 51.93 per cent of the total outstanding debt is in the maturity bucket of seven years and above. It further indicates that the liability of the State to repay the debt would be ₹ 16,090 crore during 2016-18 and ₹ 31,958 crore during 2018-20, which would put a strain on the Government budgets during that period. The State may have to borrow further to repay these loans. A well thought out debt repayment strategy would have to be worked out by the Government to obviate additional borrowings, which mature in these critical years.

Interest payments on market loans have shown an increasing trend from 3.46 per cent to 6.20 per cent of revenue receipts, as can be seen from **Table 1.26** on account of increasing trend of both the quantum of borrowings and the interest rates.

**Table 1.26: Interest payment as a percentage of revenue receipts**

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Interest payment on market loans (₹ in crore)	2,505	3,397	4,287	5,219	6,433
Percentage of revenue receipts	3.46	4.73	5.29	5.58	6.20

Source: Finance Accounts

### 1.14.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit<sup>25</sup> and capital outlay (including loans and advances) would indicate the quality of deficit in the State finances. The bifurcation of primary deficit (**Table 1.27**) into primary revenue deficit and capital outlay would indicate the extent to which the deficit has been applied to augment asset creation in the State. As stated earlier, the State did not have any revenue deficit during the last seven years.

**Table 1.27: Primary deficit/surplus – bifurcation of factors**

Year	(₹ in crore)				
	Primary revenue surplus	Capital Outlay	Loans and Advances	Primary deficit(-)/ surplus(+)	Primary revenue surplus/ Capital Outlay (%)
2008-09	9,431	10,367	3,414	(-)4,350	90.97
2009-10	10,287	13,793	1,590	(-)5,096	74.58
2010-11	12,310	11,123	3,315	(-)2,128	110.67
2011-12	13,865	13,722	4,983	(-)4,840	101.04
2012-13	13,216	15,149	3,913	(-)5,846	86.65

Source: Finance Accounts

During the period 2008-13, the State generated primary revenue surplus which consistently increased throughout the period and which was applied towards meeting the requirements of capital outlay. As can be seen from **Table 1.27**, the primary revenue surplus met a substantial part of the capital outlay and even left surplus in two of these five years. In other words, the non-debt receipts of the State (₹ 1,04,256 crore during 2012-13) were not only adequate to meet the primary revenue expenditure, but also met whole/part of the capital expenditure. However, the surplus non-debt receipts were not enough to meet the entire primary expenditure and loans and advances, resulting in primary deficit in all the years during 2008-13.

<sup>25</sup> See glossary



## 1.15 Conclusion

*State Government has been achieving the fiscal reform targets every year in post FRBM legislation period. The State registered revenue surplus for the seventh consecutive year during 2012-13 and the fiscal deficit was within the ceiling prescribed by the FRBM Act. The Government is yet to work out its liability on account of its contribution (as also that of the employees) to the Contributory Pension Fund scheme from the inception of the scheme. The interest payable on the amounts that have been lying in the Fund without transfer to NSDL/Trustee Bank has also not been estimated and accounted for.*

*The State has brought down the total liabilities to 25.69 per cent of the GSDP against a ceiling of 28.90 per cent prescribed in FRBM Act for the year 2012-13.*

*Revenue receipts registered a growth of over 10.98 per cent during the current year over the previous year, due to growth in own tax and non-tax revenue. There was a decrease in the quantum of grants-in-aid from GoI by ₹ 3,140 crore over the previous year under non-plan grants (₹ 2,715 crore), especially under grants for local bodies since the State Government failed to comply with the conditionalities applicable for receipt of such grants. While capital expenditure increased by about 10.40 per cent, its ratio to total expenditure constituted 12.44 per cent. Capital works/projects in irrigation and road sectors were not completed on time, which resulted in pushing up the cost of these projects without fully achieving the envisaged benefits. Further, although the State Government accorded adequate fiscal priority to development expenditure during 2012-13, it did not ensure that the allocated funds were fully released for the intended purpose.*

*Return on investment in Companies/Statutory Corporations continued to be poor and the rate of return on investment declined to 0.65 per cent during 2008-13, while the rate of interest paid by the Government was 7.60 per cent. The accounts of several of these companies/corporations have been in arrears and up to the year of accounts finalized, the accumulated losses of 14 entities alone amounted to ₹ 5,970 crore, with AP State Housing Corporation (₹ 3,617 crore) and APSRTC (₹ 1,984 crore) leading the list.*

*The current level of recovery of loans is low with the gap between disbursement (₹ 3,913 crore) and recovery (₹ 426 crore) showing only a slight improvement over the previous year. Further, confirmation of balances on loan amount of ₹ 12,148 crore was yet to be received from the entities, who were the recipients of these loans.*

## 1.16 Recommendations

- 1. Government needs to take a closer look at factors that affect its fiscal indicators and ensure that proper accounting treatment is given to various transactions. It should review its budgetary allocation for pension and provide for its liability on this account on the basis of actuarial valuation as stipulated in FRBM Act. Government should obtain details from all the concerned DDOs with regard to the deductions made from the employees pay towards contributory pension expeditiously and work out its own matching share and the liability on account of interest on delayed transfer to the Fund Manager.*

- 2. Government needs to prepare an action plan to complete all the projects in the pipeline for several years, especially those relating to irrigation, within a specified timeframe, so that the envisaged benefits accrue to the targeted beneficiaries. Also, Government should prioritize the areas that need capital expenditure, especially in socio-economic sectors.*
- 3. Closer monitoring of grant utilization by the implementing departments as well as streamlining of the system of submission of Utilisation Certificates should be done so as to ensure that grants from the GoI are fully claimed and the State benefits from the same. Efforts should be made to expeditiously meet the prescribed conditionalities to be eligible for the performance grants.*
- 4. Government needs to institute a mechanism for maintaining and monitoring the details of loans advanced to various bodies/authorities, obtain confirmation from these entities about the loan amount balances with them and pursue for repayment of both principal and interest in a time bound manner.*