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NITI Aayog

Summary Report for the State of Andhra Pradesh

1. Demography

As per 2023 Census population projections, Andhra Pradesh has a population of 53.2 million and represents 3.8 per cent of India's total population.[1] The State's projected population growth rate is lower than the national average, as of 2022-23. Its population density (329 persons per sq. km.) and dependency ratio (49.1 per cent) are also lower than the national averages, as per 2021 projections. According to 2023 projections, 36.5 per cent of the State's population resides in urban areas, which is slightly higher than the national estimates. The sex ratio in the State is 934 females per 1000 males, which is higher than the national average, as per the National Family Health Survey (NFHS V).

As of 2022-23, Andhra Pradesh's annual unemployment rate (4.1 per cent) and Female Labour Force Participation Rate (45.8 per cent) are both above the respective national averages. A majority of the working population in the State is predominantly concentrated in the Agriculture, Forestry, and Fishing (45.8 per cent); Services (33 per cent); and Construction sectors (11 per cent).[2]

2. Economic Structure (Growth and Sectoral Composition)

Andhra Pradesh's real GSDP grew at an average rate of 6.5 per cent between 2012-13 and 2021-22, which is higher than the national average growth of 5.6 per cent during the same period.[3] The State's share in India's nominal GDP, which was 4.2 per cent in 1990-91 increased to 4.8 per cent by 2021-22. Its nominal per capita income, at Rs. 216,998, was 27 per cent higher than the national per capita income in 2021-22.

During the recent decade, 2013-14 to 2022-23, its Agriculture, Services, and Manufacturing sectors grew annually by 8.3 per cent, 6.1 per cent, and 10.9 per cent, respectively, as compared to the corresponding respective national averages of 4.1 per cent, 6.6 per cent, and 5.5 per cent. The Services sector, with a share of 39.2 per cent, is the largest contributor to the State's GSVA, followed by the Agriculture, Forestry, and Fishing sector, at 37.3 per cent, in 2021-22.[4]

3. Socio-economic Indicators

Andhra Pradesh's literacy rate has increased rapidly over the decades, but at 67 per cent, it is still lower than the national average of 73 per cent, as of 2011.[5] As of 2015-16, the State has a lower school drop-out rate (15.7 per cent for Classes VIII to X), higher pass percentages for Class X (97.5 per cent) and lower pass percentages for Class XII (85.2 per cent), as compared to the corresponding national averages. The Gross Enrolment Ratios at the Higher Secondary level (60.2 per cent in 2015-16) and at the Higher Education level (37.2 per cent in 2021) are

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[1] Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from *"Population Projections for India and States, 2011-2036"* by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

[2] Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

[3] Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

[4] Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of March 2024.

[5] Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

both above the respective national averages.[6] For people aged 18 to 23 years, the Gender Parity Index in higher education (the ratio of girls to boys enrolled in higher education institutions) is below the national average notwithstanding the State's significantly higher college density as compared to the national average of 2021.[7]

As of 2020, life expectancy in the State (70.6 years) is close to the national average. The Infant Mortality Rate (24 deaths per 1000 live births in 2020) and Total Fertility Rate (1.7 children per woman in 2019-21) are both lower than the respective national averages. As regards to immunisation of children aged 12-23 months, the percentage of fully immunised children (73 per cent) in the State is below the national average, as of 2019-21. The general access of households to basic amenities, such as drinking water, sanitation facilities, and electricity is higher than the corresponding national averages, as of 2019-21.

4. *State of Public Finances and Tax Devolutions*

Andhra Pradesh's debt-to-GSDP ratio, at 32.5 per cent in 2022-23,[8] is higher than that of a median State (30.7 per cent for larger States).[9] Its contingent liabilities (10.4 per cent) are also higher than those of a median State as of 2021-22. The fiscal deficit and primary deficit levels, at 3.6 per cent and 1.7 per cent, respectively, are comparable to that of a median State, as of 2022-23. The State ran a revenue deficit of 2.2 per cent of GSDP in 2022-23 as compared to a deficit of 0.4 per cent recorded by a median State.

As of 2022-23, the State collects less revenue (13.4 per cent of GSDP) than a median State (19.9 per cent). While the State's collection of own tax revenue is nearly the same as that of a median State, its own non-tax revenues and transfers from the Centre are lower than those of a median State. As of 2022-23, the State's expenditure-to-GSDP ratio, at 17.0 per cent, is below that of a median State, its revenue expenditure-to-GSDP ratio, at 15.6 per cent, is close to that of a median State, and its capital expenditure-to-GSDP ratio, at 1.4 per cent, is lower than that of a median State.

The Debt Sustainability Analysis shows that under the baseline scenario (where the debt level, primary deficit, real GDP growth, and real effective interest rate remain constant at their decadal average from 2012-13 to 2021-22), the State's debt-to-GSDP ratio is projected to increase over the next five years, starting from 2021-22. Its debt-to-GSDP ratio is predicted to decline only under scenarios of higher growth and lower primary deficit.

The 15th Finance Commission (FC) recommended that Andhra Pradesh should receive 4.0 per cent of the total tax devolution from the Centre, down from 4.3 per cent recommended by the 14th FC. The State's share in the total Grants-in-Aid also decreased marginally by 0.6

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[6] Data on dropout rates, pass percentage of students and Gross Enrolment Ratio at the Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

[7] Data on Gross Enrolment Ratio at the Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

[8] Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

[9] For calculation of a median State, the variable as a percentage of GSDP was computed for each State, with the median across 22 major States shown (excluding all Union Territories and the North-eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in the States' Median (Large States), Column 6, Table 4A.

percentage points under the 15th FC, as compared to 6.2 per cent in the 14th FC.

5. *Fiscal Rules*

The Andhra Pradesh Fiscal Responsibility Act and Budget Management Act (APFRBM) 2006 was enacted as per the recommendations of the 12th FC. The APFRBM has set targets relating to the revenue deficit, fiscal deficit, outstanding liabilities, and outstanding guarantees.[10] Under the Act, the State is required to present the following three fiscal policy statements along with the budget: Macroeconomic Framework Statement, Medium Term Fiscal Policy Statement, and the Fiscal Policy Statement. Since 2006, the Act has been amended five times in 2010, 2011, 2020, and 2021.

The fiscal targets under these amendments have been modified as follows:

Revenue Deficit: As per the APFRBM, 2006, the State was required to reduce its revenue deficit by at least 0.32 per cent of GSDP each year from 2005-06 to 2008-09, and to generate a revenue surplus thereafter. The 2020 amendment mandated that the State should maintain its revenue deficit at no more than 2.5 per cent of GSDP, including a one-time additional borrowing permitted for 2019-20. Additionally, the 2021 amendment has set a target to reduce the revenue deficit to 2.4 per cent of GSDP by 2024-25.

Fiscal Deficit: According to the APFRBM, the State was required to reduce its fiscal deficit by at least 0.25 per cent of GSDP each year from 2005-06 to 2008-09, targeting a maximum of 3 per cent by 2008-09. The 2010 amendment reiterated this target, provided the fiscal deficit did not exceed 3.5 per cent for 2009 and 4 per cent for 2010. The 2020 amendment mandated a fiscal deficit-to-GSDP ratio of below 5 per cent from 2015-16 to 2020-21, permitted a one-time borrowing of Rs 2,534 crore in 2019-20, and allowed a 2 per cent increase in the limit for 2020-21 in the wake of the pandemic. Finally, the 2021 amendment had set a target to reduce the fiscal deficit to 3.5 per cent by 2024-25.

Outstanding Liabilities: The APFRBM required the State to limit its total outstanding liabilities to 35 per cent of the estimated GSDP from 2005-06 to 2009-10. In 2011, this target was revised to 27.6 per cent of GSDP over five years, with annual limits set by the 13th FC. The 2020 amendment reinstated the 35 per cent cap from 2015-16 to 2020-21, allowing for a one-time borrowing and additional fiscal space. The 2021 amendment required the State to limit its outstanding liabilities to 35.5 per cent of GSDP by 2024-25.

Outstanding Guarantees: The APFRBM required Andhra Pradesh to limit annual incremental risk-weighted guarantees to 90 per cent of the total revenue receipts from the previous year. In 2020, this limit was increased to 180 per cent of the total revenue receipts in the preceding year.

Fiscal Discipline: As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period 2017-18 to 2021-22, Andhra Pradesh achieved a revenue surplus in all the years except 2019-20; maintained its fiscal deficit target except in

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[10] Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.

2020-21; and, contained its total outstanding liabilities within the limits prescribed under the targets set in the APFRBM Act.