

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period 2018-19 to 2022-23, debt sustainability of the State and key Public Account transactions based on the Finance Accounts of the State.

2.2 Major changes in key fiscal aggregates during 2022-23 vis-à-vis 2021-22

This section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year in comparison to the previous year. Each of these indicators would be analysed in the succeeding paragraphs.

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

Revenue Receipts	<ul style="list-style-type: none"> ⬆ Revenue receipts of the State increased by 4.79 per cent ⬆ Own tax receipts of the State increased by 9.93 per cent ⬆ Own non-tax receipts increased by 7.96 per cent ⬆ State's share of Union Taxes and Duties increased by 7.89 per cent ⬇ Grants-in-Aid from Government of India decreased by 7.71 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ⬆ Revenue expenditure increased by 26.45 per cent ⬆ Revenue expenditure on General Services increased by 13.68 per cent ⬆ Revenue expenditure on Social Services increased by 28.02 per cent ⬆ Revenue expenditure on Economic Services increased by 44.45 per cent
Capital Receipts	<ul style="list-style-type: none"> ⬆ Debt capital receipts increased by 16.55 per cent ⬇ Non-debt capital receipts decreased by 100.19 per cent
Capital Expenditure	<ul style="list-style-type: none"> ⬇ Capital expenditure decreased by 55.75 per cent ⬇ Capital expenditure on General Services decreased by 95.51 per cent ⬇ Capital expenditure on Social Services decreased by 92.97 per cent ⬇ Capital expenditure on Economic Services decreased by 16.35 per cent
Loans and Advances	<ul style="list-style-type: none"> ⬇ Disbursement of Loans and Advances decreased by 17.09 per cent ⬇ Recoveries of Loans and Advances decreased by 100.19 per cent
Public Debt	<ul style="list-style-type: none"> ⬆ Public Debt Receipts increased by 16.55 per cent ⬆ Repayment of Public Debt increased by 11.11 per cent
Public Account	<ul style="list-style-type: none"> ⬆ Public Account Receipts increased by 67.70 per cent ⬆ Disbursements of Public Account increased by 60.98 per cent
Cash Balance	<ul style="list-style-type: none"> ⬇ Cash balance decreased by ₹ 0.62 crore (0.01 per cent) during 2022-23 compared to the previous year

Source: Finance Accounts 2022-23 and 2021-22

2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2022-23 with 2021-22 figures.

Table 2.2: Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)

	Particulars	2021-22	2022-23	Increase/ Decrease (in per cent)
Sources	Opening Cash Balance with RBI	10,491	12,326	17.49
	Revenue Receipts	1,50,552	1,57,768	4.79
	Capital Receipts	(-) 1	0	100.00
	Recoveries of Loans and Advances	2,110	(-)4	(-)100.19
	Public Debt Receipts (Net)	39,364	52,414	33.15
	Public Account Receipts (Net)	(-)12,515	92	100.74
	Contingency Fund	0	1	NA
	Total	1,90,001	2,22,597	17.16
Application	Revenue Expenditure	1,59,163	2,01,255	26.45
	Capital Expenditure	16,373	7,244	(-)55.76
	Disbursement of Loans and Advances	2,138	1,773	(-)17.12
	Inter State Settlement	0	0	NA
	Contingency Fund	1	0	(-)100.00
	Closing Cash Balance with RBI	12,326	12,325	0.00
	Total	1,90,001	2,22,597	17.16

Source: Finance Accounts 2022-23; NA: Not applicable

The components of sources and application of funds in terms of percentage are shown in **Charts 2.1** and **2.2**.

Chart 2.1: Sources of Funds

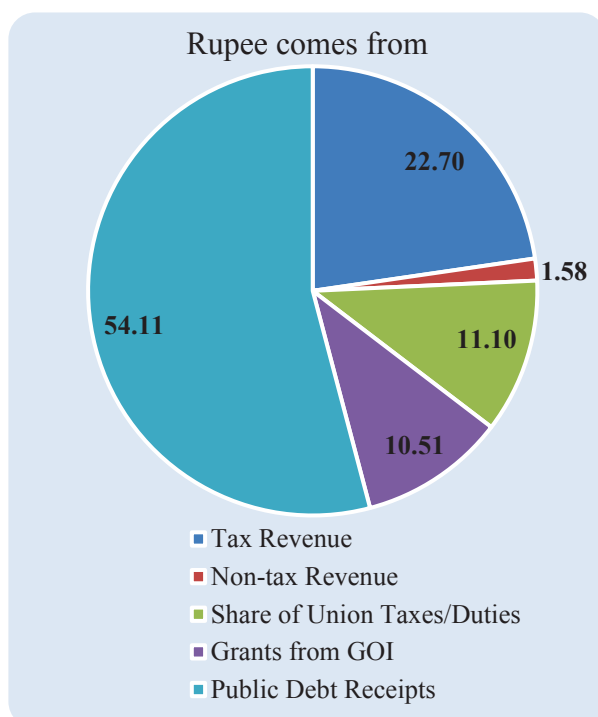
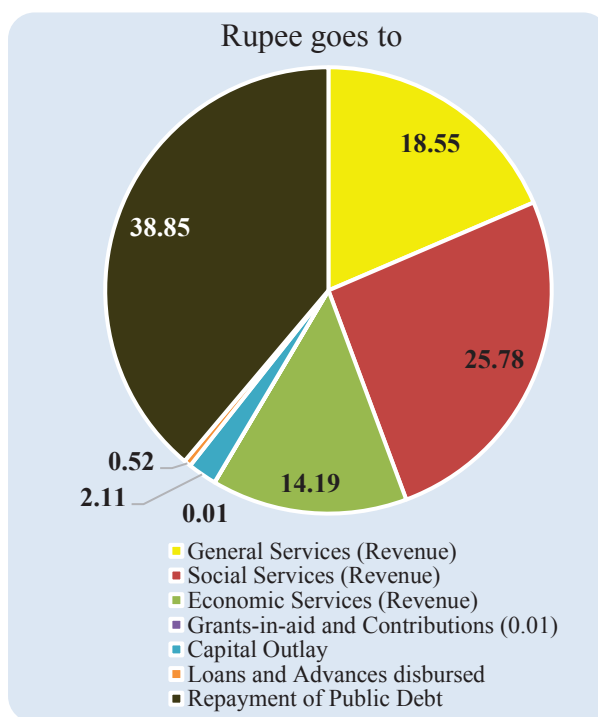


Chart 2.2: Application of Funds



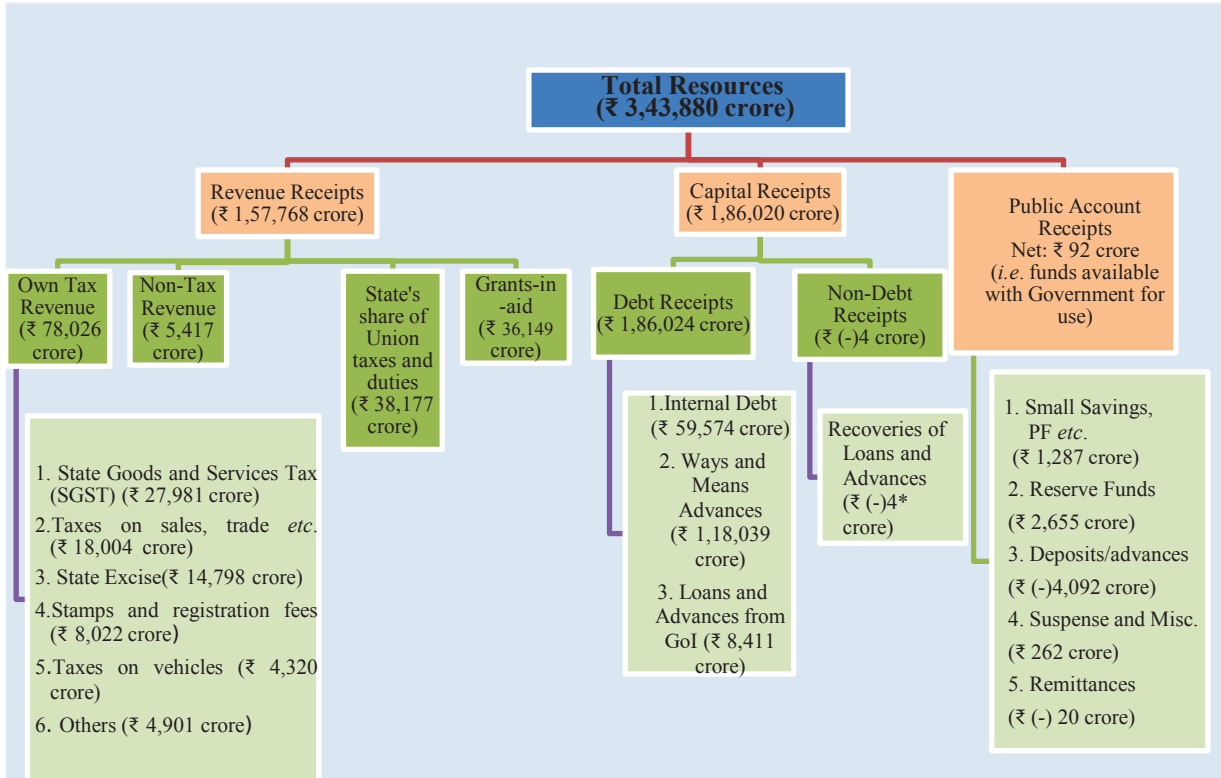
Source: Finance Accounts 2022-23;

Note: Recoveries of Loans and Advances was not included in the above chart being the negative figures

2.4 Resources of the State

The components and sub-components of resources of the State are shown in **Chart 2.3**.

Chart 2.3: Composition of Resources in 2022-23



Source: Finance Accounts 2022-23; * Minus figure resulted due to adjustment of excess repayment by APTRANSCO to the extent of ₹35.82 crore to the MH 0075 in order to clear the adverse balance appeared under MH 6801

During 2022-23, out of the total resources of the State Government, Revenue Receipts, Capital Receipts and Net Public Account Receipts constituted 45.88 per cent, 54.09 per cent and 0.03 per cent respectively.

The growth of each component of resources of the State compared to previous year is given in **Table 2.3** below:

Table 2.3: Comparison of Resources of the State with previous year

Sl.No	Component of Resource of the state	2021-22	2022-23	Increase (+)/Decrease (-) compared to Previous year (in Per cent)
		(₹ in crore)		
1	Revenue Receipts	1,50,552	1,57,768	4.79
(a)	Own Tax Revenue	70,979	78,026	9.93
i	State Goods and Services Tax (SGST)	23,809	27,981	17.52
ii	Taxes on Sales, trade etc.,	20,808	18,004	(-13.48)
iii	State Excise	14,703	14,798	0.65
iv	Stamps and Registration fees	7,635	8,022	5.07
v	Taxes on Vehicles	3,433	4,320	25.84
vi	Land Revenue	50	110	120
vii	Others	541	4791	785.58
(b)	Non-Tax Revenue	5,017	5,417	7.97
(c)	State's share of Union Taxes	35,386	38,177	7.89
(d)	Grants-in-Aid from GoI	39,170	36,149	(-7.71)
2	Capital Receipts	1,61,720	1,86,020	15.03
(a)	Debt receipts	1,59,610	1,86,024	16.55
i	Internal Debt	48,388	59,574	23.12

Sl.No	Component of Resource of the state	2021-22	2022-23	Increase (+)/Decrease (-) compared to Previous year (in Per cent)
		(₹ in crore)		
ii	Ways and means Advances	1,06,326	1,18,039	11.02
iii	Loans and advances from GoI	4,896	8,411	71.79
(b)	Non-Debt Capital Receipts	2,110	(-4)	(-100.19)
i	Recoveries of Loans and Advances	2,110	(-4)	(-100.19)
3	Public Account Receipts (Net)	(-12,515)	92	100.74
(a)	Small Savings, PF etc.,	3,714	1,287	(-65.35)
(b)	Reserve Funds	1,699	2,655	56.27
(c)	Deposits/Advances	(-16,478)	(-4,092)	75.17
(d)	Suspense and Miscellaneous	(-1,446)	262	(-118.12)
(e)	Remittances	(-4)	(-20)	(-400.00)
	Total Resources	2,99,757	3,43,880	14.72

Source: Finance Accounts of respective years

The trends and Growth of Revenue Receipts were discussed in subsequent paragraphs.

2.4.1 Revenue receipts

2.4.1.1 Trends and Growth of Revenue Receipts

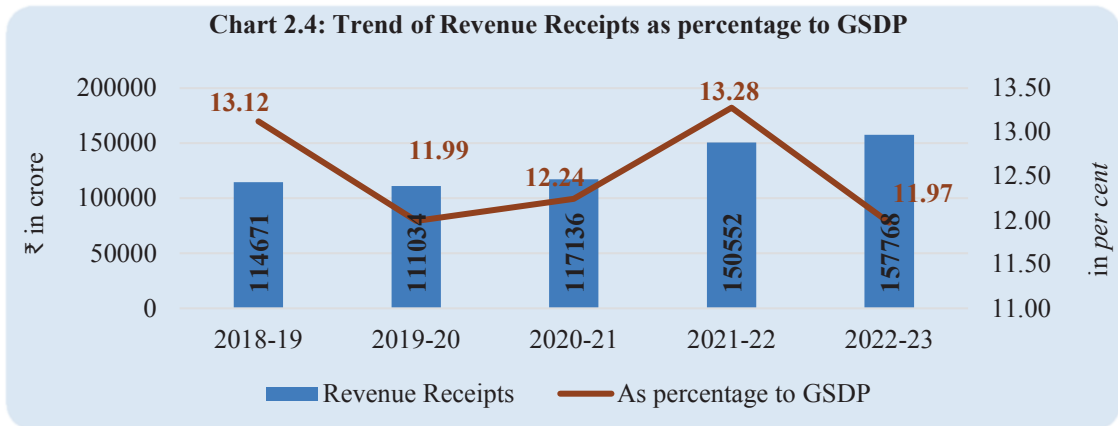
The trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP of the State over the period 2018-19 to 2022-23 are detailed in **Table 2.4**. Further, trends of Revenue Receipts vis-à-vis GSDP and the composition of revenue Receipts are depicted in **Charts 2.4** and **2.5** respectively.

Table 2.4: Trends in revenue receipts

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	1,14,671	1,11,034	1,17,136	1,50,552	1,57,768
Rate of growth of RR (per cent)	9.15	-3.17	5.50	28.53	4.79
Own Tax Revenue	58,031	57,601	57,409	70,979	78,026
Non-Tax Revenue	4,396	3,315	3,395	5,017	5,417
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	17.12	-2.42	-0.18	24.99	9.80
Grants-in-aid from GoI	19,457	21,876	31,872	39,170	36,149
Gross State Domestic Product (₹ in crore) (2011-12 Series)	8,73,721	9,25,839	9,56,788	11,33,837	13,17,728
Rate of growth of GSDP (per cent)	11.14	5.97	3.34	18.50	16.22
RR/GSDP (per cent)	13.12	11.99	12.24	13.28	11.97
Buoyancy Ratios⁶					
Revenue Buoyancy w.r.t GSDP	0.82	---	1.65	1.54	0.30
Estimated Revenue Receipts Buoyancy w.r.t GSDP as per Budget	2.15	2.50	-2.80	0.51	0.49
State's Own Tax Revenue Buoyancy w.r.t GSDP	1.55	---	---	1.28	0.61
Estimated State's Own Tax Revenue Buoyancy w.r.t GSDP as per Budget	1.97	2.53	-1.89	1.12	0.42

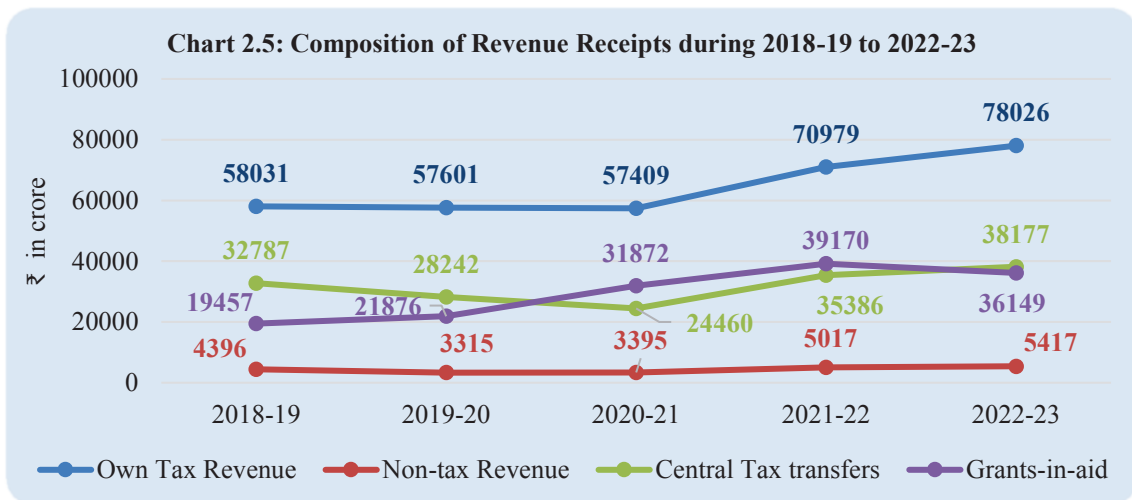
Source: Finance Accounts of respective years * Buoyancy ratio was not calculated due to negative growth rate in Revenue Receipts and own revenue

⁶ Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For example, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.



Source: Finance Accounts of respective years

During 2022-23, the Revenue Receipts of the State increased by ₹ 7,216 crore (4.79 per cent) over the previous year and constituted 11.97 per cent of GSDP (₹ 13,17,728 crore). The Revenue Receipts showed a steady growth during the period from 2018-19 to 2022-23 except during 2019-20 where the receipts were marginally decreased. However, when compared to GSDP, the Revenue Receipts showed increase during the years 2018-19, 2020-21 and 2021-22 and declined during the years 2019-20 and 2022-23.



Source: Finance Accounts of respective years

General trends relating to Revenue Receipts of the State are as follows:

1. During the period 2018-19 to 2022-23, the Revenue Receipts of the State increased by ₹ 43,097 crore (increase of 37.58 per cent) from ₹ 1,14,671 crore in 2018-19 to ₹ 1,57,768 crore in 2022-23. The increase of revenue was due to increase in tax revenue and receipts on account of grants-in-aid from Government of India.
2. The State Government's Own Tax Revenue (OTR) contributed more than 49 per cent of the Revenue Receipts during the period 2018-19 to 2022-23. However, the share of State's OTR in Revenue Receipts declined from 51 per cent in 2018-19 to 49 per cent in 2022-23.
3. The receipts on account of Grants-in-aid from GoI increased during the period from 2018-19 to 2021-22. However, during 2022-23 the Grants-in-Aid receipts from GoI declined by ₹ 3,021 crore (7.71 per cent) when compared to the previous year.

4. Revenue receipts registered highest buoyancy during the year 2020-21.
5. For the year 2022-23, the buoyancy of OTR with respect to the estimated OTR was higher whereas the buoyancy of overall Revenue Receipts was less than the estimated buoyancy of Revenue Receipts
6. The decrease in GIA during the current year 2022-23 over the previous year was mainly due to decrease in post devolution revenue deficit grant.
7. An increasing trend of Grants-in-Aid compared to own revenue buoyancy indicates more reliance and a decreasing trend indicates less reliance on GoI support. Diversifying revenue sources and strengthening the local tax base are essential for sustainable fiscal stability and development.

Table 2.5 highlights the cases of significant increase or decrease in various Revenue Heads of Account during 2022-23 *vis-à-vis* the previous year.

Table 2.5: Revenue Receipts during 2022-23 compared to 2021-22

Major Heads of Accounts	2021-22 (₹ in crore)	2022-23	Increase (+)/ Decrease (-) (in per cent)
0043 - Taxes and Duties on Electricity	11.66	4,242.55	(+) 36,285.51
1055 - Road Transport	0.00	978.17	-
0075 - Miscellaneous General Services	141.13	308.02	(+) 118.26
0029 - Land Revenue	49.97	109.76	(+) 119.65
0042 - Taxes on Goods and Passengers	0.61	12.20	(+) 1,892.07
0403 - Animal Husbandry	0.34	4.53	(+) 1,214.74
1601 - Grants-in-aid from Central Government	39,169.65	36,148.59	(-) 7.71
0700 - Major Irrigation	380.78	36.50	(-) 90.41
0040 - Taxes on Sales, Trade etc.	20,808.08	18,004.36	(-) 13.47

Source: Finance Accounts of respective years

- a. During 2022-23, there was an increase of ₹ 4,230.89 crore over the previous year under ‘Taxes and Duties on Electricity (MH 0043)’ due to change in rate of electricity duty from ₹ 0.06/kWh to ₹ 1/kWh for all commercial and industrial consumers by State Government⁷ and increase in recovery of electricity dues of yester years.
- b. The increase in receipts under Road Transport (MH 1055) was due to remittance of State Government’s share of transport revenue of ₹ 978.17 crore by APSRTC.
- c. The increase under Miscellaneous General Services (MH-0075) was mainly due to lapsing of unclaimed deposits during 2022-23.
- d. The increase in receipts under Land Revenue (MH 0029) was majorly due to amount realised on alienation of lands on outright sale basis to Solar Energy Companies.
- e. The receipts under Taxes on Goods and Passengers (MH 0042) in 2022-23 increased by ₹ 11.58 crore compared to the previous year. The majority of these receipts (₹ 8.44 crore) were from a single entity⁸.

⁷ G.O.Ms.No.7, Energy (Power-III) Department dated 08 April 2022.

⁸ M/s. Azure Power India Private Limited.

f. The increase in receipts under Animal Husbandry (MH 0403) was mainly due to increase in receipts under Animal Feed Act.

g. During 2022-23, receipts on account of Grants-in-aid from GoI (MH 1601) decreased by ₹ 3,021 crore. The decrease was mainly due to reduction in Post Devolution Revenue Deficit Grants by ₹ 6,708 crore over the previous year which was partly offset by increase on account of other Grants – in -Aid.

h. During the year 2021-22, the receipts under MH 0700 were higher due to encashment of bank guarantee(s) of contractors for non-fulfilment of contractual obligations. However, there were no such transactions during 2022-23 and the receipts under this head declined.

