

Andhra Pradesh Budget Analysis 2018-19

The Finance Minister of Andhra Pradesh, Mr. Yanamala Ramakrishnudu, presented the Budget for financial year 2018-19 on March 8, 2018.

Budget Highlights

- The **Gross State Domestic Product** of Andhra Pradesh for 2018-19 (at current prices) is approximately Rs 8,70,326 crore.* This is 10% higher than the revised estimate for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 1,91,064 crore, a 19.5% increase over the revised estimates of 2017-18. In 2017-18, there was an increase of Rs 2,823 crore (1.8%) in expenditure over the budget estimates.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 1,57,599 crore, an increase of 25.4% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) fell short of the budgeted estimate by Rs 1,328 crore.
- **Revenue surplus** for the next financial year is targeted at Rs 5,235 crore, or 0.6% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 24,205 crore (2.8% of GSDP).
- The departments of education, municipal administration and urban development, health, medical and family welfare are estimated to witness the highest increase in allocations over the previous year.

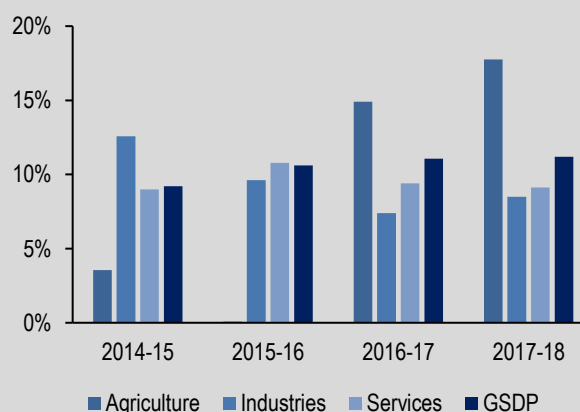
Policy Highlights

- A **Youth Policy** will be formulated for the implementation of youth empowerment and advancement programmes. Rs 1,000 crore is allocated for this purpose.
- A **Mega Seed Park** project is initiated to ensure availability of quality seeds to farmers at low cost, and to develop Andhra Pradesh as a global seed hub. Rs 100 crore is allocated for this purpose.
- It is proposed to launch a **new livestock insurance scheme** to insure 10 lakh animals. Rs 50 crore is allocated for this purpose.
- It is proposed to provide pucca housing to every poor person in urban areas by 2022. Rs 1,000 crore has been allocated to the Andhra Pradesh Township and Infrastructure Development Corporation Ltd.
- Rs 1,168 crore is allocated to complete two out of four nodes (Visakhapatnam and Srikalahasti-Yerpedu) under the Visakhapatnam-Chennai Industrial Corridor.

Andhra Pradesh Economy

- **Economy:** The growth in GSDP of Andhra Pradesh has been increasing from 7% in 2013-14 to 11.2% in 2017-18.
- The services sector, with a share of 44%, in the GSDP grew by 9.1% in 2017-18 over the previous year.
- Agriculture, which contributes to 34% of the GSDP, grew by 17.8% in 2017-18. Industries, with a share of 22%, grew by 8.5% in 2017-18.
- **Per capita income:** The per capita income of Andhra Pradesh in 2017-18 (at current prices) is Rs 1,42,054. This is more than the average national per capita income of Rs 1,12,764 in 2017-18.

Figure 1: Sector-wise growth in Andhra Pradesh (year-on-year)



Source: Andhra Pradesh Socio Economic Survey 2017-18; PRS.

* Notes: GSDP has been calculated based on public debt as % of GSDP as given in the budget in brief document.

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 1,91,064 crore. This is 19.5% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,57,599 crore, and borrowings of Rs 33,461 crore. Total receipts for 2018-19 (other than borrowings) are expected to be 25.4% higher than the revised estimates of 2017-18.

Table 1: Budget 2018-19 - Key figures (Rs crore)

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Total Expenditure	1,66,699	1,56,999	1,59,822	1.8%	1,91,064	19.5%
A. Borrowings	59,923	30,020	30,500	1.6%	33,461	9.7%
B. Receipts (except borrowings)	1,06,959	1,26,968	1,25,640	-1.0%	1,57,599	25.4%
Total Receipts (A+B)	1,66,882	1,56,988	1,56,140	-0.5%	1,91,060	22.4%
Revenue Deficit (-)/Surplus (+)	-17,194	-416	-4,018	866.3%	5,235	-230.3%
As % of GSDP	-2.5%	-0.1%	-0.5%		0.6%	
Fiscal Deficit (-)/Surplus (+)	-30,909	-23,054	-27,603	19.7%	-24,205	-12%
As % of GSDP	-4.5%	-2.9%	-3.5%		-2.8%	
Primary Deficit (-)/Surplus (+)	-19,211	-8,272	-12,847	55.3%	-9,128	-28.9%
As % of GSDP	-2.8%	-1.0%	-1.6%		-1.0%	

Notes: GSDP has been calculated based on public debt as % of GSDP as given in the budget in brief document. BE is Budget Estimate; RE is Revised Estimate.

