

## 1. Andhra Pradesh's budget faces a recurring challenge of balancing developmental needs with fiscal constraints. Analyze.

Andhra Pradesh's fiscal landscape is marked by the persistent challenge of aligning its developmental aspirations with fiscal constraints. In the 2024-25 budget, the state has projected a total expenditure of ₹2,94,427 crore, reflecting a 5.4% increase from the previous year's ₹2,79,279 crore.

### Fiscal Deficit and Revenue Deficit:

The fiscal deficit for 2024-25 is estimated at ₹68,743 crore, constituting 4.2% of the Gross State Domestic Product (GSDP). This is a slight improvement from the revised estimate of 4.3% in 2023-24. The revenue deficit stands at ₹34,743 crore, or 2.1% of GSDP, down from 2.7% in the previous year.

### Challenges in Balancing Development and Fiscal Stability

**1. Revenue Shortfall:** Andhra Pradesh struggles with lower tax revenues due to its relatively smaller industrial base and dependence on agriculture. The implementation of GST has also impacted state revenue autonomy. According to the PRS Legislative Research, Andhra Pradesh's own tax revenue as a percentage of GSDP was estimated at 7% in 2023-24, indicating a reliance on central transfers.

**2. High Public Debt:** The state has a rising debt-to-GSDP ratio due to increased borrowings to fund welfare schemes and infrastructure projects. Debt repayment obligations further constrain fiscal space.

At the end of 2024-25, the outstanding liabilities are estimated to be 34.1% of GSDP, higher than the revised estimates for 2023-24 (33.7% of GSDP).

**3. Commitments under the Bifurcation Act:** The 2014 bifurcation resulted in the loss of Hyderabad as a major revenue source, affecting the state's finances. Pending central grants and promises, such as special category status, add to financial stress.

In 2023-24, Andhra Pradesh was estimated to spend Rs 49,840 crore on committed expenditure, which is 24% of its estimated revenue receipts.

**4. Welfare vs. Capital Expenditure:** A significant portion of the budget is allocated to welfare schemes limiting funds for capital expenditure on infrastructure, education, and health.

A significant portion of the state's revenue is allocated to committed expenditures, including pensions and interest payments. In 2024-25, these are projected at ₹50,604 crore, accounting for 25% of the state's revenue receipts.

**5. Central Assistance and Grants:** The state depends on central devolution and grants, but delays in fund disbursement affect planned expenditures.

### Measures for Fiscal Stability

- Enhancing Revenue Generation:** Strengthening tax administration, improving GST collections, and promoting industries to boost state revenues. Andhra Pradesh improved GST compliance through digital tracking and enforcement, leading to a 15% increase in GST collections in 2023-24.
- Rationalizing Welfare Spending:** Prioritizing targeted social schemes and ensuring efficient fund utilization. The Andhra Pradesh Government is planning to rationalise the village and ward secretariat employees to improve the services they provide. It is also contemplating appointing an aspirational secretary to introduce new technologies such as AI and drones in villages.
- Debt Management:** Controlling fiscal deficit and improving the efficiency of borrowings. Andhra Pradesh issued green bonds for sustainable projects like the Polavaram irrigation project to attract low-interest funds.
- Boosting Investments:** Attracting private sector participation and increasing public-private partnerships in infrastructure projects. Andhra Pradesh government to set up India's first private semiconductor manufacturing facility in the State, with an investment of more than ₹14,000 crore. The Andhra Pradesh

Economic Development Board (APEDB) signed Memoranda of Understanding (MoUs) with four leading aerospace and defence companies at AeroIndia 2025 in Bengaluru on Monday, securing investments worth ₹2,458.84 crore.

Andhra Pradesh's budgetary strategy reflects a concerted effort to foster development amid fiscal limitations. The challenge lies in enhancing revenue generation, possibly through economic reforms and improved tax collection, while maintaining prudent expenditure to ensure long-term fiscal sustainability.

## **2. Critically assess the extent to which the Andhra Pradesh Reorganization Act, 2014 has been implemented. What are the major pending issues and challenges?**

The Andhra Pradesh Reorganisation Act, 2014, which bifurcated the erstwhile state into Telangana and residual Andhra Pradesh, aimed to address various administrative, economic, and infrastructural concerns arising from the division. However, a decade later, several provisions of the Act remain unimplemented, leading to ongoing disputes and challenges between the two states.

### **Implemented**

- While the Act facilitated the formal creation of Telangana and Andhra Pradesh on June 2, 2014, and established Hyderabad as the shared capital for a transitional period, many critical commitments are still pending.
- The Act designated Hyderabad as the joint capital for 10 years, after which Andhra Pradesh was expected to develop its capital. However, the shift to Amaravati, and later proposals for three capitals (Amaravati, Visakhapatnam, and Kurnool), have caused legal and political uncertainty.
- Key infrastructure projects, such as the establishment of a new capital for Andhra Pradesh, have faced delays and controversies.
- Over 90% of government institutions and corporations have been divided, but some entities like the Andhra Pradesh Bhavan in Delhi remain disputed. Additionally, promised educational institutions, including a tribal university, have not been realized.
- Financial allocations, like the Backward Region Grant Fund intended for Telangana, have also not been disbursed as envisaged.

### **Major Pending Issues and Challenges:**

**1. Division of Assets and Liabilities:** The apportionment of assets, liabilities, and employees between the two states has been contentious. Disputes over the distribution of government properties, corporations, and financial liabilities persist, often leading to legal battles.

**2. Special Category Status (SCS) for Andhra Pradesh:** A significant promise during the bifurcation was the grant of SCS to Andhra Pradesh to support its economic development. However, this status has not been accorded, leading to political and public dissatisfaction.

**3. Water Sharing Agreements:** The sharing of Krishna and Godavari River waters remains a sensitive issue. Both states have raised concerns over water allocations, necessitating the establishment of effective river management boards and clear guidelines to prevent conflicts.

**4. Power Supply and Financial Settlements:** Financial disputes, such as Telangana's pending payment of ₹6,756 crore to Andhra Pradesh for power supplied post-bifurcation, highlight the complexities in settling inter-state transactions.

**5. Establishment of New Institutions:** The Act envisaged the creation of various educational and infrastructural institutions like petroleum university in Kakinada. Delays in their establishment have hindered regional development and growth.

### **Conclusion**

While the Andhra Pradesh Reorganisation Act, 2014, laid the foundation for the bifurcation, its incomplete implementation has led to enduring challenges. Addressing these pending issues requires collaborative efforts between the central government and the respective state governments to ensure equitable development and harmonious relations.