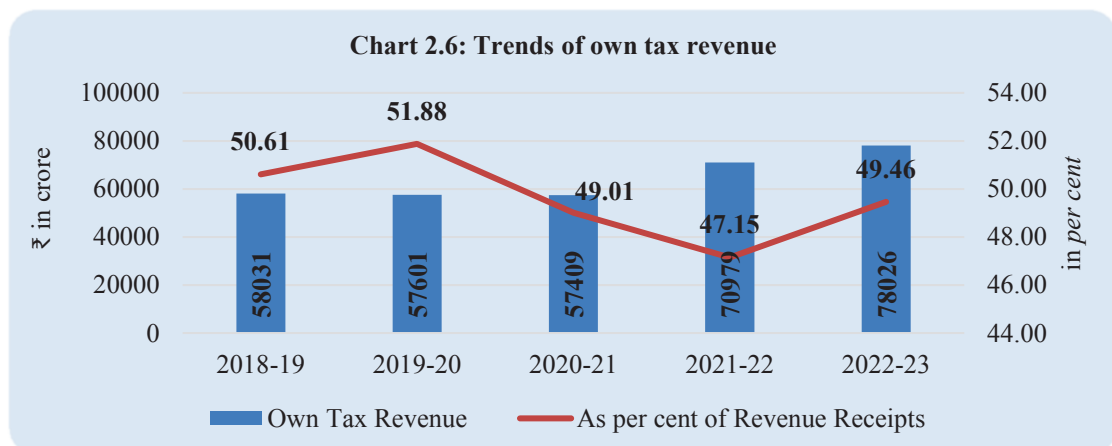
i. The receipts under Taxes on Sales, Trade *etc.* (MH 0040) decreased mainly due to decrease in receipts under “VAT on Foreign Liquor and Spirits” by ₹ 3,583.23 crore. This was due to rationalisation of VAT on liquor by the State Government⁹. *The issue is discussed in Box 2.1.*

2.4.1.2 State’s Own Resources

State’s performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

A. Own Tax Revenue

Own tax revenues of the State consist of SGST, State Excise, Taxes on vehicles, Stamp Duty and Registration Fees, Land revenue, Taxes on goods and passengers, *etc.* During 2022-23, Own Tax Revenue was ₹ 78,026 crore which constituted 49.46 *per cent* of Revenue Receipts (₹ 1,57,768 crore). SGST was the major contributor to Own Tax Revenue with a share of 35.86 *per cent*. The trend of growth of Own Tax Revenue during the period 2018-19 to 2022-23 is detailed in **Chart 2.6** and the major taxes and duties which contributed to Own Tax Revenue during the period 2018-19 to 2022-23 are shown in **Table 2.6**.



Source: Finance Accounts of respective years

⁹ G.O.Ms.No.312, Revenue (CT-II) Department, dated 09 November 2021.

Table 2.6: Components of State's Own Tax Revenue

	2018-19	2019-20	2020-21	2021-22	2022-23 (BE)	2022-23 (Actuals)
State Goods and Services Tax (SGST)	20,611	20,227	18,872	23,809	29,025	27,981
Taxes on Sales, trades etc.	21,914	21,410	17,800	20,808	28,481	18,004
State Excise	6,220	6,915	11,575	14,703	16,500	14,798
Taxes on Vehicles	3,341	3,279	2,966	3,433	6,000	4,320
Stamp duty and Registration fees	5,428	5,318	5,603	7,635	9,500	8,022
Land Revenue	57	21	143	50	48	110
Taxes on Goods and Passengers	26	36	25	1	5	12
Other Taxes¹⁰	434	395	425	540	1,491	4,779
Total	58,031	57,601	57,409	70,979	91,050	78,026

Source: Finance Accounts of respective years;

During the period 2018-19 to 2022-23, State Goods and Services Tax (SGST), Taxes on Sales, trades and State Excise were the major contributors to Own Tax Revenue of the State with more than 77 per cent share.

Own Tax revenue during the year 2022-23 increased by ₹ 7,047 crore (9.93 per cent) over the previous year. The increase was mainly under (a) SGST by ₹ 4,172 crore (17.52 per cent) (b) Taxes and Duties on Electricity by ₹ 4,231 crore (36,285.51 per cent) and (c) Taxes on Vehicles by ₹ 887 crore (25.84 per cent).

(i) State Goods and Services Tax (SGST)

SGST for the year 2022-23 was ₹ 27,981 crore which was less than the Budget Estimates (₹ 29,025 crore) by 3.60 per cent. As per the books of RBI the amount of SGST is ₹ 27,981 crore and as per the Finance Accounts the amount of SGST is ₹ 27,981 crore.

(ii) Audit of GST Receipts

The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. In case of Andhra Pradesh, which is a Model-II State, role-based access to back-end application was provided to the office of the Principal Accountant General (Audit), Andhra Pradesh in November 2020. However, the access was limited to their premises only and the matter of providing remote access was under consideration. The accounts for the year 2022-23 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

(iii) Analysis of arrears of revenue

The arrears of revenue indicate delayed realisation of revenue due to the Government and deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

¹⁰ Other Taxes include Taxes on Immovable Property other than Agricultural Land, Taxes and Duties on Electricity and Agricultural Income, Other Taxes and Duties on Commodities and Services.

Arrears of Revenue

As on 31 March 2023, the arrears of revenue in respect of principal heads of revenue were ₹ 18,079.03 crore, of which ₹ 12,152.67 crore were outstanding for more than five years as depicted in **Table 2.7**.

Table 2.7: Arrears of Revenue

(₹ in crore)			
Sl.No	Head of Revenue	Amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
1	Taxes on Commodities & Services	8,168.04	3,869.19
2	Taxes and duties on electricity	6,270.92	5,996.83
3	Taxes on Vehicles	3,350.32	1,998.00
4	Land Revenue	286.69	286.69
5	Other Taxes on Income & Expenditure	3.06	1.96
Total		18,079.03	12,152.67

Source: Form D-8 of Statement of Fiscal Policy laid on the table of the A.P. State Legislature in March 2023 and information furnished by respective departments

(iv) Escrowing of Revenue by the State

AP State Development Corporation

The State Government established AP State Development Corporation (APSDC) with a mandate of planning, funding, and financing social and economic development projects and activities in Andhra Pradesh by identifying and dedicating the requisite resources comprising of existing and new revenue streams through the levy of Additional Retail Excise Tax (ARET) on consumable liquor and duly assign these revenues to the APSDC and deposit in escrow for raising loans for the benefit of the APSDC. The Corporation is operating a PD Account¹¹ wherein the loans raised by the Corporation were credited and the loan funds were utilised for financing the Welfare Programmes of the State. For meeting the debt repayment obligations, the ARET revenues are credited to the escrow account by providing budget in Expenditure Head Revenue Account (HOA: 2052-00-090-11-31). During 2022-23, an amount of ₹ 3,740.61 crore was transferred to the corporation's escrow account for meeting the debt servicing obligations.

AP Road Development Corporation

AP Road Development Corporation (APRDC) has the mandate of development and maintenance of roads in Andhra Pradesh and raises loans on the back of sovereign guarantee given by the State Government. Further, State Government issued order¹² assigning the revenues realised through the 'Road Development Cess', to APRDC for raising and servicing new loans, servicing of the existing loans and maintenance & repair of damaged road stretches with paver patches. For meeting the debt repayment obligations, the road development cess collected was credited to escrow account of APRDC. During 2022-23, the Government has collected ₹608.60 crore towards Road Development Cess and the amount was credited to the Consolidated Fund. However,

¹¹ PD Account Number : 8443001060220021001

¹² G.O.Rt 120 Finance (FMU-TR&B) department dated 25 January 2021

the State Government transferred an amount of ₹ 581.01 crore only to the Andhra Pradesh Road Development Corporation (APRDC) Escrow account leaving a balance of ₹ 27.59 crore yet to be transferred to the account of APRDC. The Road development Cess was discussed in *Para 2.6.1.2* in detail.

It is pertinent to mention that the above two corporations are not engaged in any revenue generation activities and are dependent on the State Government for financial support as well as to defray the debt obligations which will impact Net borrowing ceiling of the state.

B. State's share of Union taxes

The Fifteenth Finance Commission (XV FC) in its Report for the year 2021-22 recommended to devolve 42 *per cent* of net proceeds of Union taxes to the States (i.e., divisible pool). However, due to the re-organisation of erstwhile Jammu and Kashmir State into Union Territories of Ladakh and Jammu & Kashmir the XV FC recommended that the aggregate share of States be reduced by one *per cent* to 41 *per cent* of the divisible pool and the remaining one *per cent* allocated to the above UTs. For devolution of net proceeds of taxes, other factors like population, area, forest and ecology, income distance criteria, demographic performance and tax efforts of the State were also considered.

Based upon the projected tax revenue of the Union Government and the shares derived from the horizontal devolution formula, XV FC derived the share of each State in absolute numbers. The XV FC projected tax devolution of ₹ 42,24,760 crore for the five-year period 2021-26 to all States. Out of the projected tax devolution, the XV FC recommended a share of 4.047 *per cent* for Andhra Pradesh. Accordingly, Andhra Pradesh has been allocated an amount of ₹ 1,70,976 crore being 4.047 *per cent* of the total projected tax devolution during the five-year period 2021-26.

During 2022-23, Central Tax transfers were ₹ 38,177 crore which constituted 24.20 *per cent* of State's Revenue receipts. Central Tax transfers increased by ₹ 2,791 crore over previous year.

Components of State's share of Union Taxes during 2018-19 to 2022-23 are shown in **Table 2.8**.

Table 2.8: Components of State's share of Union Taxes

Component of State's share of Union taxes	XIV FC award period		XV FC award period		
	2018-19	2019-20	2020-21	2021-22	2022-23
Corporation Tax	11,401	9,630	7,413	9,437	12,630
Customs	2,324	1,790	1,270	2,764	1,511
Income Tax	8,397	7,545	7,603	10,666	12,579
Other Taxes and Duties on commodities and services	17	18	19	39	63
Service Tax	303	0	113	415	60
Wealth Tax	4	0	0	2	0
Union Excise Duties	1,544	1,245	818	1,610	474
CGST	8,092	8,014	7,224	10,453	10860

Component of State's share of Union taxes	XIV FC award period		XV FC award period		
	2018-19	2019-20	2020-21	2021-22	2022-23
IGST	646	0	0	0	0
Other Taxes on Income and Expenditure	59	0	0	0	0
Grand total	32,787	28,242	24,460	35,386	38,177
Devolution as percentage of Revenue Receipts of the State	28.59	25.44	20.88	23.50	24.20

Source: Finance Accounts of respective years;

The increase in devolution was mainly under Corporation Tax (by ₹ 3,193 crore – 33.83 per cent), Income Tax (by ₹ 1,913 crore – 17.94 per cent) and CGST (by ₹ 407 crore – 3.89 per cent).

C. Non-Tax Revenue

Non-tax revenue includes receipts from services rendered and supplies made by various Departments of Government and interest receipts. During 2022-23, the non-tax revenue of ₹ 5,417 crore constituted 3.43 per cent of the total revenue receipts (₹ 1,57,768 crore). The composition of non-tax revenue for 2022-23 is detailed in Table 2.9.

Table 2.9: Composition of Non-Tax Revenue

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	(₹ in crore)
						Spark Line
Interest Receipts	50	37	24	20	9	
Dividends & Profits	1	4	0	6	2	
Other Non-tax receipts	4345	3274	3371	4991	5406	
a) Road transport	0	0	0	0	978	
b) Miscellaneous General Services	138	158	236	141	308	
c) Police	225	212	206	190	241	
d) Non-Ferrous Mining & Metallurgical Industries	2211	1897	2256	2983	3024	
Total	4396	3315	3395	5017	5417	

Source: Finance Accounts of respective years

(i) Interest receipts

During 2022-23, an amount of ₹ nine crore was received towards interest receipts (MH 0049); as against estimated amount of ₹ 80 crore. Miscellaneous interest receipts (₹ six crore) were the major source of interest receipts.

(ii) Dividend Receipts

During 2022-23, an amount of ₹ two crore was received as Dividend Receipts (MH-0050) as against estimated amount of ₹ 28 crore. These receipts were only seven per cent of the amount projected in BEs.

(iii) Other Non-Tax Receipts

During 2022-23, Non-Ferrous Mining & Metallurgical Industries (₹ 3,024 crore); Road Transport (₹ 978 crore), Miscellaneous General Services (₹ 308 crore) and Police (₹ 241 crore) were the major contributors to Non-Tax revenue for the year 2022-23.

2.4.1.3 Grants-in-Aid from Government of India

The details of Grants-in-Aid from GoI and their composition during 2018-19 to 2022-23 are shown in **Table 2.10**.

Table 2.10: Grants-in-Aid from Government of India

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
A. Non-Plan Grants/Finance Commission Grants	5,548	5,881	11,576	20,991	13,175
(i) Grants to Rural Local Bodies	859	2,039	3,793	970	948
(ii) Grants to Urban Local Bodies	587	1,019	767	1,157	736
(iii) Post Devolution Revenue Deficit Grant	3,644	2,499	5,897	17,257	10,549
(iv) Grants to State Disaster Response Fund	458	324	1,119	895	940
B. Grants for State Plan Schemes*	327	1	0	0	0
C. Grants for Central Plan Schemes*	0	0	0	0	0
D. Grants for Centrally Sponsored Schemes	12,510	13,562	14,836	12,751	18,037
E. Other Transfers/Grants to States	1,072	2,432	5,460	5,428	4,937
(i) Compensation for loss of revenue arising out of implementation of GST	0	1,841	3,528	3,117	4,570
(ii) Other Receipts ¹³	67	20	14	1,960	367
(iii) Transfer of States' portion of un-apportioned IGST of previous years	0	0	1,261	0	0
(iv) National Disaster Response Fund	1,005	571	657	351	0
Total	19,457	21,876	31,872	39,170	36,149
Percentage of increase (+)/decrease (-) over previous year	(-14.52)	12.43	45.69	22.90	(-7.71)
Total grants as a percentage of Revenue Receipts	16.97	19.70	27.21	26.02	22.91

*Source: Finance Accounts of respective years; * Grants under State and Central Plan Schemes were replaced by Centrally Sponsored Schemes from 2017-18 onwards.*

During 2022-23, out of Grants for implementing Centrally State Sponsored Schemes, major amounts were received for the following schemes:

- Pradhan Mantri Awas Yojana – PMAY Urban (₹ 5,955 crore -168.51 per cent increase over previous year)
- Mahatma Gandhi National Rural Employment Guarantee Act Scheme (₹ 3,129 crore- 2.19 per cent decrease over previous year),
- Polavaram Project (₹ 1,671 crore-11.96 per cent decrease over previous year)
- National Health Mission (₹ 1,484 crore – 0.20 per cent decrease over previous year).

A. Single Nodal Agency

Government of India, Ministry of Finance, vide letter No. 1(13) PFMS/FCD/2020 dated 23 March 2021 notified procedure for release of funds under Centrally Sponsored Scheme (CSS) and monitoring utilisation of the funds released through Single Nodal Agency (SNA). For each CSS, SNA is set up with own Bank Account in a scheduled Commercial Bank authorised to conduct Government business by the State Government. As per the procedure, the State Government has to transfer the Central share received in its accounts to the concerned SNA's account along with matching State share.

¹³ Additional Central Assistance for Left Wing Extremist (LWE) Districts, Compensation for loss of revenue on account of phasing out of Central Sales Tax (CST) and Revenue Deficit grant for the year 2014-15

During 2022-23, the State Government received an amount of ₹ 15,666.70 crore being Central share in its Treasury Accounts. The amount also includes ₹ 240 crore for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme and 0.52 crore for Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM) scheme received in April 2022 released by the Government of India on 31 March 2022 apart from the amount of ₹15,426.18 crore as per SNA report of PFMS portal.

As on 31 March 2023, the State Government transferred Central share of ₹ 14,755.53 crore received in Treasury Accounts and State share of ₹ 6,247.71 crore to the SNA accounts. The total amount of ₹ 21,003.24 crore was transferred to the SNAs through GIA bills only. Detailed vouchers and supporting documents of actual expenditure were not received by AG office from the SNAs. As informed by the State Government and confirmed from the SNA report of PFMS portal, ₹ 2,040.16 crore are lying unspent in the bank accounts of SNAs as on 31 March 2023.

Out of unspent balance of ₹ 2,040.16 crore lying in SNAs, majority of amounts was lying unspent under five schemes as detailed below in **Table 2.11**. The schemes where there was unspent balance of ₹ 50 crore and above are shown in **Appendix 2.1**.

Table 2.11: Unspent amount lying in SNA as on 31 March 2023

Sl.N o.	Name of the scheme	Amount (₹ in crore)
1	Pradhan Mantri Awas Yojana (Urban)	393.81
2	Swachh Bharath Mission (Urban)	149.76
3	Rashtriya Krishi Vikas Yojana	148.34
4	SAKSHAM Anganwadi 2.0	122.97
5	Post Matric Scholarships (Tribal)	100.14
Total		915.02

Source: Data furnished by O/o PAG (A&E)

B. Finance Commission (FC) grants

The Finance Commission grants were provided to the States for local bodies, State Disaster response fund and Post Devolution Revenue Deficit Grant (PDRDG). During the period 2021-22 to 2022-23, the details of amounts awarded, received and releases of State Government to Local Bodies during the XV FC were shown vide **Table 2.12**.

Table 2.12: Finance Commission Grants

Transfers	Recommendation of the XV-FC 2021-22	2021-22		Recommendation of the XV-FC 2022-23	2022-23	
		Actual Release by GoI	Release by State Government		Actual Release by GoI	Release by State Government
LOCAL BODIES						
(i) Grants to PRIs	1,939.00	969.50	1,343.53	2,010.00	948.35	951.01
ii) Grants to ULBs	956.00	1,157.35	1,008.60	990.00	735.75	630.76
Total Local Bodies	2,895.00	2,126.85	2,352.13	3,000.00	1,684.10	1581.77
DISASTER MANAGEMENT						
State Disaster Response	1,119.00	1,119.00	1,491.00	1,175.00	940.00	1,253.34

Transfers	Recommendation of the XV-FC 2021-22	2021-22		Recommendation of the XV-FC 2022-23	2022-23	
		Actual Release by GoI	Release by State Government		Actual Release by GoI	Release by State Government
Fund*						
REVENUE DEFICIT GRANT						
PDRDG	17,257.00	17,257.00	-	10,549.00	10,549.00	-
Grand Total	21,271.00	20,502.85		14,724.00	13,173.10	

Source: Finance Accounts and XV Finance Commissions reports. * SDRF includes SDMF also.

2.4.2 Capital Receipts

Growth and composition of Capital Receipts of the State during the period 2018-19 to 2022-23 are shown in Table 2.13.

Table 2.13: Composition of Capital Receipts

Sources of State's Receipts	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts (CR)*	98,257	1,16,783	1,63,038	1,61,719	1,86,020
Non-debt capital receipts	277	4,355	1,063	2,109	(-4)
Miscellaneous Capital Receipts	0	0	0	(-1)	0
Recovery of Loans and Advances	277	4,355	1,063	2,110	(-4)
Public Debt Receipts*	97,980	1,12,428	1,61,975	1,59,610	1,86,024
Internal Debt	95,990	1,10,398	1,57,412	1,54,714	1,77,613
Growth rate	31.28	15.01	42.59	(-)1.71	14.80
Loans and advances from GoI	1,990	2,030	4,563	4,896	8,411
Growth rate	110.36	2.01	124.78	7.30	71.79
Rate of growth of debt Capital Receipts	32.29	14.75	44.07	(-)1.46	16.55
Rate of growth of non-debt capital receipts	443.14	1,472.20	(-)75.59	98.40	(-)100.19
Rate of growth of GSDP	11.14	5.97	3.34	18.50	16.22
Rate of growth of Capital Receipts (per cent)	32.58	18.85	39.61	(-) 0.81	15.03

Source: Finance Accounts of respective years. *Includes Ways and Means Advances and Overdraft facility availed by the Government. Note: Loans and advances from GoI include ₹ 5,583.19 crore (2020-21: ₹ 2,311 crore and 2021-22: ₹ 3,272.19 crore) received as back-to-back loans under debt receipts from the total outstanding liabilities as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources.

During 2022-23, the State Government received an amount of ₹ 1,86,020 crore as Capital Receipts which constituted 54.11 per cent of the total receipts of ₹ 3,43,788 crore of the State. Substantially, the total Capital Receipts constitutes borrowings (₹ 1,86,020 crore) of the State Government during the year. During 2022-23, the State Government borrowed ₹ 59,574 crore from open market and other financial institutions and received an amount of ₹ 8,411 crore as loans and advances from GoI. In addition to these borrowings, State Government availed an amount of ₹ 1,18,039 crore¹⁴ as Ways and Means Advances and Overdraft from the Reserve Bank of India.

2.4.3 State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The XV FC projection of State Own

¹⁴ Special Drawing Facility (₹ 10,420.58 crore), Ways and Means Advances (₹ 50,552.28 crore) and Overdraft (₹ 57,006.32 crore)

Tax Revenue and Non-Tax Revenue, budget estimates *vis-à-vis* actuals during 2022-23 is shown in **Table 2.14**.

Table 2.14: Tax and Non-tax receipts *vis-à-vis* projections

	XV FC projections	Budget Estimates	Actuals	Percentage variation of actual over	
	(₹ in crore)			FFC projections	Budget estimates
Own Tax revenue	82,961	91,050	78,026	-5.95	-14.30
Non-tax revenue	6,240	11,093	5,417	-13.19	-51.17

Source: Finance Accounts 2022-23; BE 2022-23; XV Finance Commission Report

It is evident from **Table 2.14** that during 2022-23, there was significant variance between revenue receipts of the State (Own Tax Revenue as well as Non-tax revenue) *vis-à-vis* the projections of XV FC and Budget Estimates.

During 2022-23, the receipts on account of Non-tax revenue were slightly lower than the projections made by XV FC; but when compared to BEs of the State Government, the Non-tax revenue receipts fell short by more than 50 *per cent* of BEs.

State Government replied that, the revenue projections made by Finance Commissions have always been higher in the past too. Further, the Budget Estimates for Revenue Receipts in 2022-23 were made expecting higher growth rate based on the economic situation prevailing during 2021-22. However, the state achieved a growth rate of 9.8 per cent in own revenue receipts in 2022-23.

The reply of the State Government is not acceptable due to the fact that the estimates of the State were higher than the projections of XV FC and the actuals were closer to FC projections than the Budget Estimates of the State. The State need to augment its revenue through efficient tax administration, optimal resource allocation across various sectors and infrastructure creation through Capital Expenditure.

2.5 Application of resources

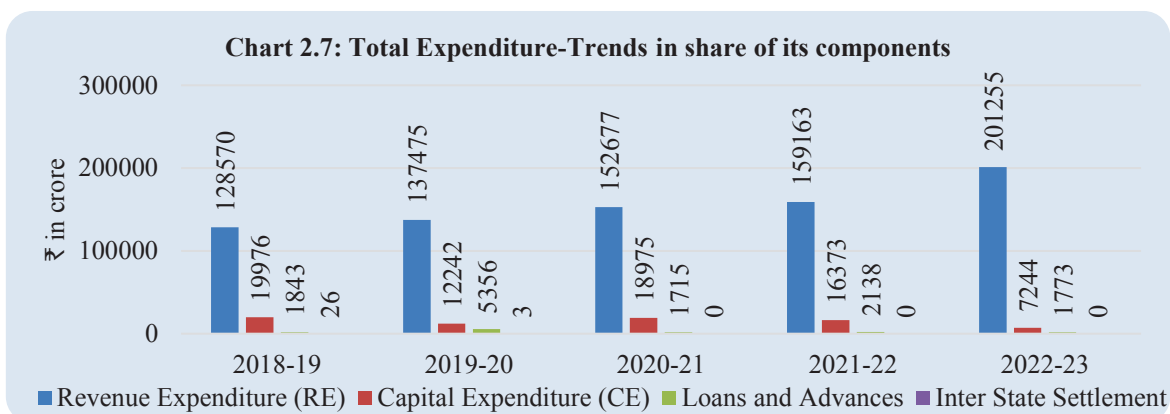
State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector.

