

Andhra Pradesh Budget Analysis 2023-24

The Finance Minister of Andhra Pradesh, Mr. Buggana Rajendranath, presented the Budget for the state for the financial year 2023-24 on March 16, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Andhra Pradesh for 2023-24 (at current prices) is projected to be Rs 14,49,501 crore, amounting to growth of 10% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 2,60,868 crore, an increase of 16% over the revised estimates of 2022-23. In addition, debt of Rs 18,411 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 2,06,280 crore, an increase of 17% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to decrease by 7.7% at the revised stage.
- **Revenue deficit** in 2023-24 is estimated to be 1.5% of GSDP (Rs 22,317 crore), lower than the revised estimates for 2022-23 (2.2% of GSDP). In 2022-23, the revenue deficit is expected to be higher than the budget estimate (1.3% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 3.8% of GSDP (Rs 54,588 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 3.6% of GSDP, same as the budget estimates for the year.

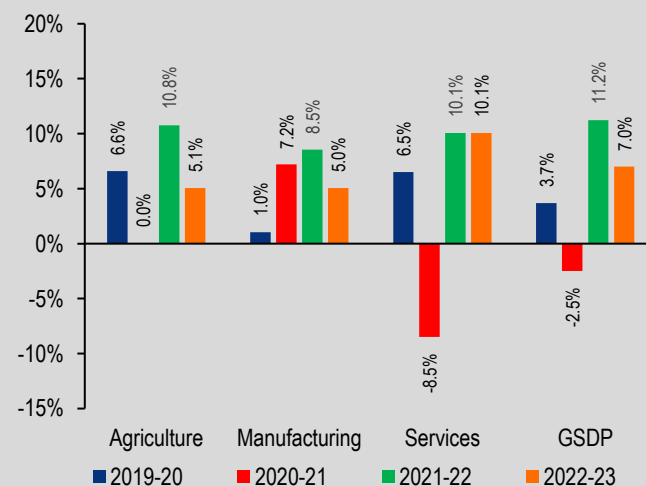
Policy Highlights

- **Loan waiver scheme:** The YSR Aasara scheme for waiving outstanding bank loans of women self-help groups was launched in 2020. Rs 6,700 crore has been allocated towards the scheme in 2023-24.
- **Urban Development and Housing:** Rs 9,381 crore will be allocated towards municipal administration and urban development department in 2023-24. Under the Pedalanderiki Illu Scheme, 30.21 lakh permanent houses will be provided by 2023, of which 4.4 lakh have been constructed so far. Rs 5,600 crore has been allocated towards this scheme in 2023-24.
- **Livestock insurance:** The YSR Pasu Bhima Yojana has been approved which seeks to provide livestock insurance to farmers. It will cover improved and indigenous as well as nondescript breeds of animals.
- **Pension:** The government seeks to increase the pension for various categories of pensioners in the state to Rs 3,000 in the coming years. It has allocated Rs 21,434 crore towards YSR Pension Kanuka in 2023-24.

Andhra Pradesh's Economy

- **GSDP:** In 2022-23, Andhra Pradesh's GSDP (at constant prices) is estimated to grow at 7%, same as the national GDP in 2022-23.
- **Sectors:** In 2022-23, services sector grew at 10% over a low base (see Figure 1). Manufacturing and agriculture sector grew at 5% each. In 2022-23, agriculture, manufacturing and services sectors are estimated to contribute 39%, 21%, and 40% to the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Andhra Pradesh in 2021-22 (at current prices) is estimated at Rs 2,19,518.

Figure 1: Andhra Pradesh GSDP and Sectoral Growth at Constant Prices (2011-12)



Note: These figures are at constant prices (2011-12) which means the growth rate has been adjusted for inflation. Sources: Economic Survey of Andhra Pradesh 2022-23; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 2,60,868 crore. This is an increase of 16.3% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 2,06,280 crore and net borrowings of Rs 53,611 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 16.9% over the revised estimate of 2022-23.
- **Revenue deficit** in 2023-24 is estimated to be 1.5% of GSDP (Rs 22,317 crore), lower than the revised estimates for 2022-23 (2.2% of GSDP). **Fiscal deficit** for 2023-24 is targeted at 3.8% of GSDP (Rs 54,588 crore), higher than the revised estimates for 2022-23 (3.6% of GSDP).

