

Profile of Andhra Pradesh

Andhra Pradesh is the eighth largest State in India in terms of geographical area of 1.63 lakh sq. km. with a population of 4.95 crore as per 2011 census. General data relating to the State is given in *Appendix 1.1*.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important economic indicator of the State economy. The annual growth of India's GDP and State's GSDP at current prices are given in **Table 1.1**.

Table 1.1: Comparative statement of GDP vis-à-vis GSDP

Year	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP (₹ in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (<i>per cent</i>)		13.91	13.28	10.78	8.71
State's GSDP (₹ in crore)	3,79,230	4,10,961	4,68,494	5,32,922	6,03,376
Growth rate of GSDP (<i>per cent</i>)		8.37	14.00	13.75	13.22

Source: Central Statistical Office, Ministry of Statistics and Programme Implementation's press release dated 29 July 2016. GDP & GSDP Estimates are in the new series with base year 2011-12.

1.1 Introduction

This Chapter provides a broad perspective of the finances of the Government of Andhra Pradesh for the year 2015-16 and is based on the Finance Accounts of the Government. The structure of Government Accounts and layout of the Finance Accounts are given in *Appendix 1.2*.

The State of Andhra Pradesh was bifurcated into two states i.e. Andhra Pradesh and Telangana with effect from 02 June 2014. The receipts and expenditure of previous financial years upto 2013-14 pertained to the composite state of Andhra Pradesh and those of 2014-15 included the particulars relating to composite state of Andhra Pradesh from 01 April 2014 to 01 June 2014. As the trend analysis could not be done in this scenario, audit has restricted its comments to the status of financial year 2015-16 only.

1.2 Summary of current year's fiscal transactions

Table 1.2 presents the summary of the 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 2015-16.

Table 1.2: Summary of receipts and disbursements for the year 2015-16

(₹ in crore)

Receipts			Disbursements				
	2014-15*	2015-16		2014-15*	2015-16		
	Total	Total		Total	Non-Plan	Plan	Total
Section A – Revenue							
Revenue Receipts	90,672	88,648	Revenue Expenditure	1,14,866	63,972	31,978	95,950
<i>Tax Revenue</i>	<i>42,618</i>	<i>39,907</i>	<i>General Services</i>	<i>28,590</i>	<i>28,512</i>	<i>61</i>	<i>28,573</i>
<i>Non-tax Revenue</i>	<i>10,976</i>	<i>4,920</i>	<i>Social Services</i>	<i>42,259</i>	<i>23,909</i>	<i>22,540</i>	<i>46,449</i>
<i>Share of Union Taxes/Duties</i>	<i>15,299</i>	<i>21,894</i>	<i>Economic Services</i>	<i>43,891</i>	<i>11,435</i>	<i>9,377</i>	<i>20,812</i>
<i>Grants from GoI</i>	<i>21,779</i>	<i>21,927</i>	<i>Grants-in-aid and Contributions</i>	<i>127</i>	<i>116</i>	<i>---</i>	<i>116</i>
Section B – Capital & Others							
Misc. Capital Receipts	---	---	Capital Outlay	11,405	26	14,145	14,171
Recoveries of Loans and Advances	5,092	285	Loans and Advances disbursed	1,210	291	383	674
Public Debt Receipts[#]	33,005	53,681	Repayment of Public Debt[#]	10,844	38,445	---	38,445
Inter State Settlement	---	---	Inter State Settlement	---	195	---	195
Contingency Fund	3	---	Contingency Fund	---	---	---	---
Public Account Receipts	3,01,629	90,912	Public Account Disbursements	2,96,281	79,833	---	79,833
Opening Cash Balance	20,495¹	3,934	Closing Cash balance	16,290¹	8,192	---	8,192
Total	4,50,896	2,37,460	Total	4,50,896	1,90,954	46,506	2,37,460

Source: Finance Accounts.

* Including Composite State of Andhra Pradesh for 2 months April and May 2014. Therefore figures given in 2015-16 are not strictly comparable.

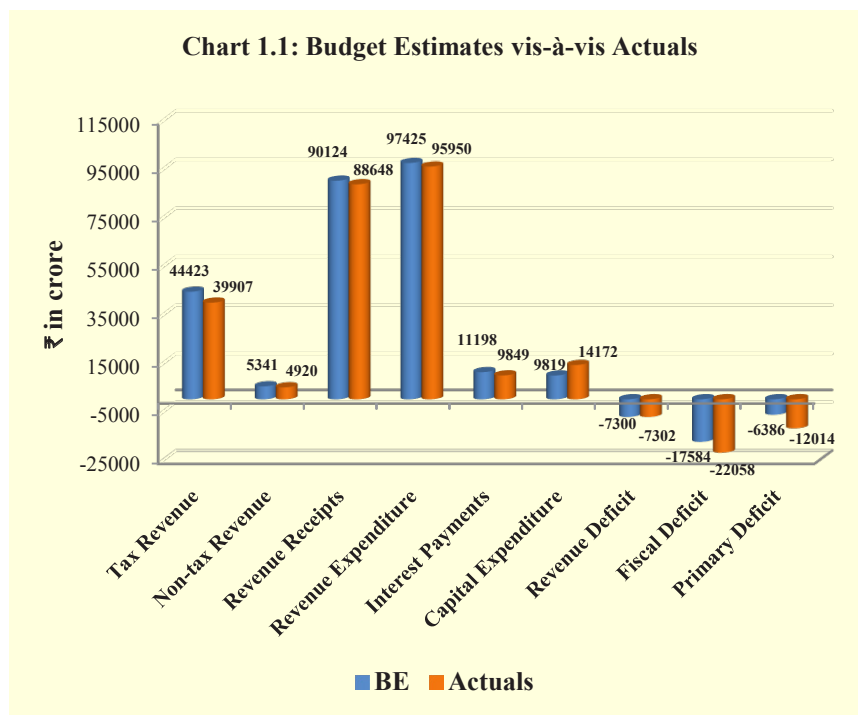
Includes Ways and Means Advances

The revenue deficit of Government of Andhra Pradesh for the year 2015-16 was ₹ 7,302 crore. The fiscal deficit (₹ 22,057 crore) stood at 3.66 per cent of GSDP during the year, which was more than the ceiling of 3.25 per cent prescribed by the 14th Finance Commission.

¹The opening cash balance ₹ 20,495 crore (clubbed 2 months: ₹ 13,283 crore + 10 months: ₹ 7,212 crore) and closing cash balance ₹ 16,290 crore (clubbed 2 months: ₹ 12,356 crore and 10 months: ₹ 3,934 crore) for balancing purpose only and is different from the actual balances. Please see **Appendix 1.3** for details.

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*.



There were considerable variations between budget estimates and actuals in respect of some items. Receipts under Land Revenue were lower by 91.77 per cent than BE. Expenditure in excess of BE was the highest in Social Welfare and Nutrition (56.80 per cent), while the maximum shortfall was noticed under District Administration (30.84 per cent) in percentage terms.

Source: Budget Estimates and Finance Accounts 2015-16

Overall, revenue expenditure (₹95,950 crore) was less than the budget estimates (₹97,425 crore) by 1.51 per cent and capital expenditure (₹14,171 crore) exceeded budget estimates (₹9,819 crore) by 44.33 per cent. On the receipts side, revenue receipts fell short of BE by 1.64 per cent.

1.4 Fiscal Reform Path

The 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). A summary of FRBM Act, 2005 as amended in 2011 is given in *Appendix 1.5*.

Important targets relating to fiscal variables are indicated in **Table 1.3**.

Table 1.3: Targets/Projections for Fiscal variables

Fiscal variables	2015-16				
	14 th FC targets for the State	Targets prescribed in FRBM Act	Targets proposed in Budget	Projections made in MEFS	Actuals
Revenue Deficit (₹ in crore)	0 [#]	*	7,300	4,140	7,302
Fiscal Deficit/ GSDP (in per cent)	3.25	*	N.A.	3.00	3.66
Total outstanding liabilities to GSDP (in per cent)	24.33	*	N.A.	24.33	31.17

N.A.: Not available * yet to be amended; [#]14th Finance Commission, vide para 11.37, has recommended ₹ 22,113 crore as Grants-in-aid towards Revenue Deficit for the years 2015-20.

Important targets relating to fiscal variables are to be amended from time to time in accordance with the Central Finance Commissions' recommendations. However, Government of Andhra Pradesh is yet to amend its FRBM Act in accordance with the 14th Finance Commission's recommendations, especially on fiscal targets viz., revenue deficit, fiscal deficit and outstanding liabilities to GSDP.

In view of the financial stress faced by the State after bifurcation, it had written to the Centre (October 2016) seeking the permission from the GoI to amend the FRBM Act of the erstwhile composite State in respect of the following:

- To reduce of revenue deficit by 0.3 *per cent* of GSDP every year till 2020-21 and generate surplus in the revenue account thereafter;
- To maintain the ratio of fiscal deficit to GSDP between 3 and 4 per cent till 2019-20;
- To maintain the debt to GSDP ratio at 27 per cent for 2015-16 and at 28 per cent thereafter till 2019-20

Concurrence of GoI was awaited.