2.5.1 Growth and composition of expenditure

The total expenditure in 2022-23 was ₹ 2,10,272 crore. **Chart 2.7** and **Table 2.15** presents the trends and composition of total expenditure during the years 2018 to 2023.

Table 2.15: Total Expenditure and its composition

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23 (₹ in crore)
Total Expenditure (TE)	1,50,415	1,55,076	1,73,367	1,77,674	2,10,272
Revenue Expenditure (RE)	1,28,570	1,37,475	1,52,677	1,59,163	2,01,255
Capital Expenditure (CE)	19,976	12,242	18,975	16,373	7,244
Loans and Advances	1,843	5,356	1,715	2,138	1,773
Inter State Settlement	26	3	0	0	0
As a percentage of GSDP					
TE/GSDP	17.22	16.75	18.12	15.67	15.96
RE/GSDP	14.72	14.85	15.96	14.04	15.27
CE/GSDP	2.29	1.32	1.98	1.44	0.55
Loans and Advances/GSDP	0.21	0.58	0.18	0.19	0.13



Source: Finance Accounts of respective years

It can be seen from **Table 2.15** and **Chart 2.7** that during the period 2018-19 to 2022-23, total expenditure of the State increased by ₹ 59,857 crore from ₹ 1,50,415 crore to ₹ 2,10,272 crore and registered an increase of 39.79 per cent. Out of total expenditure of ₹ 8,66,804 crore during the period 2018-19 to 2022-23, revenue expenditure was ₹ 7,79,140 crore (89.89 per cent) and capital expenditure was ₹ 74,810 crore (8.63 per cent).

During the period 2018-19 to 2022-23, revenue expenditure of the State showed an increasing trend mainly on account of salaries, pensions, interest payments, grants -in-aid releases etc. When compared to 2021-22, the revenue expenditure increased by ₹ 42,092 crore during 2022-23.

During the period 2018-19 to 2022-23, capital expenditure of the State was ₹ 74,810 crore which showed fluctuating trend with highest expenditure (₹ 19,976 crore) in 2018-19 and the lowest expenditure (₹ 7,244 crore) being recorded in 2022-23. The capital expenditure decreased by ₹ 9,129 crore when compared with previous year.

Thus, increasing levels of revenue expenditure coupled with low level of capital formation will have adverse impact on infrastructure development, industrial development, creation of demand, employment generation, revenue generation etc., of the State in the long run.

State Government while accepting the fact that capital expenditure leads to asset creation, stated that revenue expenditure also comprises of expenditure on rural

development, economic empowerment of weaker sections, power, transport, etc. which support income and business activities. Further, State Government stated that private industrial investments in Andhra Pradesh have been gaining momentum post COVID-19. The multiplier effect of these investments in terms of employment generation, revenue generation is expected to be realised in the coming years.

While acknowledging the fact of Revenue Expenditure comprises of expenditure on rural development, economic empowerment of weaker sections, power, transport, etc. which support income and business activities, it is pertinent to mention the fact that “every Rupee spent on capex leads to a cumulative multiplier effect of ₹ 4.8 in the economy, while for the revenue expenditure, every rupee of outlay leads to a cumulative multiplier of 0.96” (Source: Annual report of Department of Expenditure, Ministry of Finance, Government of India).

The State Government investment in capital assets acts as a catalyst for revenue generation and overall development of economy. During the year 2022-23, as against projected amount of ₹ 30,680 crore in the Budget Estimates only an amount of ₹ 7,244 crore was spent towards capital expenditure which constituted 23.61 per cent of estimated amount. The Capital Expenditure remained at meagre 0.55 per cent of GSDP during 2022-23. Hence, Audit is of opinion that since the benefits derived from revenue expenditure are short term in nature and the infrastructure creation through Capital Expenditure facilitates employment creation, augmentation of demand, revenue augmentation and pave the way for sustainability of economy in the long run, it is recommended to prioritise the budget allocations for Capital Expenditure.

In terms of activities, the total expenditure of ₹ 2,10,272 crore of the State comprised of expenditure on General Services (including Interest Payments), Social services, Economic services and others. Relative shares of these components during 2018-19 to 2022-23 are shown in **Table 2.16**.

Table 2.16: Relative shares of various sectors of expenditure

(in per cent)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	27.3	31.58	32.58	33.27	30.38
Social Services	44.64	45.24	41.15	42.64	42.37
Economic Services	26.79	19.71	26.23	24.07	26.39
Others (Grants to Local Bodies, Inter State Settlement and Loans and Advances)	1.27	3.47	0.04	0.02	0.86

Source: Finance Accounts of respective years

It can be seen from **Table 2.16** that among sectoral allocations, major expenditure was incurred in Social Services sector. The major areas under Social Services Sector where substantial allocations and expenditure were observed are shown in **Table 2.17**.

Table 2.17: Major areas of Expenditure under Social Services sector

(₹ in crore)

Area of Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Education, Sports, Art and Culture	19,587	26,643	24,205	25,796	26,158
Welfare of SCs, STs and other BCs, Social Welfare and Nutrition	28,334	28,146	30,314	29,304	34,964
Health and Family Welfare	7,400	7,538	9,511	11,271	11,488

Source: Finance Accounts of respective years

The above table indicates that in 2022-23, Welfare of SCs, STs and other BCs, Social Welfare and Nutrition constituted 17 per cent of total expenditure of the State, around 12 per cent was spent on Education, Sports, Art and Culture and five per cent was on health and Family Welfare.

2.5.2 Reduction of Expenditure during 2022-23

2.5.2.1 Lapse of Grants received from GoI along with State Matching Share

Government of India releases funds relating to Central Assistance to State Development Schemes (other than direct transfers) to the Consolidated Fund of the State. Thereafter, the amount along with Matching State Share (Sharing pattern for the schemes is normally, 60:40, or 75:25 or 90:10 as the case may be) is to be transferred to the Single Nodal Accounts.

During 2022-23, State Government lapsed an amount of ₹ 1,741.36 crore (GoI Share: ₹ 905.69 crore and State share ₹ 835.67 crore) and the details of schemes where major amounts were lapsed (₹ 100 crore or more in each case) are given in **Table 2.18**.

Table 2.18: Lapse of Grants received from GoI along with State Matching Share

(₹ in crore)		
S.No.	Name of the Scheme	Amount
GoI Share (₹ 100 crore or more in each case)		
1	National Rural Drinking Water Programme / Jal Jeevan Mission	430.68
2	Rashtriya Uchchatar Shiksha Abhiyan	162.41
Matching State Share (₹ 100 crore or more in each case)		
3	National Rural Drinking Water Programme / Jal Jeevan Mission	453.67
4	Andhra Pradesh Scheduled Castes Corporations	110.81

Source: VLC Data, O/o PAG (A&E)

State Government stated (July 2023) that the lapsed amounts pertaining to the Centrally Sponsored Schemes which are required to be transferred were already transferred to the SNA accounts after reconciliation.

2.5.2.2 Lapsing of State Scheme Funds

State Sponsored Schemes are those schemes which are financed 100 per cent by the State Government from its own resources. The schemes funds will either be transferred to Bank Accounts or PD accounts for end use/disbursement.

It was observed that during the year 2022-23, the State Government lapsed an amount of ₹ 7,346.35 crore under the State Sponsored Schemes. The details of the schemes where major amounts (₹ 100 crore or more in each case) were lapsed are given in **Table 2.19**.

Table 2.19: Lapsing of State Scheme Funds

State Schemes (₹ 100 crore or more in each case)		Amount (₹ in crore)
1.	NAADU NEDU - Infrastructure Facilities in Schools	1,000.00
2.	YSR Pension Kanuka	901.69
3.	Dr. YSR Aarogyasri Health Care Trust	651.33
4.	Incentives for Industrial Promotion for Micro Small and Medium Enterprises (MSMEs)	450.00
5.	Centralised Purchase of Drugs and Medicines	391.36
6.	SU - BC-D Corporations	364.04

State Schemes (₹ 100 crore or more in each case)		Amount (₹ in crore)
7.	Incentives for Industrial Promotion	354.88
8.	YSR Pension Kanuka to Backward Classes	304.74
9.	Price Stabilisation Fund ₹ 3000 Cr. Recoupment	301.46
10.	Assistance to Andhra Pradesh Capital Region Development Authority	300.51
11.	SU - BC-B Corporations	271.53
12.	New Medical Colleges at Rajahmundry, Eluru & Nandyal	226.82
13.	SU - BC-A Corporations	215.59
14.	Andhra Pradesh Scheduled Castes Corporations	206.45
15.	Assistance to Andhra Pradesh Township & Infrastructure Development Corporation Ltd.	200.00
16.	Andhra Pradesh Kapu Welfare and Development Corporation	195.07
17.	Incentives to the S.C. Entrepreneurs for Industrial Promotion	175.00
18.	Andhra Pradesh Industrial Infrastructure Corporation	100.00

Source: VLC Data, O/o PAG (A&E)

Lapsing of funds pertaining to above schemes without being spent results in tardy implementation of the schemes. Further, scrutiny on utilisation of funds may not be possible, since as years passed there would be introduction of new schemes or merger or modification or discontinuance of existing schemes/policy drift by the Governments.

2.5.3 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and for meeting the past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

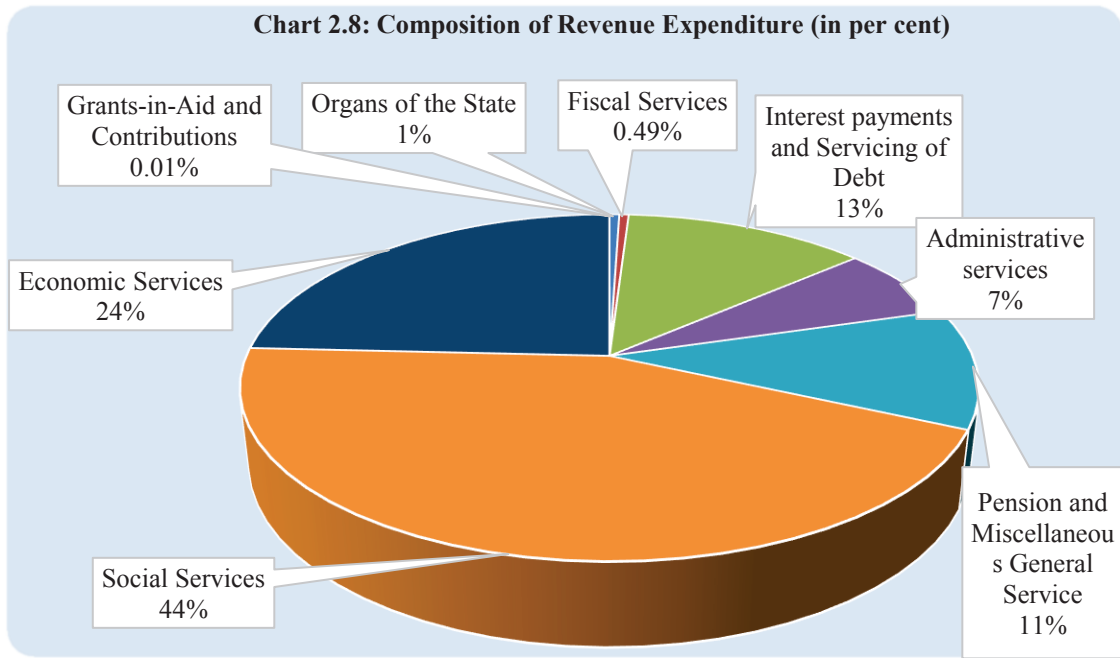
During 2022-23, Revenue Expenditure was 15.27 *per cent* when compared to the GSDP and remained within the budget provision (₹ 2,08,261 crore). It increased by 26.45 *per cent* when compared to the Revenue Expenditure of previous year.

Table 2.20: Revenue Expenditure-Basic parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE) (₹ in crore)	1,50,415	1,55,076	1,73,367	1,77,674	2,10,272
Revenue Expenditure (RE) (₹ in crore)	1,28,570	1,37,475	1,52,677	1,59,163	2,01,255
Rate of Growth of RE (in per cent)	6.07	6.93	11.06	4.25	26.45
Revenue Expenditure as percentage of TE	85.48	88.65	88.07	89.58	95.71
RE/GSDP (per cent)	14.72	14.85	15.96	14.04	15.27
RE as percentage of RR	112.12	123.81	130.34	105.72	127.56
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.54	1.16	3.31	0.23	1.63
Revenue Receipts (ratio)	0.66	---*	2.01	0.15	5.52

Source: Finance Accounts of respective years; * Buoyancy ratio was not calculated due to negative growth rate in Revenue Receipts and own revenue

The buoyancy of revenue expenditure w.r.t GSDP shows that the rise of one *per cent* of GSDP led to the rise of 1.63 *per cent* of Revenue Expenditure. It was evident from the above that, the buoyancy of Revenue Expenditure w.r.t to Revenue Receipts was highest over the last five years and it shows that the Revenue Expenditure has increased by 5.52 *per cent* over one *per cent* increase in Revenue Receipts. It shows the increased dependency of the State over Public debt in meeting the Revenue Expenditure than the Capital Expenditure.



During 2022-23, Revenue Expenditure for 95.71 per cent of the State's total expenditure leaving only 4.29 per cent for investment in infrastructure and asset creation. Further, 78.39 per cent of the Revenue Expenditure in 2022-23 was met from Revenue Receipts (₹ 1,57,768 crore) and the remaining amount of ₹ 43,487 crore (21.61 per cent) was financed out of borrowed funds.

Table 2.21 highlights the cases of significant increase or decrease in various Revenue Heads of Account during 2022-23 vis-à-vis previous year.

Table 2.21: Revenue Expenditure during 2022-23 compared to 2021-22

Major Heads of Accounts	2021-22 (₹ in crore)	2022-23 (₹ in crore)	Variation (in per cent)	Reasons
2236 – Nutrition	1,766.09	9,108.04	415.72	Increase in expenditure was due to increase in subsidy on rice.
2801 – Power	10,850.73	18,007.97	65.96	Due to increase in assistance to power distribution and transmission companies towards repayment of loans and power subsidies.
2216 - Housing	2,177.41	8,358.63	283.88	Due to increase in expenditure towards Pradhan Mantri Awas Yojana – Urban (PMAY-U).
2401 – Crop Husbandry	1,755.29	4,585.40	161.23	Due to increase in expenditure towards YSR-PM Fasal Bima Yojana and Rashtriya Krishi Vikas Yojana (RKVY).
3451 – Secretariat Economic Services	-286.63	2,504.90	973.91	Increase in expenditure was mainly due to transfer of already incurred capital expenditure pertaining to Mana Badi - Naadu Nedu, Assistance to APRDC, APWRDC, AP Fibernet Limited etc.
2217 – Urban Development	4,414.85	5,836.19	32.19	Due to increase in assistance to APTIDCO.

Major Heads of Accounts	2021-22 (₹ in crore)	2022-23	Variation (in per cent)	Reasons
2230 - Labour, Employment and Skill Development	172.39	474.56	175.28	Due to increase in expenditure towards National Urban Livelihoods Mission (NULM) and YSR Bhima.
2501 – Special Programmes for Rural Development	-59.12	133.76	326.25	Increase in expenditure was due to increase in expenditure towards Integrated Watershed Development Program under PMKSY and assistance to AP Drinking Water Supply Corporation.
3456 – Civil Supplies	219.81	403.15	83.41	Due to increase in assistance to Civil Supplies Corporation towards food subsidy.
2405 – Fisheries	17.69	200.59	1,033.92	Due to transfer of funds pertaining to PM Matsya Sampada Yojana to SNA.
2408 - Food Storage and Warehousing	63.30	205.63	224.85	Due to increase in incentives towards food processing industries.
2851 - Village and Small Industries	498.71	98.02	-80.35	Decrease in expenditure was due to reduction of expenditure on account of Incentives for Industrial Promotion for Micro Small and Medium Enterprises (MSMEs).
2700 – Major Irrigation	990.56	619.53	-37.46	Decrease in expenditure was due to reduction in assistance to APWRDC.
2015 – Elections	188.39	-91.49	-148.56	Decrease in expenditure was due to deduct recoveries of overpayments under the head.
2852 – Industries	307.03	98.42	-67.94	Decrease in expenditure was due to reduction of expenditure on account of incentives for Industrial Promotion.

Source: Finance Accounts of respective years

2.5.3.1 Committed Expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages and pensions. It has first charge on Government resources.

Apart from above, there are certain items of *inflexible expenditure* which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure, *etc.* For example, the following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies - statutory devolutions to local bodies for pay and allowances (devolution / transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds - State Disaster Mitigation / Response Fund (SDMF/SDRF), *etc.*
- (iii) Recoupment of Contingency Fund - Amount recouped within the year.
- (iv) Transfer of cess to reserve fund / other body, which are statutorily required.
- (v) Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs / spent by the State.
- (vi) Payment of interest on the balances of the interest-bearing funds as if they could

have been invested and payment of interest on public debt as charged expenditure - Interest Payment.

Upward trend in committed expenditure reduces the flexibility for State Government in allocation of expenditure for other priority sectors such as industries, infrastructure, medical and public health *etc.* **Table 2.22** presents the expenditure on these components during the period 2018-19 to 2022-23.

Table 2.22: Components of Committed and Inflexible expenditure

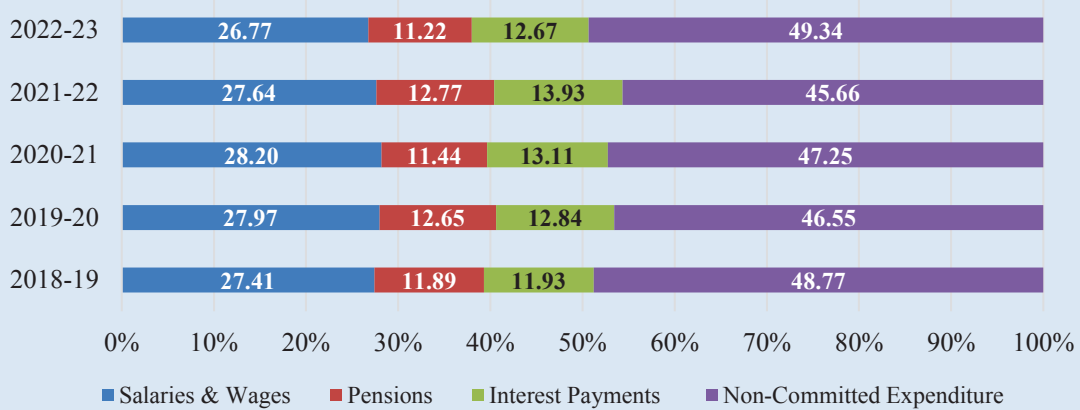
(₹ in crore)

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	35,240	38,449	43,052	44,000	53,867
Pensions	15,291	17,385	17,470	20,327	22,584
Interest Payments	15,342	17,653	20,018	22,165	25,492
Total	65,873	73,487	80,540	86,492	1,01,943
Components of Inflexible Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Statutory devolution to local bodies	1,446	3,058	3,712	2,352	1,582
Contribution to Reserve Funds	401	210	372	298	313
Recoupment of Contingency Fund	0	9	0	0	1
Transfer of Cess to Reserve Fund / Other Body	0	0	244	421	581
Share contribution of CSS against the Central Fund received	6,013	5,024	5,619	5,261	6,321
Payment of Interest on the balances of the interest-bearing funds as if they could have been invested	0	0	0	0	0
Total	7,860	8,301	9,947	8,332	8,798
As a percentage of Revenue Receipts (RR)	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	30.73	34.63	36.75	29.23	34.14
Pensions	13.33	15.66	14.91	13.50	14.31
Interest Payments	13.38	15.90	17.09	14.72	16.16
Total	57.45	66.18	68.76	57.45	64.62
Inflexible Expenditure	6.85	7.48	8.49	5.53	5.58
As a percentage of Revenue Expenditure (RE)	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	27.41	27.97	28.20	27.64	26.77
Pensions	11.89	12.65	11.44	12.77	11.22
Interest Payments	11.93	12.84	13.11	13.93	12.67
Total	51.24	53.45	52.75	54.34	50.65
Inflexible Expenditure	6.11	6.04	6.52	5.23	4.37

Source: Finance Accounts of respective years and information furnished by O/o PAG (A&E) Andhra Pradesh.

Note: Salaries and wages also include the salaries paid out of grants-in-aid, work charged establishment and employer contribution towards Employee Health Scheme (EHS); The difference in the figures under Salaries & wages with previous reports was due to inclusion of additional salary components such as SDH-060 – “GIA-Salaries”, SDH – 070 “work Charged Establishment” *etc.*,

Chart 2.9: Share of Committed Expenditure in Revenue Expenditure



Salaries and wages

During 2022-23, expenditure on salaries and wages (₹ 53,867 crore) increased by 22.43 *per cent* (₹ 9,867 crore) over the previous year. The increase was mainly due to implementation of Revised Pay Scales to the State Government Employees.

Pensions

During 2022-23, expenditure on pension and other retirement benefits (₹ 22,584 crore) to State Government pensioners increased by 11.10 *per cent* (₹ 2,257 crore) over the previous year. When compared to the previous year, Superannuation and Retirement Allowances (₹ 12,658 crore), increased by ₹ 1,683 crore; Family Pensions (₹ 5,009 crore) increased by ₹ 848 crore and Commuted value of pensions (₹ 2,058 crore) increased by ₹ 984 crore.

Interest payments

During 2022-23, interest payments (₹ 25,492 crore) increased by 15.01 *per cent* (₹ 3,327 crore) over the previous year. Interest on Market Borrowings (₹ 21,510 crore), Interest on other Internal Debts (₹ 1,077 crore) and Special Securities issued to National Small Savings Fund (NSSF) of Central Government (₹ 863 crore) were the major components of interest payments.

Inflexible Expenditure

The inflexible expenditure showed fluctuating trend during the period 2018-19 to 2022-23. As a percentage of revenue expenditure, the inflexible expenditure decreased from 6.11 *per cent* in 2018-19 to 4.37 *per cent* in 2022-23. During 2022-23, the inflexible expenditure (₹ 8,798 crore) increased by 5.59 *per cent* over the previous year (₹ 8,332 crore).

2.5.3.2 National Pension System

State Government employees recruited on or after 01 September 2004 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. It is mandatory for employees to contribute 10 *per cent* of basic pay and dearness allowance every month towards NPS, which is to be matched by the State Government.