Table 1: Budget 2023-24 - Key figures (in Rs crore)

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Total Expenditure	1,91,594	2,56,257	2,40,509	-6.1%	2,79,279	16.1%
(-) Repayment of debt	13,920	16,270	16,291	0.1%	18,411	13.0%
Net Expenditure (E)	1,77,674	2,39,986	2,24,219	-6.6%	2,60,868	16.3%
Total Receipts	2,05,946	2,56,078	2,41,480	-5.7%	2,78,302	15.2%
(-) Borrowings	53,284	64,816	64,978	0.2%	72,022	10.8%
Net Receipts (R)	1,52,662	1,91,262	1,76,502	-7.7%	2,06,280	16.9%
Fiscal Deficit (E-R)	25,013	48,724	47,717	-2.1%	54,588	14.4%
as % of GSDP	2.1%	3.6%	3.6%		3.8%	
Revenue Deficit	8,611	17,036	29,108	70.9%	22,317	-23.3%
as % of GSDP	0.7%	1.3%	2.2%		1.5%	
Primary Deficit	2,847	27,384	22,429	-18.1%	25,914	15.5%
as % of GSDP	0.2%	2.0%	1.7%		1.8%	

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Andhra Pradesh Budget 2023-24; PRS.

Expenditure in 2023-24

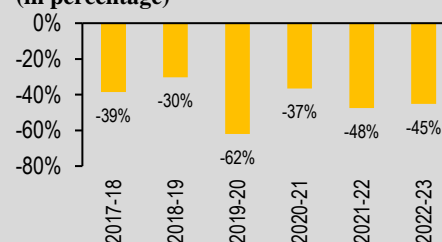
- **Revenue expenditure** for 2023-24 is proposed to be Rs 2,28,541 crore, an increase of 11% over the revised estimate of 2022-23. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 31,061 crore, an increase of 84% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets. In 2022-23, capital outlay was 45% lower than the budget estimates for the year (Rs 30,680 crore).

Estimation of capital outlay

A trend of overestimation in capital outlay and significant reduction in actual expenditure has been observed over the years.

Expenditure on capital outlay typically reduces when lower revenue is realised. This is because revenue expenditure such as expenditure on pension and interest payment cannot be reduced in the short term. In 2023-24, 24% of estimated revenue receipts will be spent on pension and interest.

Figure 2: Decrease in actual capital outlay in comparison with the budgeted estimate (in percentage)



Sources: Andhra Pradesh budget documents for various years; Reserve Bank of India; PRS.

Table 2: Expenditure budget 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Revenue Expenditure	1,59,163	2,08,261	2,05,556	-1%	2,28,541	11%
Capital Outlay	16,373	30,680	16,847	-45%	31,061	84%
Loans given by the state	2,138	1,046	1,816	74%	1,266	-30%
Net Expenditure	1,77,674	2,39,986	2,24,219	-7%	2,60,868	16%

Sources: Annual Financial Statement, Andhra Pradesh Budget 2023-24; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2023-24, Andhra Pradesh is estimated to spend Rs 49,840 crore on committed expenditure, which is 24% of its estimated revenue receipts. This comprises spending on pension (10%), and interest payments (14%). Note that this figure does not include the expenditure on salaries (which is not available). In 2022-23, 26% of revenue receipts were spent towards committed expenditure (exclusive of salaries), lower than the 28% in 2021-22.

Table 3: Committed Expenditure in 2023-24 (in Rs crore)

Committed Expenditure	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 2022-23 to RE 2022-23	2023-24 Budgeted	% change from RE 2022-23 to BE 2023-24
Salaries	NA	NA	NA	-	NA	-
Pension	20,327	17,267	20,697	20%	21,166	2%
Interest	22,165	21,340	25,288	19%	28,674	13%
Committed Expenditure	42,492	38,607	45,986	19%	49,840	8%

Sources: Annual Financial Statement, Andhra Pradesh Budget 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for **68%** of the total expenditure on sectors by the state in 2023-24. A comparison of Andhra Pradesh's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Andhra Pradesh Budget 2023-24 (in Rs crore)