1.4.1 Non- disclosure of prescribed information under FRBM Act

As per Rule 6 of FRBM rules, the Government shall, at the time of presenting the budget, make disclosures as required under section 10 of the FRBM Act. Out of 10 disclosures prescribed, (i) the statement of assets in **Form D-7**, (ii) statement on claims and commitments made by the State Government on revenue demands raised but not realized in **Form D-8** and (iii) the statement on liabilities in respect of major works and contracts, committed liabilities in respect of land acquisition charges and claims on the State Government in respect of unpaid bills on works and supplies in **Form D-9** were not presented along with the Budget. Further, the Government has not estimated the yearly pension liabilities on actuarial basis for the ensuing years, as stipulated in provision 7(2)(iii) of FRBM Act, 2005.

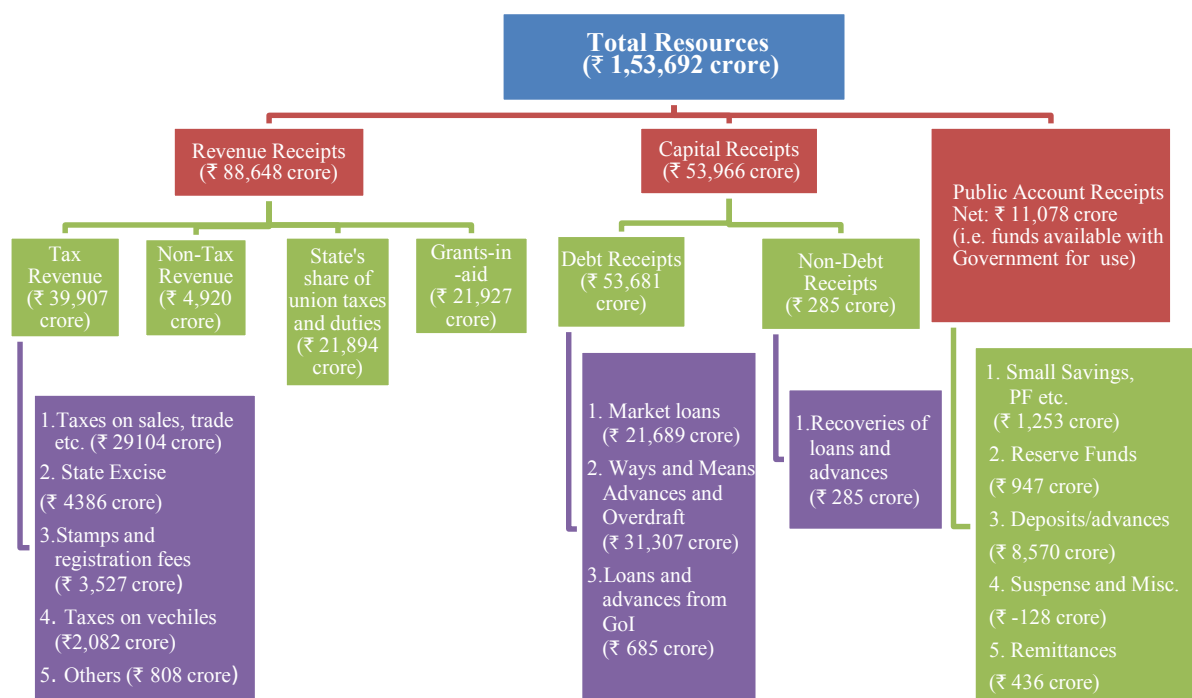
Non-disclosure of prescribed information compromised the objective of ensuring greater transparency in projecting the actual assets and liabilities as envisaged in the FRBM Act.

1.5 Resources of the State

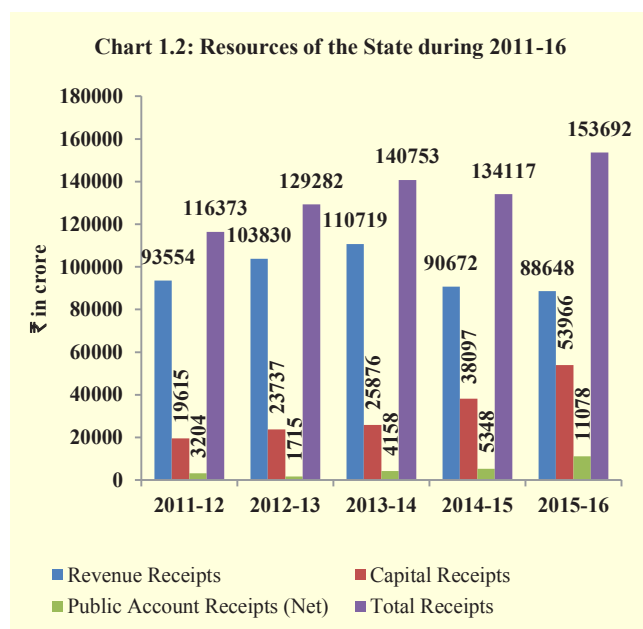
1.5.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State apart from the net receipts of Public Account. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes & duties and grants-in-aid from the 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. The net of Public Account comprises the balance after disbursements in small savings, provident funds, reserve funds deposits, suspense and remittances etc. The balance, after disbursements is the fund available with the Government for use.

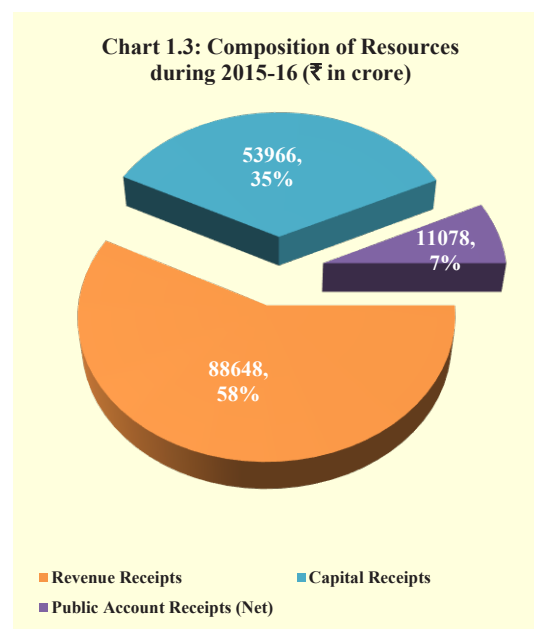
The following flowchart depicts the components and sub-components of resources of the State.



Out of the total resources of ₹ 1,53,692 crore of the State Government during the year 2015-16, revenue receipts (₹ 88,648 crore) constituted 57.68 per cent of total resources. Capital receipts (₹ 53,966 crore) and net Public Account receipts (₹ 11,078 crore) constituted 35.11 per cent and 7.21 per cent of the total resources, respectively. **Chart 1.2** depicts the details in various components of the total resources of the State during 2011-16. **Chart 1.3** depicts the composition of total resources of the State during the current year 2015-16.



Source: Finance Accounts

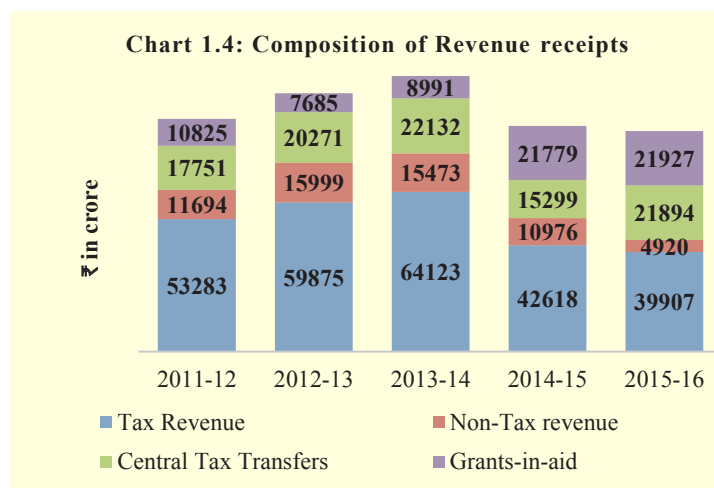


Source: Finance Accounts 2015-16

1.6 Revenue receipts

The details and composition of revenue receipts over the five year period 2011-16 are presented in *Appendix 1.6* and also depicted in **Chart 1.4**.

The actual receipts under State's tax and non-tax revenue *vis-à-vis* of that estimated by the State Government during 2015-16 are given in **Table 1.4** below:



Source: Finance Accounts

Table 1.4: Revenue receipts *vis-à-vis* assessment

	(₹ in crore)	
	Budget	Actuals
Tax Revenue	44,423	39,907
Non-Tax Revenue	5,341	4,920
Share of Central Taxes/duties	22,638	21,894
Grants-in-aid from GoI	17,722	21,927
Total	90,124	88,648

Source: Budget in Brief and Finance Accounts 2015-16

The actual realizations of tax revenue, non-tax revenue and Share of Central Taxes/duties were lower than the estimates made in the Budget by ₹ 5,681 crore (7.8 per cent). However, receipt of Grants-in-Aid from Government of India, which was more than the estimated amount (₹ 4,205 crore - 23.72 per cent), resulted in reduction of shortfall to ₹ 1,476 crore (1.64 per cent).