Sources: Andhra Pradesh Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- Capital expenditure** for 2018-19 is proposed to be Rs 40,792 crore, which is an increase of 25.3% over the revised estimates of 2017-18. This includes expenditure which affects the assets and liabilities of the state, and leads to creation of assets (such as bridges and hospitals), and repayment of loans, among others.
- Revenue expenditure** for 2018-19 is proposed to be Rs 1,50,272 crore, which is an increase of 18.1% over revised estimates of 2017-18. This expenditure includes payment of salaries, maintenance, etc.
- In 2018-19, Andhra Pradesh is expected to spend Rs 25,928 crore on servicing its debt (i.e., Rs 10,851 crore on repaying loans, and Rs 15,077 crore on interest payments). This is 11.4% higher than the revised estimates of 2017-18.

In 2018-19, Andhra Pradesh estimates to spend Rs 25,836 crore on centrally sponsored schemes. This is 32% more than the revised estimate in 2017-18.

In 2017-18, there was a decrease of Rs 2,492 crore (11%) in the expenditure towards centrally sponsored scheme over the budget estimates (Rs 22,132 crore).

Table 2: Expenditure budget 2018-19 (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	50,520	31,088	32,550	4.7%	40,792	25.3%
Revenue Expenditure	1,16,178	1,25,912	1,27,272	1.1%	1,50,272	18.1%
Total Expenditure	1,66,699	1,56,999	1,59,822	1.8%	1,91,064	19.5%
A. Debt Repayment	34,776	8,009	8,525	6.4%	10,851	27.3%
B. Interest Payments	11,697	14,783	14,756	-0.2%	15,077	2.2%
Debt Servicing (A+B)	46,473	22,792	23,281	2.1%	25,928	11.4%

Notes: BE is Budget Estimate; RE is Revised Estimate.

Sources: Andhra Pradesh Budget Documents 2018-19; PRS.

Department expenditure in 2018-19

The departments listed below account for **54%** of the total budget of Andhra Pradesh in 2018-19. A comparison of Andhra Pradesh's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

Table 3: Sector-wise expenditure for Andhra Pradesh Budget 2018-19 (Rs crore)

Department	2016-17 Actuals	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget Provisions for 2018-19
Education	17,461	20,225	24,961	23.4%	<ul style="list-style-type: none"> Teaching grants for payment of salaries in Mandal Praja Parishads and Zilla Praja Parishads account for 64% of the allocation under school education. Rs 1,799 crore is allocated for Sarva Shiksha Abhiyan. This is 30% more than the revised estimate in 2017-18.
Rural Development and Panchayati Raj	18,574	21,687	23,439	8.1%	<ul style="list-style-type: none"> Rs 14,705 crore has been allocated for rural development. This includes Rs 4,200 crore for NTR Pensions for old age persons and widows. Rs 8,733 has been allocated for panchayati raj. This includes Rs 1,450 crore for Swachh Bharat Mission Gramin. This is 26% less than the revised estimates of 2017-18.
Water Resources	10,638	15,511	16,978	9.5%	<ul style="list-style-type: none"> Rs 9,994 crore has been allocated for the Polavaram project. This is 55% more than the revised estimates for the project in 2017-18.
Agriculture and Cooperation	6,691	8,057	10,097	25.3%	<ul style="list-style-type: none"> Rs 4,100 crore is allocated for providing debt waiver to farmers. This is 14% more than the allocation in 2017-18. Rs 1,102 crore is allocated for Pradhan Mantri Krishi Sinchayi Yojana. This is 20% more than the revised estimate in 2017-18.
Health, Medical and Family Welfare	6,332	6,542	8,464	29.4%	<ul style="list-style-type: none"> Rs 1,956 crore allocated for National Health Mission. This is 33% more than the revised estimate in 2017-18.
Municipal Administration and Urban Development	5,073	5,049	7,741	53.3%	<ul style="list-style-type: none"> Rs 800 crore allocated for Smart Cities: Visakhapatnam, Kakinada, and Tirupati.
Home	4,727	5,451	6,227	14.2%	<ul style="list-style-type: none"> Rs 173 crore allocated for modernization of police forces.
Backward Classes Welfare	4,118	4,783	6,213	29.9%	<ul style="list-style-type: none"> Rs 1,146 crore is allocated for pre-matric scholarships. This is 10% more than the allocation in the 2017-18.
% of total expenditure	44%	55%	54%		
Total expenditure	1,66,699	1,59,822	1,91,064		