Sector	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	2023-24 Budgeted	% change from RE 22-23 to BE 23-24	Demand Provisions
Welfare of SC, ST, OBC, and Minorities	22,325	45,927	42,436	51,292	21%	<ul style="list-style-type: none"> Rs 4,360 crore has been allocated towards Andhra Pradesh Scheduled Castes Corporations. Rs 1,051 crore has been allocated towards the Andhra Pradesh Scheduled Tribes Co-operative Finance Corporation.
Education, Sports, Arts, and Culture	25,796	30,385	28,351	32,658	15%	<ul style="list-style-type: none"> Teaching grants worth Rs 8,884 crore will be provided to Mandal Praja Parishads.
Health and Family Welfare	11,271	15,707	13,424	16,207	21%	<ul style="list-style-type: none"> Rs 1,162 crore have been allocated towards primary health centres.
Rural Development	9,917	16,040	11,872	16,159	36%	<ul style="list-style-type: none"> MGNREGS will be provided Rs 5,115 crore.
Agriculture and Allied Activities	8,033	13,640	12,173	13,961	15%	<ul style="list-style-type: none"> Rs 4,020 crore will be provided for YSR Rythu Bharosa.
Social Welfare and Nutrition	6,979	10,976	9,195	11,230	22%	<ul style="list-style-type: none"> Under YSR Sampurna Poshana Rs 1,073 crore will be provided.
Irrigation and Flood Control	7,027	10,541	9,805	10,969	12%	<ul style="list-style-type: none"> Rs 5,415 crore has been allocated towards the Polavaram Project.
Urban Development	4,821	8,495	7,168	8,996	26%	<ul style="list-style-type: none"> The Smart Cities Mission will be provided with Rs 450 crore.
Transport	4,663	8,597	5,171	8,679	68%	<ul style="list-style-type: none"> Rs 3,357 crore has been allocated towards capital outlay on roads and bridges.
Police	5,940	7,034	6,458	7,631	18%	<ul style="list-style-type: none"> Rs 4,216 crore will be provided for the district police force
% of total expenditure on all sectors	61%	70%	66%	68%	4%	

Sources: Annual Financial Statement, Andhra Pradesh Budget 2023-24; PRS.

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 2,06,224 crore, an increase of 17% over the revised estimate of 2022-23. Of this, Rs 1,17,999 crore (57%) will be raised by the state through its **own resources**, and Rs 88,225 crore (43%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (20% of revenue receipts) and grants (23% of revenue receipts).
- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 41,391 crore, an increase of 8% over the revised estimate of 2022-23.
- **Grants from the centre** in 2023-24 is estimated at Rs 46,835 crore. In 2022-23, grants received from the centre are expected to be 15% lower than the budgeted amount.
- **State's own tax revenue:** Andhra Pradesh's total own tax revenue is estimated to be Rs 1,02,599 crore in 2023-24, an increase of 22% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 7% in 2023-24, higher than the revised estimates for 2022-23 (6.4%). As per the actual figures for 2021-22, own tax revenue as a percentage of GSDP was 5.9%.

Table 5: Break-up of the state government's receipts (in Rs crore)

Items	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 22-23 to RE 22-23	2023-24 Budgeted	% change from RE 22-23 to BE 23-24
State's Own Tax	70,979	91,018	84,343	-7%	1,02,599	22%
State's Own Non-Tax	5,018	11,093	6,511	-41%	15,400	137%
Share in Central Taxes	35,386	33,082	38,223	16%	41,391	8%
Grants from Centre	39,170	56,033	47,371	-15%	46,835	-1%
Revenue Receipts	1,50,552	1,91,225	1,76,448	-8%	2,06,224	17%
Non-debt Capital Receipts	2,109	37	54	44%	56	5%
Net Receipts	1,52,662	1,91,262	1,76,502	-8%	2,06,280	17%

BE is Budget Estimates; RE is Revised Estimates. Sources: Annual Financial Statement, Andhra Pradesh Budget 2023-24; PRS.

- In 2023-24, **State GST** is estimated to be the largest source of own tax revenue (33% share). State GST revenue is estimated to increase by 17% over the revised estimates of 2022-23.
- Sales Tax/VAT account for 25% of own tax revenue. Revenue from sales tax/VAT is expected to increase by 26% in 2023-24. However, at the revised stage, this revenue is estimated to be 29% lower than the budget estimates.