Revenue receipts constituted 14.69 per cent of GSDP in 2015-16 as shown in **Table 1.5**.

Table 1.5: Revenue receipts relative to GSDP during 2011-16

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	93,554	1,03,830	1,10,719	90,672	88,648
Rate of Growth ² of RR (per cent)	15.50	10.98	6.63	N.C.	N.C.
RR/GSDP (per cent)	14.28	13.92	12.95	17.44	14.69
Buoyancy Ratios ³					
Revenue Buoyancy w.r.t. GSDP	1.05	0.79	0.50	N.C.	N.C.
State's Own Tax Buoyancy w.r.t. GSDP	1.22	0.89	0.53	N.C.	N.C.

Source: Finance Accounts, N.C.: Not comparable as the State of A.P. after bifurcation is a different entity.

² See Glossary

³ See Glossary

1.6.1 State's own resources

While the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission and guidelines on Central assistance for plan schemes etc., the 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

Taxes on sales and trade contributed 72.93 *per cent* to Own Tax Revenue (OTR) in 2015-16. The major taxes which contributed to OTR are given in **Table 1.6**.

Table 1.6: Components of State's Own Tax revenue

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Taxes on sales, trades etc.	34,910	40,715	48,737	30,524	29,104
State excise	9,612	9,129	6,250	4,352	4,386
Taxes on vehicles	2,987	3,357	3,335	3,687	2,082
Stamp duty and Registration fees	4,385	5,115	4,393	3,249	3,527
Land revenue	141	62	74	62	52
Taxes on goods and passengers	12	12	16	14	10
Other taxes ⁴	1,237	1,485	1,318	729	746
Total	53,284	59,875	64,123	42,618	39,907

Source: Finance Accounts

1.6.1.2 Non-Tax Revenue

Non-tax revenue accounts for receipts from services rendered and supplies made by various Departments of Government and interest receipts. The Non-tax revenue, constituted 5.55 *per cent* of the total revenue receipts of the year. The composition of non-tax revenue is detailed in **Table 1.7**.

Table 1.7: Composition of Non-Tax Revenue

	(₹ in crore)				
Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Interest receipts	6,279	9,626	8,646	4,796	133
Dividends & Profits	52	64	61	8	9
Other non-tax receipts	5,363	6,309	6,766	6,172	4,778
Total	11,694	15,999	15,473	10,976	4,920

Source: Finance Accounts

Interest receipts

The Government has dispensed with the practice of charging of notional interest on cumulative Capital Outlay on Irrigation/Power Projects from the year 2015-16. Audit has been highlighting this practice hitherto adopted by the Government in its earlier reports.

⁴Other Taxes include Taxes on Immovable Property other than Agricultural Land, Taxes and Duties on Electricity and Agricultural Income

Interest receipts (₹ 133 crore) included ₹ 89 crore received from Investment of Cash Balance. While ₹ 24 crore was received from various sources viz., Major and Medium Irrigation and Credit Cooperatives etc., the remaining amount of ₹ 20 crore was booked under omnibus Minor Head-800 Other Receipts, which had no details on the source of the receipts.

Non-Ferrous Mining & Metallurgical Industries (₹ 1,523 crore – Mineral Concession Fee, Rents & Royalties), Education, Sports, Art and Culture (₹ 856 crore – General Education) and Social Security and Welfare (₹ 550 crore – Sand charges) were the main contributors to non-tax revenue.

It was observed that among the above receipts relating to Education Department ₹ 748 crore was shown as receipts to the Consolidated Fund of the State under Major Head 0202 (Education, Sports, Art and Culture) – 01 (General Education) – 101 (Elementary Education). As the above Head was related to reimbursement of teachers' salary, these amounts were required to be reduced from expenditure instead of remitting to Consolidated Fund thereby resulting in overstatement of the State's revenues.

1.6.2 State's share of Union taxes and Grants-in-aid

1.6.2.1 State's share of Union taxes

The 14th FC had recommended that the States' share of central taxes be increased to 42 *per cent* from 32 *per cent* from 2015-16 onwards. Consequently, the State's share in the net proceeds of Central Taxes (excluding Service Tax) and net proceeds of Service Tax has been fixed at 4.31 and 4.40 *per cent*, respectively.

While contributing 24.70 *per cent* to the State's total revenue receipts, central tax transfers of ₹ 21,894 crore in 2015-16 declined by ₹ 744 crore (3.29 *per cent*) from the budget estimates. Major components of central tax transfers were Corporation Tax (₹ 6,889 crore), Taxes on Income other than Corporation Tax (₹ 4,792 crore), Service Tax (₹ 3,788 crore) Customs Duty (₹ 3,498 crore) and Union Excise Duties (₹ 2,909 crore).

1.6.2.2 Grants-in-aid from Government of India

The details of Grants-in-aid from GoI and its composition during 2011-16 are given in **Table 1.8**.

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

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	3,499	784	3,433	4,676	9,944
Grants for State Plan Schemes	3,957	3,223	2,758	16,533	10,325
Grants for Central Plan Schemes	100	219	260	55	1,658
Grants for Centrally Sponsored Schemes	3,269	3,459	2,540	515	---
Total	10,825	7,685	8,991	21,779	21,927
Total grants as a percentage of Revenue Receipts	11.57	7.40	8.12	24.02	24.73

Source: Finance Accounts

Out of the Grants of ₹ 10,325 crore for State Plan Schemes, the major amount (₹ 10,088 crore – 97.71 per cent) was related to Centrally Assisted State Plan (CASP) schemes. The major recipient of CASP scheme was Mahatma Gandhi National Rural Employment Guarantee Act (₹ 3,074 crore), Integrated Child Development Scheme (₹ 692 crore) and Sarva Shiksha Abhiyan (₹ 671 crore).

1.6.3 14th Finance Commission (FC) grants

Audit of the records pertaining to the grants given by GoI on the recommendations of the 14th FC was conducted in the Finance Department.

The details of recommended grants, releases and shortfall for the year are given in **Table 1.9**.

Table 1.9: 14th Finance Commission Grants

(₹ in crore)				
Sl No	Purpose of Grant	Recommended by 14 th FC	Actual Releases	Shortfall
1	Local Bodies	1283.26	1259.88	23.38
	Urban Local Bodies	348.92	331.47	17.45
	Panchayat Raj Institutions	934.34	928.41	5.93
2	Disaster Relief	440.00	440.00	0
	Total	1723.26	1699.88	23.38

Source: Departmental information

There was a shortfall in receipt of 14th FC Grants of ₹ 23.38 crore under Basic Grants to both ULBs & PRIs due to non-conducting of elections to local bodies.

The Department accepted the audit observation.

1.7 Capital Receipts

The details of Capital Receipts and their composition during 2011-16 are given in **Table 1.10**.

Table.1.10: Composition of Capital Receipts

(₹ in crore)					
Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	19,615	23,737	25,876	38,097	53,966
Miscellaneous Capital Receipts	0	0	9	0	0
Recovery of Loans and Advances	165	426	575	5,092	285
Public Debt Receipts	19,450	23,311	25,292	33,005	53,681
Rate of growth of debt capital receipts(<i>per cent</i>)	3.89	19.85	8.50	N.C.	N.C.
Rate of growth of non-debt capital receipts(<i>per cent</i>)	-4.62	158.18	37.09	N.C.	N.C.
Rate of growth of GSDP(<i>per cent</i>)	13.50	13.86	13.31	N.C.	N.C.
Rate of growth of CR (<i>per cent</i>)	3.81	21.01	9.01	N.C.	N.C.

Source: Finance Accounts. N.C.: Not Comparable as the State of AP after bifurcation is a different entity

During 2015-16, Capital Receipts (₹ 53,966 crore) constituted 35.11 *per cent* in the total receipts (₹ 1,53,692 crore) of the State. Out of ₹ 53,681 crore of Public Debt, Government borrowed ₹ 21,689 crore from open market and ₹ 31,307 crore as Ways and Means Advances and Overdraft from the Reserve Bank of India. Loans from GoI was ₹ 685 crore.

Out of the total recoveries of loans and advances of ₹ 285 crore, an amount of ₹ 167.40 crore was received from Power projects.

1.8 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, Provident Fund, 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. The composition of Public Account receipts and disbursements from 2011 to 2016 given in **Table 1.11**.