Notes: BE is Budget Estimate; RE is Revised Estimate.

Source: Andhra Pradesh Budget Speech 2018-19 and Demands for Grants; PRS.

- In 2018-19, the department of municipality administration and urban development saw the highest growth (53.3%) in allocation. This is followed by the department of backward classes welfare (29.9%), and the department of health, medical and family welfare (29.4%).
- In 2017-18, the department of water resources saw an increase of 21.5% (Rs 2,740 crore) in expenditure at the revised stage. On the other hand, the department of education, saw a decrease of 4.2% (Rs 884 crore) in expenditure at the revised stage.

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 1,55,507 crore, an increase of 26.2% over the revised estimates of 2017-18. Of this, Rs 70,882 crore will be raised by the state through its **own resources** (46% of the revenue receipts), and Rs 84,626 crore will be **devolved by the centre** in the form of grants and the state's share in taxes (54% of the revenue receipts).
- **Non Tax Revenue:** Andhra Pradesh has estimated to generate Rs 5,347 crore through non-tax sources in 2018-19. This is an increase of 34% over the revised estimates of 2017-18. In 2017-18, the estimated revenue from fell short by 21.7% at the revised stage. This was due to a fall in collections from the sale of red sandalwood.

Between 2012-13 and 2018-19, the share of non-tax revenue in the total revenue receipts of Andhra Pradesh has decreased from 15% to 3%.

Table 4: Break up of state government receipts (Rs crore)

Item	2016-2017 Actuals	2017-2018 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-2019 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	44,181	53,717	52,716	-1.9%	65,535	24.3%
State's Own Non-Tax	5,193	5,092	3,989	-21.7%	5,347	34.0%
Share in Central Taxes	26,264	29,139	29,001	-0.5%	33,930	17.0%
Grants-in-aid from Centre	23,346	37,548	37,548	0.0%	50,696	35.0%
Total Revenue Receipts	98,984	1,25,496	1,23,254	-1.8%	1,55,507	26.2%
Borrowings	59,923	30,020	30,500	1.6%	33,461	9.7%
Other receipts	7,975	1,472	2,386	62.1%	2,091	-12.3%
Total Capital Receipts	67,897	31,492	32,886	4.4%	35,552	8.1%
Total Receipts	1,66,882	1,56,988	1,56,140	-0.5%	1,91,060	22.4%

Notes: BE is Budget Estimate; RE is Revised Estimate.

Sources: Andhra Pradesh Budget Documents 2018-19; PRS.

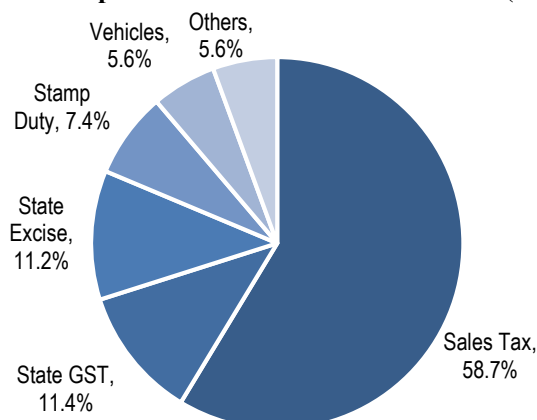
- **Tax Revenue:** The total own tax revenue of Andhra Pradesh is estimated to be Rs 65,535 crore in 2018-19. The composition of the state's tax revenue is shown in Figure 2.
- The tax to GSDP ratio is targeted at 7.5% in 2018-19, which is higher than the revised estimate of 6.6% in 2017-18. This implies that growth in collection of taxes is expected to be higher than the growth in the state economy.

The central government will compensate state governments for any revenue loss due to the implementation of GST for a period of five years.

In 2018-19, Andhra Pradesh has estimated to receive Rs 2,000 crore from the central government as compensation.