The Government must transfer these contribution amounts along with details of NPS/CPS subscribers to the National Securities Depository Limited (NSDL) and to the fund managers appointed by the NPS Trust.

Post bifurcation of the erstwhile composite State of Andhra Pradesh in 2014, there was an un-apportioned balance under NPS. After apportionments in the past years, the un-apportioned balance at the end of 2022-23 was ₹ 365.43 crore. There was no further apportionment during 2022-23.

Details of contributions by employees and Government and transfers to NSDL were showed in **Table 2.23**.

Table 2.23: Details of Contribution to NPS Deposit Account and transfer to NSDL

(₹ in crore)

Year	Details of contribution received				Details of funds transferred			
	Employees Share	Government Share	Short (+) / Excess (-) contribution made by Government (2-3)	Total contribution (2+3)	Funds transferred to current account of Treasury (for further transfer to NSDL)	Funds paid to Beneficiaries	Net Refunds (+) and Re-submission (-)	Short Transfer {(5+8)-(6+7)}
1	2	3	4	5	6	7	8	9
2014-15	276.48	300.58	-24.1	577.06	830.45	Not Available		
2015-16	491.46	494.84	-3.38	986.3	1056.66			
2016-17	580.39	529.78	50.61	1,110.17	1,076.47			
2017-18	668.42	696.72	-28.3	1,365.14	1,397.58			
2018-19	765.02	320.58	444.44	1,085.60	652.89			
2019-20	782.05	969.93	-187.88	1,751.98	1,694.11			
2020-21	798.73	864.33	-65.6	1,663.06	1,961.65			
2021-22	968.34	1,018.46	-50.12	1,986.80	2,052.06			
2022-23	1,512.55	972.61	539.94	2,485.16	2,324.26			

Source: Information furnished by O/o PAG (A&E); NA: Not Available

During the year 2022-23, total contribution to Defined Contribution Pension Scheme (NPS) was ₹ 2,485.16 crore (Employees' contribution ₹ 1,512.55 crore and Government's contribution ₹ 972.61 crore including ₹ 8.06 crore on account of foreign service employers' contribution which was remitted to Public Account). The State Government parks the NPS accumulations in a Current Account of bank and transfer the amount to NSDL/ Trustee Bank from the Current Account of bank. The State Government transferred an amount of ₹ 2,930.97 crore to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme and transferred ₹ 2,770.07 crore to the current account.

Out of the amount ₹ 2,770.07 crore transferred, ₹ 445.81 crore was remitted back to MH 2071 through various challans by the Government (Treasuries), resulting in short transfer by Government to NSDL. Thus, the amount transferred by the State Government to NSDL was only ₹ 2,324.26 crore (₹ 2770.07 crore - ₹ 445.81 crore). The closing balance of ₹ 511.34 crore (excluding un-apportioned balance) under MH: 8342-117 is yet to be transferred to NSDL. Unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities of the Government under the Scheme. The State Government's contribution to the NPS was less by ₹ 539.94 crore (₹ 1,512.55 crore-₹ 972.61 crore), which resulted in understatement of Revenue Expenditure to that extent.

2.5.3.3 Subsidies

The details of department-wise subsidies during the period 2018-19 to 2022-23 are shown in **Table 2.24**.

Table 2.24: Department wise subsidies for the period 2018-19 to 2022-23

(₹ in crore)					
Departments	2018-19	2019-20	2020-21	2021-22	2022-23
Civil Supplies	340	396	0.23	503	7,404
Energy	1,250	5,248	4,370	8,504	9,966
Agricultural and other Allied activities	408	381	214	4,161	4,325
Others ¹⁵	354	318	364	1,521	1,399
Total subsidy	2,352	6,343	4,948	14,689	23,004
Total Revenue Expenditure (RE)	1,28,570	1,37,475	1,52,677	1,59,163	2,01,255
Subsidy as a percentage of RE	1.83	4.61	3.24	9.23	11.43

Source: Finance Accounts of respective years

As seen from the table above, the expenditure of ₹ 23,004 crore on subsidies (excluding implicit subsidies) during the year increased by ₹ 8,315 crore (56.61 per cent) when compared to previous year (₹ 14,689 crore). The increase was mainly due to increase in Subsidy on Rice (Civil Supplies department) by ₹ 6,896 crore over the previous year. Out of the total subsidy released to Energy Department during 2022-23, ₹ 9,351 crore (93.83 per cent) was towards implementation of YSR nine hours free power supply scheme. Civil Supplies, Energy and Agriculture Departments together accounted for 94.31 per cent of total subsidies.

Implicit Subsidies

Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government. It can be indirect or in kind or can be given as concessions.

The details of implicit subsidies during 2022-23 are depicted in **Table 2.25**.

Table 2.25: Details of implicit subsidies during 2022-23

(₹ in crore)		
S.No.	Scheme	Amount
1	Diesel Subsidy to Fishermen Boats	3.31

Source: Finance Accounts

Considering the above implicit subsidy amount of ₹ 3.31 crore in addition to the amount of ₹ 23,004 crore shown in **Table 2.24**, the expenditure on account of total subsidies by the Government would be ₹ 23,007 crore, which was 11.43 per cent of the total expenditure.

2.5.3.4 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 (including Grants-in-aid received from GoI) during the period 2018-19 to 2022-23 is shown in **Table 2.26**.

¹⁵ Industries and Commerce, Minority Welfare, Information Technology & Communication, Panchayat Raj, Social Welfare, Women, Child and Disabled Welfare and Backward Classes Welfare Departments

Table 2.26: Financial assistance to Local Bodies and other institutions

	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies	12,132	14,566	16,830	17,011	25,664
Municipal Corporations and Municipalities	3,775	4,157	3,552	4,996	11,757
Zilla Parishads and other PR Institutions	8,357	10,409	13,278	12,015	13,907
(B) Others	48,663	45,349	56,837	49,071	54,626
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	9,613	10,048	10,967	10,987	12,302
Hospitals and Other Charitable Institutions	3,411	3,224	4,293	5,894	5,338
Development Authorities	6	5	12	6	6
Co-operative Institutions	543	9,487	981	11	1,707
Others ¹⁶	35,090	22,585	40,854	32,173	35,273
Total*	60,795	59,915	73,667	66,082	80,290
GIA on Salary	9,952	11,637	13,354	13,108	17,065
GIA for creation of Capital Assets	3,301	655	509	844	1,171
GIA for Non-Salary	47,542	47,623	59,804	52,130	62,054
GIA given in kind	Information not provided by State Government				
Assistance as percentage of R.E	47.29	43.58	48.25	41.52	39.89

Source: Finance Accounts of respective years; * Includes Salaries paid out of Grants-in-Aid.

Financial assistance extended to local bodies and other institutions in 2022-23 increased by 21.50 per cent (₹ 14,208 crore) when compared to the previous year mainly due to

- (i) Increase in financial assistance to Municipal Corporations and Municipalities by 135.33 per cent (₹ 6,761 crore).
- (ii) Increase in financial assistance to Pradhan Manthri Awas Yojana (Urban) by 199.48 per cent (₹ 4,987 crore) for servicing of debt of APTIDCO and for creation of capital assets.
- (iii) Financial Assistance of ₹ 3,876 crore to DISCOMS under Revenue Compensation Grant (losses under Power Sector Reforms).
- (iv) Increase in financial assistance to Andhra Pradesh Kapu Welfare and Development Corporation by 280.10 per cent (₹ 2,557 crore).
- (v) Increase in Assistance to Andhra Pradesh Transmission Corporation Ltd. for servicing of Vidyut Bonds by 282.00 per cent (₹ 1,788 crore).
- (vi) Increase in Teaching Grants to Zilla Praja Parishads by 22.04 per cent (₹ 1,366 crore).
- (vii) Increase in financial assistance to Andhra Pradesh Scheduled Castes Corporation by 147.02 per cent (₹ 1,012 crore).

The major schemes/recipients (above ₹ 1,000 crore) of grants during the year are shown in **Table 2.27**.

¹⁶ Others includes Development Agencies, Autonomous Bodies, Public Sector Undertakings, Non-Governmental Institutions, Institutions receiving one time grant etc.

Table 2.27: Major schemes/recipients (above ₹ 1,000 crore)

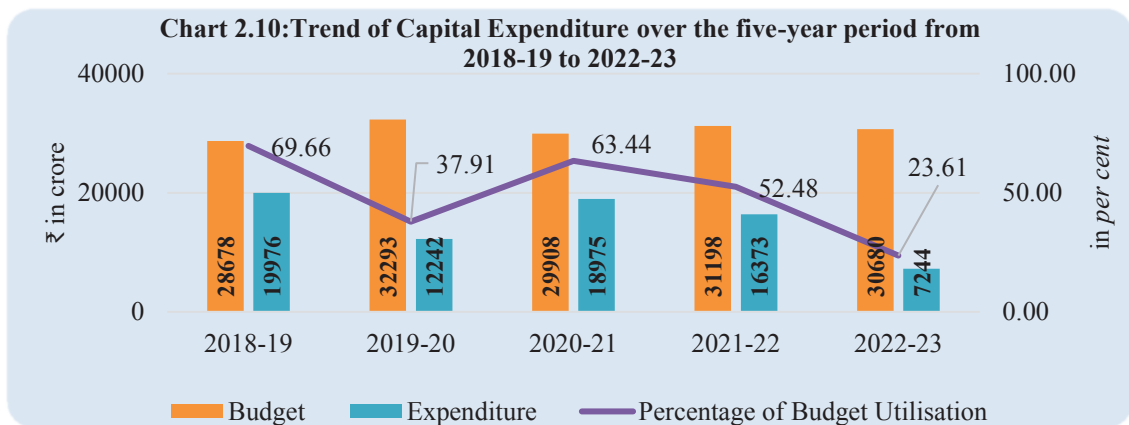
Scheme/Recipients	Amount (₹ in crore)
Teaching Grants to Zilla Praja Parishads	7,565.62
Pradhan Manthri Awas Yojana (Urban)	7,487.05
Assistance to DISCOMS under Revenue Compensation Grant (losses under Power Sector Reforms)	3,875.92
Assignment of ARET revenue to APSDC Ltd	3,740.61
Andhra Pradesh Kapu Welfare and Development Corporation	3,470.13
Mahatma Gandhi National Rural Employment Guarantee Act	3,377.47
Assistance to Andhra Pradesh Transmission Corporation ltd. for servicing of Vidyut Bonds	2,421.54
Grama Sachivalayam	2,331.73
YSR Pension Kanuka to Backward Classes	1,961.04
YSR Pension Kanuka	1,820.65
SU - BC-A Corporations	1,800.65
Andhra Pradesh Scheduled Castes Corporations	1,700.10
SU - BC-D Corporations	1,697.86
Assistance to APDISCOMS	1,670.65
SU - BC-B Corporations	1,578.08
Dr. YSR Aarogyasri Health Care Trust	1,548.67
Assistance to Andhra Pradesh Township & Infrastructure Development Corporation Ltd., (APTIDCO)	1,361.87
Samagra Shiksha	1,348.02
NHM (NUHM & NRHM)	1,232.67
Village Volunteers	1,183.80
Assistance to Andhra Pradesh Water Resource Development Corporation (APWRDC)	1,177.09
Andhra Pradesh Reddy Welfare and Development Corporation	1,109.12
Andhra Pradesh Kamma Welfare and Development Corporation	1,012.11

Source: Finance Accounts 2022-23 and information furnished by O/o PAG (A&E), Andhra Pradesh.

2.5.4 Capital Expenditure

Capital Expenditure is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. and usually met from revenue surplus/borrowed funds.

The trend of Capital Expenditure during the period 2018-19 to 2022-23 was shown in **Chart 2.10**.



Source: Finance Accounts and Budget in brief of respective years

During 2022-23, Capital expenditure (₹ 7,244 crore) of the State Government constituted 3.45 per cent of total expenditure (₹ 2,10,272 crore). As a proportion of GSDP, the Capital Expenditure was very low at 0.55 per cent during 2022-23. When compared with the BEs (₹ 30,680 crore) of 2022-23, the actual capital expenditure was

only 23.61 per cent of the projected amount. The Capital expenditure decreased by 55.76 per cent when compared to the previous year and reduced by 63.74 per cent from 2018-19 to 2022-23.

2.5.4.1 Special Scheme to States for Capital Investments

Government of India has launched “Scheme for Special Assistance to States for Capital Investment” during 2020-21 for increase in capital expenditure in all states. As part of the scheme, GoI will provide financial assistance in the form of 50-year interest free loan to all states.

During 2022-23, GOI released an amount of ₹ 6,105.56 crore and issued Guidelines vide F.No.44/PF-S/2022-23 (CAPEX) dated 06 April 2022. As per the guidelines, the above scheme has seven parts. The component-wise release of funds is given in **Table 2.28**.

Table 2.28: Component wise release of funds

Part	Nature	Amount received from GoI (in crore)
I	Projects approved by the GoI	3,238.00
II	PM Gati Shakti Nirman	202.00
III	Pradhan Mantri Gram Sadak Yojana	229.75
IV	Incentives for Digitisation	65.63
V	Optical Fibre Cable	126.00
VI	Urban Reforms	643.07
VII	Disinvestment and Monetisation	0.00
VIII	Others	1,601.11
Total		6,105.56

As per scheme guidelines, State Finance Secretary has to furnish Utilisation Certificates for the projects approved under this scheme to GoI.

Further, during the year 2022-23, State Government has also received an amount of ₹ 1,000.68 crore towards State Roads (from Central Road Fund) and Pradhan Mantri Gram Sadak Yojana apart from Special assistance to Capital Investments.

During 2022-23, State Government spent ₹ 7,244.13 crore towards Capital creation. On test check of vouchers, it was noticed that the Capital expenditure detailed in **Table 2.29** below was met from resources other than the funds released under the “Scheme for Special Assistance to States for Capital Investment” and hence the above scheme was not applicable to these works/projects:

Table 2.29: Expenditure that cannot be met from Special Scheme to States for Capital Investments

Type of Capital Expenditure	Amount (₹ in crore)	Reasons
Externally Aided Projects (GSH 03)	774.54	Reimbursable as back-to-back loans from GoI
Works/projects under Rural Infrastructure Development Fund (GSH 07)	596.22	Met from Rural Infrastructure Development Fund
Polavaram Project	930.42	Reimbursable expenditure from GoI
Road Works	70.17	Amount being met from Central Road Fund
Works financed by grants from GoI	251.04	Grants were already received by GoAP
Total	2,622.39	

Source: Statement 16 of Finance Accounts

It is evident from the above that, the State Government has not spent the entire amount of ₹ 6,105.56 crore received from GoI towards Capital Expenditure.

State Government had not furnished the list of projects approved by GoI as part of above scheme and the copies of Utilisation Certificates for the expenditure met from the above scheme funds to audit despite several requests.

The State Government replied (November 2023) that all the amounts received have been released to Departments/Project Implementing Agencies for the intended purpose and the Finance Department is in the process of obtaining the UCs from various agencies for submission to GoI. Further, State Government stated that, a copy of the UCs would be furnished to the office of Principal Accountant General (Audit) as soon as the same is submitted to GoI.

Though the State Government in its reply stated that all the amounts received in respect of “Scheme for Special Assistance to States for Capital Investment” have been released to departments/project implementing agencies for intended purpose, State Government had not furnished supporting documents (February 2024) for the above said releases to audit despite several requests. Further it is pertinent to mention that, after excluding the expenditure as shown in table 2.28 above which was met from other resources than this scheme, the Expenditure fell short of the releases from GoI. This clearly shows that State Government has not spent the entire amount of ₹ 6,105.56 crore received from GoI.

Further, the Department of Expenditure¹⁷, Ministry of Finance, GoI while sanctioning second and additional instalment of funds towards Special Scheme for Capital Expenditure, clearly mentioned that, the Finance Department, State of Andhra Pradesh¹⁸ has submitted consolidated Utilisation Certificates along with the details of expenditure towards the schemes approved by DoE. Hence, the reply of the Finance Department stating that “Utilisation certificates are being obtained from the concerned executing agencies for onward transmission to GoI” is not acceptable.

In view of the above, in the absence of information and records, audit cannot ascertain the correctness of utilisation of above funds and the possibility of diversion of above funds cannot be ruled out.

2.5.4.2 Misclassification of Revenue Expenditure as Capital Expenditure:

As per Government Accounting Rule 30(1) read with note thereunder Capital expenditure shall broadly be defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent nature and expenditure on a temporary asset or expenditure on Grants-in-aid to local bodies or institutions (for the purpose of creating assets which will belong to these local bodies or institutions) cannot ordinarily be classifiable as capital expenditure. Ownership of assets is the key factor in determining whether the expenditure incurred on its acquisition can qualify to be

¹⁷ vide letter F.No.44 (1)/PF-S/2022-23 (capex)-Andhra Pradesh – SACE 42 & 48

¹⁸ vide letters FIN01-FMU0MISC/91/2021-FMU-WR-I (1361559) dated 16.12.2022 and FIN01/2/2023-CASP-FC dated 15.02.2023

classified as capital expenditure.

Government of Andhra Pradesh planned to construct 25 lakh houses (14 lakh in rural areas including Urban Development Authorities and 11 lakh in urban areas) during the period 2019-20 to 2023-24 as part of “Navaratnalu”¹⁹ at an estimated project cost of ₹ 61,000 crore to provide pucca houses to all eligible beneficiaries. For implementing the scheme, Government issued orders on 08 July 2020 for acquisition of land and proposed to distribute house site pattas to 25 lakh beneficiaries. An amount of ₹ 100.48 crore was booked as Capital Expenditure in Accounts for 2022-23 under YSR Gruha Vasathi scheme for this purpose.

As per the scheme guidelines, the Government has planned to provide house sites to all the poor and needy and also register the land along with the house in the name of women of the household, for the above scheme.

As the land along with the house would be registered in the name of the beneficiary, the asset would belong to beneficiary, not the State Government and hence the expenditure was to be booked under Revenue expenditure Head.

Further, Capital Expenditure during 2022-23 was overstated by ₹ 713.14 crore due to incorrect booking of expenditure incurred towards Minor works and Grants-in-Aid, which was not in the nature of asset creation under Capital Heads.

2.5.4.3 Major changes in Capital Expenditure

Table 2.30 highlights the cases of significant increase or decrease under various Heads of Account under capital expenditure during 2022-23 vis-à-vis the previous year.

Table 2.30: Capital expenditure during 2022-23 compared to 2021-22

Major Heads of Accounts	2021-22	2022-23	Variation	Reasons
	(₹ in crore)		(in per cent)	
4515 - Capital Outlay on other Rural Development Programmes	699.27	1,217.99	74.18	Increase in expenditure was due to increase in expenditure under PMGSY.
4702 - Capital Outlay on Minor Irrigation	326.60	667.99	104.53	Increase in expenditure was due to Construction and Restoration of Minor Irrigation Sources.
4405 - Capital Outlay on Fisheries	4.67	94.08	1,914.56	Increase in expenditure was due to Construction of Fish Landing Centers/jetties under PMMSY.
5053 - Capital Outlay on Civil Aviation	35.19	117.37	233.53	Increase in expenditure was due to increase in releases from State for construction of airports.
4059 - Capital Outlay on Public Works	48.77	112.73	131.15	Due to increase in expenditure under construction of court and office buildings.
4202 - Capital Outlay on Education, Sports, Art and Culture	3,175.65	64.08	-97.98	Decrease was due to transfer of expenditure pertaining to “Mana Badi – Naadu Nedu” to Revenue Account.

¹⁹Nine welfare schemes promised during election and implemented by cross cutting nine themes covering Agriculture, Health, Education, Housing, Welfare and other sectors.

Major Heads of Accounts	2021-22	2022-23 (₹ in crore)	Variation (in per cent)	Reasons
4215 - Capital Outlay on Water Supply and Sanitation	1,274.78	-786.83	-161.72	Decrease in expenditure was mainly due to lapsing of bills pertaining to Jal Jeevan Mission/NRDWP.
4700 - Capital Outlay on Major Irrigation	5,401.64	3,518.80	-34.86	Decrease in expenditure was due to reduction of amount incurred towards Telugu Ganga and Polavaram projects.
4070 - Capital Outlay on other Administrative Services	1,671.09	75.10	-95.51	Decrease in expenditure was majorly under Investments under AP State Development Corporation and AP State Financial Services Corporation Limited
4210 - Capital Outlay on Medical and Public Health	1,033.18	512.26	-50.42	Decrease in expenditure was mainly due to reduction of amount incurred towards Medical Buildings (Naadu Nedu), Establishment of New Medical Colleges and increase in deduct recoveries.
4425 - Capital Outlay on Co-operation	340.85	-51.71	-115.17	Decrease in expenditure was mainly due to withdrawal of funds given to co-operatives.
4055 - Capital Outlay on Police	268.55	-98.60	-136.72	Decrease in expenditure was mainly due to lapsing of bills pertaining to Modernisation of Police Forces scheme.
4401 - Capital Outlay on Crop Husbandry	184.54	17.59	-90.47	Decrease in expenditure was due to reduction of amount incurred towards YSR - Agri Testing Labs, KFW Germany - Zero Based Natural Farming scheme.
4250 - Capital Outlay on other Social Services	204.13	92.54	-54.77	Decrease in expenditure was due to reduction of amount incurred towards schemes - Resilient Electric Network by APEPDCL, WB (World Bank) - Andhra Pradesh Disaster Recovery Project - Technical support for Risk Reduction & response preparedness.

Source: Finance Accounts of respective years

2.5.5 Quality of Capital Expenditure

2.5.5.1 Investments and returns

As of 31 March 2023, the State Government invested ₹ 11,369 crore in Statutory Corporations (₹ 205.57 crore), Rural Banks (₹ 26.96 crore), Government Companies (₹ 8,293.40 crore), Joint Stock Companies (₹ 57.77 crore) and Co-operatives (₹ 2,783.38 crore). Out of these investments, ₹ 2,963.94 crore was invested after 02 June 2014 by Government of Andhra Pradesh, an amount of ₹ 3.93 crore was the investment out of Earmarked funds and ₹ 8,401.21 crore (73.90 per cent) was yet to be apportioned among the two successor States of Andhra Pradesh and Telangana.

The status of return on the amount invested in these Corporations/Companies is shown in **Table 2.31**. During 2022-23, State Government did not spend any amount towards investments.

Table 2.31: Return on Investment

Investment/Return/Cost of Borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	9,501	9,501	9,534	11,369	11,369
Return in the form of Dividend (₹ in crore)	1	4	0.01	5.73	1.59
Rate of Return (<i>per cent</i>)	0.01	0.04	0.0001	0.05	0.014
Average rate of interest on Government borrowing (in <i>per cent</i>)	6.37	6.31	6.16	6.15	6.40
Difference between Rate of return and interest rate (in <i>per cent</i>)	(-) 6.36	(-) 6.27	(-)6.16	(-)6.10	(-)6.39
Difference between interest on Government borrowing and return on investment (₹ in crore)	15,341	17,649	20,018	22,159	25,490

Source: Finance Accounts of respective years

State Government earned an amount of ₹ 1.59 crore as dividend in 2022-23 on its investments of ₹ 11,369 crore in various Corporations/Companies. The return on Government investment was very low and remained at 0.014 *per cent* during 2022-23 as against the average rate of interest of 6.40 *per cent* paid by the Government on its borrowings during the same period and has proved to be a drag on the finances of the State.

2.5.5.2 Loans and Advances given by the State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government also provided loans and advances to institutions/organisations like PSUs, Universities/ Academic Institutions, PRIs, ULBs and Urban Development Authorities, *etc.* **Table 2.32** presents the details of outstanding loans and advances during the last five years.

Table 2.32: Details of loans advanced by State Government

Quantum of Loans/Interest Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance (₹ in crore)	30,202	31,768	32,769	33,421	33,449
Amount advanced during the year (₹ in crore)	1,843	5,356	1,715	2,138	1,773
Amount recovered during the year (₹ in crore)	277	4,355	1,063	2,110	(-)4 ²⁰
Closing Balance (₹ in crore)	31,768	32,769	33,421	33,449	35,226
Net addition (₹ in crore)	1,566	1,001	652	28	1,777
Interest Receipts on Loans and Advances (₹ in crore)	12	13	12	6	6
Interest receipts as percentage of outstanding loans and advances (in <i>Per cent</i>) (a)	0.04	0.04	0.04	0.02	0.02
Interest payments (₹ in crore)	15,342	17,653	20,018	22,165	25,492
Total Outstanding Liabilities [^] (₹ in crore)	2,57,510	3,01,802	3,48,246*	3,72,503*	4,23,943*
Interest payments as percentage to total Outstanding Liabilities of the State Government (b)	5.96	5.85	5.75	5.95	6.01
Difference between (a) and (b) (in <i>Per cent</i>)	(-) 5.92	(-) 5.81	(-) 5.71	(-) 5.93	(-) 5.99

Source: Finance Accounts of respective years; * Outstanding Debt excludes an amount of ₹ 2,311 crore during 2020-21 and ₹ 3,272.19 crore during 2021-22 received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources; ^The total outstanding liability amount for the years 2019-20 to 2022-23 excludes of Loans of PSUs where total repayment is being made by State Government.

²⁰ Minus figure resulted due to amount written off to the extent of ₹ 35.82 crore in order to clear the adverse balances appeared under MH 6801 which is due to repayment of remittances by APTRANSCO after bifurcation.

During 2022-23, an amount of ₹ 1,773 crore was disbursed towards loans and advances to various entities. Out of the loans disbursed by the State Government, AP State Beverages Corporation Limited (₹ 1,412.62 crore) and AP Airport Development Corporation Limited (₹ 171.45 crore) were the major recipients of loans. It was observed that loans to APSBCL and APADCL were disbursed without prescribing any terms and conditions for repayment *viz.*, applicable rate of interest, number of instalments of repayment, moratorium if any *etc.*

Loans of ₹ 35,225.97 crore were outstanding as of 31 March 2023 from various entities. The earliest period to which arrears related was 2002.

2.5.5.3 Capital locked in incomplete projects

Blocking of funds on incomplete projects/works deprives the State of the intended benefits for prolonged periods. It may also result in increased outlays due to revision of the project costs due to changes in Standard Schedule of Rates (SSRs), factors of inflation *etc.* As majority of the irrigation projects are financed out of borrowed funds, the quantum of borrowings would also be increased and result in additional financial burden to the State exchequer.

Age-wise and department-wise details of ongoing projects are shown in **Tables 2.33** and **2.34** respectively.

Year of commencement of Project / work	No of incomplete Projects / works	Estimated cost	Expenditure (as on 31 March 2023)
Up to 2014-15	96	52,856	65,038
2015-16	6	561	212
2016-17	17	802	579
2017-18	54	24,106	2,006
2018-19	71	10,847	2,218
2019-20	51	10,440	1,852
2020-21	33	1,516	257
2021-22	95	32,668	2,201
2022-23	86	3,601	629
Total	509	1,37,397	74,992

Department	No. of incomplete projects / works	Estimated cost	Expenditure (as on 31 March 2023)
Roads	120	4,011	321
Bridges	21	412	84
Irrigation	266	1,23,505	72,584
Water Supply Schemes and others	102	9,469	2,003
Total	509	1,37,397	74,992

Source: Appendix-IX of Finance Accounts 2022-23; Information furnished by State Government Departments (as of September 2023)

Further, the State Government did not disclose financial results of any of the irrigation projects during 2022-23. As a result, there was no assurance of returns from public investments on irrigation and flood control.

State Government replied that post state bifurcation, the State economy has become more agrarian with the share of primary sector in GSV A increasing from 33 per cent in 2014-15 to 38.80 per cent in 2022-23. The state has to focus on strengthening the

primary sector through public investments in irrigation and flood control projects and the private sector does not participate in making investments in the primary sector for uncertainty about return on capital. Further State Government replied that, the State Government cannot shy away from the commitment of development of irrigation projects and all efforts were being made to ensure completion of ongoing projects so as the citizens can realise the returns from these investments.

While considering the reply of the State Government in making the efforts to ensure completion of ongoing projects, it is to mention that, as of 31 March 2023, the State has raised off budget borrowings to the tune of ₹ 15,226.36 crore through AP Road Development Corporation and AP Water Resources Development Corporation towards Roads & Bridges and Irrigation projects.

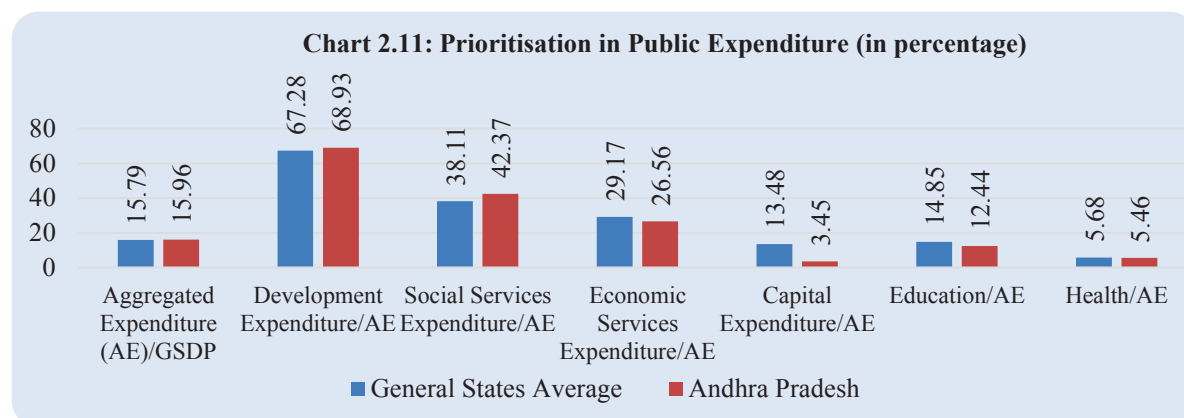
The State Government has expended ₹ 14,914.19 crore towards implementation of Road Works under Central Road Fund, Pradhan Mantri Gram Sadak Yojana, Accelerated Irrigation Benefit Programme, Polavaram Project and Special Scheme for Capital Expenditure out of the total released amount of ₹ 19,082.16 crore by GoI from 2018-19 to 2022-23.

Further, the Capital Expenditure has been mostly on decreasing trend over the past five years though there were substantial releases from GoI.

It is evident from the above that, the prioritization of the State Government has been shifted from Capital Expenditure to Revenue Expenditure and it is recommended to use the borrowed funds for increase in the creation/completion of capital assets to avoid blocking of funds and unnecessary increase in revision of project costs.

2.5.6 Expenditure priorities

Enhancing human development levels require the State to step up its 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 below the respective national averages. **Chart 2.11** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2022-23, *vis-à-vis* the average of the General States (GS).



Source: Finance Accounts of 2022-23 and data provided by Economic Advisor.

Audit observations in this regard are as follows:

- Development expenditure²¹ and expenditure on Social Services as a proportion of total expenditure were higher in the State compared to the GS average and the expenditure on Economic Services as a proportion of total expenditure was lower than GS average.
- The share of expenditure on Education and Health & Family Welfare in the State as a proportion of total expenditure was lower than the corresponding GS average impacting the human resource development in the State.
- Though State Government had received substantial amounts from GoI towards Capital Expenditure during the year, the share of capital expenditure was significantly lower in the State compared to the GS average affecting physical capital formation with a cascading impact on economic growth in the long run.

Box 2.1: Issue of Non-Convertible Debentures (NCDs) by AP State Beverages Corporation Limited (APSBCL) with State Government Guarantee and utilisation of the proceeds of NCDs for implementation of State Welfare Schemes

Andhra Pradesh State Beverages Corporation Limited

Andhra Pradesh State Beverages Corporation Limited was formed (July 2015)²² on for-profit basis as per Companies Act, with objectives of dealing in all kinds of alcohol, all other beverages and mineral waters suitable for human consumption as well as rectified spirits, all kinds of alcohol and other spirits suitable for industrial use.

State Government issued orders²³ granting (August 2019) exclusive privilege to APSBCL for retailing in Indian Made Foreign Liquor (IMFL) and Foreign Liquor (FL) by shop in the whole State of Andhra Pradesh w.e.f. 01 October 2019. As per the State Government Orders²⁴ (September 2019), APBCL was allowed to collect four *per cent* special margin on the issue price of IMFL and FL to meet the operational expenditure of retailing of IMFL and FL. Subsequently, State Government issued (October 2020) orders²⁵ increasing the rate of special margin money to six *per cent*.

As per the State Government Orders²⁶ (October 2020), the revenue realised from sale of IMFL, FL and Beer at retail outlets is to be apportioned as below:

Sl. No	Component	Transfer/ Retention	Remarks
1.	Excise Duty/ Countervailing Duty (ED/ CD)	Transfer to Consolidated	-
2.	Value Added Tax (VAT)	Fund of the	-
3.	Additional Excise Duty (AED)	State	-

²¹ Expenditure incurred on Social and Economic Services constitute Development Expenditure

²² vide G.O. Ms.No.272 Revenue (Excise.III) Department dated 16 July 2015

²³ Vide Act No 23 of 2019 notified vide AP extra Ordinary Gazette dated 17 August 2019

²⁴ G.O. MS No 423 Revenue (Excise.II) Department dated 30 September 2019

²⁵ vide G.O. MS No.294 Revenue (Excise) department dated 1 October 2020

²⁶ G.O. MS No.294 Revenue (Excise) department dated 1 October 2020

4.	Retail Excise Tax (RET) @ 4% of Issue Price		-
5.	Additional Retail Excise Tax (ARET)		-
6.	Assessment Fee		-
7.	Basic price	Retained by APSBCL	Subsequently paid to the Distillers/ Breweries
8.	Addl. Privilege Fee		Five per cent of the Amount to be transferred subsequently to Sports Authority of Andhra Pradesh and 95 per cent to Chief Minister's Relief Fund
9.	Special Privilege Fee		
10.	APSBCL Retail Margin		-
11.	APSBCL Wholesale Remuneration		-
12.	Special Margin		Utilised for meeting the expenses on State Government Schemes and repayment of loans raised by the company to implement the State Government Schemes

State Government through an amendment²⁷ (December 2021) included a new objective for utilisation of income of APSBCL exclusively to promote the interests of the members of Scheduled Castes, Scheduled Tribes and Backward Classes in the State of Andhra Pradesh by implementation of welfare schemes such as Amma Vodi, YSR Asara, YSR Cheyutha, YSR Pension Kanuka *etc.*

Thereafter, State Government issued orders²⁸ providing Guarantee for an amount of ₹ 12,000 crore raised by APSBCL through issue of listed/unlisted non-convertible cumulative debentures (NCDs) during 2022-23 for implementing the welfare schemes. Further, with a view to reduce the alcohol consumption in the State, State Government reduced (November 2021)²⁹ VAT on liquor without altering the MRP and levied Special Margin which resulted in reduction of revenue to the State exchequer on account of excise duties and increase of income to APSBCL. State Government also issued orders³⁰ that in case Special Margin Money is not sufficient, State Government will provide necessary support. Thus, the borrowings of APSBCL constituted a liability to the State Government.

During the years 2021-22 and 2022-23, APSBCL spent an amount of ₹ 2,588.68 crore and ₹ 18,595.99 crore respectively for welfare schemes and the details are discussed in para 3.5.1 of Chapter 3.

It is pertinent to mention that as per Article 293(3) of Constitution of India, State Government can borrow funds on the security of Consolidated Fund of the State only with the permission of the Central Government. Further, as per Government Accounting Rules, the borrowed funds should ideally be applied for creation of Capital Assets.

As discussed in para 3.5.1, State Government initially established AP State Development Corporation during 2020-21 for implementation of various welfare schemes and issued guarantees for raising a loan amount of ₹ 25,000 crore. The repayments of borrowings of APSDC are being met out of escrowed revenues of the State. Similarly, in 2022-23, State

²⁷ Act 31 of 2021 dated 29 December 2021.

²⁸ G.O.Ms.No.415 Revenue (Excise) department dated 27 May 2022.

²⁹ G.O.Ms.No.313 Revenue (Excise) Department dated 9 November 2021

³⁰ G.O.Ms.No.415 Revenue(Excise)Department dated 27 May 2022.

Government provided guarantee for the NCDs floated by APSBCL for implementation of the welfare schemes. These borrowings were kept outside the ambit of Article 293(3)³¹ of the Constitution of India and not considered while calculating adherence to the ceiling on outstanding liabilities fixed under FRBM Act.

Audit is of opinion that while implementation of welfare schemes for the needy and downtrodden cannot be disputed, the expenditure on such schemes should be in consonance with the resources of the State. The State Government has continuously witnessed revenue deficits for the past five years from 2018-19 to 2022-23. The public debt as well as off budget borrowings have also increased year over year. Hence, mobilisation of funds by using Corporations and utilisation of such funds for financing welfare schemes of the State would result in undue stress on the State's exchequer and State Government would be left with few resources for infrastructure creation.

Due to these practices, on the one hand, authorisation of State Legislature was bypassed for expenditure on those schemes for which expenditure was met through Corporations and on the other hand there was under reporting of borrowings of the State for arriving at the Net Borrowing Ceiling (NBC) as per the GoI norms.

Further, Audit is of the opinion that the Special Margin Money should also form part of the revenues of the State and should have been credited to the State Consolidated Fund; instead of treating the same as 'Income' of the Corporation. The expenditure for implementing the above welfare schemes should have been met from CFS with the approval of the State Legislature *viz.*, after voting of Grants/Appropriations by the State Legislature and Appropriation Act.

2.6 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of the Public Account. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.6.1 Net Public Account Balances

Component-wise net balances in Public Account of the State as at the end of March of the year during the five-year period 2018-19 to 2022-23 are as follows:

³¹ A State may not without the consent of the Government of India raise any loan if there is still outstanding any part of a loan which has been made to the State by the Government of India or by its predecessor Government, or in respect of which a guarantee has been given by the Government of India or by its predecessor Government.

Table 2.35: Public Account Balances (As on 31 March of the year)

		(₹ in crore)				
Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	-15,730	-16,745	-23,276	-26,990	-28,277
J. Reserve Funds	(a) Reserve Funds bearing Interest	-576	-1,863	-1,685	-2,629	-4,457
	(b) Reserve Funds not bearing Interest	-2,107	-2,065	-2,002	-1,988	-1,990
K. Deposits and Advances	(a) Deposits bearing Interest	-7,275	-7,662	-708	-622	-865
	(b) Deposits not bearing Interest	-38,325	-46,907	-52,626	-36,234	-31,898
	(c) Advances	31	31	31	31	31
L. Suspense and Miscellaneous	(b) Suspense	105	-938	-2,422	-976	-1,238
	(c) Other Accounts	166	5,298	912	1,939	1,102
	(d) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(e) Miscellaneous	0	0	0	0	0
M. Remittances	(a) Money Orders, and other Remittances	500	510	511	516	516
	(b) Inter Governmental Adjustment Account	53	100	108	107	127
TOTAL		-63,158	-70,241	-81,157	-66,846	-66,949

Source: Finance Accounts of respective years; Note: +ve denotes Debit Balances and -ve denotes credit balances;

2.6.1.1 Reserve Funds

Reserve Funds were created for specific and defined purposes under the Public Account of the State Government. These funds were met from contributions or grants from the Consolidated Fund of State. Out of the gross accumulated balance of ₹ 17,852.20 crore lying in these Funds as on 31 March 2023, ₹ 11,405.26 crore was invested in GoI Securities, leaving a net accumulated balance of ₹ 6,446.94 crore as on 31 March 2023. The transactions during 2022-23 under major reserve funds are detailed below:

Consolidated Sinking Fund

The Government of Andhra Pradesh set up the Consolidated Sinking Fund for amortization of loans in 1999-2000. According to the guidelines of the Fund, States may contribute a minimum of 0.5 per cent of their outstanding liabilities (internal debt + public account) as at the end of the previous year to the Consolidated Sinking Fund. Out of the desirable contribution of ₹ 1,802.07 crore, an amount of ₹ 752.01 crore towards the net interest was re-invested by the State Government. Thus, there was a short contribution of ₹ 1,050.06 crore. The total accumulation of the Fund was ₹ 10,439.53 crore as on 31 March 2023 out of which ₹ 10,382.90 crore was invested (₹ 9,687.52 crore as on 31 March 2022).

Guarantee Redemption Fund

As per guidelines of Reserve Bank of India, post bifurcation, the Government of Andhra Pradesh constituted³² (April 2018) the Guarantee Redemption Fund (GRF) to meet its obligation pertaining to the guarantees given by it on loans raised by bodies such as Public Sector Undertakings, Special Purpose Vehicles, *etc.*, outside of the State budget. In case of default by the borrower, these guarantees become liabilities of the State Government. As such, guarantees, generally, are contingent liabilities. As per guidelines, the Fund shall be setup by the State Government with an initial contribution of minimum one *per cent* of outstanding guarantees at the end of previous year. Thereafter, a minimum of 0.5 *per cent* of outstanding guarantees was envisaged as annual contribution to raise the Fund to a minimum level of three *per cent* in next five years and eventually to a level of five *per cent*.

The outstanding Guarantees as on 01 April 2022 were ₹ 1,18,003 crore. Against this, the Fund balance to the end of the year was ₹ 1,017.10 crore which was 0.86 *per cent* of outstanding Guarantees. The State Government did not contribute any amount to the Fund during 2022-23.

State Disaster Mitigation Fund

As per the recommendations of XV Finance Commission, Government of India constituted State Disaster Mitigation Fund (SDMF) under Reserve Funds (8121-00-130) for the purpose of mitigation projects in respect of disasters covered under the National Disaster Response Fund (NDRF) and State Disaster Response Fund (SDRF). The fund will be used for those local level and community based interventions, which reduce the risks and promote environment friendly settlements and livelihood practices.

GoI would contribute 75 *per cent* funds to SDMF and the balance 25 *per cent* of funds would be contributed by the State Governments. During 2022-23, the State Government did not receive any amount from the GoI under SDMF. The balance lying in the fund at the end of 31 March 2023 was ₹ 297.82 crore.

State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 01 April 2010. As per the guidelines of the Fund, the Centre and State Governments are required to contribute to the Fund the ratio of 75:25 (General category States) The contributions are to be transferred to the Public Account to 'Major Head – 8121 – General and other reserve funds'. Expenditure during the year is incurred by operating 'Major Head – 2245 – Relief on account of Natural Calamities'.

The State Government is required to pay interest on a half-yearly basis to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The accretions to the SDRF together with the income earned on the investment of SDRF is

³² G.O. Ms. No. 46, Finance (CM) Department, dated 17 April 2018

to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction. Mitigation should not be a part of SDRF. Such expenditure must be provided from the normal budgetary heads/ State Plan Funds, etc.

The balance lying in the SDRF as on 01 April 2022 was ₹ 661.86 crore (which includes an amount of ₹ 351.43 crore received towards NDRF).

During 2022-23, GoI released an amount of ₹ 940 crore towards its share and State Government also released its share of ₹ 313.34 crore to SDRF. In compliance to the Honourable Supreme Court Orders³³ (July 2022), State Government also transferred ₹ 1,100.00 crore which was diverted to the PD Account of Directorate of Agriculture during 2019-20 to the SDRF.

Thus, the total accumulated balance under SDRF was ₹ 3,015.20 crore. Out of the total amount, ₹ 445.35 crore was expended for relief on natural calamities³⁴ leaving a balance of ₹ 2,569.85 crore to the end of 31 March 2023.

The details of expenditure charged to SDRF are shown in **Table 2.36**.

Table 2.36: Details of Expenditure charged to SDRF

(₹ in crore)			
Major Head of Account	Minor Head of Account	Expenditure during 2021-22	Expenditure during 2022-23
2245- Relief on Account of Natural Calamities 01- Drought	101-Gratuitous Relief	0.52	0.00
	102-Drinking water Supply	0.55	0.00
	104-Supply of Fodder	6.02	0.00
	282-Public Health	74.57	28.47
	911- Deduct-Recoveries of Overpayments	0.00	-3.72
	Sub Total	81.66	24.75
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	672.65	415.05
	104-Supply of Fodder	0.00	2.52
	106- Repairs and restoration of damaged roads and bridges	0.00	55.33
	122- Repairs and restoration of damaged irrigation and flood control works	0.00	42.24
	282-Public Health	212.94	0.81
	911- Deduct-Recoveries of Overpayments	-57.20	-95.36
Sub Total	828.39	420.59	
2245- Relief on Account of Natural Calamities 80- General	001 Direction and Administration	2.07	2.31
	102-Management of Natural Disasters, Contingency Plans in disaster prone areas	6.03	7.01
	911- Deduct-Recoveries of Overpayments	0	-1.30
	Sub-Total	8.10	8.02

³³ M.A.No.647 of 2022 in Writ Petition (C) No. 539 of 2021 dated 18 July 2022.

³⁴ Gratuitous relief in floods and cyclone affected areas, Repairs and restoration of damaged roads and bridges, Repairs and restoration of damaged irrigation and flood control works etc.(as per Finance Accounts)

Major Head of Account	Minor Head of Account	Expenditure during 2021-22	Expenditure during 2022-23
	Grand Total	918.15	453.36
2245-05-State Disaster Response Fund	101-Transfer to Reserve Funds and Deposit Accounts-State Disaster Response Fund	0.00	1,253.34
	901-Deduct-Amount met from State Disaster Response Fund	883.17	445.35

Source: Finance Accounts of 2022-23

The State Government did not pay any interest on the balance of ₹ 960.06 crore pertaining to SDRF (₹ 661.86 crore) and SD MF (₹ 298.20 crore). The state Government has to pay an interest of ₹ 71.91 crore as per SDRF guidelines for the above balances. The details are given in the Table 4.1 of Chapter 4.

2.6.1.2 Funds outside Consolidated Fund/Public Account of the State and dedicated funds

Article 266 (1), subject to the provisions of Article 267 of the Constitution of India, provides that all revenues received by the Government of a State, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

A. Building and other Construction Workers Welfare Cess

Government of India enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 aimed at providing safety, health and welfare measures for the benefit of building and other construction workers. GoI also enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) to levy and collect cess at the rate of one *per cent* of the cost of construction, as stipulated under the Buildings and Other Construction Workers Act, with the aim of improving the working conditions of workers and to provide financial aid to them and framed the relevant Rules under the above Acts. The Act, inter alia, mandated constitution of a Building and Other Construction Workers’ Welfare Board and framing of rules by all State Governments to exercise the powers conferred under the Act.

Accordingly, the State Government framed Andhra Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 1999 and also constituted AP Building & Other Construction Workers Welfare Board (APBOCWFB) on 30 April 2007. The Board is responsible for the operation and maintenance of the amount credited by Government as Labour Cess Deposits.

Since the Board is an autonomous Body, total cess details are not depicted in Government Accounts. However, Labour Cess collected from the bills of Government Works executed by the Irrigation and Public Works departments is remitted by respective Pay and Accounts Officers (Works) to the Public Deposit Head of Account

of the Labour Board. The State Government also issued (April 2007 and December 2009) orders³⁵ for remittance of labour cess into Bank Account.

The transactions of labour cess were being accounted under the HOA: 8342-00-120-00-09-000 -Deposits of Andhra Pradesh Building & Other Construction Workers Welfare Board up to 2018-19 and an amount of ₹ 13.97 crore was lying in the account. In addition to the Deposit Account, another HOA: 8443-00-116-01-09-001 ‘Deposits of Building and other Construction Workers Welfare Board’ was opened from the financial year 2019-20 for accounting for labour cess transactions. However, the State Government did not transfer the unutilised balance of ₹ 13.97 crore lying in the old Deposit Account to the newly opened deposit account. As the Administrator for operation of the Deposit Accounts is same and nature of transactions are same, operation of single Deposit account instead of two Deposit Accounts would render the reconciliation of transactions easier, besides giving a fair view of State Government Accounts.

It was also noticed that in the newly opened Deposit Account (HOA: 8443-00-116-01-09-001) an amount of ₹ 465.77 crore was available as opening balance (as on 01 April 2022). During 2022-23, State Government collected an amount of ₹ 73.77 crore labour cess and an amount of ₹ 1.35 crore was transferred/expended leaving a balance of ₹ 538.19 crore to the end of 31 March 2023.

Thus, the total balance available in the two Deposit Accounts mentioned above was ₹ 552.16 crore (₹ 538.19 crore under 8443-00-116-01-09-001 and ₹ 13.97 crore under 8342-00-120-00-09-000) as of 31 March 2023. Due to non-transfer of the labour cess to the Bank Account of APBOCWFB, there was a liability of ₹ 552.16 crore to the State Government to the end of 31 March 2023.

The details of the amount of labour cess collected during the period 2018-19 to 2022-23 are shown in **Table 2.37**.

Table 2.37: Amount of Labour cess collected from 2018-19 to 2022-23

Year	(₹ in crore)		
	Amount of cess collected by the State Government (As per Finance Accounts)	Amount of Cess collected directly by the Board	Total Amount of Cess collected
2018-19	155.28	317.71	472.99
2019-20	62.49	342.99	405.48
2020-21	72.98	294.82	367.8
2021-22	108.96	359.69	468.65
2022-23	73.77	417.71	491.48
Total	473.48	1,732.92	2,206.40

Source: Data furnished by the Board

The details of expenditure incurred by the Board on various welfare activities for the construction workers during the five-year period 2018-19 to 2022-23 are shown in **Table 2.38**.

³⁵ G.O.Ms.No.111, Labour, Employment, Training and Factories (Lab II) Department dated 15 December 2009 read with G.O.Ms.No.42, Labour, Employment, Training and Factories (Lab II) Department dated 30 April 2007

Table 2.38: Expenditure incurred by APBOCWW Board during 2018-19 to 2022-23

(in crore)					
Year	Welfare Activities ³⁶	Administrative Expenses	Publicity	Loans and Advances	Total
2018-19	70.04	6.47	52.40	209.63	338.54
2019-20	20.53	3.71	0.08	208.30	232.62
2020-21	0.63	6.99	0.48	804.84	812.94
2021-22	4.91	6.29	0.01	280.87	292.08
2022-23	0.02	7.26	0	329.53	336.81
Total	96.13	30.72	52.97	1,833.17	2,012.99

Source: Data furnished by the Board

During the period 2018-19 to 2022-23, an amount of ₹ 2,206.40 crore was collected as Labour Cess by the APBOCWW Board and it spent ₹ 2,012.99 crore on various welfare schemes, Publicity and Loans & Advances *etc.*, as detailed above.

B. Road Development Cess

Government of Andhra Pradesh amended³⁷ (December 2020) AP Value Added Tax (APVAT) Act, 2005 inserting a new section 4(B) (1). As per the amended Act, a Cess namely “Road Development Cess” @ Re.1/- (one rupee only) per liter on Petrol and High-Speed Diesel shall be levied and collected from every dealer at the point of first sale in the State.

The proceeds of the Road Development Cess shall be first credited to the Consolidated Fund of the State (HOA: 0040-00-102-00-10-001(Petrol) and 0040-00-102-00-10-002 (High Speed Diesel)) and shall be transferred to the Andhra Pradesh Road Development Corporation (APRDC) Escrow account³⁸ by debiting the expenditure under the HOA 3054-04-105-00-35-310-312.

During 2022-23, the Government has collected ₹608.60 crore towards Road Development Cess and the amount was credited to the Consolidated Fund. However, the State Government transferred an amount of ₹ 581.01 crore only to the Andhra Pradesh Road Development Corporation (APRDC) account leaving a balance of ₹27.59 crore yet to be transferred to the account of APRDC. It is pertinent to mention that since the enactment of RD Cess Act, the total amount of Cess to be transferred to the account of APRDC was ₹ 1,440.58 crore as of 31 March 2023 and the State Government has transferred an amount of ₹ 1,245.84 crore with a short release of ₹ 194.74 crore to the end of 31 March 2023.

³⁶ Marriage Gift, Maternity Gift, Fatal Accident relief, Disability relief, Natural Death relief, Hospitalisation relief, Funeral Expenses, Relief to unregistered workers, Vocational training to workers, Atal Pension yojana, Scholarships to children of BOC workers *etc.*

³⁷ Act No.40 of 2020 dated 29 December 2020 and the provisions of the Act deemed to be come into force from 18 September 2020.

³⁸ G.O.Rt.No. 14, Finance (FMU-TR&B) Department dated 24 January 2022, 100 *per cent* of the revenues collected under ‘Road Development Cess’ shall be transferred to Andhra Pradesh Road Development Corporation (APRDC) Escrow account instead of PD Account

C. Central Road Infrastructure Fund

Government of India enacted Central Road Fund Act³⁹ for development and maintenance of National Highways, Railway projects improvement of safety in Railways, State and Rural roads and other infrastructure. The fund will be operated through levy and collection of cess, a duty of excise and a duty of customs on motor spirit commonly known as petrol and high-speed diesel oil and for other matters connected therewith.

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide GoI's Gazette notification dated 31 March 2018. The CRIF will be used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure *etc.*

As per the LMMH, the grants received by the State from the Centre are to be initially booked as Revenue Receipts under Major Head 1601. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head 8449-Other Deposits-Subventions from Central Road and Infrastructure Fund through functional Major Head(s). In the State Government Accounts, a head of account is opened for operation of CRIF.

During 2022-23, State Government received grants of ₹ 356.55 crore towards CRIF and transferred the entire amount to the Central Road Infrastructure Fund Account under Major Head 8449-Other Deposits. As of 31 March 2023, an amount of ₹ 636.66 crore is available as balance under the fund.

D. State Compensatory Afforestation Fund

The Compensatory Afforestation Fund Act, 2016 and Compensatory Afforestation Fund Rules, 2018 provide for the establishment of a State level authority called "State Compensatory Afforestation Fund Management and Planning Authority". The Authority is to administer the amount received and utilise the monies for undertaking compensatory afforestation activities.

Accounting Arrangements:

The money received from the user agencies towards compensatory afforestation activities are to be credited in "State Compensatory Afforestation Deposits" under interest bearing deposits under Major Head 8336-103 (Civil Deposits). As per the provisions of the Act, 90 *per cent* of the money collected is to be transferred to the "State Compensatory Afforestation Fund (SCAF)" under Major Head 8121-129 and the balance 10 *per cent* is to be credited into the National Fund i.e., National Compensatory Afforestation Deposits under MH 8336-102. The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' and 'State Compensatory Afforestation Fund' will be as per the rate declared by the Central Government on a

³⁹ Act No. 54 of 2000 dated 27 December 2000

year-to-year basis. The expenditure on various activities as envisaged in the Act is to be met initially under Major Head 2406 and the expenditure would be debited to the SCAF by way of deduct recoveries to the functional head.

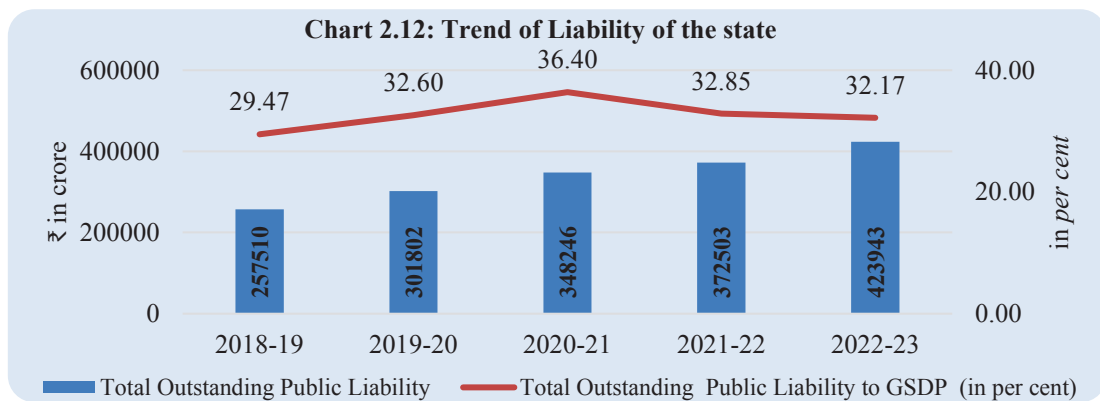
Status of State Compensatory Afforestation Fund:

In terms of Compensatory Afforestation Act, 2016 Government of Andhra Pradesh established State Compensatory Afforestation Fund under Major Head 8121-General and other Reserve Funds – Minor Head 129 State Compensatory Afforestation Fund in the Public Account section (Part III of Government Accounts). During 2022-23, the State Government did not receive any amount towards compensatory afforestation activities and hence transfer to the Fund is nil. It was observed that the State Government did not provide any amount towards interest on the outstanding balance of ₹ 1,552.37 crore during 2022-23.

2.7 Liability Management

Management of State's Liability is the process of establishing and executing a strategy for managing the Government's liabilities in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

The total outstanding liabilities of the State Government at the end of 2022-23 was ₹ 4,23,943 crore⁴⁰. The trend of outstanding public liability and ratio of debt to GSDP during the period 2018-19 to 2022-23 is shown in **Chart 2.12**.



Source: Finance Accounts of respective years; **Note:** Total Outstanding Public Liability during 2021-22 excludes an amount of ₹ 5,583 crore received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources;

2.7.1 Liability profile

Total liabilities of the State Government consist of Internal debt of the State (market loans, Ways and Means Advances from RBI, Special securities issued to NSSF and loans from financial institutions *etc.*), loans and advances from the Central Government and Public Account liabilities of the State.

⁴⁰ Outstanding Public Liability excludes an amount of ₹ 2,311 crore during 2020-21 and ₹ 3,272.19 crore during 2021-22 received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources

The breakup of total liability during the period 2018-19 to 2022-23 are shown in **Table 2.39** and in **Chart 2.13**.

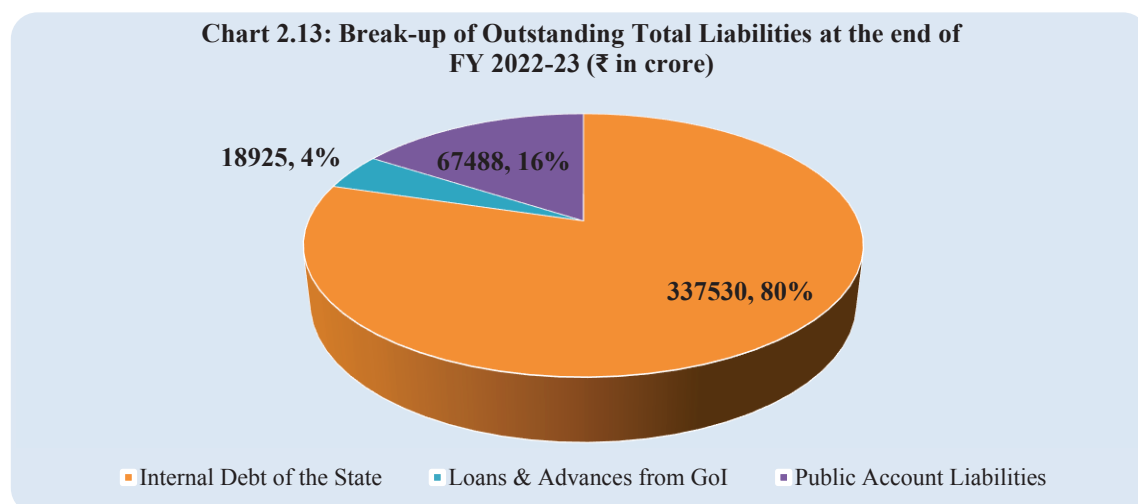
Table 2.39: Component wise Liability trends

	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Liabilities (₹ in crore) (A)+(B)	2,57,510	3,01,802	3,48,246*	3,72,503*	4,23,943*
Public Debt (₹ in crore) (A)					
Internal Debt	1,83,274	2,15,617	2,56,088	2,91,951	3,37,530
Loans from GoI	10,223	10,942	11,860	12,089	18,925
Public Account Liabilities (₹ in crore) (B)	64,013	75,243	80,298	68,463	67,488
Off-Budget Borrowings (OBB)	NA	77,586	1,12,115	1,18,393	1,28,048
Rate of growth of outstanding liabilities (in per cent)	15.11	17.20	15.39	6.97	13.81
Gross State Domestic Product (GSDP) (₹ in crore)	8,73,721	9,25,839	9,56,788	11,33,837	13,17,728
Liability/GSDP (in per cent)	29.47	32.60	36.40	32.85	32.17
Liability/GSDP (in per cent) including OBB	NA	40.98	48.12	43.30	41.89
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)					
Total Receipts (₹ in crore) (a)	1,36,084	1,57,859	2,13,050	1,65,877	1,63,370
Total Repayments (₹ in crore) (b)	97,940	1,13,197	1,64,296	1,38,347	1,11,931
Net funds Available (₹ in crore) (a-b)	38,144	44,662	48,754	27,530	51,439
Repayments/Receipts (in per cent)	71.97	71.71	77.12	83.40	68.51

Source: Finance Accounts of respective years; * Outstanding Total Liabilities excludes an amount of ₹ 2,311 crore during 2020-21 and ₹ 3,272.19 crore during 2021-22 received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources; NA: Not Available.

The outstanding total liabilities of the State increased by 64.63 per cent (₹ 1,66,433 crore) from 2018-19 to 2022-23. Public Debt of the State increased by 84.22 per cent (₹ 1,62,958 crore) during the period 2018-19 to 2022-23 wherein Internal debt increased by 84.17 per cent (₹ 1,54,256 crore) and Loans from GoI increased by 85.12 per cent (₹ 8,702 crore).

Component-wise break-up of outstanding total liabilities is shown in **Chart 2.13**.

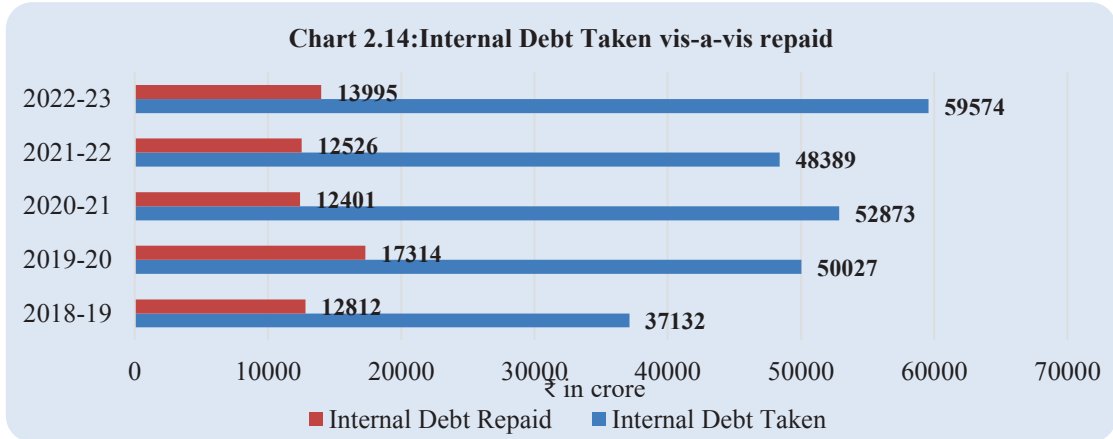


Source: Finance Accounts of 2022-23; **Note:** Outstanding Total liabilities excludes an amount of ₹ 5,583.19 crore received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources.

2.7.1.1 Internal Debt

Internal debt, which is primarily market borrowings through issue of State Development Loans (SDLs), loans from financial institutions and special securities issued to NSSF, accounts for 80 *per cent* of the outstanding total liabilities.

The details of receipt and repayment of internal debt during the years 2018-19 to 2022-23 are shown in **Chart 2.14**.



Source: Finance Accounts of respective years

As on 31 March 2023, market borrowings (₹ 3,11,235 crore) constituted a major portion (92.21 *per cent*) of the outstanding internal debt (₹ 3,37,530 crore) of the State Government, with interest rates ranging from 5.00 to 13.99 *per cent*. State Government paid an interest of ₹ 23,670.21 crore on Internal Debt. From the year 2018-19 to 2022-23, the borrowings under Internal Debt have increased by ₹ 1,54,256 crore (84.17 *per cent*).

Retention of loan and subsidy amounts released by National Cooperative Development Corporation (NCDC).

National Cooperative Development Corporation had released an amount of ₹ 385.71 crore⁴¹ for implementation of Integrated Cooperative Development Project (ICDP) and Small Ruminant Development during the period 2017-18 to 2022-23.

It was observed that out of the amount of ₹ 385.71 crore, an amount of ₹ 38.58 crore only was transferred to Cooperatives (Implementing agencies) and the balance amount of ₹ 347.13 crore was retained by the State Government. The retention of loan and subsidy amounts would retard the progress of implementation of the schemes.

2.7.1.2 Loans from GoI

Loans from GoI (₹ 24,508.31 crore) accounted for 5.71 *per cent* of the total outstanding liability as on 31 March 2023. During 2022-23, State Government received an amount of ₹ 8,410.67 crore from GoI and paid an interest of ₹ 493.82 crore at interest rates ranging from 7.00 to 13.99 *per cent*.

Out of the total loan availed, an amount of ₹ 5,583.19 crore (₹ 2,311 crore for the year

⁴¹ Loan amount: ₹ 332.35 crore and Subsidy: ₹ 53.36 crore.

2020-21 and ₹ 3,272.19 crore for the year 2021-22) has been released by GoI for shortfall arising out of GST implementation through issue of debt under a Special Window coordinated by Ministry of Finance⁴². GoI decided that GST compensation of ₹ 5,583.19 crore given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

2.7.2 Per-capita liability

The per-capita liability of the State of Andhra Pradesh for the period 2018-19 to 2022-23 is as follows.

Table 2.40: Per-capita liability

Sl.No	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Total outstanding liabilities (₹ in crore)	2,57,510	3,01,802	3,48,246	3,72,503	4,23,943
2	Off Budget Borrowings (OBB) (₹ in crore)	NA	77,586	1,12,115	1,18,393	1,28,048
3	Population (in crore)	5.13	5.16	5.19	5.23	5.32
4	Per capita liability (in ₹)	50,157	58,441	67,485	71,224	79,689
5 = (1+2)/3	Per capital Liability after inclusion of OBB (in ₹)	NA	73,525	88,702	93,862	1,03,758

Source: Finance Accounts of respective years, Data from Economic Advisor and Information furnished by Finance Department, State Government PSUs, CFMS vouchers data for the year 2022-23 in respect of Off-Budget borrowings; *Note:* Total Outstanding Liabilities excludes an amount of ₹ 2,311 crore during 2020-21 and ₹ 3,272.19 crore during 2021-22 received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources; NA: Not Available.

It can be seen from the above table that per-capita liability of the State of Andhra Pradesh showed steady increase during the period 2018-19 to 2022-23 and stood at ₹ 79,689. However, after taking into account the OBBs of ₹ 1,28,048 crore to the end of 31 March 2023, per-capita liability works out to ₹ 1,03,758.

2.7.3 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

(A) Debt is considered sustainable if the borrower, in this case the State is in a position to service its debt now and in future. Debt sustainability indicators seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and servicing of debt through current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of interest payments to Revenue Receipts) and maturity profile of the State Government debt.

⁴² GoI's letter No.F.No.40(1) PF-S/2021-22 dated 10 December 2021.

Table 2.41 shows the debt sustainability of the State according to these indicators for the five-year period from 2018-19 to 2022-23.

Table 2.41: Trends in Debt Sustainability Indicators

(₹ in crore)					
Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (As on 31 st March of the year)	1,93,497	2,26,559	2,67,948	3,04,040	3,56,455
Rate of Growth of Outstanding Public Debt	14.64	17.09	18.27	13.47	17.24
GSDP	8,73,721	9,25,839	9,56,788	11,33,837	13,17,728
Rate of Growth of GSDP	11.14	5.97	3.34	18.50	16.22
Public Debt/GSDP	22.15	24.47	28.00	26.82	27.05
Public Debt Repayment	13,545	18,625	13,735	13,920	15,570
Average interest rate on Public Debt[#]	7.91	7.86	7.62	7.32	7.32
Interest Payment on Public Debt [^]	14,326	16,498	18,839	20,928	24,164
Revenue deficit (-)/surplus (+) without interest payment on public debt	427	-9,943	-16,702	12,317	-19,323
Revenue deficit due to interest payments on public debt (in per cent)	103.07	62.40	53.01	243.04	55.57
Percentage of Interest Payments on public debt to Revenue Receipts	12.49	14.86	16.08	13.90	15.32
Percentage of Public Debt Repayments to Public Debt Receipts	35.54	35.78	23.91	26.12	22.90
Net Public Debt available to the State[@]	10,241	16,934	24,861	18,436	28,251
Net Debt available as per cent to Debt Receipts	26.87	32.53	43.29	34.60	41.55
Primary deficit (-)/ Primary surplus (+)	-20,125	-22,034	-35,150	-2,848	-27,016
Quantum Spread	6,250	-4,282	-11,468	33,992	31,724
Debt Stabilisation (Quantum spread[§] + Primary Deficit)	-13,875	-26,316	-46,618	31,144	4,708

Source: Finance Accounts; Debt sustainability analysis includes transactions under MH-6003 and MH-6004.

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from the Central Government.

[#]Average interest rate on public debt = Interest paid on public debt/((Opening balance of public debt + Closing balance of public debt)/2) in per cent; [@]Net public debt available to the State Government is calculated as excess of public debt receipts over public debt repayment and interest payment on public debt

[§]Quantum spread = Outstanding public debt*(GSDP growth rate – Average interest rate on public debt)

Note: Outstanding Debt excludes an amount of ₹ 2,311 crore during 2020-21 and ₹ 3,272.19 crore during 2021-22 received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources.

[^]Includes the amount repaid under MH 2049-01: Interest on Internal Debt and MH 2049-04: Interest on Loans and Advances from Central Government.

During the period 2018-19 to 2022-23, interest payments on Public Debt ranged between 53.01 per cent (2020-21) to 243.04 per cent (2021-22) of the Revenue Deficit. This was substantially high and shows that servicing of debt became major cause of Revenue Deficit.

The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 12.49 per cent and 16.08 per cent during the period 2018-19 to 2022-23, which was also high.

Higher the ratio of public debt repayments to public debt receipts, the greater the

proportion of debt utilised for debt servicing rather than productive expenditure. Ratio of public debt repayments to public debt receipts ranged between 22.90 per cent and 35.78 per cent during the period 2018-23, which depicts that substantial amount of the public debt was used for repayment of earlier debt leaving less space for application of borrowed funds for creation of capital assets.

In the five-year period from 2018-19 to 2022-23, the debt-GSDP ratio ranged between 22.15 per cent (2018-19) and 28.00 per cent (2020-21) mostly showed an increasing trend except during 2021-22. The primary deficit was negative throughout the five-year period and showed an increasing trend except during 2021-22 which was mainly due to lapsing of funds to the Consolidated Fund of the State

(B) An analysis on debt sustainability was carried out based on a study by E.D Domar⁴³ [Domar, 1944]. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

g-r (g-real economic growth rate; r-real interest rate)	s < 0 (primary deficit)	s > 0 (primary surplus)
g-r > 0 (strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than zero	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings
g-r < 0 (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level	Undefined situation

The results of applying the above parameters in the case of State of Andhra Pradesh, are shown in **Table 2.42**

Table 2.42: Debt sustainability analysis based on Domar Model

Year	Real Growth (g)	Real interest (r)	g-r (Domar gap)	Primary Deficit (-) / Surplus (+) (₹ in crore)	Remarks
2018-19	5.36	6.81	-1.45	-20,125	As g-r<0 and s<0; Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2019-20	3.7	4.36	-0.66	-22,034	
2020-21	-2.48	-1.38	-1.1	-35,150	
2021-22	11.23	2.12	9.11	-2,848	As g-r>0 and s<0; Public debt as percentage of GSDP should converge to a stable level greater than zero.
2022-23	7.02	-0.79	7.81	-27,016	

Note: Real Growth rate calculated for GSDP at constant prices
Real interest rate is the nominal interest rate adjusted for inflation.

⁴³ Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

The debt sustainability analysis using Domar model was made considering the transactions under Public Debt *viz.*, MH 6003 and MH 6004. During the period from 2018-19 to 2022-23, the State had a primary deficit which ranged from ₹ 2,848 crore to ₹ 35,150 crore.

Domar gap (g minus r) remained negative during the period 2018-19 to 2020-21 and remained positive during the years 2021-22 and 2022-23. Thus, as per the Domar model analysis of Debt sustainability, it can be construed that the public debt would converge to a stable level greater than zero.

Domar gap ($g-r$) was negative during covid years (2019-20 and 2020-21). However, in post covid years, the Domar gap turned positive due to high growth in GSDP. Positive Domar gap due to high growth rate in post covid years may also be seen with reference to low base for comparison in previous year due to covid. Further, during 2022-23, Domar gap showed contraction over previous year from 9.11 to 7.81.

Further, the primary deficit also registered increasing trend from 2018-19 to 2020-21. During 2021-22, the primary deficit remained lower but increased drastically during 2022-23. Therefore, the trends of strong economic growth (expressed as $g-r > 0$) by only observing the Domar gap in 2021-22 and 2022-23 cannot be conclusively generalized.

However, an area of concern remains with the present debt position. Debt raised is not utilised for servicing its capital obligations but is used mainly for servicing its debt liabilities (68.51 *per cent*) and financing the revenue deficit (25.96 *per cent*). The fiscal deficit had been contained by compressing capital expenditure. Less expenditure on the capital sector may lead to decline in the real growth rate in the near future, in that case, as per the Domar model, the debt may increase indefinitely without converging to a stable level.

Moreover, other factors such as Public Account liabilities, Off-Budget borrowings and any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability / stability of the State as these cannot be determined statistically; they have not been factored in the analysis.

C) Details of the achievements *vis-a-vis* targets set in the FRBM Act are shown in **Table 2.43**.

Table 2.43: Achievements *vis-a-vis* targets set in the FRBM Act

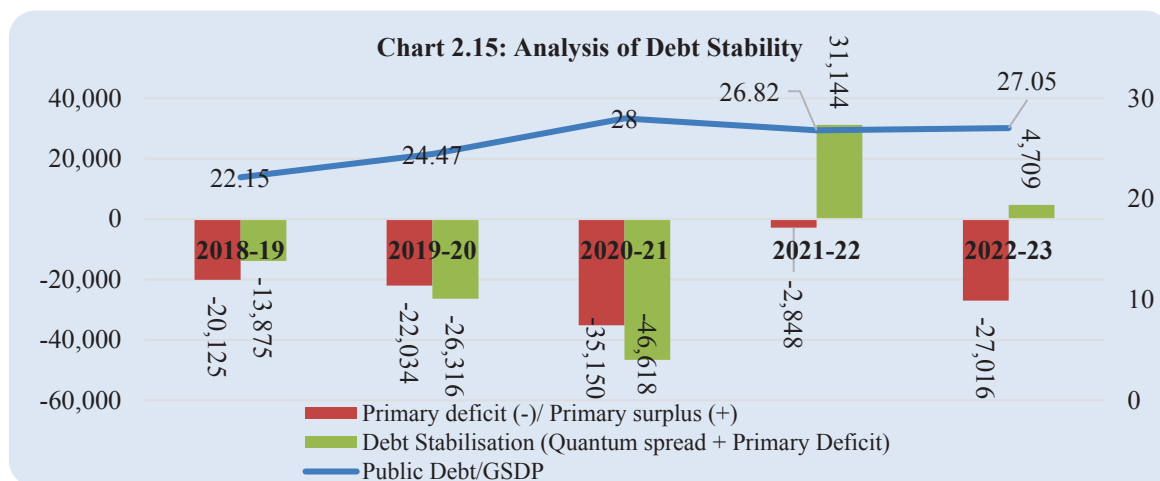
Fiscal Parameters		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (as percentage of GSDP)	Target	(-) 2.5	(-) 2.5	(-) 4.5	(-) 3.6	(-) 3.3
	Achievement	(-) 1.59	(-) 2.86	(-) 3.71	(-) 0.76	(-) 3.3
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Target	(-) 5	(-) 5	(-) 5	(-) 5	(-) 4.5
	Achievement	(-) 4.06	(-) 4.29	(-) 5.77	(-) 2.21	(-) 3.98
Ratio of total outstanding liabilities to GSDP (in per cent)	Target	35.00	35.00	35.00	35.6	36.30
	Achievement	29.47	32.60	36.40	32.85	32.17
Guarantees in terms of per cent of Revenue receipts of previous year	Target	90	90	90	180	180
	Achievement	47.06	58.58	82.25	100.74	92.24

Revenue deficit as a percentage of GSDP increased from 1.59 to 3.30 while outstanding liabilities as a percentage of GSDP increased from 29.47 to 32.17. Although, the outstanding liabilities/GSDP ratio remained within the targets fixed in the FRBM Act, it would exceed the target set for the year 2022-23, if the off-budget borrowings and unpaid liabilities were considered. The guarantees given by the State Government were within the limits prescribed in the FRBM Act during the period 2018-19 to 2022-23.

Further, the committed expenditure as a percentage of the revenue receipts increased from 57.45 per cent in 2018-19 to 64.62 per cent in 2022-23 resulting in the limited availability of revenue resources for other purposes.

Fiscal sustainability risk:

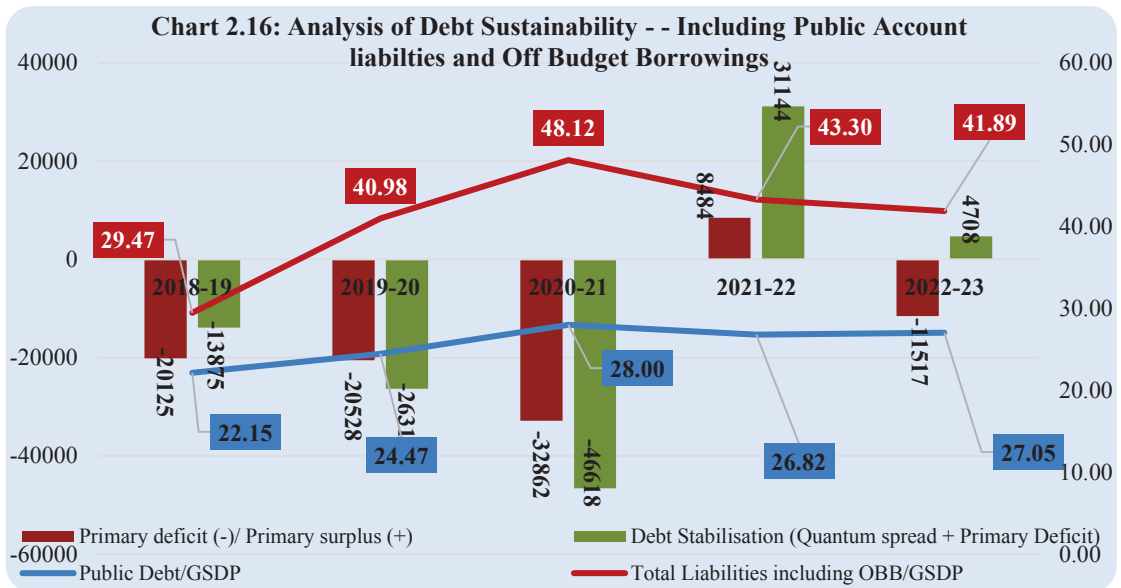
A necessary condition for debt stability states that if the rate of growth of GSDP exceed the interest rate of Public Debt, the debt-GSDP ratio is likely to be eventually falling and stable provided primary balances are either zero or positive or moderately negative. Thus, if quantum spread together with primary deficit turns out to be negative, debt-GSDP ratio would eventually be rising, if it is positive, debt-GSDP ratio would be declining.



As seen from the above chart, though the State of Andhra Pradesh has witnessed high growth in economy post COVID, the debt has also increased at the same pace resulting in increasing trend of Debt-GSDP ratio. With Debt-GSDP ratio mostly on increasing trend and with negative primary balances, the stability of Debt is unlikely.

Further, underreporting of expenditure and servicing of Off-Budget borrowings substantially through State’s resources leads to undue stress on future revenues of State and may eventually renders State Government’s debt unsustainable.

The fiscal position after including the Public Account Liabilities, Off Budget Borrowings which have been discharged through the revenues of the State is shown in **Chart 2.16**.



Note: For the year 2018-19, data on Off Budget borrowings were not available in this office.

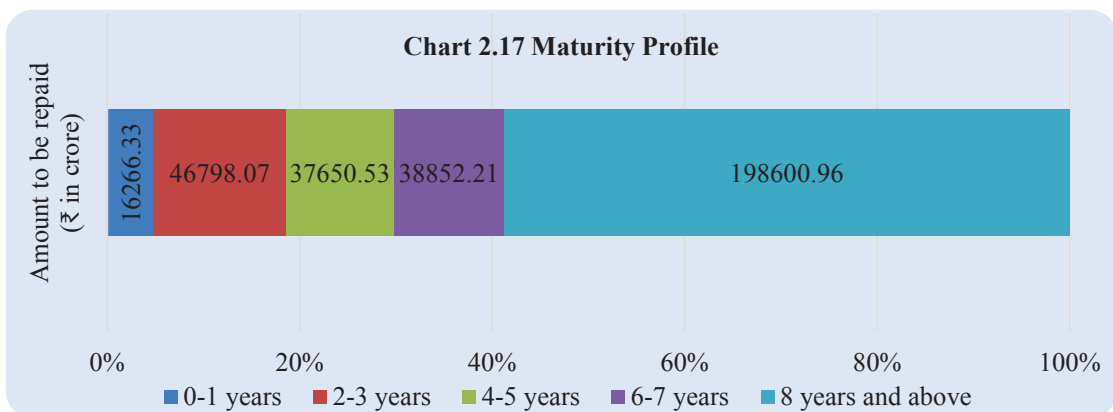
2.7.3.1 Debt Maturity profile

Debt maturity profile indicates commitment on the part of the Government for debt repayment or debt servicing in future years.

Table 2.44: Maturity Profile of State Debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public Debt)
0 – 1	16,266.33	4.56
2 – 3	46,798.07	13.13
4 – 5	37,650.53	10.56
6 – 7	38,852.21	10.90
8 years and above	1,98,600.96	55.70
Others ⁴⁴	18,364.85	5.15
Total	3,56,532.94	

Source: Finance Accounts 2022-23;



The maturity profile of debt as on 31 March 2023 indicated that State would have to repay 39.15 per cent of debt (₹ 1,39,567.14 crore) within the next seven years. State Government has to augment its revenue resources keeping in view the increasing

⁴⁴Payment schedule of this amount is not being maintained by the Accountant General (A&E). It includes loans taken from GoI as special assistance for shortfall in GST for which State will not be required to service the debt or to repay it from any other source

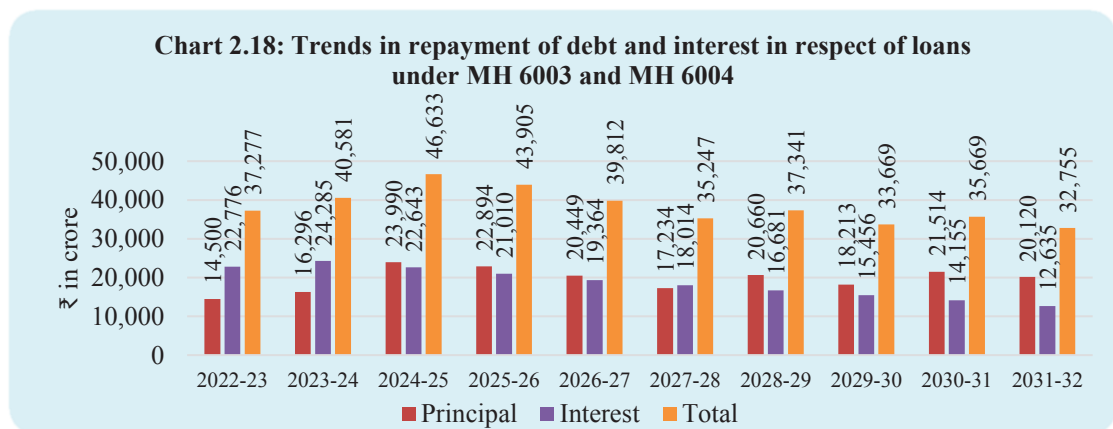
dependency on borrowed funds for financing revenue/current expenditure and formulate a debt management strategy. The issues on debt sustainability of the State are discussed in the subsequent paragraphs.

Table 2.45 and **Chart 2.18** show the year-wise repayment schedule during next 10 years of the Public Debt outstanding as on 31 March 2023.

Table 2.45: Repayment of Debt and interest

(₹ in crore)			
Year	Repayment of Debt	Interest to be paid	Total
<i>Repayment of principal from MH 6003 along with Interest</i>			
2022-23	13,985.53	22,697.86	36,683.39
2023-24	16,043.36	24,246.77	40,290.12
2024-25	23,885.88	22,625.30	46,511.18
2025-26	22,852.06	21,001.93	43,853.99
2026-27	20,424.27	19,359.27	39,783.54
2027-28	17,219.91	18,011.42	35,231.33
2028-29	20,654.34	16,680.50	37,334.83
2029-30	18,209.95	15,455.55	33,665.50
2030-31	21,513.54	14,154.44	35,667.99
2031-32	20,119.88	12,634.76	32,754.64
TOTAL (MH 6003)	1,94,908.72	1,86,867.79	3,81,776.51
<i>Repayment of principal from MH 6004 along with Interest</i>			
2022-23	514.85	78.57	593.41
2023-24	252.22	38.30	290.51
2024-25	104.56	17.72	122.28
2025-26	42.33	8.22	50.55
2026-27	24.24	4.33	28.58
2027-28	13.72	2.10	15.83
2028-29	5.56	0.84	6.40
2029-30	2.90	0.34	3.24
2030-31	0.45	0.08	0.53
2031-32	0.27	0.04	0.31
Back to Back loans	11,169.25	#	11,169.25
Total (MH 6004)	12,130.36	150.54	12,280.90
Grand Total	2,07,039.08	1,87,018.33	3,94,057.41

Source: Information furnished by O/o PAG (A&E); # Regarding the Back to Back loans repayments along with interest details are maintained by M/o Finance and subsequently, book adjustments are made in O/o PAG (A&E) in the same month.



Source: Information furnished by O/o PAG (A&E)

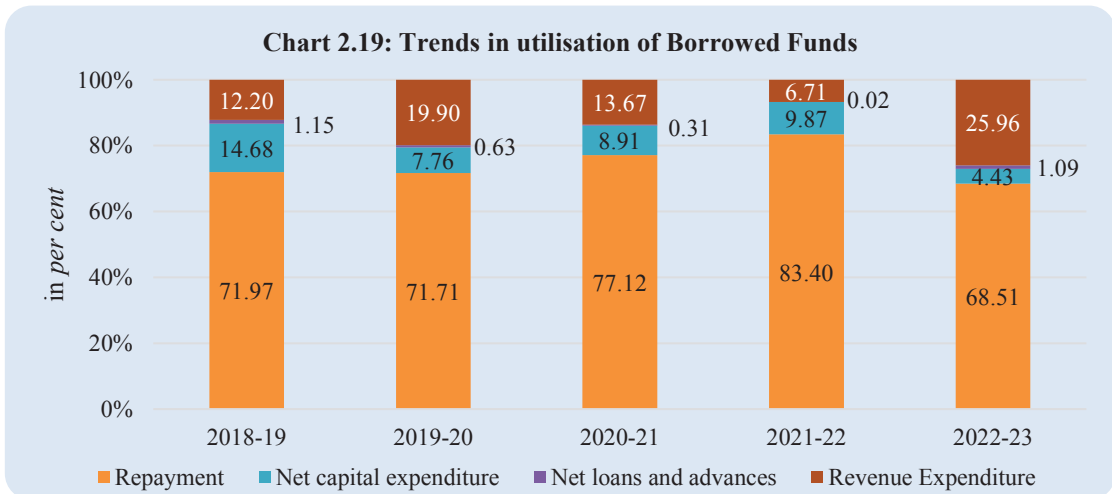
It can be seen from the above chart that on the outstanding public debt to the end of 31 March 2023, the liability on account of public debt will attain its peak during the year 2024-25 and an amount of ₹ 46,633 crore is to be provided for meeting the debt servicing obligations. Though the trend of liability showed a gradual decline from 2024-25 onwards (except during the years 2028-29 and 2030-31), it may not remain static and may show increasing trend due to States' continued dependence on Open Market Borrowings as well as probable receipts on account of Back-to-Back loans from GoI.

2.7.3.2 Application of borrowed funds

The trends in application of borrowed funds are depicted in **Table 2.46** and **Chart 2.19**.

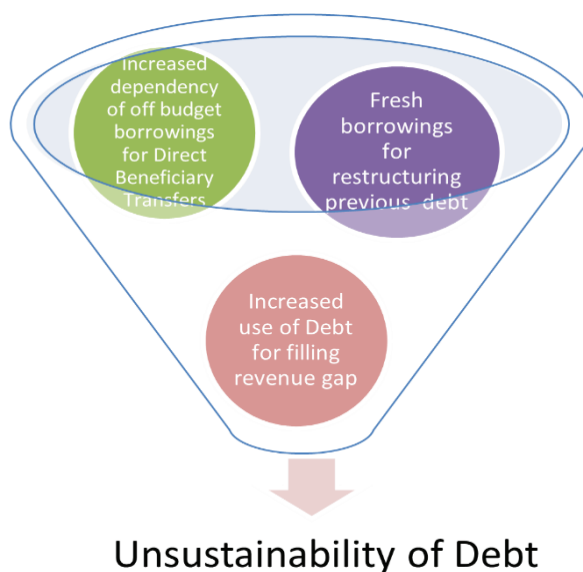
Table 2.46: Trends in utilisation of borrowed funds

Year	₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Total Borrowings (a)	1,36,084	1,57,859	2,13,050	1,65,877	1,63,370
Repayment of earlier borrowings (Principal) (per cent) (b)	97,940 (71.97)	1,13,197 (71.71)	1,64,296 (77.12)	1,38,347 (83.40)	1,11,931 (68.51)
Net capital expenditure (Per cent) (c)	19,976 (14.68)	12,242 (7.76)	18,975 (8.91)	16,373 (9.87)	7,244 (4.43)
Net loans and advances (d)	1,566	1,001	652	28	1,777
Portion of Revenue expenditure met out of net available borrowings (a)-{(b)+(c)+(d)}	16,602	31,419	29,127	11,129	42,418
Interest Payments	15,342 (11.27)	17,653 (11.18)	20,018 (9.40)	22,165 (13.36)	25,492 (15.60)



Source: Finance Accounts of respective years

During the period 2018-19 to 2022-23, the borrowed funds were mostly utilised for debt repayment and filling the gap of Revenue account, which reduces the productivity of the borrowed funds. If the Off Budget Borrowings are taken into account, the stress on the finances of the State for repayment of debt will be substantial and may lead to unsustainability of debt in future years.