Table 1.11: Composition of Public Account receipts and disbursements during 2011 to 2016

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
A. Public Account Receipts					
Small Savings, Provident Fund etc.	3,376	3,580	3,673	2,881	2,543
Reserve Funds	2,873	2,243	3,446	1,842	2,151
Deposits and Advances	42,963	48,722	52,992	48,388	50,137
Suspense and Miscellaneous	19,315	22,333	23,590	2,37,671	21,293
Remittances	17,524	18,039	17,651	10,847	14,788
Total (A)	86,051	94,917	1,01,352	3,01,629	90,912
B. Public Account Disbursements					
Small Savings, Provident Fund etc.	2,156	2,390	2,601	1,578	1,290
Reserve Funds	1,621	2,436	1,895	1,286	1,204
Deposits and Advances	41,618	47,056	51,798	43,040	41,566
Suspense and Miscellaneous	20,026	22,599	23,302	2,38,170	21,421
Remittances	17,427	18,720	17,599	12,207	14,352
Total (B)	82,848	93,201	97,195	2,96,281	79,833
Public Account Net (A)-(B)	3,203	1,716	4,157	5,348	11,078

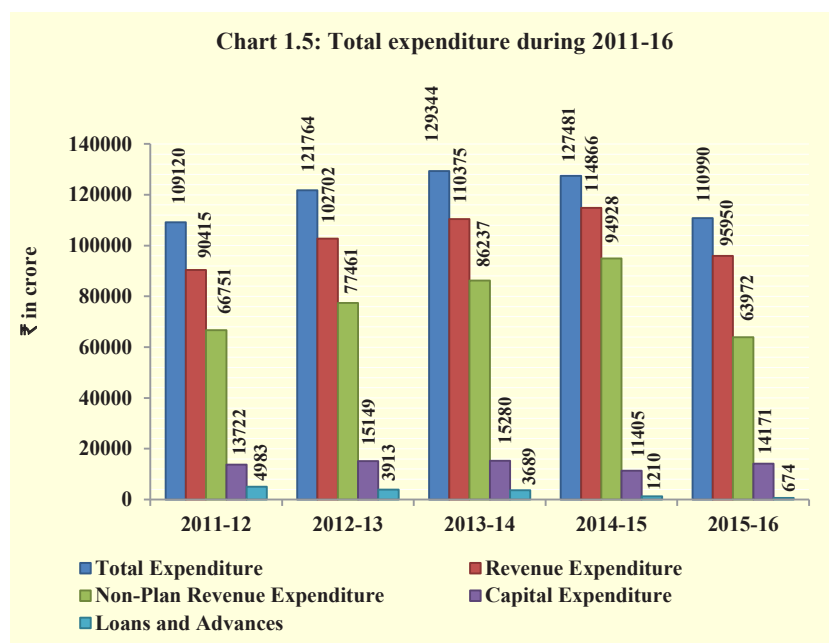
Source: Finance Accounts

During the year 2015-16, net Public Account receipts (₹ 11,078 crore) contributed 7.21 *per cent* of the total resources (₹ 1,53,692 crore) of the State.

1.9 Application of resources

1.9.1 Composition of expenditure

Chart 1.5 presents the composition of total expenditure over a period of five years (2011-16). The composition of total and sectorial expenditure are depicted in **Charts 1.6** and **1.7** respectively.



Source: Finance Accounts

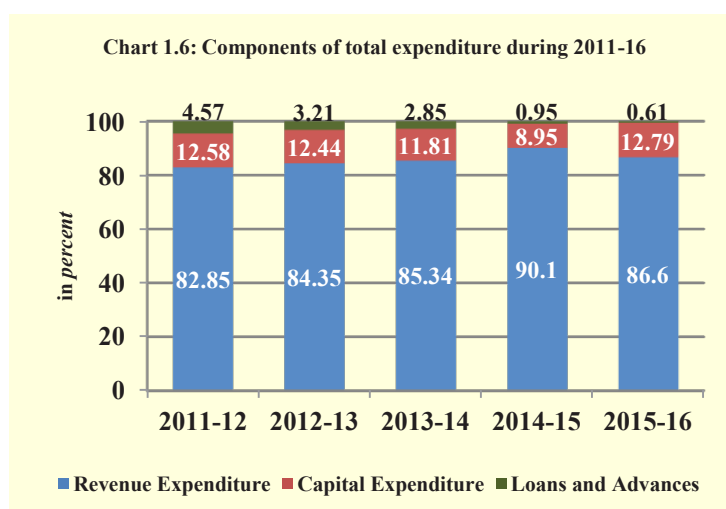
Note: Total expenditure excludes repayment of public debt amounting to ₹38,445 crore.

During the current year, 80 per cent of the total expenditure was met from revenue receipts and the rest from borrowings. The total expenditure exceeded the budget estimates (₹1,07,962 crore) by ₹3,028 crore.

Revenue expenditure (₹95,950 crore), fell short of the budget estimates (₹97,425 crore) for 2015-16 by ₹1,475 crore than the projection made and contributed 16 per cent to GSDP.

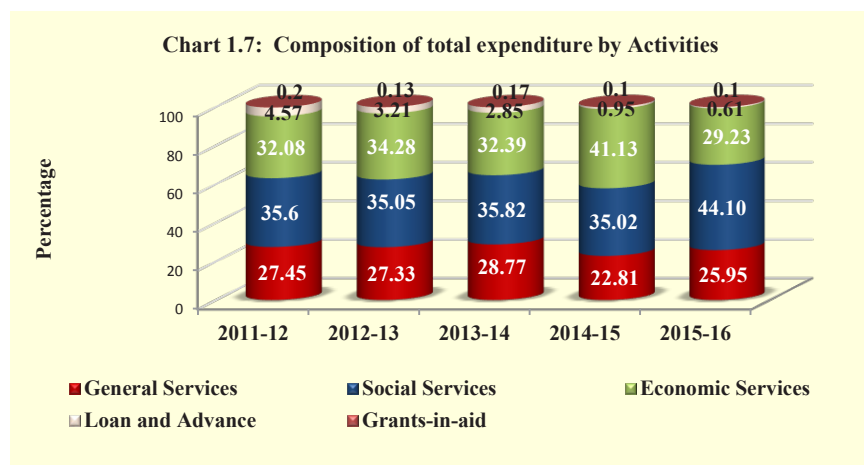
Borrowed funds used for meeting revenue expenditure create liability for future years without creating assets. During the current year, 92 per cent of the revenue expenditure was met from revenue receipts. The balance ₹7,302 crore for day to day activities of Government was financed from borrowed funds. The revenue expenditure incurred by the different departments are indicated in **Appendix 1.3**.

In the context of State finances, the quality of expenditure has always been an important issue. During the year 2015-16, revenue expenditure accounted for 86 per cent of the State's aggregate expenditure (₹1,10,990 crore), which is in the nature of current consumption, leaving only 14 per cent for investment in infrastructure and asset creation.



Source: Finance Accounts

Capital expenditure (₹ 14,171 crore) constituted 13 *per cent* of total expenditure and accounted for 2.35 *per cent* of GSDP during 2015-16. The expenditure was mainly on Irrigation and Flood Control (₹ 8,917 crore) and Transport (₹ 2,420 crore).



Loans and advances disbursed (₹ 674 crore) was less than the estimates (₹ 718 crore) made in the Budget for 2015-16 and constituted 0.61 *per cent* of the total expenditure.

Source: Finance Accounts

1.9.2 Committed Expenditure

Committed expenditure of Government on revenue account mainly consisted of interest payments, expenditure on salaries and wages, pensions and subsidies. During 2015-16, committed expenditure on salaries and wages, pensions, interest payments and subsidies constituted 57 *per cent* and 86 *per cent* of revenue expenditure and non-plan revenue expenditure (NPRE), respectively. **Table 1.12** and **Chart 1.8** present the expenditure on these components during 2011-16.

Table 1.12: Components of committed expenditure

(₹ in crore)

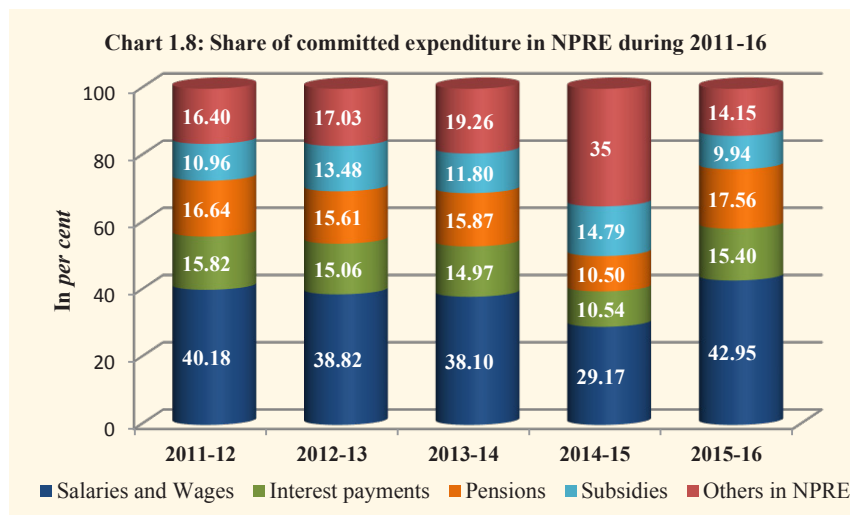
Components of committed expenditure	2011-12	2012-13	2013-14	2014-15	2015-16		
					Budget estimates	Actuals	Percentage variation
Salaries *& Wages, of which	26,823(30)	30,071(29)	32,858(38)	27,686(24)	31,272	27,474	-12.15
(i) Non-Plan	23,828	28,071	30,568	25,914(23)	30,403	25,847	-14.99
(ii) Plan**	2,995	2,000	2,290	1,772(2)	869	1,627	87.23
Interest payments	10,561	11,662	12,911	10,007(9)	11,198	9,849	-12.05
Pensions	11,110	12,089	13,682	9,971(9)	11,828	11,238	-4.99
Subsidies	7,313	10,658	10,420	14,037(12)	6,018	6,360	5.68
Total	55,807(62)	64,480(63)	69,871(63)	61,701(54)	60,316	54,921	-8.94

Source: Voucher Level Computerisation (VLC) data of O/o Pr.AG (A&E) Andhra Pradesh and Telangana

Note: Figures in paranthesis indicate percentage to 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.

1.9.2.1 Salaries and wages

Expenditure on salaries and wages during the current year was less than the budget estimates by 12 per cent. During the current year, expenditure on salary constituted 29 per cent of revenue expenditure and 43 per cent of non-plan revenue expenditure⁵.



Source: Finance Accounts

1.9.2.2 Interest payments

The share of interest payments (₹9,849 crore) in revenue expenditure was 10.26 per cent during the current year. During 2015-16, interest payments as a percentage of total revenue receipts stood at 11.11 per cent, which was less than the projection (12.18 per cent) made by the 14th FC. Interest on Market Borrowings (₹7,137.19 crore) and Special Securities issued to NSSF of Central Government (₹1,464.15 crore) were the major contributors to interest payments.

1.9.2.3 Pensions

The expenditure on pension and other retirement benefits to State Government pensioners during the year was ₹11,238 crore, and constituted 12.68 per cent of revenue receipts. Superannuation and Retirement Allowances (₹6,297.12 crore) and Family Pensions (₹2,193.12 crore) were the major expenditure under this head.

1.9.2.4 Subsidies

The total expenditure on subsidies during the year (₹6,360 crore) was higher than the projections made in the Budget by 5.68 per cent. The major portion of subsidies was given to APTRANSCO towards Agricultural and Allied activities of ₹3,186 crore (50.09 per cent) and Civil supplies i.e. subsidy on rice of ₹2,300 crore (36.16 per cent). The percentage of subsidies to revenue expenditure was 6.63 per cent. Department-wise subsidies are listed in **Table 1.13**.

Table 1.13: Department wise Subsidies

Departments	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Civil Supplies	2,358	2,692	3,190	2,118	2,380
Power	4,300	6,178	6,582	10,092	3,186
Agricultural and other Allied activities	639	1,528	340	522	633

⁵Salaries and wages excludes Other Contractual Services (₹ 402.20 crore i.e. 0.42 per cent of revenue expenditure)

Departments	2011-12	2012-13	2013-14	2014-15	2015-16
Others ⁶	16	260	308	1,305	161
Total subsidy	7,313	10,658	10,420	14,037	6,360
Total Revenue Expenditure	90,415	1,02,702	1,10,375	1,14,866	95,950
Subsidy as a % of RE.	8.09	10.38	9.44	12.22	6.63

Source: Finance Accounts

1.9.3 Financial Assistance to local bodies and other institutions

The quantum of financial assistance provided by the State Government to local bodies and other institutions by way of grants/loans during 2011 to 2016 is given in **Table 1.14**.

Table 1.14: Financial assistance to Local Bodies, etc.

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	7,178	7,169	7,863	8,054	6,965
Municipal Corporations and Municipalities	3,361	3,468	2,256	4,275	749
Zilla Parishads and other PR Institutions	3,023	2,677	3,862	8,679	3,724
Development Agencies	11,341	12,262	6,484	23,767	14,512
Hospitals and Other Charitable Institutions	1,192	1,195	1,385	1,416	472
Autonomous Bodies	1,473	2,180	2,160	2,493	1,741
Co-operative Institutions	52	117	82	79	146
Other Institutions ⁷	5,390	5,752	6,465	8,363	11,385
Total	33,010	34,820	30,557	57,126	39,694
Assistance as percentage of R.E.	36.50	33.90	27.68	49.73	41.37

Source: Finance Accounts

Financial assistance extended to local bodies and other institutions in 2015-16 constituted 41.37 per cent of revenue expenditure. The major schemes/recipients of grants during the year were NTR Pensions to old age persons and widows (₹ 4,435.77 crore), teaching grants to Zilla Praja Parishads (₹ 3,920.80 crore), Mahatma Gandhi National Rural Employment Guarantee Act (₹ 3,824.27 crore), Capital infusion to DWACRA Women Groups (₹ 2,660.06 crore), Sarva Shiksha Abhiyan (SSA) (₹ 1,115.14 crore) etc.

1.9.3.1 Non devolution of functions as per Constitution

GoI enacted the 73rd and 74th Amendments to the Constitution to empower the local self-governing institutions like the Panchayat 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 as to help them function as institutions of self-government

⁶Industries and Commerce, Minority Welfare, Information Technology & Communication, Panchayat Raj, Social Welfare, Women, Child and Disabled Welfare and Backward Classes Welfare Departments

⁷Other institutions include institutions that received ad-hoc or one time grants during the year

and implement schemes for economic development and social justice, including those enumerated in the Eleventh and Twelfth Schedules to the Constitution.

Eleventh Schedule to 73rd Constitutional Amendment Act, 1992 had listed 29 subjects for devolution to strengthen the PRIs. During 2007-08, State Government had devolved 10⁸ functions to PRIs and, thereafter, no initiative was taken for devolving the remaining functions.

The 74th Constitutional Amendment Act, 1992 identified 18 functions for ULBs as incorporated in Twelfth Schedule to the Constitution. Except 'Fire Services', all the functions mentioned in this Schedule were devolved to ULBs in the State.

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) for a particular sector, can be inferred if the ratios fall way below the respective National averages. **Table 1.15** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2015-16.

Table 1.15: Fiscal Priority of the State in 2015-16

Fiscal Priority by the State	(In per cent)				
	DE [#] /AE	SSE/AE	CE/AE	Education/AE	Health/AE
General Category States Average	70.63	36.29	14.89	15.63	4.45
Andhra Pradesh's Average	73.92	44.39	12.79	14.85	4.71

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

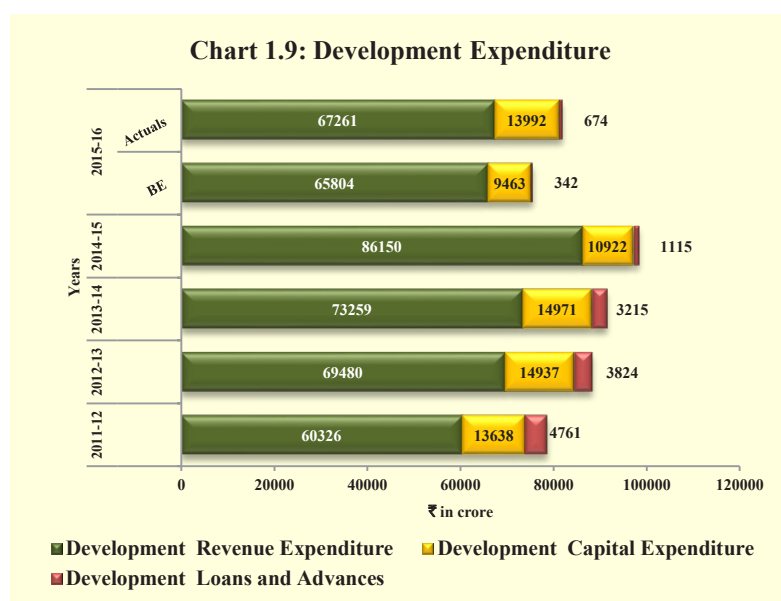
A comparison of the data related to Andhra Pradesh with that of the General Category States (GCS) in respect of 2015-16 showed the following:

- Development expenditure as a proportion of aggregate expenditure and expenditure on Social Services as a proportion of aggregate expenditure has been higher in the State compared to the GCS average. The share of expenditure on education in the State as a proportion of aggregate expenditure was lower than the corresponding GCS average, while that in respect of health was marginally higher.
- The share of capital expenditure was much lower in the State than the GCS average.

⁸(i) Agriculture and Agricultural extension (ii) Animal Husbandry, Dairy and Poultry (iii) Fisheries (iv) Rural Development (v) Drinking Water and Sanitation (vi) Primary, Secondary and Adult Education (vii) Health, Sanitation, Primary Health Centres, Dispensaries and Family Welfare (viii) Social Welfare (ix) Backward Classes Welfare (x) Women and Child Development

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 rationalisation measures and focuses on provisioning of core public and merit goods⁹. Apart from improving the allocation towards development expenditure¹⁰, 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 incurred on the actual 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 1.9** presents the details of development expenditure.