The state is estimated to receive Rs 1,000 crore in 2017-18 (revised estimates). Note that, it had not estimated any compensation in its budget for 2017-18 presented last year.

Figure 2: Composition of Tax Revenue in 2018-19 (BE)



- Sales Tax is expected to be the largest (59%) component of Andhra Pradesh's own tax revenue in 2018-19. It is expected to generate Rs 38,448 crore. This is 17% more than the revised estimates in 2017-18.
- The state is expected to generate Rs 7,492 crore (11%) through the state goods and services tax (SGST). Further, it is expected to raise Rs 7,358 crore from the state excise duty, which is levied on the manufacture of alcohol.
- Tax revenue will also be generated by levying stamp duty on real estate transactions, taxes on vehicles, and land revenue.

Deficits, Debts and FRBM Targets for 2018-19

The Andhra Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue deficit: It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets.

The budget estimates a revenue surplus of Rs 5,235 crore (or 0.6% of GSDP) in 2018-19. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The estimate indicates that the state is expected to meet the target of eliminating revenue deficit, as prescribed by the 14th Finance Commission.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2018-19, fiscal deficit is estimated to be Rs 24,205 crore, which is 2.8% of the GSDP. The estimate is within the 3% limit prescribed by the 14th Finance Commission. The Finance Commission had recommended that this limit may be relaxed to a maximum of 3.5% if states are able to contain their debt and interest payments to certain specified levels.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2018-19, the outstanding liabilities are expected at 28.7% of the GSDP.

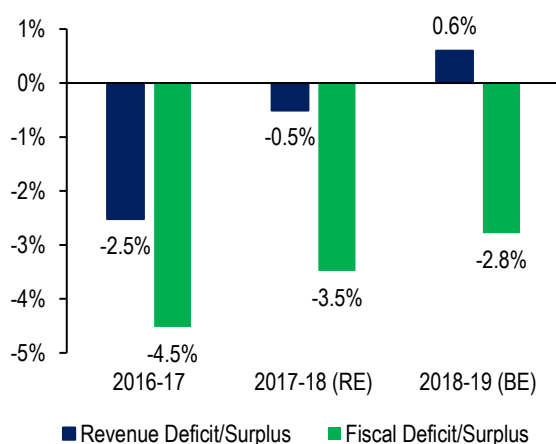
Table 5: Budget targets for deficits for Andhra Pradesh (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	-2.5%	-4.5%	28.8%
2017-18 (RE)	-0.5%	-3.5%	28.4%
2018-19 (BE)	0.6%	-2.8%	28.7%

Sources: Andhra Pradesh Budget Documents 2018-19; PRS.

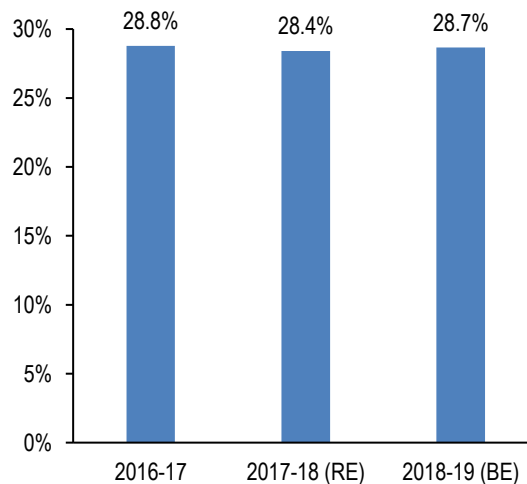
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2018-19:

Figure 3: Revenue and Fiscal Deficit (% of GSDP)



Sources: Andhra Pradesh Budget Documents 2018-19; PRS.

Figure 4: Outstanding liabilities (% of GSDP)



