

# Andhra Pradesh Budget Analysis 2019-2020

The Finance Minister, Mr. Buggana Rajendranath, presented the budget for Andhra Pradesh for financial year 2019-20 on July 12, 2019. Previously, the interim budget for the year was presented in February 2019.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Andhra Pradesh for 2019-20 (at current prices) is estimated to be Rs 10,80,657 crore<sup>1</sup>. This is 17.6% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 2,27,975 crore, a 40.6% increase over the revised estimate of 2018-19. In 2018-19, as per the revised figures, there is an estimated decrease of Rs 28,929 crore (15.1%) of expenditure over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 1,79,297 crore, an increase of 56% as compared to the revised estimate of 2018-19. Borrowings are estimated to be Rs 46,921 crore, an increase of 22.7% over the revised estimate of 2018-19.
- **Revenue deficit** for 2019-20 is targeted at Rs 1,779 crore, or 0.16% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 35,261 crore (3.26% of GSDP).
- Sectors such as energy (247%), welfare of SC, ST, OBC and minorities (157%), and agriculture and allied activities (135%) saw the highest increase in allocations in 2019-20.

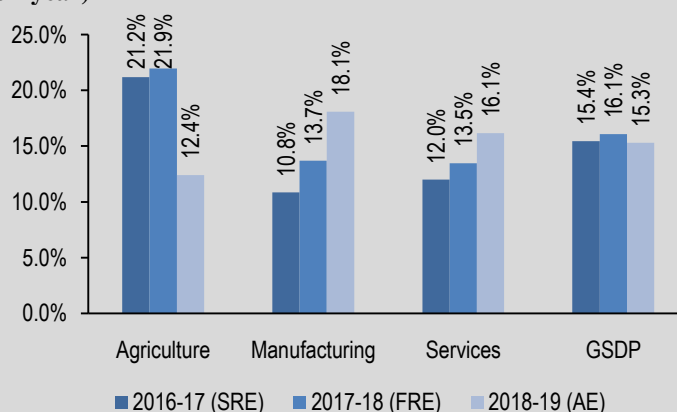
## Policy Highlights

- **YSR Rythu Bharosa:** Farm investment support of Rs 12,500 per year will be provided to farmers, including tenant farmers. Rs 8,750 crore has been allocated for the scheme in 2019-20.
- **Jagananna Ammavodi:** Rs 15,000 will be provided to every mother for sending her children to school. The scheme will cover children from class I to XII. Rs 6,456 crore has been allocated for the scheme.
- **Jagananna Vidya Deevana:** 100% fee reimbursement will be provided to SC, ST, BC, minorities, Kapu, EBC, and differently abled students, along with a maintenance support of Rs 20,000 per year to each student. Rs 4,962 crore has been allocated for the scheme in 2019-20.

## Andhra Pradesh's Economy

- **GSDP:** The growth rate of Andhra Pradesh's GSDP (at current prices) has marginally decreased from 15.4% in 2016-17 to 15.3% in 2018-19.
- **Sectors:** In 2018-19, the sectors of agriculture, manufacturing, and services respectively contributed 34%, 23%, and 43% of the Gross State Value Added by all sectors. Between 2017-18 and 2018-19, these sectors grew by 12.4%, 18.1%, and 16.1%, respectively.
- **Unemployment:** According to the Periodic Labour Force Survey (2017-18), the unemployment rate in Andhra Pradesh in 2017-18 was 4.5%, as compared to 6.1% in the country.

**Figure 1: Growth in GSDP and sectors in Andhra Pradesh (year-on-year)**



Note: As per CSO, agriculture here includes mining and quarrying. SRE: Second Revised Estimate. FRE: First Revised Estimate. AE: Advanced Estimate. All numbers are as per current prices.  
Sources: Andhra Pradesh Socio Economic Survey 2018-19; PRS.

<sup>1</sup> GSDP values have been calculated using total liabilities as a percentage of GSDP figures given in the Budget in Brief 2019-20 document of Andhra Pradesh.

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 2,27,975 crore. This is 40.6% higher than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,79,297 crore and borrowings of Rs 46,921 crore. In 2019-20, receipts (other than borrowings) are expected to be 56% higher than the revised estimate of 2018-19.