- a. As per the targets fixed by AP FRBM Act for the year 2022-23, the Outstanding Debt shall not be more than 36.30 *per cent* of GSDP. The Outstanding Debt-GSDP ratio of the State Government was within the target *viz.*, 32.17 *per cent* as of 31 March 2023.
- b. During the five-year period 2018-19 to 2022-23, the Debt to GSDP ratio has shown fluctuating trend. Audit observed that the State Government resorted to borrowings through PSUs *viz.*, Corporations/PSUs/SPVs. In majority of the cases, the debt servicing for these loans is being done through either budgetary support or escrowing of revenue receipts. The issue of off-budget borrowings is discussed in the paragraph 2.7.5. If the off-budget borrowings (which are 9.72 *per cent* of GSDP) and other committed liabilities are also taken into account, the Liability/GSDP ratio is 43.99 *per cent* of GSDP which exceeded the targets fixed for the year 2022-23 by 7.69 *per cent*.
- c. Ratio of Interest payments to Revenue Receipts has shown increased trend from 2018-19 to 2022-23 (except during the year 2021-22). Predominant part of borrowed funds is utilised for interest payments, thereby curtailing the scope of utilisation of the borrowed funds for capital expenditure.
- d. During the period 2018-19 to 2022-23, approximately 75 *per cent* of borrowed funds were utilised for repayment of debt which indicated the State's increased dependence on borrowed funds primarily for discharging the debt servicing obligations rather than for capital assets creation. Unless the borrowed funds are utilised for revenue augmentation through creation of capital assets/capital formation, the debt of the State Government may become unsustainable and in the long run, the chances of State Government falling into debt trap could not be ruled out.

As per the Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. Borrowed funds should ideally be used to fund capital creation and

developmental activities. The utilisation of borrowed funds for meeting current expenditure and repayment of interest on outstanding debt renders the debt being unsustainable.

In 2022-23, which was the second year of the XV Finance Commission period, the State Government was not able to reduce the revenue deficit and relied on borrowed funds for financing its current expenditure.

Apart from Public Debt, the State Government through various Corporations /PSUs/SPVs raised funds as off budgetary borrowings from banks/debentures outside the ambit of FRBM Act to implement State welfare schemes which further increased the debt burden on the State Government. These issues are discussed in the succeeding paras.

State Government replied that the State could manage debt servicing during the very difficult periods of less revenues and higher debt imposed on the State due to State bifurcation, coupled with the unprecedented impact of the COVID-19 pandemic.

Further, it has also replied that, the GSDP had grown at 16.22 per cent and own revenues at 9.8 per cent in 2022-23. Therefore, it may not be difficult to service the debt in future as well.

The following facts should be taken into consideration while assessing the sustainability of debt.

Revenue Expenditure increased by 26.45 per cent whereas there was an increase of 4.79 per cent in Revenue Receipts. The gap in Revenue account is met from the borrowings of the State. Capital Expenditure which has high multiplier effect in revenue generation than the Revenue Expenditure decreased by 55.75 per cent over the previous year. Revenue Deficit grew by 405.02 per cent which has been financed by Public Debt to a larger extent. State of Andhra Pradesh extended guarantees with budgetary support for certain corporations and financed Capital Expenditure through the borrowings of these Corporations viz., APWRDC, APRDC etc., which created additional burden on State exchequer on account of repayment obligation. State Government has been implementing welfare schemes through the borrowings raised by APSDC and APSBCL and given guarantee for an amount of ₹ 37,000 crore to the end of 31 March 2023. The repayments are being met through escrowing/assignment of revenues (in respect of APSDC)/income (Special Margin Money and others in respect of APSBCL) due to which the revenue was foregone.

In addition to the regular principal and interest payments for Public Debt and Public Account liabilities there was an additional burden on State Exchequer on account of the repayment of borrowings of PSUs for which State Government gave unconditional and irrevocable guarantees through budgetary support and the details were shown in **Table 2.45**. Due to the above scenario there was increase in the Interest payments (IP) to Revenue Receipts (RR) ratio. The committed expenditure⁴⁵ constitutes 50.66 per cent

⁴⁵ Salaries and Wages, Interest Payments and Pensions

of total revenue receipts and is increasing at an average of 11 *per cent* every year.

Hence, audit is of the opinion that, though the Own Revenues are increasing at nine per cent, interest payments and other committed expenditure were increasing at a pace higher than the growth rate of revenue receipts with the additional stress on State revenues created on account of Off Budget borrowings. This may have adverse impact on allocation of funds for Capital Expenditure and result in higher revenue deficits in future. During 2022-23, 68.51 *per cent* of the borrowed funds were applied for repayment of previous debt. Hence, all the above instances indicate the debt of the State unsustainable.

2.7.4 Off-Budget Borrowings

As per Section 2(1) of AP FRBM Act as amended from time to time the liabilities of the State include:

- (i) Liability on Consolidated Fund of the State i.e., Internal debt of the State (market loans, Ways and Means Advances from RBI, Special securities issued to NSSF and loans from financial institutions *etc.*), loans and advances from the Central Government
- (ii) Public Account liabilities of the State and
- (iii) Borrowings by the Public Sector Undertakings, Special Purpose Vehicles and other equivalent instruments including guarantees where the principal and/ or interest are to be serviced out of the State budgets.

As per Section 10(3) (Measures for Fiscal Transparency) of the FRBM Act, whenever the State Government undertakes to unconditionally and substantially repay the principal amount and/ or pay the interest of any separate legal entity, it has to reflect such liability as the borrowings of the State.

During 2022-23, an amount of ₹ 15,499.41 crore was spent for repayments on account of off-budget borrowings. The outstanding liability on account of OBBs of the State Government were ₹ 1,28,047.52 crore to the end of 31 March 2023 and the details are shown in **Table 2.47**.

Table 2.47: Off-Budget Borrowings to the end of March 2023

(₹ in crore)

Sl. No.	Institution	Borrowings by institution as of March 2023	Guarantee provided by Government as of December 2022	Funds provided (in the form of grants) by Government for payment of interest / repayment of loan during 2022-23	Amount considered as OBB as of March 2023
Entities which do not have source of revenue and the borrowings are being repaid by State Government through Budgetary Support					
1	AP Township and Infrastructure Development Corporation	5,263.50	7,277.20	861.87	5,263.50
2	AP State Housing Corporation Limited	3,547.25	4,133.21	474.69	3,547.25

Sl. No.	Institution	Borrowings by institution as of March 2023	Guarantee provided by Government as of December 2022	Funds provided (in the form of grants) by Government for payment of interest / repayment of loan during 2022-23	Amount considered as OBB as of March 2023
3	AP Airport Development Corporation (Bhogapuram Airport and Orvakallu Dagadarthi Airport)	844.61	1,054.00	171.45	844.61
4	AP State Development Corporation	21,450.00	25,000.00	3,740.61	21,450.00
5	AP Capital Region Development Authority	3,955.00	16,600.00	200.00	3,955.00
6	AP Road Development Corporation	5,266.37	6,158.53	856.88	5,266.37
7	Rythu Sadhikara Samstha	805.59	2,000.00	147.08	805.59
8	AP Water resources Development Corporation	8,684.09	19,677.00	1,171.41	8,684.09
9	AP Power Finance Corporation	13,901.19	18,126.33	2,421.54	13,901.19
Entities which have source of revenue, but the borrowings are being repaid by State Government through Budgetary Support					
10	AP Drinking Water Supply Corporation	640.00	640.00	48.75	640.00
11	AP Fibernet	191.58	300.00	125.54	191.58
12	AP DISCOMs including APPCC	26,466.24	31,194.92	1,670.65	26,466.24
13	AP Industrial Infrastructure Corporation	1,664.48	2,000.00	0.00	1,664.48
14	AP State Civil Supplies Corporation Limited (Subsidy)	35,100.00	32,000.00	3,568.93	35,100.00
15	MARKFED	267.62	850.00	40.00	267.62
Total		1,28,047.52	1,67,011.69	15,499.41	1,28,047.52

Source: Information furnished by Finance Department, State Government PSUs, CFMS vouchers data for the year 2022-23 (September 2023).

Government of Andhra Pradesh did not disclose the details of OBBs in the budget documents. The overall liability of the State including the OBBs outstanding as on 31 March 2023 was ₹ 5,51,991 crore (₹ 4,23,943 crore⁴⁶ and ₹ 1,28,048 crore) and this constituted 41.89 per cent of GSDP.

The OBBs of the State Government will have the effect of bypassing the Net Borrowing Ceiling (NBC) of the State. Further, the State Government has reported⁴⁷ its off-budget borrowings as ₹ 35,114 crore to Government of India for computing the Net Borrowing Ceiling for the year 2023-24. Post Audit it was observed that, the actual off budget borrowings were ₹ 1,28,048 crore and considering the off-budget borrowings of the State, the liabilities exceeded the targets fixed under APFRBM Act.

⁴⁶ Total Outstanding Liabilities excludes an amount of ₹ 2,311 crore during 2020-21 and ₹ 3,272.19 crore during 2021-22 received towards back-to-back loan in lieu of GST compensation as it is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources

⁴⁷ Vide letter No.FIN01-BUGT0DSM/2/2023-CDM (C.NO.2035604) dated 17 April 2023

Non-disclosure of such liabilities in budget documents renders the financial position of the State Government opaque. If the State Government increasingly resorts to OBBs, the liabilities of the State may increase substantially over a period time and limit the State Government’s capacity for allocation of funds for other development expenditure or overcoming the revenue and fiscal deficits.

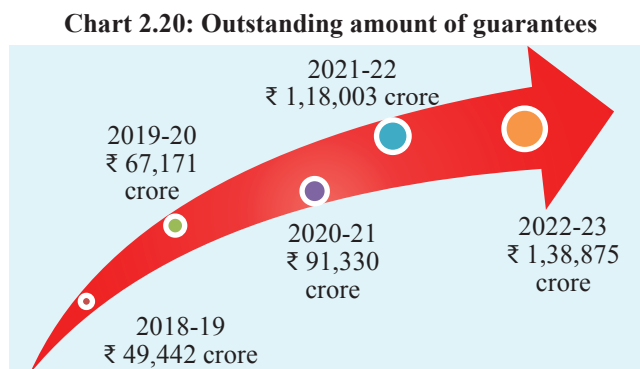
State Government replied that it has disclosed all the borrowings made by the corporations with government guarantees as part of budget documents Vol. V/2.

The reply of the State Government is not acceptable due to the fact that as per Section 10(3) of APFRBM Act, whenever the State Government undertakes to unconditionally and substantially repay the principal amount and/or pay the interest of any separate legal entity, it has to reflect such liability as the borrowings of the State.

The budget document Volume V-2 depicts the status and information regarding the Guarantees issued by Government of Andhra Pradesh to various PSUs/Other entities on calendar year basis viz., January to December. The State Government did not disclose the liabilities on account of borrowings of PSUs and other entities (entity wise information) for which unconditional guarantee with repayment of principal and interest was provided by the State Government which affects the transparency of accounts of the State Government.

2.8 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 was extended. The trends of outstanding Guarantees during the years 2018-19 to 2022-23 is shown in **Chart 2.20**.



As per the FRBM Act, State Government is committed to limit the amount of annual incremental risk weighted guarantees to 180 per cent of the total revenue receipts in the year preceding the current year and were within the limits.

Source: Finance Accounts of respective years

Table 2.48: Ceiling vis-à-vis actual Guarantees

Guarantees	(₹in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the annual incremental risk weighted guarantees (90 per cent of the total revenue receipts in the year preceding the current year) up to the year 2020-21 and 180 per cent to the revenue receipts of the previous year from 2021-22	94,556	1,03,204	99,931	2,10,845	2,70,994
Actual amount of outstanding guarantees	49,442	67,171	91,330	1,18,003	1,38,875

Source: Finance Accounts of respective years and AP FRBM Act; Note: Guarantees position of the state represents to the end of December of that year.

The outstanding guarantees to the end of the year 2022-2023 increased by ₹ 20,872 crore over the previous year. The increase in guarantees was majorly due to extension of guarantees to AP DISCOMs including AP Power Coordination Committee (by ₹ 9,382.38 crore) and A.P. State Beverages Corporation Ltd. (by ₹ 8,189.75 crore) by the State Government.

As per the State Government orders⁴⁸ (September 2003), Guarantee commission is to be charged at 0.5 *per cent* per annum or two *per cent* consolidated for the entire guarantee period. During 2022-23, State Government did not receive any guarantee commission against the receivable amount of ₹ 2,015.42 crore.

2.9 Management of Cash Balances

As per an agreement with the Reserve Bank of India, the State Government has to maintain a minimum daily cash balance of ₹ 1.94 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/ Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

Table 2.49 depicts the cash balances and investments thereof by the State Government during the year.

Table 2.49: Cash Balances and their Investment

	(₹ in crore)	
	Opening balance on 01/04/2022	Closing Balance on 31/03/2023
(a) General Cash Balance		
Cash in Treasuries	--	--
Deposits with Reserve Bank	(-) 31.72	(-) 20.47
Deposits with other Banks	1.34	1.34
Remittances in transit – Local	--	--
Total	(-) 30.38	(-) 19.12
Investments held in Cash Balance investment account	1,773.12	936.50
Total (a)	1,742.74	917.38
(b) Other Cash Balances and Investments		
Cash with Departmental officers <i>viz.</i> , Public Works Department Officers, Forest Department Officers, District Collectors	1.03	1.03
Permanent advances for contingent expenditure with Departmental officers	1.64	1.66
Investment out of Earmarked Funds	10,580.54	11,405.26
Total (b)	10,583.21	11,407.95
Grand Total (a)+ (b)	12,325.95	12,325.33

Source: Finance Accounts 2022-23;

During 2022-23, the State Government maintained the minimum daily cash balance of ₹ 1.94 crore with the RBI for 24 days only out of 365 days.

During 2022-23, the State Government resorted to WMA, Special Drawing Facility and OD of ₹ 1,18,039.18 crore on 341 days to maintain its minimum cash balance (₹ 1.94

⁴⁸ G.O.Ms.No.446, Finance (DCM) Department dated 29 September 2003

crore) with the RBI and repaid an amount of ₹ 1,18,039.18 crore along with an interest of ₹ 148.60 crore. State Government needs to strengthen its cash management system in a manner that would obviate the need to resort to WMA/SDF/OD frequently and reduce its interest expenditure.

Cash Balances of the State Government at the end of the current year decreased by ₹ 0.62 crore from ₹ 12,325.95 crore in 2021-22 to ₹ 12,325.33 crore in 2022-23.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the Head '0049-Interest Receipts'. The net earnings on account of interest remained negative (₹ (-) 0.11 crore) during 2022-23 from State Government investments in GoI Securities and Treasury Bills which was due to rediscounting of treasury bills in advance.

Out of the investment of ₹ 11,405.27 crore in earmarked funds, ₹ 10,382.90 crore was invested in Consolidated Sinking Fund and ₹ 1,017.10 crore in Guarantee Redemption Fund as of 31 March 2023.

2.9.1 Cash Balance Investment Account

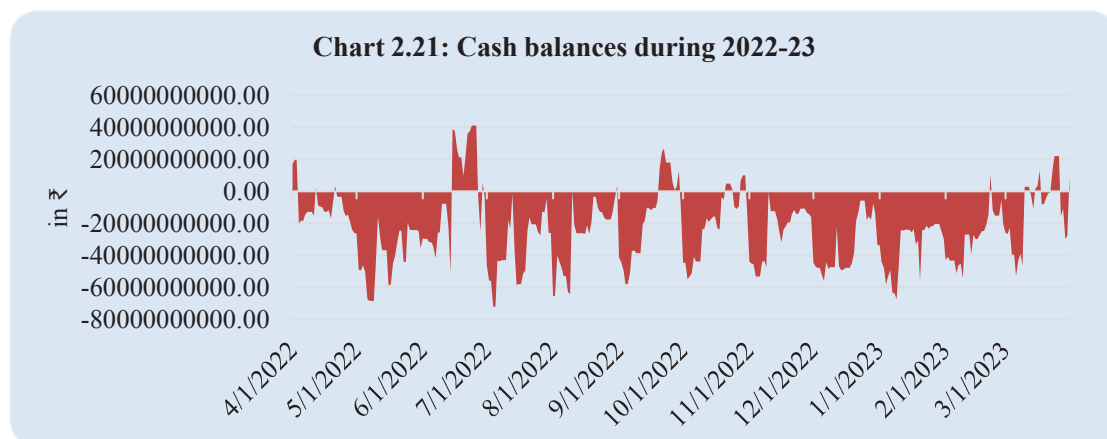
The details of Cash Balance Investment Account for the period 2018-19 to 2022-23 are shown in **Table 2.50**.

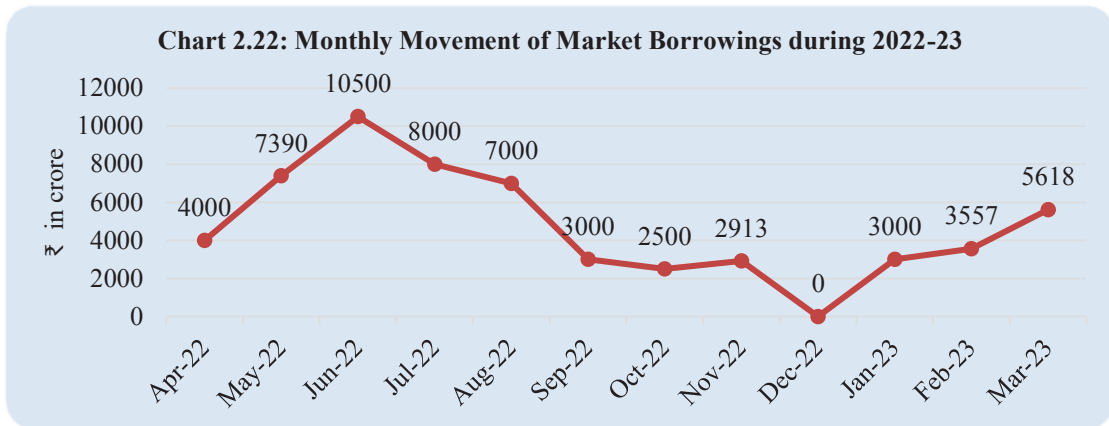
Table 2.50: Cash Balance Investment Account (Major Head-8673)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2018-19	0	0	0	15.30
2019-20	0	5,132.71	5,132.71	21.65
2020-21	5,132.71	745.82	(-) 4,386.89	3.61
2021-22	745.82	1,773.11	1,027.22	(-) 1.17
2022-23	1,773.11	936.50	(-) 836.61	(-) 0.11

Source: Finance Accounts 2022-23

Chart 2.21 shows the daily cash balance during 2022-23 of the State.





Source: Data provided by O/o PAG (A&E)

The above charts indicate that the negative cash balances led the State Government to resort to market loans as shown in **Chart 2.22** on several occasions during the year ranging from ₹ 2,500 crore (October 2022) to ₹ 10,500 crore (June 2022) as well as WMA throughout the year. During June 2022 the increase in cash balance was due to crediting of the proceeds on issue of debentures (₹ 8,305 crore) to the PD Account of APBCL on 16 June 2022.

2.10 Apportionment of balances between Andhra Pradesh and Telangana

As per the Andhra Pradesh State Reorganisation 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 status of apportionment as on 31 March 2023 is as under (details are in **Appendix 2.2**):

- As of 31 March 2023, an amount of ₹ 1,51,349.67 crore under Capital Heads, ₹ 28,099.69 crore under Loans and Advances, ₹ 4,474.04 crore under Deposits and Advances, ₹ 238 crore under Suspense and Miscellaneous and ₹ 310.24 crore under Remittances was yet to be apportioned between the two States even after more than nine years of bifurcation/re-organisation of the State. The whopping amount under Capital Head pertains to Major Irrigation (₹ 87,707.44 crore) and Roads and Bridges (₹ 17,182.87 crore). Amount under Loans and Advances pertains primarily to loans for housing (₹ 13,182.17 crore).

The assets and liabilities of the State Government as depicted in the Finance Accounts are affected to that extent.

2.11 Conclusion

The State witnessed an increase of 4.79 per cent in Revenue Receipts during the year 2022-23 as compared to the previous year mainly due to increase in Own Tax Revenue by 9.93 per cent and increase in State share of Union Taxes by 7.89 per cent.

Revenue Expenditure increased by 26.45 per cent during 2022-23. The increase in Salaries & Wages (by 22.43 per cent), Subsidies (by 56.61 per cent) and Grants to local

bodies and implementation of schemes (by 21.50 per cent) led to overall increase in Revenue Expenditure.

Capital Expenditure of the State Government constituted 3.45 per cent of total expenditure. As a proportion of GSDP, the Capital Expenditure was at five - year low during 2022-23 (0.55 per cent). When compared with the Budget Estimates (₹ 30,680 crore) of 2022-23, the actual capital expenditure was only 23.61 per cent of the projected amount. The Capital expenditure decreased by 55.76 per cent when compared to previous year and reduced by 63.74 per cent from 2018-19 to 2022-23.

Government of India released an amount of ₹ 6,105.56 crore in the form of interest free loan with a condition to utilise the funds on or before 31 March 2023 for the approved projects. However, due to non-furnishing of utilisation particulars by the State Government Audit could not vouchsafe the expenditure or ensure the utilisation of funds for intended purposes.

The share of capital expenditure (3.45 per cent of total expenditure) was significantly lower in the State when compared to General States average (13.48 per cent of total expenditure) despite the receipt of substantial amounts from GoI towards Capital Expenditure. This affects the physical capital formation with a cascading impact on economic growth in the long run.

Outstanding Liabilities of the state to the end of the year was ₹ 4,23,943 crore. The outstanding liabilities have increased by 13.81 per cent (₹ 51,440 crore) over the previous year and stood at 32.17 per cent of GSDP which was within the FRBM target of 36.30 per cent.

However, State Government has also a liability for off-budget borrowings of ₹ 1,28,048 crore and committed liability on account of pending payments of ₹ 27,630 crore to the end of the year 2022-23 which was not disclosed in its budget documents. Considering these liabilities, the total liabilities exceeded the FRBM target by 7.69 per cent of GSDP. This has an impact of diluting public financial management and oversight role of the Legislature and placing major sources of funding of Government's crucial infrastructure projects beyond the control of the Legislature.

Though the State of Andhra Pradesh has witnessed high growth in economy post COVID, the debt has also increased at the same pace resulting in increasing trend of Debt-GSDP ratio.

As the Debt-GSDP ratio is mostly on increasing trend and with negative primary balances, the stability of Debt is unlikely. Further, Off-Budget borrowings and underreporting of expenditure and deficits lead to undue stress on future revenues of State and also raise questions on the stability of debt.

2.12 Recommendations

1. State Government needs to make stringent efforts to mobilise additional revenue resources to fund its various socio-economic developmental schemes rather than financing its revenue expenditure through debt and off budget borrowings.

2. *Capital expenditure needs to be increased significantly for infrastructure creation to provide stimulus for economic growth.*
3. *State Government has to ensure that the debt servicing capacity of the institutions before providing guarantees / loans. Future guarantees / loans may be predicated on furnishing of the audited accounts of the concerned entities to whom guarantees are provided.*
4. *State Government should fully disclose the liabilities on account of loans taken through Special Purpose Vehicles/ Public Sector Undertakings/ Autonomous Bodies for which payment is made through budgetary support, to ensure transparency and accountability with regard to fund management and compliance with FRBM norms.*