Non-tax revenue

In 2023-24, Andhra Pradesh estimates to earn Rs 15,400 crore from non-tax revenue. In 2022-23, non-tax revenue was Rs 6,511 crore at the revised stage, 41% lower than the budgeted estimate.

An increase in non-tax revenue may be on account of increase in receipts from mining royalty. Royalty on major minerals is estimated to be Rs 2,144 crore, which is about three times the revised estimates of 2022-23. However, receipts from mining royalty reduced by 48% in 2022-23 as compared to the budgeted estimates of 2022-23.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Head	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	% change from BE 22-23 to RE 22-23	2023-24 Budgeted	% change from RE 22-23 to BE 23-24
State GST	23,809	29,025	29,200	1%	34,249	17%
Sales Tax/ VAT	20,808	28,481	20,098	-29%	25,402	26%
Stamps Duty and Registration Fees	7,635	9,500	9,000	-5%	12,000	33%
Taxes on Vehicles	3,433	6,000	5,124	-15%	7,000	37%
State Excise	14,703	16,500	16,167	-2%	18,000	11%
Land Revenue	50	48	60	25%	58	-4%
Taxes and Duties on Electricity	12	1,011	4,095	305%	5,096	24%
GST Compensation Grants	3,117	3,800	4,600	21%	-	-100%
GST Compensation Loans	3,272	2,500	0		0	

Sources: Annual Financial Statement, Revenue Budget, and Andhra Pradesh Budget 2023-24; PRS.

Deficits, Debt, and FRBM Targets for 2023-24

The Andhra Pradesh Fiscal Responsibility 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 difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue deficit of Rs 22,317 crore (or 1.5% of the GSDP) in 2023-24.

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 2023-24, the fiscal deficit is estimated to be 3.8% of GSDP. For 2023-24, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms. As per the revised estimates in 2022-23, the fiscal deficit of the state is expected to be 3.6% of GSDP.

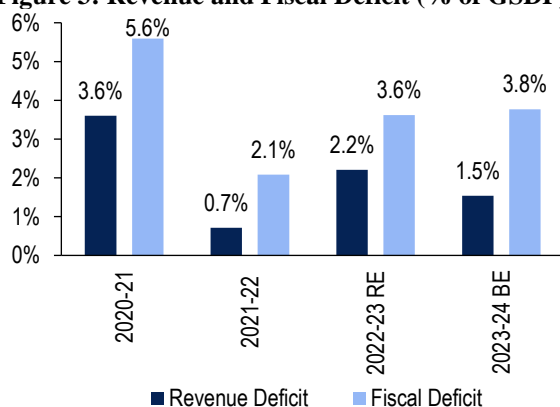
Off budget borrowings

Off budget borrowings refer to financial resources which are not reflected in a state's budget, and remain outside legislative control. These are typically resources raised by PSUs, and the principal/interest is repaid by the state government. The Comptroller and Auditor General (2022) noted that as of March 2021, Andhra Pradesh has off-budget borrowings amounting to Rs 86,260 crore.

The outstanding liability of the state without accounting for off budget borrowings was Rs 3.5 lakh crore. It which would increase to Rs 4.3 lakh crore if such borrowings are included. This would constitute to 44% of the GSDP, as compared to the 35.5% reported by the state (See Figure 4) .

Outstanding debt: Outstanding debt is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2023-24, the outstanding liabilities is estimated to be 33.3% of GSDP, higher than the revised estimate for 2022-23 (32.4% of GSDP). The outstanding liabilities have risen as compared to 2019-20 level (31% of GSDP).

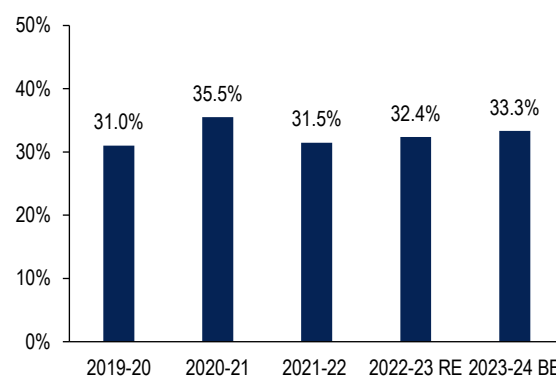
Figure 3: Revenue and Fiscal Deficit (% of GSDP)



Note: For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy 2022-23, Andhra Pradesh Budget 2023-24; PRS.

Figure 4: Outstanding Debt (as % of GSDP)



Note: For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy 2022-23, Andhra Pradesh Budget 2023-24; PRS.

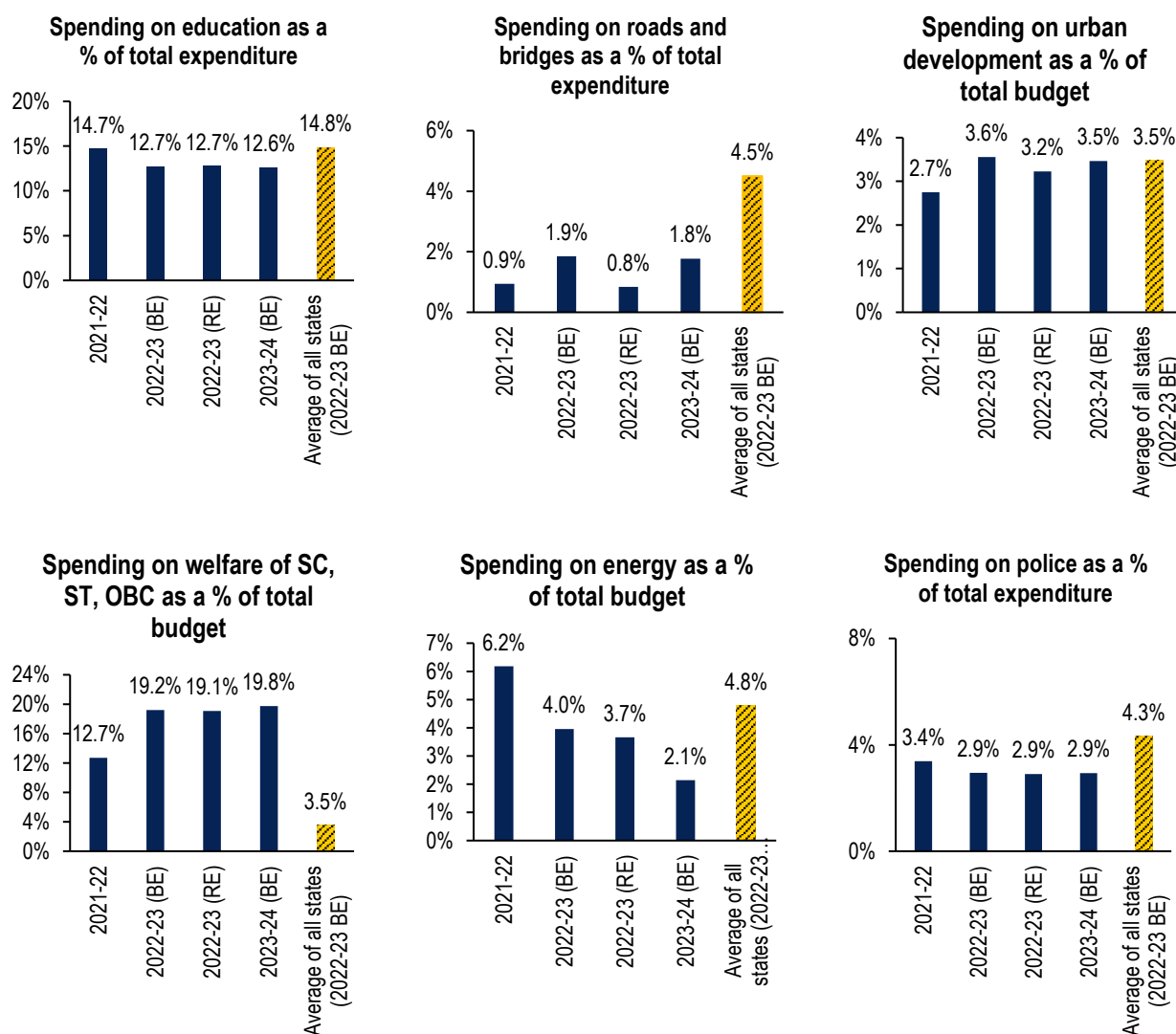
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As of March 31, 2022, the state's outstanding guarantee is estimated to be Rs 1,38,875 crore, of which Rs 38,473 are for the power sector. The state's total outstanding guarantees are 12% of Andhra Pradesh's GSDP in 2021-22.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Andhra Pradesh's expenditure in 2023-24 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Andhra Pradesh) as per their budget estimates of 2022-23.¹

- **Education:** Andhra Pradesh has allocated 12.6% of its expenditure on education in 2023-24. This is lower than the average allocation for education by states in 2022-23 (14.8%).
- **Roads and bridges:** Andhra Pradesh has allocated 1.8% of its total expenditure towards roads and bridges, which is lower than the average allocation for roads and bridges by states (4.5%).
- **Urban Development:** Andhra Pradesh has allocated 3.5% of its expenditure on urban development. This is the same as the average allocation for urban development by states (3.5%).
- **Welfare of SC, ST and OBC:** Andhra Pradesh has allocated 19.8% of its expenditure towards welfare of SCs, STs, and OBCs. This is significantly higher than the average allocation by states (3.5%).
- **Energy:** Andhra Pradesh has allocated 2.1% of its total expenditure towards energy, which is lower than the average expenditure on energy by states (4.8%).
- **Police:** Andhra Pradesh has allocated 2.9% of its total expenditure towards police, which is lower than the average allocation by states (4.3%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Andhra Pradesh.
Sources: Annual Financial Statement, Andhra Pradesh Budget 2023-24; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Net Receipts (1+2)	1,77,247	1,52,663	-14%
1. Revenue Receipts (a+b+c+d)	1,77,196	1,50,552	-15%
a. Own Tax Revenue	85,281	71,018	-17%
b. Own Non-Tax Revenue	7,050	5,018	-29%
c. Share in central taxes	26,935	35,347	31%
d. Grants-in-aid from the Centre	57930.6218	39,170	-32%
Of which GST compensation grants	-	3,117	-
2. Non-Debt Capital Receipts	50	2,110	4107%
3. Borrowings	50,525	53,284	5%
Of which GST compensation loan	0	3,272	-
Net Expenditure (4+5+6)	2,14,276	1,77,674	-17%
4. Revenue Expenditure	1,82,197	1,59,163	-13%
5. Capital Outlay	31,198	16,373	-48%
6. Loans and Advances	882	2,138	143%
7. Debt Repayment	15,503	13,920	-10%
Revenue Deficit	5,000	8,611	72%
Revenue Deficit (as % of GSDP)	0.5%	0.7%	
Fiscal Deficit	37,030	25,011	-32%
Fiscal Deficit (as % of GSDP)	3.5%	2.1%	

Source: Andhra Pradesh Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Head	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Taxes and Duties on Electricity	1,008	12	-99%
Land Revenue	172	50	-71%
Taxes on Vehicles	5,000	3,433	-31%
State GST	31,000	23,809	-23%
Sales Tax/ VAT	24,500	20,808	-15%
Stamps Duty and Registration Fees	8,000	7,635	-5%
State Excise	15,000	14,703	-2%

Source: Andhra Pradesh Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Energy	6,091	10,852	78%
Transport	7,458	4,663	-37%
<i>of which Roads and Bridges</i>	3,660	1,645	-55%
Housing	4,783	2,179	-54%
Water Supply and Sanitation	2,881	1,566	-46%
Irrigation and Flood Control	12,691	7,027	-45%
Urban Development	8,330	4,821	-42%
Agriculture and Allied Activities	13,299	8,033	-40%
Social Welfare and Nutrition	11,384	6,979	-39%
Rural Development	14,943	9,917	-34%
Health and Family Welfare	14,088	11,271	-20%
Welfare of SC, ST, OBC, and Minorities	27,870	22,325	-20%
Police	6,398	5,940	-7%
Education, Sports, Arts, and Culture	27,212	25,796	-5%

Source: Andhra Pradesh Budget Documents of various years; PRS.