During 2015-16, the total development expenditure (₹ 81,927 crore) constituted 73.81 per cent of aggregate expenditure and 13.58 per cent of GSDP. During the year developmental revenue and capital expenditure constituted 60.80 and 12.60 per cent of aggregate expenditure respectively. Development loans and advances constituted 0.61 per cent of aggregate expenditure.

Source: Finance Accounts

During 2015-16, the share of social services and economic services constituted 44.10 and 29.24 per cent of total expenditure, respectively. **Table 1.16** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

Table 1.16: Efficiency of expenditure use in selected social and economic services

(In per cent)

Social/Economic Infrastructure	2014-15			2015-16		
	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
Social Services (SS)						
Education	3.28	78.04	0.05	2.27	80.97	0.07
Health and Family Welfare	13.14	52.97	0.27	5.03	50.39	0.22
Water supply, Sanitation, Housing & Urban Development	4.36	19.85	0.16	16.22	18.71	1.45
Total (SS)	5.34	42.30	0.16	4.94	50.96	0.29

⁹ See glossary

¹⁰ See glossary

Social/Economic Infrastructure	2014-15			2015-16		
	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
Economic Services (ES)						
Agriculture & Allied Activities	0.14	13.01	0.47	1.76	19.42	4.18
Irrigation and Flood Control	46.32	9.41	14.39	93.47	40.67	87.96
Power & Energy	14.37	0.31	0.04	0.55	0.55	0.18
Transport	39.27	3.17	29.24	66.63	2.85	62.05
Total (ES)	16.29	7.62	4.47	35.69	14.76	8.26
Total (SS+ES)	11.25	24.63	2.36	17.19	39.76	2.76

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 percentage of capital expenditure in Social Sector under Education, Health and Family Welfare, Water supply and Sanitation etc., constituted 4.94 *per cent* of the total expenditure in the sector. The percentage of capital expenditure in Economic Services constituted 35.69 *per cent* of total expenditure under Agriculture & Allied Activities, Irrigation and Flood Control, Power & Energy and Transport. 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**.

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 under control. In addition, the State Government is expected to initiate measures to ensure adequate returns on its investments and higher recovery of its loans and advances. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year.

1.11.1 Financial Results of Irrigation Projects

The financial results for the years upto 1985-86 in respect of the irrigation works costing more than one crore each have been included in the Finance Accounts of 1990-91. State Government has not disclosed¹¹ 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 impinge negatively on the quality of expenditure. As per information provided by the Government, none of the 274 projects which were due for completion by 31 March 2016 had been completed as on that date. The total amount of funds expended on these projects as of 31 March 2016 was ₹71,154 crore. Further, of the 274 incomplete projects, the original costs of 63 projects were revised upwards by ₹24,182.44 crore (45.82 *per cent*). Non-completion of these projects within the stipulated period not only resulted in cost overrun, but also deprived the State of the intended benefits for prolonged periods.

¹¹Appendix-VIII (Financial results of Irrigation Schemes) of Finance Accounts

The Department-wise position of incomplete projects, each costing above rupees one crore and due for completion as on 31 March 2016 are detailed in **Table 1.17**. The details of major and medium irrigation projects pending completion are given in **Appendix 1.7**.

Table 1.17: Department-wise profile of incomplete projects

(₹ in crore)

Nature of works	No. of incomplete Projects	Original cost	Revised total cost of projects	Cost overrun (No. of projects)	Cumulative Expenditure as on 31-03-2016
Irrigation and Command Area Development Department					
Major & Medium Irrigation	47	48,034.62	71,661.27	23,626.65	68,119.91
Minor irrigation	17	95.31	158.59	63.28	86.43
Roads and Buildings Department					
Roads and Bridges	106	1,570.59	1,788.10	217.51	503.25
Others					
Andhra Pradesh State Housing Corporation Limited	6	104.02	132.74	28.72	82.31
Public Health and Municipal Engineering Department	8	344.25	358.30	14.05	150.86
Andhra Pradesh Urban Finance and Infrastructure Development Corporation	17	2,429.60	2,725.92	296.32	2,094.17
Andhra Pradesh Medical Services Infrastructure Development Corporation	28	124.83	137.37	12.54	79.84
Andhra Pradesh Education, Welfare Infrastructure Development Corporation	45	76.63	76.63	0	37.23
Grand Total	274	52,779.85	76,962.29	24,182.44	71,154.00

Source: Departmental information

The major portion of incomplete works related to the Irrigation Sector. The reasons for delay as stated by the Departments were mainly i) Land acquisition problems, ii) court cases, iii) sites not handed over by various Depts., iv) change in designs, v) Government's ban on certain works etc.

1.11.3 Investment and return

Government makes investments in entities like Government companies, statutory corporations, other joint stock companies and Cooperative Banks/Societies etc. As of 31 March 2016, the State Government has invested ₹ 8,709¹² crore in Statutory Corporations (₹ 205.57 crore), Rural Banks (₹ 26.95 crore), Government Companies (₹ 6,599.39 crore), Joint Stock Companies (₹ 57.70 crore) and Co-operatives (₹ 1,819.47 crore). The status of return on the amount invested in these Corporations/Companies is given in **Table 1.18**.

¹² Out of ₹ 8,709 crore, Investments of ₹ 303.95 crore were made after 02 June 2014 by Government of Andhra Pradesh and ₹ 8,405.13 crore were yet to be apportioned among two successor States.

Table 1.18: Return on investment

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	6,093	6,210	6,385	8,455	8,709
Return (₹ in crore)	52	64	60	8	9
Return (<i>per cent</i>)	0.85	1.03	0.94	0.09	0.10
Average rate of interest on Government borrowing (<i>per cent</i>)	7.40	7.30	7.20	5.91	6.11
Difference between interest rate and return (<i>per cent</i>)	6.55	6.27	6.26	5.82	6.01

Source: Finance Accounts

The Government earned a meagre return of ₹9 crore in 2015-16 on its investment of ₹8,709 crore in various Corporations/Companies. The average rate of return on investment was negligible at 0.10 *per cent* during 2015-16, far lower than the average rate of interest the Government paid on its borrowings.

Non-disclosure of Investments:

All the investments made by the Government are booked in the accounts as Capital Expenditure and dividends received, if any, on such investments are booked as Revenue Receipts.

The following entities had paid dividends to the Government of Andhra Pradesh during 2014-15 and 2015-16 and the same were booked under revenue receipts in the respective years.

(₹ in crore)

Name of the entity	2015-16	2014-15	Total
M/s. Stree Nidhi Credit Co-operative Federation Limited	3.39	1.35	4.74
M/s. Mahindra & Mahindra	0.53	0	0.53
M/s. A.P. Oil Seeds Growers Federation Limited	0.30	0	0.30
Total	4.22	1.35	5.57

Though the dividend was booked as receipts, corresponding investment particulars during 2014-15 and 2015-16 in these institutions were not furnished by the Government, resulting in non-disclosure of total investments.

Non-availability of information on Investments with Government:

Details regarding investments, where returns were not being received from initial date of investment and cases where dividends accrued but not remitted into Government account were not made available.

1.11.4 Loans and advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government also provides loans and advances to institutions/organizations like Universities/Academic Institutions, PRIs, ULBs and Urban Development Authorities etc. **Table 1.19** presents the details of outstanding loans and advances during the last five years.

Table 1.19: Average interest received on loans advanced by State Government

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actual
Opening Balance	21,011	25,829	29,316	32,430	NA	28,549
Amount advanced during the year	4,983	3,913	3,689	1,210	718	674
Amount repaid during the year	165	426	575	5,092	NA	285
Closing Balance	25,829	29,316	32,430	28,548	NA	28,938
<i>Of which, outstanding balance for which terms and conditions have been settled</i>	NA	NA	NA	NA	NA	NA
Net addition	4,818	3,487	3,114	-3,882	NA	389
Interest Receipts	95	131	158	54	NA	133
Interest receipts as percentage of outstanding loans and advances	0.37	0.45	0.49	0.19	NA	0.47
Interest payments as percentage to outstanding fiscal liabilities of the State Government.	7.02	6.90	6.80	6.40	NA	5.67

Source: Finance Accounts; NA: Not Applicable

Loans outstanding as of 31 March 2016 amounted to ₹ 28,938 crore. Water supply, Sanitation, Housing & Urban Development (₹ 302.67 crore) and Transport (₹ 249.29 crore) were the major recipients of loans during the year. APGENCO (₹ 154.82 crore) was the main contributor to the repayment of loans (₹ 285 crore).

Out of the loans disbursed (₹ 674 crore) during 2015-16, fresh loans and advances of ₹ 451.64 crore were made to the entities from whom repayments of earlier loans (₹ 157.91 crore) were overdue; among them the A.P. State Housing Corporation (₹ 72.73 crore) was the major entity to whom the Government had disbursed an amount of ₹ 100.20 crore during 2015-16. The earliest period to which arrears related was 2002.

At the end of 2015-16, recovery of ₹ 34,904.15 crore (Principal: ₹ 28,087.90 crore and Interest: ₹ 6,816.28 crore) was due from borrowers. As of 31 March 2016, confirmation of balances of loans advanced to the tune of ₹ 28,570.50 crore was awaited. The earliest loan for which confirmation of balances was awaited related to 1984-85. Housing and Urban Development are the major entities from whom such confirmation of acceptances was awaited as of 31 March 2016 (total outstanding dues ₹ 18,897.76 crore).

Government had not maintained essential copies related to agreements, moratorium period, rate of interest on loans and confirmation of outstanding dues of loans given to various entities.

1.11.5 Cash balances and investment of Cash balances

Table 1.20 depicts the cash balances and investments made by the State Government during the year.

Table 1.20: Cash balances and their investment

	(₹ in crore)	
	Opening balance on 1/4/2015	Closing balance on 31/3/2016
(a) General Cash Balance		
Cash in Treasuries	---	---
Deposits with Reserve Bank	-585.13	-419.09
Deposits with other Banks	1.34	1.34
Remittances in transit - Local	2.90	2.90
Total	-580.89	-414.85
Investments held in Cash Balance investment account	--	3,193.28
Total (a)	-580.89	2,778.43
(b) Other Cash Balances and Investments		
Cash with Departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors	0.90	0.90
Permanent advances for contingent expenditure with Departmental officers	1.44	1.61
Investment of earmarked funds	4,512.84	5,411.44
Total (b)	4,515.18	5,413.95
Grand total (a)+ (b)	3,934.29	8,192.38

Source: Finance Accounts 2015-16

Investment of cash balances in GoI Treasury Bills

During the year, State Government invested ₹ 11,213.09 crore in GoI Treasury Bills and purchased Bills of ₹ 32,645.91 crore and sold ₹ 29,452.63 crore, leaving a balance of ₹ 3,193.28 crore and earned ₹ 89.25 crore as interest.

Investments out of earmarked funds

During the year 2015-16, State Government invested ₹ 4,512.84 crore out of earmarked funds in GoI securities and earned ₹ 409 crore as interest leaving a balance of ₹ 5,411.44 crore.

Maintenance of daily cash balance with RBI

As per an agreement with the RBI, State Government has to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Over Drafts (OD) from time to time. The minimum daily cash balance to be maintained with the RBI was ₹ 1.94 crore. The State Government without resorting to WMA, SWMA and OD from the RBI, maintained the minimum daily cash balance with the Bank for 99 days out of 366 days.

During the year 2015-16, Government had resorted to WMA, SWMA and OD from the Reserve Bank of India to the tune of ₹ 31,307.13 crore for various purposes and to maintain its minimum cash balance (₹ 1.94 crore) with the RBI on 267 days.

1.11.6 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of India or State or from outside agencies. The net accumulated balance in these Funds was ₹ 2,403.43 crore as on 31 March 2016.

(i) Consolidated Sinking Fund

On the recommendations of the Twelfth Finance Commission, the State Government had revised the guidelines pertaining to the existing Sinking Fund (created in 1999-2000 for amortization of open market loans) with effect from January 2010. Under these revised guidelines, the State Government was 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 guidelines of the Reserve Bank of India (RBI), which administers the Fund, outstanding liabilities are defined as Internal Debt and Public Account liabilities of the State Government. As on 31 March 2015, the outstanding liabilities of the Government of Andhra Pradesh were ₹ 1,48,743 crore. Against the requirement of ₹ 743.72 crore, the State Government contributed ₹ 510.23 crore to the Fund resulting in short contribution to the tune of ₹ 233.49 crore, during 2015-16.

(ii) Guarantee Redemption Fund

The State Government, in its FRBM Act, had 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) the Guarantee Redemption Fund for discharging the guarantees invoked, if any. The outstanding Guarantees as on 01 April 2015 were ₹ 10,675.30 crore. Against this, the Fund balance to the end of the year was ₹ 580.52 crore. Government has not contributed any amount to the fund during the year 2015-16.

1.12 Assets and Liabilities

1.12.1 Growth and composition of assets and liabilities

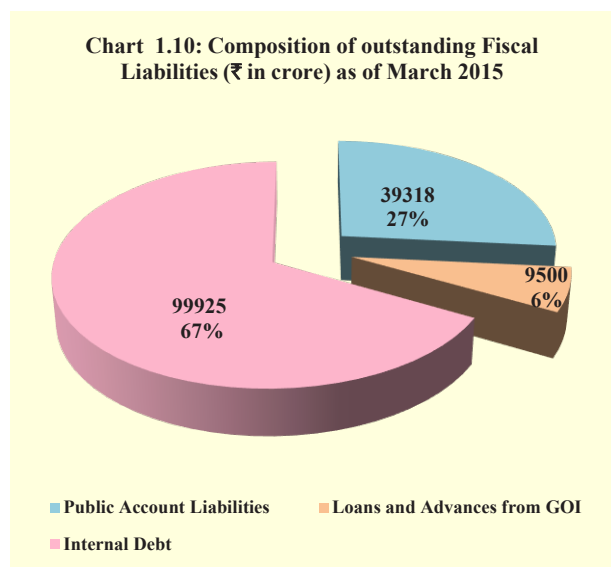
Government accounts reflect the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.8* gives an abstract of such liabilities and the assets as on 31 March 2016, compared with the corresponding position as on 31 March 2015. While liabilities consist mainly of internal borrowings, loans and advances from GoI, balances in the Public Account, assets comprise mainly 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, represent the liabilities under the Consolidated Fund of the State and the Public Account of the State besides, there are contingent liabilities in the form of guarantees given by the State Government where the principal and/or interest are to be serviced out of the State budgets.

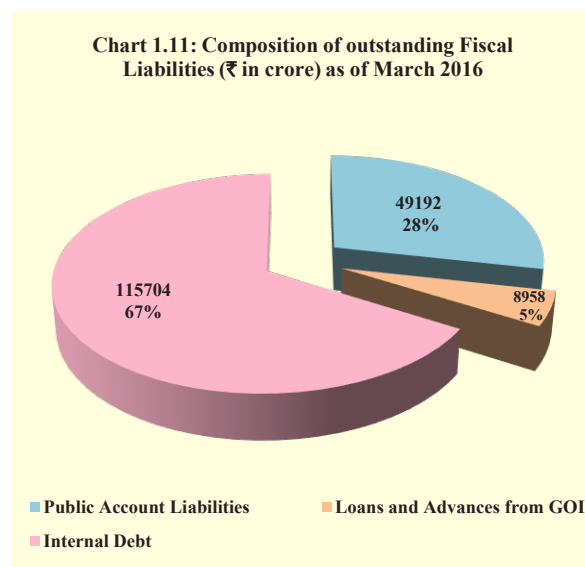
1.12.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.6 (part D)*. The total fiscal liabilities of the State at the end of 2015-16 were ₹ 1,73,854 crore and stood at 1.96 times of revenue receipts and 28.81 *per cent* of GSDP.

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.10 and 1.11**.



Source: Finance Accounts 2014-15



Source: Finance Accounts 2015-16

- **Internal Debt:** During the year the Government borrowed ₹ 52,997 crore from Market Loans, Financial Institutions and Ways and Means Advances/Overdraft from RBI and repaid ₹ 37,217 crore leaving a balance of ₹ 1,15,704 crore.
- **Loans and Advances from GoI:** Government had taken loans and advances to the tune of ₹ 685 crore from GoI for the year 2015-16 and repaid ₹ 1,228 crore, leaving a balance of ₹ 8,958 crore.
- **Public Account Liabilities:** In addition to the Public Debt, the balances under Small Savings, Provident Funds, Reserve Funds, Deposits also form part of liabilities of the Government. During the year, Government utilized ₹ 54,890 crore from these balances and repaid ₹ 45,017 crore, leaving a balance of ₹ 49,192 crore.

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. The maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table 1.21**.

Table 1.21: Guarantees given by the Government of Andhra Pradesh

Guarantees	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed	23,543	38,084	55,536	11,323	10,623
Outstanding amount of guarantees	12,286	14,857	31,153	10,675	7,059
Percentage of maximum amount guaranteed to total revenue receipts	25.17	36.68	50.16	12.49	11.98

Source: Finance Accounts

The outstanding guarantees at the beginning of the year 2015-16 totalled ₹10,675.30 crore, which declined to ₹7,058.53 crore by the end of the year.

The maximum amount guaranteed during the year (₹10,623 crore) was only 12 per cent of the total revenue receipts (₹90,672 crore) of the preceding year as well below the 90 per cent limit prescribed by the FRBM Act.

1.12.4 Off-Budget Borrowings

In addition to the liabilities shown in *Appendix 1.8*, the State Government guarantees loans availed of 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 projected that funds for these programmes would be met out of the Company or the Corporation's budget, in reality, the borrowings of many of these concerns ultimately turned out to be liabilities of the State Government and hence, constituted off-budget borrowings.

As of 31 March 2016 the total outstanding off-budget borrowings of the State was ₹7,162 crore (APPFC: ₹5,895 crore, APTRANSCO: ₹1,267 crore) raised by Government Companies/Corporations upto the year 2015-16.

The total liabilities of the State comprising fiscal liabilities (₹1,73,854 crore), off-budget borrowings (₹7,162 crore) and outstanding guarantees (₹7,059 crore) at the end of March 2016 were ₹1,88,075 crore, which, as a ratio of GSDP, stood at 31.17 per cent i.e. more than the ceiling of 24.33 per cent prescribed by 14th FC for the year 2015-16.

1.13 Debt Management

Table 1.22 analyses the debt sustainability of the State during the five-year period 2011-16.

Table 1.22: Debt sustainability: Indicators during 2011-16

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Debt (₹ in crore)	1,23,103	1,38,737	1,56,743	1,09,425	1,24,662
Rate of growth of Outstanding Debt	23.63	12.70	12.98	(-)30.19	13.92
GSDP (₹ in crore)	3,79,230	4,10,961	4,68,494	5,32,922	6,03,376
Rate of growth of GSDP		8.37	14.00	13.75	13.22
Average interest rate of outstanding debt	9.49	8.91	8.74	7.52	8.41
Interest Payment/Revenue Receipts	0.11	0.11	0.12	0.11	0.11

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Debt Repayment/Debt Receipts	0.35	0.33	0.29	0.33	0.72
Net Debt available to State (₹ in crore)	12,689	15,634	18,006	22,161	15,236

Source: Finance Accounts

The net debt available to the State was positive, indicating the availability of borrowed funds for purposes other than debt repayment.

The maturity profile of State debt is shown in **Table 1.23**.

Table 1.23: Maturity Profile of State Debt

(₹ in crore)		
Maturity profile	Amount	Percentage
0 – 1 year	4089	3.26
1 – 3 years	14872	11.86
3 – 5 years	20255	16.15
5 – 7 years	24526	19.55
7 years and above	61701	49.18
Total	125443	100

Source: Finance Accounts 2015-16

The maturity profile of Debt as on 31 March 2016 indicated that State had to repay more than 50 *per cent* of debt within the next 7 years. It further indicated that the liability of the State to repay the debt would be ₹ 20,255 crore during 2019-21 and ₹ 24,526 crore during 2021-23, which might put a strain on the Government budgets during that period. A well thought out debt repayment strategy would have to be worked out by the Government to obviate additional borrowings in these critical years.

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 important pointers to fiscal health. This section presents the 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 2015-16.

1.14.1 Indicators of fiscal imbalances

The revenue and fiscal deficits for the year 2015-16 was ₹ 7,302 crore and ₹ 22,057 crore, respectively. The Primary Deficit was ₹ 12,208 crore.

- **Revenue Deficit:** Revenue Deficit represents the difference between revenue receipts and revenue expenditure. The Revenue Deficit for the year 2015-16 was ₹ 7,302 crore and stood at 1.21 *per cent* to GSDP.
- **Fiscal Deficit:** Fiscal Deficit is the excess of actual expenditure over non-debt receipts. The Fiscal Deficit for the year was ₹ 22,057 crore and stood at 3.66 *per cent* to GSDP.
- **Primary Deficit:** Primary Deficit is measured by subtracting the Interest Payments from the Fiscal Deficit. It is a measure of the current year's fiscal operation after excluding the liability of Interest Payment created due to borrowings undertaken in the past.

The Primary Deficit for the year was ₹ 12,208 crore and stood at 2.02 *per cent* to GSDP.

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

(₹ in crore)

Sl.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16		
						Receipts	Disbursements	Net
A	Components of Fiscal Deficit (1 to 4)	-15,401	-17,508	-18,041	-31,717	88,933	1,10,990	-22,057
1	Revenue deficit	3,138	1,128	344	-24,194	88,648	95,950	-7302
2	Capital Outlay	-13,722	-15,149	-15,271	-11,405	0	14,171	-14,171
3	Net Loans and Advances	-4,818	-3,487	-3,114	3,882	285	674	-389
4	Net Inter-state settlement	0	0	0	0	0	195	-195
B	Financing Pattern of Fiscal Deficit							
1	Net Borrowings from Consolidated Fund	12,689	15,635	18,006	22,161	53,681	38,445	15,236
a	Market Borrowings*	10,918	15,598	17,892	22,719	52,996	37,217	15,779
b	Loans from GoI	1,771	37	114	-588	685	1,228	-543
2	Net Public Account	3,351	910	505	9,007	1,20,461	1,13,473	6,988
a	Small Savings, PF etc.	1,220	1,190	1,072	1,304	2,543	1,290	1,253
b	Reserve Funds	351	82	379	-296	2,247	2,198	49
c	Deposits and Advances	1,346	1,666	1,195	5,348	50,138	41,566	8,572
d	Suspense and Misc.	337	-1,347	-2,193	4,011	50,745	54,067	-3,322
e	Remittances	97	-681	52	-1,360	14,788	14,352	436
3	Contingency Fund	1	-2	-1	3	0	0	0
4	Accretion to Cash Balance	-640	965	-469	546	-581	-415	-166

Source: Finance Accounts. *Includes borrowings from other Institutions and Ways and Means Advances.

It can be seen that mostly Capital Outlay accounted for the fiscal deficit (64.24 *per cent*) while market borrowings financed 71.53 *per cent* of the fiscal deficit.

1.14.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit¹³ and capital outlay (including loans and advances) indicates the quality of deficit in the State finances. The bifurcation of primary deficit (**Table 1.25**) into primary revenue deficit and capital outlay indicates the extent to which the deficit has been applied to augment asset creation in the State.

Table 1.25: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Primary revenue surplus	Capital Outlay	Loans and Advances	Primary deficit(-)/ surplus(+)	Primary revenue surplus/ Capital Outlay (%)
2011-12	13,865	13,722	4,983	(-)4,840	101.04
2012-13	13,216	15,149	3,913	(-)5,846	86.65
2013-14	13,830	15,280	3,689	(-)5,130	90.51
2014-15	(-)9,095	11,405	1,210	(-)21,710	(-)79.75
2015-16	2,832	14,171	674	(-)12,208	19.98

Source: Finance Accounts

¹³ See glossary

During the year 2015-16, the primary revenue surplus fell far short of the capital outlay.

1.15 Apportionment of balances between Andhra Pradesh and Telangana

As per Andhra Pradesh State Re-organization Act, 2014, the balances under Cumulative Capital expenditure, Loans and Advances, Public Debt and the balances under Public Account are to be apportioned between Andhra Pradesh and Telangana States. The balances apportioned and un-apportioned as on 31 March 2016 are given in *Appendix 1.9*.

1.16 Conclusion

The composite State of Andhra Pradesh had enacted the Andhra Pradesh Fiscal Responsibility and Budget Management (APFRBM) Act, 2005 to ensure prudence in fiscal management and fiscal stability by prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework etc. Further, important targets relating to fiscal variables are to be amended from time to time in accordance with the Central Finance Commissions' recommendations. However, the new Government of Andhra Pradesh, after reorganization of the State, is yet to amend its Fiscal Responsibility and Budget Management Act in accordance with the 14th Finance Commission's recommendations, especially in respect of fiscal targets viz., revenue deficit, fiscal deficit and total outstanding liabilities to Gross State Domestic Product (GSDP). Government of India was addressed for relaxation of these parameters for which concurrence is awaited. Meanwhile, State Government could not achieve the fiscal reform targets for this year as prescribed by 14th Finance Commission. The fiscal deficit (₹ 22,057 crore) at 3.66 per cent of GSDP was still more than the prescribed limit of 3.25 per cent for the year 2015-16. Total liabilities of ₹1,88,075 crore stood at 31.17 per cent of GSDP against the target of 24.33 per cent prescribed by 14th Finance Commission for the year 2015-16.

Revenue receipts (₹ 88,648 crore) registered a shortfall of ₹ 1,476 crore (1.64 per cent) during the year over the Budget estimates for 2015-16 (₹ 90,174 crore). Revenue expenditure (₹ 95,950 crore) at 15.90 per cent of Gross State Domestic Product (GSDP) was less than the Budget estimates (₹ 97,425 crore). During the current year, 92.39 per cent of the revenue expenditure was met from revenue receipts and the balance (₹ 7,302 crore) was financed from borrowed funds.

While capital expenditure (₹ 14,171 crore) was more than the Budget estimates (₹ 9,819 crore) by 44.33 per cent, its ratio to total expenditure stood at 12.80 per cent.

Return on investment in Companies/Statutory Corporations continued to be poor. The level of recovery of loans was low.

Out of 29 subjects listed for devolution to strengthen the Panchayat Raj Institutions in Eleventh Schedule of the Constitution, State Government had devolved 10 functions only in 2007-08 and, thereafter, no initiative was taken for devolving the remaining functions.