**Table 1: Budget 2019-20 - Key figures (in Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
<b>Total Expenditure</b>	<b>1,46,944</b>	<b>1,91,064</b>	<b>1,62,134</b>	<b>-15.1%</b>	<b>2,27,975</b>	<b>40.6%</b>
A. Receipts (except borrowings)	1,05,113	1,56,007	1,14,962	-26.3%	1,79,297	56.0%
B. Borrowings	28,433	33,461	38,246	14.3%	46,921	22.7%
<b>Total Receipts (A+B)</b>	<b>1,33,546</b>	<b>1,89,468</b>	<b>1,53,207</b>	<b>-19.1%</b>	<b>2,26,218</b>	<b>47.7%</b>
<b>Revenue Deficit (-)/ Surplus (+)</b>	<b>-16,152</b>	<b>5,235</b>	<b>-11,655</b>	<b>-322.6%</b>	<b>-1,779</b>	<b>-84.7%</b>
As % of GSDP	-2.01%	0.60%	-1.27%		-0.16%	
<b>Fiscal Deficit (-)/ Surplus (+)</b>	<b>-32,373</b>	<b>-24,205</b>	<b>-33,619</b>	<b>38.9%</b>	<b>-35,261</b>	<b>4.9%</b>
As % of GSDP	-4.03%	-2.78%	-3.66%		-3.26%	
<b>Primary Deficit (-)/ Surplus (+)</b>	<b>-18,526</b>	<b>-9,128</b>	<b>-19,315</b>	<b>111.6%</b>	<b>-18,017</b>	<b>-6.7%</b>
As % of GSDP	-2.30%	-1.05%	-2.10%		-1.67%	

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

Sources: GSDP values have been calculated using total liabilities as a percentage of GSDP figures given in Andhra Pradesh Budget in Brief 2019-20; PRS.

## Expenditure in 2019-20

- Capital expenditure** for 2019-20 is proposed to be Rs 47,499 crore, which is an increase of 32.7% over the revised estimate of 2018-19. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- Andhra Pradesh's capital outlay for 2019-20 is estimated to be Rs 32,293 crore, which is 58.3% higher than the revised estimate of 2018-19. The revised figure for 2018-19 is estimated to be 28.9% lower than the budgeted estimate made for that year.
- Revenue expenditure** for 2019-20 is proposed to be Rs 1,80,476 crore, which is an increase of 42.9% over the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interest, among others. Revenue expenditure accounts for 79% of the total expenditure proposed for 2019-20.

**Table 2: Expenditure budget 2019-20 (in Rs crore)**

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Capital Expenditure	25,730	40,792	35,795	-12.2%	47,499	32.7%
of which Capital Outlay	13,491	28,678	20,398	-28.9%	32,293	58.3%
Revenue Expenditure	1,21,214	1,50,272	1,26,339	-15.9%	1,80,476	42.9%
<b>Total Expenditure</b>	<b>1,46,944</b>	<b>1,91,064</b>	<b>1,62,134</b>	<b>-15.1%</b>	<b>2,27,975</b>	<b>40.6%</b>
A. Debt Repayment	9,451	10,851	13,539	24.8%	13,417	-0.9%
B. Interest Payments	13,847	15,077	14,304	-5.1%	17,244	20.6%
<b>Debt Servicing (A+B)</b>	<b>23,298</b>	<b>25,928</b>	<b>27,842</b>	<b>7.4%</b>	<b>30,661</b>	<b>10.1%</b>

Note: Capital outlay denotes expenditure which leads to creation of assets.

Sources: Andhra Pradesh Annual Financial Statement 2019-20 (July 2019); PRS.

## Sector expenditure in 2019-20

The sectors listed below account for **70%** of the total budgeted expenditure of Andhra Pradesh in 2019-20. A comparison of Andhra Pradesh's expenditure on key sectors with that by other states is given in the Annexure.

**Table 3: Sector-wise expenditure for Andhra Pradesh Budget 2019-20 (Rs crore)**

Sector	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019-20
Education	20,017	26,510	19,587	33,410	71%	<ul style="list-style-type: none"> <li>Rs 6,456 crore has been allocated to the Jagananna Ammavodi programme.</li> <li>Rs 1,500 crore has been allocated for modernisation of infrastructure in schools.</li> <li>Rs 1,158 crore has been allocated to Samagra Shiksha scheme.</li> </ul>
Social Welfare and Nutrition	15,469	19,969	22,779	27,461	21%	<ul style="list-style-type: none"> <li>Rs 15,747 crore has been allocated to YSR Pension Kanuka programme.</li> <li>Rs 3,000 crore has been allocated for providing subsidy on rice.</li> <li>Rs 1,430 crore has been allocated to Integrated Child Development Services.</li> </ul>
Agriculture and allied activities	7,569	8,420	8,766	20,558	135%	<ul style="list-style-type: none"> <li>Rs 8,750 crore has been allocated to YSR Rythu Bharosa programme.</li> <li>Rs 1,163 crore has been allocated to YSR PM Fasal Bima Yojana.</li> <li>Rs 3,000 crore has been allocated to Price Stabilisation Fund for farm risk mitigation.</li> </ul>
Welfare of SC, ST, OBC and minorities	10,423	13,688	5,479	14,088	157%	<ul style="list-style-type: none"> <li>Rs 4,962 crore has been allocated to Jagananna Vidya Deevena scheme.</li> </ul>
Irrigation and flood control	8,877	16,594	13,991	12,712	-9%	<ul style="list-style-type: none"> <li>Rs 210 crore has been allocated to lift irrigation works.</li> <li>Rs 161 crore has been allocated to Neeru Chettu, an interdepartmental coordinating portal.</li> </ul>
Water Supply, Sanitation, Housing, and Urban Development	8,781	13,390	10,451	12,296	18%	<ul style="list-style-type: none"> <li>Rs 2,105 crore has been allocated to PM Awas Yojana, Rs 1,356 crore to weaker section housing programmes, and Rs 1,000 crore to YSR Urban Housing programme.</li> <li>Rs 500 crore has been allocated for creation of essential infrastructure for new capital.</li> <li>Rs 648 crore has been allocated to YSR interest free loans to urban self-help groups.</li> </ul>
Health and Family Welfare	6,389	8,758	7,398	11,610	57%	<ul style="list-style-type: none"> <li>Rs 1,732 crore has been allocated to National Health Mission.</li> <li>Rs 1,740 crore has been allocated to Arogyasri.</li> <li>Rs 1,500 has been allocated for infrastructure facilities at hospitals.</li> </ul>
Rural Development	8,859	12,068	7,640	10,672	40%	<ul style="list-style-type: none"> <li>Rs 3,626 crore has been allocated to MGNREGA programme.</li> </ul>
Energy	3,440	3,255	1,910	6,623	247%	<ul style="list-style-type: none"> <li>Rs 4,525 crore has been allocated to YSR nine hours free power supply programme.</li> </ul>
Police	4,696	5,738	5,243	5,798	11%	<ul style="list-style-type: none"> <li>Rs 575 crore has been allocated to Andhra Pradesh special police units.</li> </ul>
Transport	1,928	4,100	1,979	4,267	116%	<ul style="list-style-type: none"> <li>Rs 500 crore has been allocated for reimbursement of concessions provided by APSRTC to citizens.</li> </ul>
<b>% of total expenditure</b>	<b>66%</b>	<b>69%</b>	<b>65%</b>	<b>70%</b>		

Sources: Andhra Pradesh Budget Speech 2019-20, July 2019; Andhra Pradesh Annual Financial Statement 2019-20, July 2019; Andhra Pradesh Demand for Grants 2019-20, July 2019; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,78,697 crore, an increase of 55.8% over the revised estimate of 2018-19. Of this, Rs 82,793 crore (46% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 95,905 crore (54% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in central taxes. In 2019-20, grants-in-aid of Rs 61,072 crore are expected from the centre. This is an increase of 213.9% over the revised estimate of 2018-19.
- **Non-tax revenue:** Andhra Pradesh is estimated to generate Rs 7,355 crore through non-tax sources in 2019-20. This is an increase of 67.5% (Rs 2,963 crore) over the revised estimate of 2018-19.

In 2019-20, Andhra Pradesh is expected to borrow Rs 46,921 crore to meet its expenditure requirements, which is 22.7% higher than the revised estimates of 2018-19. In 2018-19, the borrowings of the state are expected to be 14.3% higher than the amount budgeted for the year.

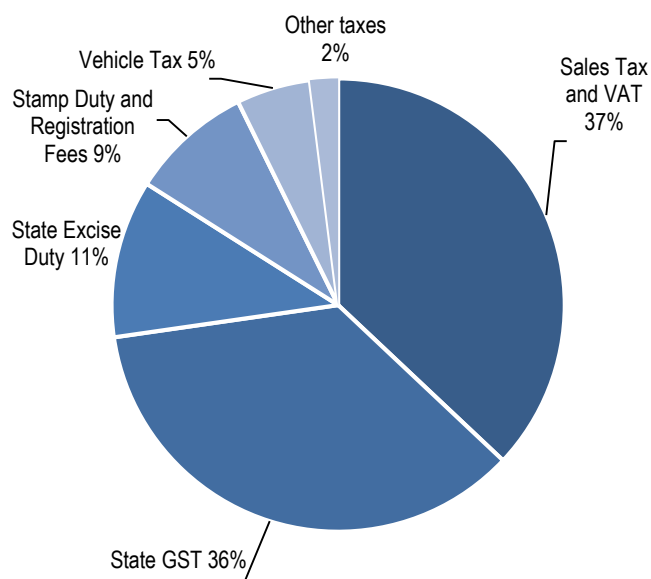
**Table 4: Break up of state government receipts in 2019-20 (Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	49,813	65,535	58,125	-11.3%	75,438	29.8%
State's Own Non-Tax	3,814	5,347	4,391	-17.9%	7,355	67.5%
Share in Central Taxes	28,675	33,930	32,711	-3.6%	34,833	6.5%
Grants-in-aid from Centre	22,761	50,696	19,457	-61.6%	61,072	213.9%
<b>Total Revenue Receipts</b>	<b>1,05,062</b>	<b>1,55,507</b>	<b>1,14,684</b>	<b>-26.3%</b>	<b>1,78,697</b>	<b>55.8%</b>
Borrowings	28,433	33,461	38,246	14.3%	46,921	22.7%
Other receipts	51	500	277	-44.5%	600	116.3%
<b>Total Capital Receipts</b>	<b>28,484</b>	<b>33,961</b>	<b>38,523</b>	<b>13.4%</b>	<b>47,521</b>	<b>23.4%</b>
<b>Total Receipts</b>	<b>1,33,546</b>	<b>1,89,468</b>	<b>1,53,207</b>	<b>-19.1%</b>	<b>2,26,218</b>	<b>47.7%</b>

Sources: Andhra Pradesh Budget Documents 2019-20; PRS.

- **Tax Revenue:** Total own tax revenue of Andhra Pradesh is estimated to be Rs 75,438 crore in 2019-20 (42% of the revenue receipts). This is 29.8% higher than the revised estimate of 2018-19. In 2018-19, own tax revenue is expected to be Rs 58,125 crore, which is 11.3% lower than the budgeted estimate.
- The own tax to GSDP ratio is targeted at 7% in 2019-20, which is significantly higher than the revised estimate of 6.3% in 2018-19. This implies that growth in collection of taxes is expected to be higher than the growth in the economy.

**Figure 2: Composition of the state's tax revenue in 2019-20 (Budget Estimates)**



Sources: Andhra Pradesh Budget in Brief 2019-20; PRS.

- Sales Tax and VAT (on items such as petroleum products) is the largest component of tax revenue of the state. It is expected to generate Rs 28,000 crore in 2019-20. This is an increase of 27.8% from the revised estimate of 2018-19.
- State Goods and Services Tax (SGST) is expected to generate Rs 27,000 crore. This is an increase of 31% over the revised estimate of 2018-19. In most of the other states, SGST is the largest component of tax revenue of the state.
- In 2019-20, the state is expected to generate Rs 8,518 crore from the levy of state excise. This is an increase of 36.9% over the revised estimate of 2018-19. Further, in 2019-20, the state is expected to generate Rs 6,600 crore from stamp duty and registration fees and Rs 4,000 crore from taxes on vehicles.

## Deficits, Debts and FRBM Targets for 2019-20

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

**Revenue deficit:** This 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 deficit of Rs 1,779 crore (or 0.2% of GDP) in 2019-20. This is 322.6% lower than the revised estimates of 2018-19. This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit. The 14<sup>th</sup> Finance Commission had recommended that states should eliminate revenue deficits. The 2019-20 estimates for Andhra Pradesh suggest that the state will not be able to meet this target of eliminating revenue deficit. The budget estimate of 2018-19 had projected a revenue surplus of Rs 5,235 crore. The revised estimate has changed this projection to a revenue deficit of Rs 11,655 crore.

### Debt Servicing

In 2019-20, Andhra Pradesh is expected to spend Rs 30,661 crore on servicing its debt, which is 13% of its estimated expenditure. This expenditure includes Rs 13,417 crore towards repayment of loans, and Rs 17,244 crore towards interest payments.

In 2019-20, the expenditure on repayment of loans is expected to decrease by 0.9% over the revised estimate of 2018-19.

**Fiscal deficit:** This 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 2019-20, Andhra Pradesh's fiscal deficit is estimated to be Rs 35,261 crore, which is 3.3% of the GDP. The estimate is higher than the 3% limit prescribed by the 14<sup>th</sup> Finance Commission. Note that, in 2018-19, fiscal deficit increased by 38.9% from Rs 24,205 crore (2.8% of GDP), as per the budgeted estimate, to Rs 33,619 crore (3.7% of GDP), as per the revised estimate.

**Outstanding liabilities:** This is the accumulation of borrowings taken by the state government over the years. In 2019-20, Andhra Pradesh's outstanding liabilities are expected to be at 27% of the GDP.

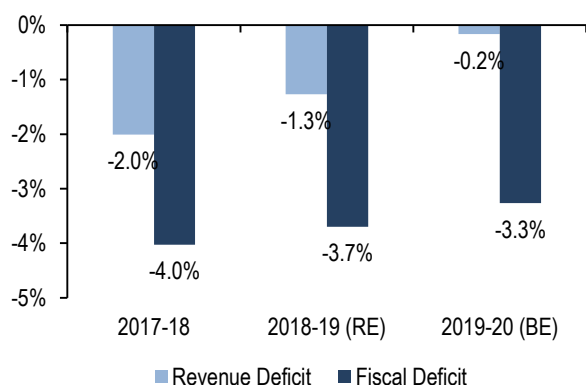
**Table 5: Budget estimates for deficits for Andhra Pradesh in 2019-20 (% of GDP)**

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	-2.0%	-4.0%	27.8%
2018-19 (RE)	-1.3%	-3.7%	28.2%
2019-20 (BE)	-0.2%	-3.3%	27.0%

Sources: Budget in Brief; Andhra Pradesh Budget Documents, July 2019; PRS.

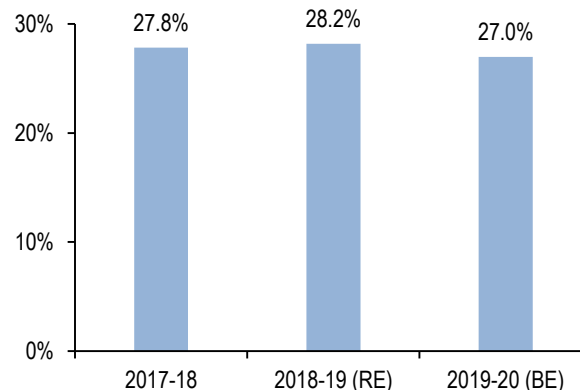
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2019-20.

**Figure 3: Revenue and Fiscal Deficit (as % of GDP)**



Sources: Andhra Pradesh Budget Documents; PRS.

**Figure 4: Outstanding liabilities (as % of GDP)**



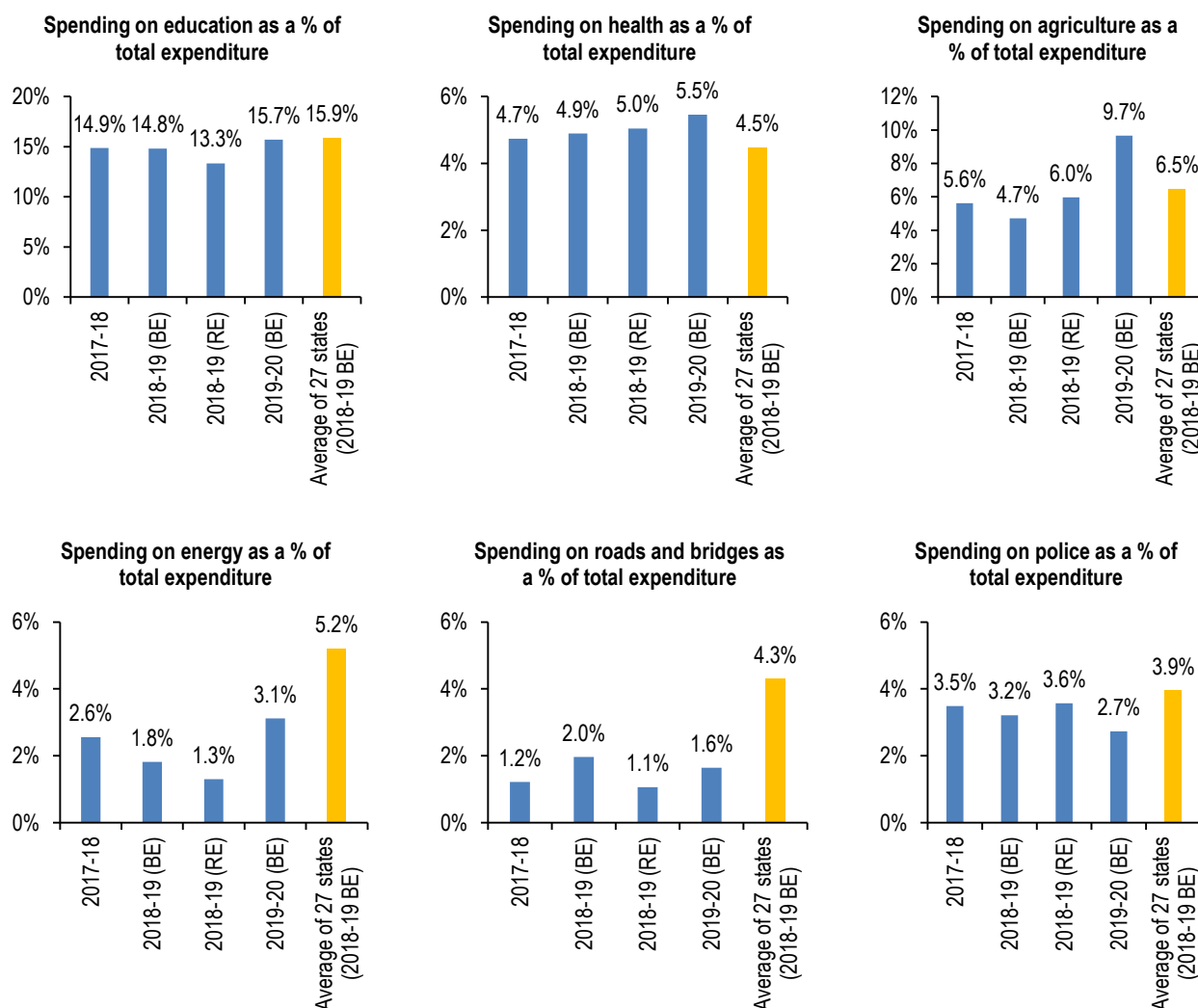
Sources: Andhra Pradesh Budget Documents; PRS.

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## Annexure

The graphs below compare Andhra Pradesh's expenditure on six key sectors as a proportion of its total budget, with 26 other states.<sup>2</sup>

- **Education:** Andhra Pradesh has allocated 15.7% of its expenditure on education in 2019-20. This is slightly lower than the average allocation to education by other states (using 2018-19 BE) (15.9%).
- **Health:** Andhra Pradesh has allocated 5.5% of its expenditure on health, which is higher than the average expenditure by other states (4.5%).
- **Agriculture and allied activities:** The state has allocated 9.7% of its total budget towards agriculture and allied activities. This is significantly higher than the average allocation by other states (6.5%).
- **Energy:** Andhra Pradesh has allocated 3.1% of its expenditure on energy. This is significantly lower than the average expenditure (5.2%) by other states.
- **Roads and bridges:** Andhra Pradesh has allocated 1.6% of its total expenditure on roads and bridges, which is significantly lower than the average expenditure by other states (4.3%).
- **Police:** Andhra Pradesh has allocated 2.7% of its total expenditure on police, which is lower than the average expenditure by other states (3.9%).



Note: 2017-18, 2018-19 (BE), 2018-19 (RE), and 2019-20 (BE) figures are for Andhra Pradesh.

Source: Annual Financial Statement of Andhra Pradesh 2019-20, July 2019; various state budgets; PRS.

<sup>2</sup> The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.