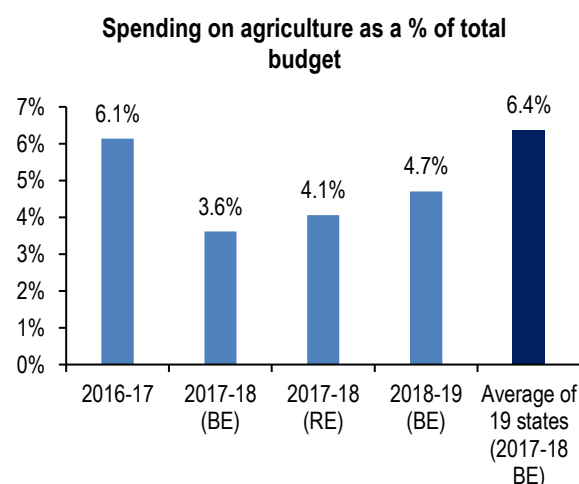
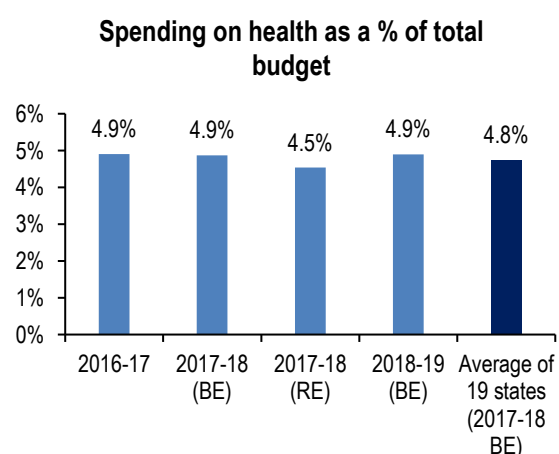
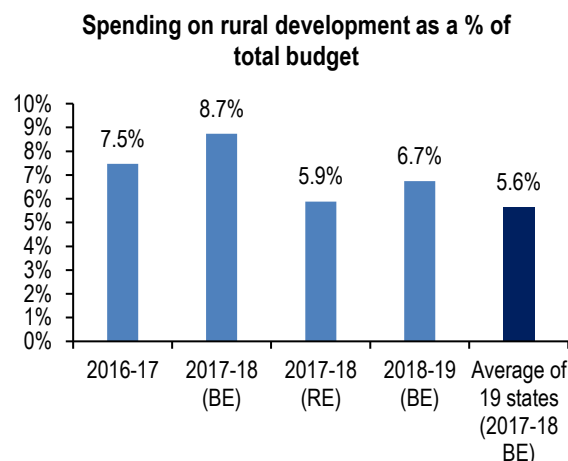
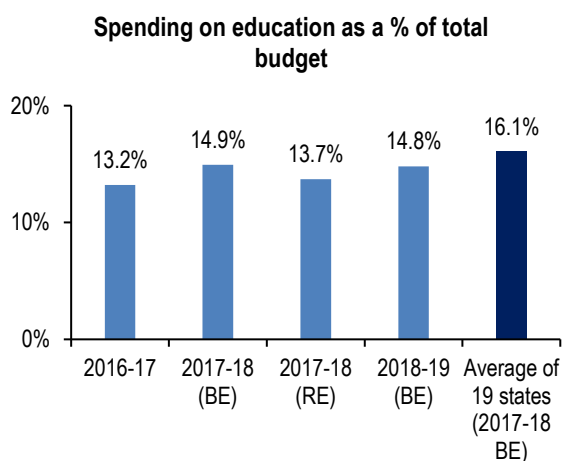
Sources: Andhra Pradesh Budget Documents 2018-19; PRS.

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Annexure

The graphs below compare Andhra Pradesh's expenditure on four key sectors as a proportion of its total budget, with 18 other states.²

- **Education:** Andhra Pradesh has allocated 14.8% of its total budget on education in 2018-19. This is lower than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- Between 2016-17 and 2018-19, there is a gradual increase in the spending on education from 13.2% to 14.8%.
- **Rural development:** Andhra Pradesh has allocated 6.7% of its expenditure on rural development. This is higher than the average (5.6%) of the 18 other states.
- In 2017-18, spending on rural development was estimated to account for 8.7% of the total budgeted expenditure. However, there was a substantial fall in expenditure at the revised stage (5.9%).
- **Health:** Andhra Pradesh has allocated 4.9% of its total expenditure on health, which is marginally higher than the average expenditure of 18 other states. Further, the overall trend in spending on health has been constant. Between 2016-17 and 2018-19, the state spent between 4.5%-5% of its total budget on health.
- **Agriculture:** The state has allocated 4.7% of its total budget towards agriculture and allied activities. This is lower than the allocations of 18 other states (6.4%). Further, this is also a sharp drop in spending on agriculture from 6.1% in 2016-17 within the state.



Note: 2016-17, 2017-18 (BE), 2017-18 (RE), and 2018-19 (BE) figures are for Andhra Pradesh.
Source: Annual Financial Statement (2017-18 and 2018-19), various state budgets; PRS.

² The 18 states apart from Andhra Pradesh are: Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal.