Government of Telangana

Telangana State Finances - White Paper

Finance Department

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1 INTRODUCTION

After the bifurcation of the State, the first budget of Telangana was presented in November 2014. When the state was formed, there was a feeling of euphoria that the aspirations of four crore people of Telangana have become a reality. One of the key themes of the Telangana movement was state finances apart from water and employment. It was anticipated that the state would be governed in a fiscally prudent and responsible manner. Further, to meet the aspirations of the people who have been deprived of their due share in the united Andhra Pradesh, it was expected that there would be a renewed focus on the economic development of the state while taking care of the needs of the poor and underprivileged.

In spite of all the uncertainty and pendency of the division of assets of the state and the corporations, Telangana started on a firm footing on the fiscal front. There was a revenue surplus during the first 5 years. The fiscal responsibility norms were also broadly adhered to.

The situation of the state started changing quite drastically once the off-budget borrowings started being mobilized in the name of mega projects such as Kaaleshwaram, Palamuru Rangareddy, Sitarama, and Mission Bhagiratha. Special Purpose Vehicles (SPVs) were created to mobilize the necessary resources for undertaking these mega capital-intensive projects. The Fiscal Responsibility and Budget Management Act was amended in the year 2020 so that the quantum of guarantees that could be given by the state government was enhanced consequently from 90% of revenue receipts to 200%. Large scale mobilization of the off-budget borrowings and lack of revenues to the SPVs meant that effectively the government guaranteed loans were being serviced by the government itself from the budgetary resources. This meant a rapid increase in the debt servicing by the state. Therefore, the balance of fiscal space available for the welfare and development of the state of Telangana came down year by year.

After 10 years of the previous government rule, a situation has come that the debt burden including the off-budget borrowings of the state has become enormous. This has created distress on the fiscal front. The present white paper is an attempt to give a clear picture as to where the state finances stand as of December 2023.

The White Paper is organized as follows:

First, the quality of budget making exercise in terms of the Budgeted vs. Actual is analyzed. The state has performed very poorly in terms of fiscal marksmanship. Next, the paper presents the expenditure done in the Telangana region of the united Andhra Pradesh from 1956 onwards. The assets that are created due to these resources spent are also listed.

Then the paper traces the receipts side of Telangana's growth from state formation onwards, in comparison to other states. After that the debt position of the state is analyzed in detail. This includes the debt on the state's books as well as debt raised by the SPVs and other institutions based on the guarantees provided by the government. As the debt has enormously increased, this has meant that the debt service burden, i.e., the principal repayment and interest payments by the state also has increased proportionately. The State also took up an ambitious infrastructure creation program by incurring capital expenditure. The details of such works taken up, the expenditure made so far, and commitments which are made on these capital works are presented.

Expenditure on the employees and pensioners of all categories in terms of their salary and pension is presented. Due to the huge mismatch between resource availability and expenditure commitments, the state had to increasingly rely on the Ways and Means facility provided by the RBI.

The performance of the state under the revenue deficit and fiscal deficit parameters and also in terms of expenditure on important sectors such as Education and Health is presented. Finally, the white paper summarizes the state of state finances in Telangana as of December 2023.

The paper aims to present in a simple and easily understandable language - the financial position of the state, as inherited by the present government. The objective is to foster public debate, informed by facts, so that the state finances are managed in a fiscally responsible and prudent manner.

2 BUDGETED VS ACTUAL EXPENDITURE OF TELANGANA

The budget estimates of government expenditure are planned expenses for the budgeted year prepared in the previous fiscal. The actual expenditure numbers emerge from audited accounts, and as the name suggests, refer to the total amount that the Government has actually spent in one financial year, i.e., from 1st April of the current year to 31st March of the next year, toward achieving those goals. The ratio of actual expenditure to budget estimates, which is a measure of budget reliability, indicates the quality of the planning process and adherence to budgetary discipline. Table 1 presents this measure of budget reliability as the percentage of actual expenditures to budget estimates.

Table 1: Budget Estimates vs. Actual Expenditure

Sl. No.	Year	Budget Estimates (Rs. crore)	Expenditure (Rs. crore)	Actual Exp as % of Budgeted Exp
1	**2**	**3**	**4**	**5**
1	2014-15	1,00,638	62,306	61.9%
2	2015-16	1,15,689	97,811	84.5%
3	2016-17	1,30,416	1,21,735	93.3%
4	2017-18	1,49,646	1,20,211	80.3%
5	2018-19	1,74,454	1,35,328	77.6%
6	2019-20	1,46,492	1,42,857	97.5%
7	2020-21	1,82,914	1,57,547	86.1%
8	2021-22	2,30,726	1,82,998	79.3%
9	2022-23 (Prov.)	2,56,859	2,04,085	79.5%
	Total	**14,87,834**	**12,24,877**	**82.3%**
10	2023-24 (BE)	2,90,396	1,48,053[1]	51.0%

Source: Finance Accounts, Comptroller and Auditor General of India

Since the formation of Telangana in FY 2014-15, the Budget estimates and actual expenditure figures of the state saw an upward trend. Starting with ₹1,00,638 crore in FY 2014-15, the budget estimates grew to ₹2,56,859 crore in FY 2022-23.

[1] Up to November 2023

The actual expenditure figures also witnessed an ascending pattern from ₹62,306 crore in FY 2014-15 to ₹2,04,085 crore in FY 2022-23.

The percentage share of actual expenditure in the overall budget estimates, however, is worrisome. Actual expenditure as a percentage of Budget estimates was at its lowest level (61.9%) in FY 2014-15. In the period between 2014-23, on average, Telangana actually spent only 82.3% of the budgeted expenditure.

Table 2: General Category States: Total Expenditure Budget Estimates vs. Actual Expenditure (2021-22) [2]

Sl. No.	State	Budget Estimates (Rs. crore)	Actual Expenditure (Rs. crore)	Actual Exp as % of Budgeted Exp
1	**2**	**3**	**4**	**5**
1	Rajasthan	2,50,247	2,91,191	116.4%
2	Karnataka	2,31,642	2,61,932	113.1%
3	Madhya Pradesh	2,17,123	2,40,186	110.6%
4	Kerala	1,62,032	1,63,226	100.7%
5	Maharashtra	4,37,961	4,34,825	99.3%
6	Gujarat	2,23,333	2,14,113	95.9%
7	Tamil Nadu	3,29,035	3,14,419	95.6%
8	West Bengal	2,78,727	2,60,092	93.3%
9	Odisha	1,70,000	1,53,797	90.5%
10	Goa	21,644	19,530	90.2%
11	Chhattisgarh	1,05,213	94,683	90.0%
12	Bihar	2,18,303	1,93,123	88.5%
13	Haryana	1,27,484	1,10,437	86.6%
14	Jharkhand	91,277	77,865	85.3%
15	Andhra Pradesh	2,29,779	1,91,594	83.4%
16	Uttar Pradesh	5,50,271	4,39,963	80.0%
17	**Telangana**	**2,30,726**	**1,82,998**	**79.3%**
18	Punjab	1,68,015	1,25,501	74.7%

[2] General states are the following 18 Indian states that account for approximately 92% of India's population and do not receive any special assistance from the Central government in the form of development assistance -- Andhra Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal.

Source: RBI State Finances Report, 2023-24.

In FY 2021-22 (Table 2), Telangana had one of the highest gaps between the budgeted and actual expenditure among General States[3]. With the state spending only 79.3% of its estimated budgeted expenditure in that year, its performance was the second worst, with only Punjab having a lower proportion of actual expenditure to budget estimates (at 74.7%) than Telangana.

As seen from Table 2, it is clear that the Budget did not correspond to reality. On the one hand, receipts were inflated and on the other hand, expenditure was boosted. Owing to the unrealistic estimation of receipts, the departments that incurred expenditure were not able to make payments leading to a spill-over of their commitments. To place the matter in perspective, the gap between Estimates and Expenditure was about 20% over the years for the new Telangana state, whereas the corresponding figures for other States in this time period was only about 5%. In fact, for some States like Karnataka, Kerala, Madhya Pradesh, and Rajasthan, the expenditure was more than the Budget Estimates. Therefore, the position of Telangana vis-à-vis other States points towards a flawed and over-optimistic budgetary process.

[3] General states are the following 18 Indian states that account for approximately 92% of India's population and do not receive any special assistance from the Central government in the form of development assistance -- Andhra Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal.

In comparing the undivided state of Andhra Pradesh, Table 3 illustrates that, on average, the difference between budgeted and actual expenditure was only 13%.

Table 3: United Andhra Pradesh Budget vs Expenditure

(Rs.in crore)

Sl. No.	Year	Budget Estimates	Actuals	% of Expr.
1	**2**	**3**	**4**	**5**
1	2004-05	51,142	45,747	89.5%
2	2005-06	55,331	48,628	87.9%
3	2006-07	63,528	56,502	88.9%
4	2007-08	80,997	74,672	92.2%
5	2008-09	1,00,437	80,467	80.1%
6	2009-10	1,03,485	85,108	82.2%
7	2010-11	1,13,660	1,00,854	88.7%
8	2011-12	1,28,542	1,15,882	90.2%
9	2012-13	1,45,855	1,29,441	88.7%
10	2013-14	1,61,349	1,36,629	84.7%
	Total	**10,04,326**	**8,73,929**	**87.0%**

Source: Budget Documents of United Andhra Pradesh

It is imperative to note that at the Central Government level, as depicted in Table 4, the average variance between budgeted and actual expenditure is below 3%.

Table 4: Government of India Budget vs Expenditure

(Rs.in crore)

Sl. No.	Year	Budget Estimates	Expenditure	% of Expr
1	**2**	**3**	**4**	**5**
1	2014-15	17,94,892	16,63,673	92.7%
2	2015-16	17,77,477	17,90,783	100.7%
3	2016-17	19,78,060	19,75,194	99.9%
4	2017-18	21,46,735	21,41,973	99.8%
5	2018-19	24,42,213	23,15,113	94.8%
6	2019-20	27,86,349	26,86,330	96.4%
7	2020-21	30,42,230	35,09,836	115.4%
8	2021-22	34,83,236	37,93,800	108.9%
9	2022-23 (Prov.)	39,44,909	41,87,232	106.1%
	Total	**2,33,96,101**	**2,40,63,934**	**102.9%**

Source: Expenditure up to FY 2021-22 as per Govt. of India Budget and FY 2022-23 as per Monthly Accounts of CGA, GOI.

This inability of the Telangana government to attain the budgeted expenditure can be attributed to a shortfall in collections compared to the budgeted revenue receipts. Ambitious expenditure targets, set right at the budget preparation stage, were never achieved. This data, therefore, highlights the need to rationalize the budget forecasting mechanisms in the state, with an emphasis on creating realistic budgeting practices that reduce the gap between budgeted expenditures and actuals. These remarks were also made by the C&AG in all their audit reports submitted to the State Legislature.

3 RESOURCES SPENT IN THE TELANGANA REGION IN UNITED ANDHRA PRADESH

The expenditure of the government comprises two key components – Revenue Expenditure and Capital Expenditure.

Revenue expenditure refers to spending that does not directly lead to the creation of physical or financial assets. This includes expenses on the day-to-day operations of government departments, providing various services, interest payments on government debt, and grants to various institutions.

Capital expenditure covers government investments in long-term assets, such as land, buildings, machinery, and investment in shares. Additionally, it encompasses loans and advances provided to PSUs and other entities, fostering infrastructure development and economic growth.

In the period FY 1956-57 to FY 2013-14, before the bifurcation of Andhra Pradesh, Telangana's share in the combined state's expenditure increased from ₹33 crores to ₹56,947 crores. This was a phenomenal increase over a period of 57 years, wherein the total expenditure grew at an annual average rate of 14.9%. Notably, the total revenue receipts in the state also grew by 14.9% in this period.

Table 5: Total Expenditure of United Andhra Pradesh from 1956-57 to 2013-14 and share of Telangana

(Rs.in crore)

Sl. No.	Year	Combined State Total Expenditure	Telangana share (41.68%)
1	**2**	**3**	**4**
1	1956-57	79	33
2	1957-58	129	54
3	1958-59	121	50
4	1959-60	164	68
5	1960-61	182	76
6	1961-62	195	81
7	1962-63	187	78

Sl. No.	Year	Combined State Total Expenditure	Telangana share (41.68%)
8	1963-64	256	107
9	1964-65	248	103
10	1965-66	328	137
11	1966-67	487	203
12	1967-68	380	158
13	1968-69	392	164
14	1969-70	584	244
15	1970-71	615	256
16	1971-72	636	265
17	1972-73	720	300
18	1973-74	720	300
19	1974-75	599	250
20	1975-76	784	327
21	1976-77	903	376
22	1977-78	1,142	476
23	1978-79	1,304	544
24	1979-80	1,453	606
25	1980-81	1,610	671
26	1981-82	1,831	763
27	1982-83	1,933	806
28	1983-84	2,588	1,078
29	1984-85	3,119	1,300
30	1985-86	3,413	1,423
31	1986-87	4,068	1,696
32	1987-88	4,294	1,790
33	1988-89	5,223	2,177
34	1989-90	5,768	2,404
35	1990-91	6,581	2,743
36	1991-92	7,758	3,233
37	1992-93	8,983	3,744
38	1993-94	10,541	4,394
39	1994-95	12,459	5,193
40	1995-96	14,301	5,961
41	1996-97	16,265	6,779
42	1997-98	17,745	7,396
43	1998-99	21,957	9,152
44	1999-00	22,767	9,489
45	2000-01	28,119	11,720
46	2001-02	31,074	12,952
47	2002-03	34,373	14,326
48	2003-04	40,120	16,722
49	2004-05	47,153	19,653

Sl. No.	Year	Combined State Total Expenditure	Telangana share (41.68%)
50	2005-06	48,306	20,134
51	2006-07	56,648	23,611
52	2007-08	74,875	31,208
53	2008-09	80,804	33,679
54	2009-10	85,075	35,459
55	2010-11	1,00,636	41,945
56	2011-12	1,15,882	48,299
57	2012-13	1,29,441	53,951
58	2013-14	1,36,629	56,947
	Total	**11,94,945**	**4,98,053**

Source: Budget Documents of United Andhra Pradesh

As seen from Table 5 above, in united Andhra Pradesh, expenditure incurred in the Telangana region of the combined state in the period FY 1956-57 to FY 2013-14 was ₹ 4,98,053 Crore.

Telangana saw the creation of crucial assets with this expenditure. Among them are key infrastructure projects such as the Outer Ring Road and Rajiv Gandhi International Airport. Additionally, essential irrigation projects like Nagarjuna Sagar Dam, Jurala, Koilsagar, Devadula, Sriram Sagar, and Kadem were undertaken. Notably, multiple drinking water initiatives for Hyderabad City from Manjeera, Krishna, and Godavari rivers across different phases (Phase I, Phase II, and Phase III) were successfully executed.

Additionally, universities and medical colleges across various districts, and hospitals like NIMS, RIMS, Gandhi Hospital, MGM, and KMC were established and operationalized. In addition, extensive infrastructure developments such as roads, buildings, drains, and power lines were undertaken to support the growth of the state.

Furthermore, the establishment of major defense organizations including DRDO, NFC, Midhani, DRDL, and BDL, among others, contributed significantly to solidifying Telangana's status as a notable defense hub in India. These defense institutions also led to the establishment of numerous small and medium ancillary units, contributing to the growth of the defense cluster in Hyderabad, which stands as a prominent defense center in the country today.

During this era, a multitude of public sector undertakings including BHEL, ECIL, CPRI, and IDPL, amongst others, were established. Notably, IDPL played a pivotal role as a nucleus and catalyst for the pharmaceutical industry, contributing to Hyderabad's emergence as a major hub for pharmaceutical and biotech companies such as Reddy Labs, GSK, Mylan, Bharat Biotech, Hetero, and Aurobindo, amongst others.

Simultaneously, Hyderabad also established itself as a significant research center, hosting prestigious institutions like CCMB, HCU, IICT, NGRI, ICRISAT, NARM, NIN, EFLU, and others. Furthermore, several Government of India training institutions such as NPA, NISA, Hakimpet Air Force Training School, NISIET, and more were set up.

Although these institutions were established by the Central government or the private sector, it's noteworthy that the then State Governments played a crucial role by providing land, other necessary facilities, and appropriate incentives, contributing significantly to their establishment and growth.

All the aforementioned assets were developed with a focus on frugality and fiscal prudence. In the period between 1956 and 2014, United Andhra Pradesh witnessed sixteen Chief Ministers. At the time of Telangana's formation, the outstanding debt stood at a modest ₹72,658 crores.

However, the current state of affairs reveals a significant escalation in debt. Presently, the state's standalone debt has surged to ₹3,89,673 crores, and when considering the debt of the special purpose vehicles (SPVs) serviced by the Government, the actual debt rises to ₹5,16,881 crores. Furthermore, incorporating contingent liabilities guaranteed by the government, the total debt skyrockets to ₹6,12,343 crores.

Over the past decade, there is a discernible absence of visible and substantial infrastructure development that corresponds proportionally with the accumulated debt during this period. This divergence raises serious concerns regarding the effective utilization of borrowed funds for infrastructure creation in the state.

4 TRENDS IN REVENUE RECEIPTS

Revenue receipts can be defined as those receipts that neither create a liability nor cause a reduction in the assets of the government. They are regular and recurring in nature and the government receives them in the normal course of activities. A state's revenue receipts comprise four components, namely:

a. State's Own Tax Revenue
b. Share of Central taxes
c. Non-tax revenue and
d. Grants from the Central Government

Revenue receipts make up the major portion of government revenues and are crucial for delivering the services of the state.

In FY 2014-15, the total revenue receipts in nominal terms stood at ₹ 51,042 crore. In the years post-state formation, revenue receipts showed an overall increasing trend. The growth rate of overall revenues (Table 6), however, had a declining trend in the period FY 2015-21. Further, the growth rate of revenue receipts since state formation has been very volatile, dipping from 49.16% in FY 2015-16 to 8.78% in FY 2016-17, rising from 7.25% in FY 2017-18 to 14.18% in FY 2018-19, and spiking up from -1.59% in 2020-21 to 26.31% in 2021-22.

Table 6: Trend in Total Revenue Receipts

Sl. No.	Year	Total Revenue Receipts	% YoY Growth	Total Revenue Receipts as a percentage of GSDP
1	**2**	**3**	**4**	**5**
1	2014-15	51,042	-	10.1%
2	2015-16	76,134	49.16%	13.2%
3	2016-17	82,818	8.78%	12.6%
4	2017-18	88,824	7.25%	11.8%
5	2018-19	1,01,420	14.18%	11.8%
6	2019-20	1,02,544	1.11%	10.8%

Sl. No.	Year	Total Revenue Receipts	% YoY Growth	Total Revenue Receipts as a percentage of GSDP
1	**2**	**3**	**4**	**5**
7	2020-21	1,00,914	-1.59%	10.7%
8	2021-22	1,27,469	26.31%	11.3%
9	2022-23 (Prov.)	1,59,350	25.01%	12.1%
10	2023-24 (BE)	2,16,567	35.91%	15.3%

Source: Finance Accounts, Comptroller and Auditor General of India

As a proportion of GSDP, revenue receipts underwent a decline from the peak of 13.2% in FY 2015-16 to 11.8% in FY 2018-19. Thus, as a percentage of GSDP, revenue receipts started declining even before the start of the economic slowdown and the pandemic.

Telangana's performance in terms of the revenue receipts-to-GSDP ratio in comparison with other General States was less than satisfactory in FY 2021-22 (Table 7). At 11.3%, its receipts-to-GSDP ratio was 3.3 percentage points lower than the India General States average (14.6%). Only five other states had lower revenue receipts-to-GSDP ratios than Telangana in FY 2021-22.

Table 7: General States - Revenue receipts-to-GSDP ratio (2021-22)

Sl. No.	State	Revenue Receipts (Rs. crore)	GSDP (Rs. crore)	Revenue Receipts-to-GSDP ratio
1	Bihar	1,58,797	6,50,302	24.4%
2	Odisha	1,53,059	6,70,881	22.8%
3	Chhattisgarh	79,652	4,06,416	19.6%
4	Jharkhand	69,722	358,863	19.4%
5	Uttar Pradesh	3,71,011	1,974,532	18.8%
6	Madhya Pradesh	1,85,876	1,136,137	16.4%
7	Goa	12,509	82,604	15.1%
8	Rajasthan	1,83,920	1,218,193	15.1%
9	Andhra Pradesh	1,50,552	1,133,837	13.3%
10	West Bengal	1,78,159	1,363,926	13.1%

Sl. No.	State	Revenue Receipts (Rs. crore)	GSDP (Rs. crore)	Revenue Receipts-to-GSDP ratio
11	Punjab	78,168	6,14,227	12.7%
12	Kerala	1,16,640	9,32,470	12.5%
13	Telangana	1,27,469	1,128,907	11.3%
14	Maharashtra	3,33,312	3,108,022	10.7%
15	Tamil Nadu	2,07,492	2,071,286	10.0%
16	Karnataka	1,95,762	1,962,725	10.0%
17	Haryana	78,092	8,70,665	9.0%
18	Gujarat	1,66,830	1,937,066	8.6%

Source: RBI State Finances - A Study of Budgets of 2023-24

5 OUTSTANDING DEBT TRENDS

The term "public debt" or “state debt” refers to the outstanding financial obligations of a state. The state debt is what the state government owes its creditors on account of money borrowed at any time in the past, and not yet repaid, and based on the security of the consolidated fund of the state. The debt-to-GSDP ratio compares a state’s public debt to its annual economic output value and is indicative of the state’s ability to repay its debt. Higher debt-to-GSDP ratios indicate a higher risk of default.

Rising expenditures in Telangana, not matched by a proportionate increase in revenues, have led to increasing fiscal deficits. These fiscal deficits needed to be funded through borrowings, which in turn, has led to the state accumulating an increasing amount of debt each year.

The state started with an outstanding debt of Rs. 72,658 crores in FY 2014-15, which increased at an annual average rate of 24.5% between FY 2014-15 and FY 2022-23, reaching an amount of Rs. 3,52,061 crores by FY 2022-23(RE). Further, as per budget estimates for FY 2023-24, the debt is estimated to increase to Rs. 3,89,673 crores.

The debt-to-GSDP ratio of the State was one of the lowest in the country in FY 2015-16 at 15.7%. By FY 2023-24, the same ratio went up to 27.8%; it has almost doubled in 8 years. The debt-to-GSDP ratio has had an overall increasing trend over the years, averaging 21.5% over the FY 2014-22 period. Further, in FY 2020-21 and FY 2021-22, the state failed to contain the debt-to-GSDP ratio within the 25% ceiling recommended under the Fiscal Responsibility and Budget Management (FRBM) Act.

Table 8: Outstanding Debt Trends (Within budget borrowings)

(Rs.in crore)

Sl. No.	Year	Outstanding Debt	Outstanding Debt as % of GSDP
1	**2**	**3**	**4**
1	2014-15	72,658	14.4
2	2015-16	90,523	15.7
3	2016-17	81,821	12.4
4	2017-18	1,60,296	21.4
5	2018-19	1,90,203	22.2
6	2019-20	2,25,418	23.7
7	2020-21	2,71,259	28.8
8	2021-22	3,14,853	27.9
9	2022-23 (R.E.)	3,52,061	26.8
10	2023-24 (B.E.)	3,89,673	27.8

Source: State Finances: A Study of Budget of 2023-24, RBI.

Note: 1) Outstanding Debt includes Public Debt, Small Savings, Provident Fund and Reserve Funds. 2) Outstanding Debt includes an amount of Rs.6,949.49 crore towards Loans in lieu of GST Compensation Shortfall.

What is important to note is that the debt figures stated above do not include the 'off-budget borrowings' of the government. Off budget borrowings include loans availed by entities outside of the government system but guaranteed by the state. Some of these loans have now become financial obligations on the Consolidated Fund of the State since these entities lack the financial resources to service these loans (see Tables 9 and 10 below). If Government Guaranteed loans raised by SPVs but serviced by the Government are added, the debt-to-GSDP ratio would increase to 36.9%.

Government Guaranteed Loans Raised by SPVs and Serviced by the Government

- A total of 17 SPVs and institutions have raised an amount of ₹1,85,029 crores through off-budget borrowings. As these institutions do not have sufficient revenue to service the debt, the Government is supporting them to pay back the principal and interest. As of today, the total outstanding debt in this category is ₹1,27,208 crores. Even though, legally and technically, this debt is not on the books of the State, it should be included in the total debt burden of the State, as it is being serviced by the State.

Government Guarantee Loans which are raised by SPVs and serviced by the SPVs

- A total of 14 SPVs and institutions have raised an amount of ₹ 1,18,557 crores through off-budget borrowings which are guaranteed by the Government. As these institutions have revenues to service the debt, they can pay back the principal and interest. As of today, the total outstanding debt in this category is ₹ 95,462 crores.

Non-Guaranteed Loans which are raised and serviced by SPVs/ Corporations / Institutions

- There also exists a third category of loans taken by corporations that are not guaranteed by the Government. These loans are also repaid by the corporations themselves without any debt servicing burden on the Government. The details of such loans are mentioned in Table 12. As of today, the total outstanding debt in this category is Rs. 59,414 crores.

The total debt on the books of the State, guaranteed and serviced by the State, guaranteed but not serviced by the State, and not guaranteed and serviced by the institutions is ₹ 6,71,757 crores.

Table 9: Summary of Outstanding Debt

Sl. No.	Item	Outstanding debt (in Rs. crore)
1	**2**	**3**
1	FRBM Loans (2023-24 B.E.)	3,89,673
2	Government Guaranteed loans raised by SPVs but are serviced by Government	1,27,208
3	Government Guarantee loans which are raised by SPVs and serviced by them	95,462
4	Non-Guaranteed Loans which are raised and serviced by SPVs/ Corporations / Institutions	59,414
	Total	**6,71,757**

Table 10: Government Guaranteed loans raised by SPVs but serviced by Government

(Rs.in crore)

Sl. No.	Agency	Loan sanctioned	Loan disbursed including IDC	Outstanding Loans as on 1.12.2023
1	2	3	4	5
	Irrigation Department			
1	Kaleshwaram Irrigation Project Corporation Ltd	97,449	79,287	74,590
2	Telangana State Water Resources Infrastructure Development Corp Ltd	19,643	15,284	14,060
	Department Total	**1,17,092**	**94,572**	**88,651**
	Panchayat Raj and Rural Development			
3	Telangana Drinking Water Supply Corporation Limited	32,775	27,838	20,200
	Department Total	**32,775**	**27,838**	**20,200**
	Transport, Roads and Building Department			
4	TS Housing Corporation Ltd	9,036	9,005	6,470
5	TS Road Development Corporation	4,200	4,167	2,951
6	Telangana Housing Board	1,000	990	990
	Department Total	**14,236**	**14,162**	**10,411**
	Municipal Administration & Urban Development			
7	Hyderabad Metropolitan Water Supply and Sewerage Board	5,164	5,164	2,352
8	Telangana Urban Finance & Infrastructure Development Corp. Ltd (TUFIDC)	2,050	2,050	1,619
9	Hyderabad Metro Rail Ltd	387	329	286
	Department Total	**7,601**	**7,543**	**4,256**
	Animal Husbandry & Fisheries Department			
10	Telangana Sheep & Goat Development Coop Federation Ltd., Hyderabad	4,000	3,833	907
11	TS Fishermen Cooperative Societies Federation Ltd	600	600	125
12	Telangana State Dairy Development Cooperative Federation Ltd.	917	370	132
	Department Total	**5,517**	**4,803**	**1,164**
	Energy Department			
13	Telangana Power Finance Co Ltd.	2,130	2,130	1,536
	Department Total	**2,130**	**2,130**	**1,536**

Sl. No.	Agency	Loan sanctioned	Loan disbursed including IDC	Outstanding Loans as on 1.12.2023
1	**2**	**3**	**4**	**5**
	Agriculture & Cooperation Department			
14	TS Horticulture Dev Corporation Ltd	874	874	44
	Department Total	**874**	**874**	**44**
	Health, Medical & Family Welfare Department			
15	Telangana Super Specialty Hospital Corporation Limited	3,535	816	777
	Department Total	**3,535**	**816**	**777**
	Industries & Commerce Department			
16	Telangana State Industrial Infrastructure Corporation	769	751	1
	Department Total	**769**	**751**	**1**
	Home Department			
17	TS Police Housing Corporation	500	480	168
	Department Total	**500**	**480**	**168**
	Total	**1,85,029**	**1,53,968**	**1,27,208**

Source: Concerned Departments

Table 11: Government Guarantee loans which are raised by SPVs and serviced by them

(Rs.in crore)

Sl. No.	Agency	Loan sanctioned	Loan disbursed	Outstanding Loans as on 1.12.2023
1	**2**	**3**	**4**	**5**
	Food & Civil Supplies Department			
1	Telangana State Civil Supplies Corporation	65,300	65,300	56,146
	Department Total	**65,300**	**65,300**	**56,146**
	Energy Department			
2	Telangana State Southern Power Distribution Company Limited	23,449	19,969	17,977
3	Telangana State Northern Power Distribution Company Ltd.	14,534	14,531	12,544
	Department Total	**37,982**	**34,500**	**30,520**
	Agriculture & Cooperation Department			

Sl. No.	Agency	Loan sanctioned	Loan disbursed	Outstanding Loans as on 1.12.2023
1	2	3	4	5
4	TSMARKFED	7,242	6,565	4,857
5	Hyderabad Agricultural Co-Operative Association Ltd (HACA)	450	450	0
6	TS Seeds Dev Corporation	400	400	398
	Department Total	**8,092**	**7,415**	**5,256**
	Transport, Roads and Building Department			
7	Telangana State Road Transport Corporation	2,100	2,100	1,270
	Department Total	**2,100**	**2,100**	**1,270**
	Municipal Administration & Urban Development			
8	GHMC	1,600	1,444	1,332
	Department Total	**1,600**	**1,444**	**1,332**
	Information Technology & Communications			
9	ITE&C	530	530	530
	Department Total	**530**	**530**	**530**
	Industries & Commerce Department			
10	Telangana State Industrial Infrastructure Corporation	1,000	276	276
11	Telangana State Finance Corporation	58	58	12
12	Telangana State Khadi and Village Industries Board			16
	Department Total	**1,058**	**334**	**303**
	Animal Husbandry & Fisheries Department			
13	Telangana State Dairy Development Cooperative Federation Ltd.	145	103	103
	Department Total	**145**	**103**	**103**
	Health, Medical & Family Welfare Department			
14	Nizam's Institute of Medical Sciences, Hyderabad	1,750		
	Department Total	**1,750**		
	Total:	**1,18,557**	**1,11,727**	**95,462**

Source: Concerned Departments

Table 12: Non-Guaranteed Loans which are raised and serviced by SPVs/ Corporations / Institutions

(Rs.in crore)

Sl. No.	Agency	Loan sanctioned	Loan disbursed	Outstanding Loans as on 1.12.2023
1	2	3	4	5
	Energy Department			
1	Telangana State Power Generation Co Ltd.	43,263	41,380	31,875
2	TRANSCO	16,351	13,217	10,027
3	Telangana State Southern Power Distribution Company Limited	11,332	9,882	5,897
4	Singareni Collieries Co Ltd	6,655	5,908	2,596
5	Telangana State Northern Power Distribution Company Ltd.	4,927	4,527	3,043
	Department Total	**82,529**	**74,914**	**53,437**
	Municipal Administration & Urban Development			
6	GHMC	4,930	4,930	4,906
	Department Total	**4,930**	**4,930**	**4,906**
	Transport, Roads and Building Department			
7	Telangana State Road Transport Corporation	1,825	1,184	1,000
8	Telangana Housing Board	175	175	9
	Department Total	**2,000**	**1,359**	**1,009**
	Agriculture & Cooperation Department			
9	Telangana State Co Operative Housing Societies Federation Ltd	81	69	30
	Department Total	**81**	**69**	**30**
	Industries & Commerce Department			
10	Telangana State Trade Promotion Corporation Ltd	25	25	25
	Department Total	**25**	**25**	**25**
	Youth Advancement, Tourism and Culture Department			
11	Telangana State Tourism Development Co Ltd	11	9	8
	Department Total	11	9	8
	Total:	**89,575**	**81,306**	**59,414**

Source: Concerned Departments

6 INCREASING DEBT SERVICING BURDEN

Debt servicing burden refers to the expenditure required to pay the interest and principal on the loans taken from various sources over the years and is a major component of the committed expenditure of the state.

The total debt servicing burden of Telangana has increased significantly over the last nine years. For the 'within budget' component, the combined principal and interest burden amounted to ₹ 6,954 crores in FY 2014-15. Thereafter, there was double digit growth in these payments in all years except FY 2020-21. Growing at an annual average rate of 22%, the total debt servicing burden of the state (within budget) reached ₹32,939 crores in FY 2023-24.

Table 13: Year-wise Principal & Interest Repayments

(In Rs. crore)

Year	Within Budget				Outside Budget				Grand Total	Outside Budget as % of Grand Total	% of Total Revenue Receipts
	Principal	Interest	Total	% Change	Principal	Interest	Total	% Change			
1	2	3	4	5	6	7	8	9	10	11	12
FY15	1,727	5,227	6,954		144	156	300		7,255	4%	14%
FY16	2,733	7,558	10,290	48%	268	383	650	117%	10,941	6%	14%
FY17	3,480	8,609	12,089	17%	266	965	1,231	89%	13,321	9%	16%
FY18	4,549	10,836	15,385	27%	383	2,197	2,579	110%	17,964	14%	20%
FY19	6,892	12,586	19,479	27%	1,108	3,583	4,692	82%	24,170	19%	24%
FY20	8,492	14,386	22,878	17%	2,257	5,109	7,366	57%	30,244	24%	29%
FY21	7,537	16,841	24,378	7%	2,442	6,691	9,133	24%	33,511	27%	33%
FY22	8,842	19,161	28,004	15%	4,887	9,909	14,796	62%	42,800	35%	34%
FY23	11,987	20,952	32,939	18%	9,071	11,968	21,039	42%	53,978	39%	34%
Total	**56,241**	**116,156**	**172,396**		**20,826**	**40,961**	**61,787**		**2,34,183**		

Source: Budget Documents.

In comparison, the debt-servicing burden on account of off-budget borrowings grew at a much higher rate (Annual Average Growth Rate of 73%). Due to this, their contribution to the total debt-servicing burden increased substantially from 4% in FY 2014-15 to 39% in FY 2022-23.

The total debt servicing burden as a percentage of the total revenue receipts has also increased significantly from 14% in FY 2014-15 to 34% in FY 2023-24, which indicates that an increasingly larger portion of revenues is being used to service debt, leaving less for other essential expenditures.

Another point of concern is that the top five corporations/entities, which account for 95% of the outstanding government guarantees, availed loans from various financial institutions at average interest rates in the range of 8.93% - 10.49%. This is much higher when compared with the average interest rate of 7.63% for Open Market Borrowings (OMB). As these corporations do not have a significant revenue source of their own, the government is effectively bearing the higher interest burden, further constraining the financial situation.

Table 14: Outstanding loan and average interest rate of select entities

Sl. No.	Entity	Outstanding Loan as of 01.12.2023 (in Rs. crore)	Average interest rate
1	**2**	**3**	**4**
1	Kaleshwaram Irrigation Project Corporation Ltd	74,590	9.69%
2	Telangana Drinking Water Supply Corporation Limited	20,200	9.48%
3	Telangana State Water Resources Infrastructure Development Corp. Ltd	14,060	10.49%
4	Telangana State Housing Corporation	6,470	8.98%
5	Telangana State Road Development Corporation	2,951	8.93%

Source: Concerned Departments

7 ONGOING WORKS AND CAPITAL EXPENDITURE

Since formation of the State of Telangana, the Government has entered into 39,175 work agreements of 24 departments amounting to ₹ 3,49,843 crore, for which ₹ 1,89,903 crores expenditure is already incurred by 4.12.2023 and a balance amount of ₹ 1,59,940 crores is yet to be spent. The financial progress of the said works at a glance is as follows:

Table 15: Status of Financial Progress of Ongoing Works in various departments as of 4.12.2023

(Rs.in crore)

Sl. No.	Department	No. of Agreements	Technical sanction amount	Expenditure	Balance
1	**2**	**3**	**4**	**5**	**6 (4-5)**
1	Irrigation Department	7,827	2,32,847	1,35,285	97,562
2	Panchayat Raj and Rural Development	18,477	72,817	36,610	36,208
3	Transport, Roads and Building Department	6,127	22,121	10,288	11,833
4	Health, Medical & Family Welfare Department	403	9,892	971	8,921
5	Municipal Administration & Urban Development	1,002	6,714	4,061	2,653
6	Home Department	1,329	1,913	1,150	763
7	Tribal Welfare Department	997	1,295	640	655
8	Agriculture & Cooperation Department	336	574	160	414
9	Scheduled Castes Development Department	669	420	237	183
10	Law Department	605	339	119	220
11	Higher Education Department	221	217	67	150
12	Backward Class Welfare Department	111	201	90	112

Sl. No.	Department	No. of Agreements	Technical sanction amount	Expenditure	Balance
1	**2**	**3**	**4**	**5**	**6 (4-5)**
13	Secondary Education, Secretariat Department	170	107	55	52
14	Youth Advancement, Tourism and Culture Department	80	84	34	51
15	Revenue Department	158	74	41	33
16	General Administration Department	163	63	40	23
17	Animal Husbandry & Fisheries Department	164	53	18	35
18	Environment, Forest, Science & Technology Department	22	41	8	33
19	Labour and Employment Department	21	39	24	16
20	Planning Department	2	13	3	11
21	Women, Children, Disabled & Senior Citizens	134	8	2	6
22	Legislature	144	5	1	4
23	Minorities Welfare Department	12	3	0	3
24	Food & Civil Supplies Department	1	0	0	0
	Grand Total:	**39,175**	**3,49,843**	**1,89,903**	**1,59,940**

Source: Director of Works Accounts.

Table 16: Abstract of payment status

(Rs.in crore)

Sl. No.	Funding	Technical sanction amount	Expenditure	Balance
1	**2**	**3**	**4**	**5 (3-4)**
1	Budget	1,89,777	1,02,820	86,957
2	Borrowed Funds	1,60,066	87,083	72,983
	Grand Total:	**3,49,843**	**1,89,903**	**1,59,940**

Source: Director of Works Accounts.

The State Government has to make budgetary provision of ₹ 86,957 crore in the coming financial years for the balance works. Further, an amount of ₹ 72,983 crore will have to be borrowed from the various financial institutions. Overall, this will add to the debt servicing burden of the State.

Table 17: Other Pending bills as of 19.12.2023

(Rs.in crore)

Sl. No.	HOD	Number of Pending Bills	Amount pending
1	**2**	**3**	**4**
1	DTA (Director Treasury and Accounts)	3,32,670	4,908
2	PD (Public Deposit Account)	1,04,248	9,062
3	PAO (Pay and Accounts Office)	31,081	15,686
4	Director of Works Accounts - Works	10,169	10,498
	Total:	**4,78,168**	**40,154**

Source: IFMIS Portal, Government of Telangana

The State Government as of 19.12.2023 will have to clear 4,78,168 bills amounting to ₹ 40,154 crores payable to the employees/ contractors/ suppliers and others.

8 EXPENDITURE ON SALARY AND PENSION

Apart from interest payments, expenditure on salaries, wages, and pensions contribute significantly to the total revenue expenditure. The total expenditure on salaries increased in all the years since FY 2014-15 at an annual average growth rate of 17%. There were significant spikes in FY 2015-16 (69%) and FY 2021-22 (23%), due to the implementation of revised pay scales.

Table 18: Expenditure on Salary and Pension

(in Rs. crore)

Year	Regular employees	Grants-in-Aid employees	Contract / Outsourcing & other categories	Total Salary	% Change	Pension	Total	% of Revenue Receipts
1	**2**	**3**	**4**	**5 (2+3+4)**	**6**	**7**	**8**	**9**
FY15	10,805	1,333	782	12,920		4,210	17,130	34%
FY16	18,319	2,053	1,424	21,796	69%	8,217	30,013	39%
FY17	19,476	2,424	1,651	23,551	8%	9,011	32,562	39%
FY18	20,966	2,833	2,178	25,977	10%	11,932	37,909	43%
FY19	21,272	2,913	2,548	26,733	3%	11,477	38,210	38%
FY20	21,450	3,118	2,745	27,313	2%	11,834	39,147	38%
FY21	21,790	3,322	3,108	28,220	3%	13,599	41,819	41%
FY22	27,102	3,774	3,909	34,785	23%	14,024	48,809	38%
FY23 (Prov.)	31,791	4,172	4,146	40,109	15%	15,816	55,925	35%

Source: CAG Accounts.

Overall, the expenditure on salaries and pensions has almost tripled from Rs. 17,130 crores in FY 2014-15 to ₹ 48,809 crore in FY 2021-22. As of FY 2021-22, these components account for 38% of the total revenue receipts, which is only expected to increase with the upcoming pay revision commission's recommendations, filling of vacancies, and payment of dearness allowance arrears.

9 INCREASING RELIANCE ON WAYS AND MEANS

The Reserve Bank of India (RBI) functions as a banker to the State Governments and in this regard, provides Ways & Means Advances (WMA) and Overdraft facilities for cash management. WMA are essentially short-term loans provided by the RBI to bridge temporary gaps between a state's expenditure and revenue receipts. These are provided as a bridge loan to cover expenses until tax collections or other revenue streams arrive. Overdrafts are similar, but they are used when the gap is bigger and WMA is not enough. Overdrafts have higher interest rates than WMA.

Table 19: Year-wise Utilization of Ways & Means Advances

Description	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 up to Nov-23
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Treasury Bill holdings -**positive cash balances**	303	364	304	245	250	204	122	57	37	30
Special Drawing Limits (SDL) - **negative cash balance**	-	2	27	43	24	114	43	39	36	21
Normal Ways & Means Advance - **negative cash balance**	-	-	34	72	70	36	97	164	171	116
Overdraft availed - **beyond normal and ways and means**	-	-	-	5	21	12	103	105	121	77
Total No. of days WMA & OD utilised	**-**	**2**	**61**	**120**	**115**	**162**	**243**	**308**	**328**	**214**
Total No. of calendar Days	**303**	**366**	**365**	**365**	**365**	**366**	**365**	**365**	**365**	**244**

Source: Reserve Bank of India

The rapid deterioration in the finances of the state is visible in the increasing reliance on WMA and Overdraft facilities over the years. The number of days in a year with a positive cash balance declined from 303 days in FY 2014-15 to just 30 days in FY 2023-24 (up to November 2023), which is the lowest-ever figure. WMA and Overdraft facilities were utilized for the highest number of days in FY 2022-23 (328), reflecting the grim state of the finances of the state government.

Availing the 'WMA Special Drawing Limit' facility attracts an interest rate of 'repo rate minus 2 percent'. The same for Normal WMA is the repo rate and for Overdraft is the 'repo rate plus 2 percent / 5 percent' depending on the extent of utilization. The trend over the years shows a drastic increase in the utilization of the Overdraft facility from 5 days in FY 2017-18 to 121 days in FY 2022-23 and Normal WMA from 34 days in FY 2016-17 to 171 days in FY 2022-23. As these two facilities attract a much higher interest rate than the interest rate under 'Special Drawing Limits WMA', the overall interest burden on the state has increased significantly.

10 REVENUE DEFICIT

Revenue deficit refers to the difference between the expenses incurred by the Government on meeting its regular, recurring expenses such as payment of salaries, pensions, interest, subsidies, grants to institutions, etc., and its income from taxes, non-taxes, share in central taxes, and central government grants

When a revenue-deficit situation arises, the government has to borrow to meet its expenses. Such borrowing is considered regressive as it is used for consumption, and not for the creation of assets.

Table 20: Revenue Surplus and Deficit Trends

Sl. No.	Year	Revenue Surplus (in ₹ crore)	Revenue Surplus / Deficit as % of GSDP
1	**2**	**3**	**4**
1	2014-15	369	0.1%
2	2015-16	238	0.0%
3	2016-17	1,386	0.2%
4	2017-18	3,459	0.5%
5	2018-19	4,337	0.5%
6	2019-20	-6,254	-0.7%
7	2020-21	-22,298	-2.3%
8	2021-22	-9,335	-0.8%
9	2022-23 (Prov.)	6,508	0.5%
10	2023-24 (B.E.)	4,882	0.3%

Source: Finance Accounts, Comptroller and Auditor General of India

While the state registered revenue surpluses in the period 2014-19, in 2019-22, its revenue receipts were not sufficient to meet even its recurring expenses such as payments towards salaries, pensions, interests, subsidies, etc.

Further, it is pertinent to note that the State Finance Audit Reports (SFAR) of the Comptroller and Auditor General of India (CAG)[4] commented that on account of irregular accounting, the state understated its revenue deficits in the years 2015-21. This was reported to have been done through the adoption of irregular accounting practices including misclassification of grants-in-aid, crediting of loans obtained to revenue receipts, non/short-contribution to statutory funds, non-discharge of interest liabilities, and classification of subsidies as loans.

[4] Report of the Comptroller and Auditor General of India – State Finances Audit Reports for the years ended March 2016, March 2017, March 2018, March 2019, March 2020, and March 2021

11 FISCAL DEFICIT

The difference between the total expenditure and the total receipts (excluding borrowings) of the government is termed as Fiscal Deficit (FD). It is an indicator of the total borrowings needed by the government.

Table 21: Fiscal Deficit Trends

Sl. No.	Year	Fiscal Deficit (in ₹ crore)	Growth Rate of Fiscal Deficit	Fiscal Deficit as % of GSDP	FRBM Norm as % of GSDP
1	**2**	**3**	**4**	**5**	**6**
1	2014-15	9,410		1.9%	3.0%
2	2015-16	18,856	100.4%	3.3%	3.5%
3	2016-17	35,281	87.1%	5.4%	3.5%
4	2017-18	26,700	-24.3%	3.6%	3.5%
5	2018-19	26,949	0.9%	3.1%	3.5%
6	2019-20	31,759	17.8%	3.3%	3.4%
7	2020-21	49,038	54.4%	5.1%	5.04%
8	2021-22	46,639	-4.9%	4.1%	4.42%
9	2022-23 (Prov.)	32,119	-31.1%	2.4%	3.0%
10	2023-24 (B.E.)	38,235	19.0%	2.7%	3.0%

Source: Finance Accounts, Comptroller and Auditor General of India

The state's receipts fell short of its expenditure by ₹ 9,410 crores in FY 2014-15. This deficit doubled to ₹ 18,856 crore in FY 2015-16, and close to doubled again in FY 2016-17, reaching a value of ₹ 35,281 crore. Between FY 2014-15 and FY 2021-22, the fiscal deficit of the state grew at an average annual rate of 33.1%. On account of this, in FY 2021-22, the shortfall in the state's revenues in comparison with its expenditure was nearly 5 times the shortfall in FY 2014-15.

Further, the State Finance Audit Reports (SFAR) of the Comptroller and Auditor General of India (CAG) suggest that on account of accounting irregularities, the state understated its fiscal deficits by ₹ 7,636 crore in the years FY 2015-21.

The state's fiscal deficit as a percentage of the GSDP averaged 3.7% in the period FY 2014-22 and did not meet the Fiscal Responsibility and Budget Management (FRBM) norms for three out of the eight years.

In FY 2021-22, in terms of the FD-to-GSDP ratio, Telangana's performance in comparison with other General category states was very poor. With an FD-to-GSDP ratio of 4.1%, it was one of the worst performing states, with only Punjab (4.5%) and Kerala (4.9%) registering higher FD-to-GSDP ratios than Telangana in that year. Table 21 shows this situation.

Table 22: General Category States: Fiscal Deficit-to-GSDP Ratio

Sl. No.	State	Fiscal Deficit-to-GSDP ratio (2021-22)
1	**2**	**3**
1	Odisha	-3.1%
2	Jharkhand	0.7%
3	Gujarat	1.2%
4	Chhattisgarh	1.5%
5	Uttar Pradesh	2.0%
6	Maharashtra	2.1%
7	Andhra Pradesh	2.2%
8	Goa	3.2%
9	Karnataka	3.3%
10	Madhya Pradesh	3.3%
11	Haryana	3.6%
12	West Bengal	3.7%
13	Bihar	3.9%
14	Rajasthan	4.0%

Sl. No.	State	Fiscal Deficit-to-GSDP ratio (2021-22)
1	**2**	**3**
15	Tamil Nadu	4.0%
16	Telangana	4.1%
17	Punjab	4.5%
18	Kerala	4.9%

Source: RBI State Finances – A Study of Budgets of 2023-24

Notes: 1. Gross Fiscal Deficit (GFD) receipts include revenue receipts and miscellaneous capital receipts.

2. GFD Expenditure includes revenue expenditure, capital outlay, and loans and advances net of recoveries.

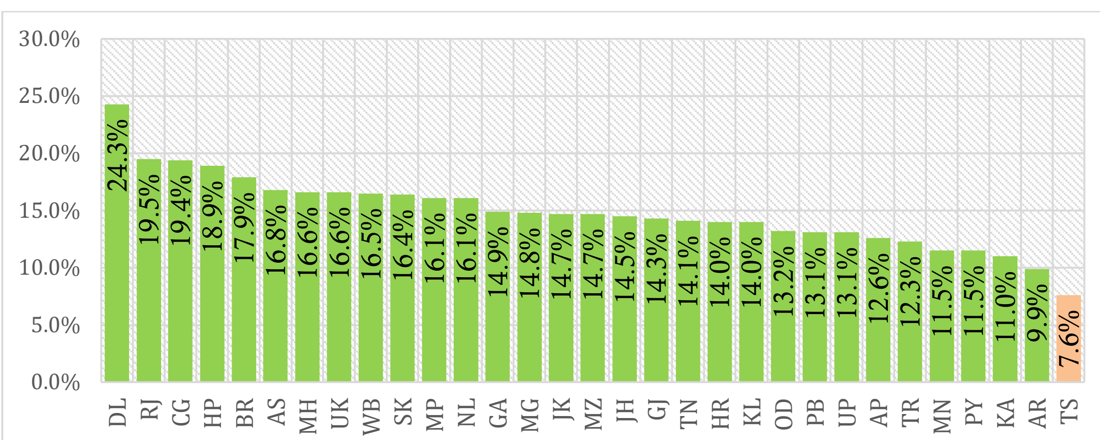
12 EXPENDITURE ON EDUCATION & HEALTH

Education Sector

Education is one of the most powerful instruments for reducing poverty and inequality, and it sets the foundation for sustained economic growth. Investments in the education sector are essential for ensuring that individuals are equipped with the knowledge, skills, and critical thinking abilities required for a productive workforce, and for creating a more equitable economy.

The National Education Policy 2020 (NEP 2020) envisions a substantial increase in public investment in education by both the Central government and all state governments to reach 6% of GDP. It states that this is extremely critical for achieving the high-quality and equitable public education system that is truly needed for India's future economic, social, cultural, intellectual, and technological progress and growth. As per the State of State Finances report published by PRS (October 2023), while states are estimated to spend on average 14.7% of their budget on education in FY 2023-24, Telangana is expected to spend 7.6%, which is the lowest in the country and almost half the national average.

Figure 1: Expenditure on Education – 2023-24

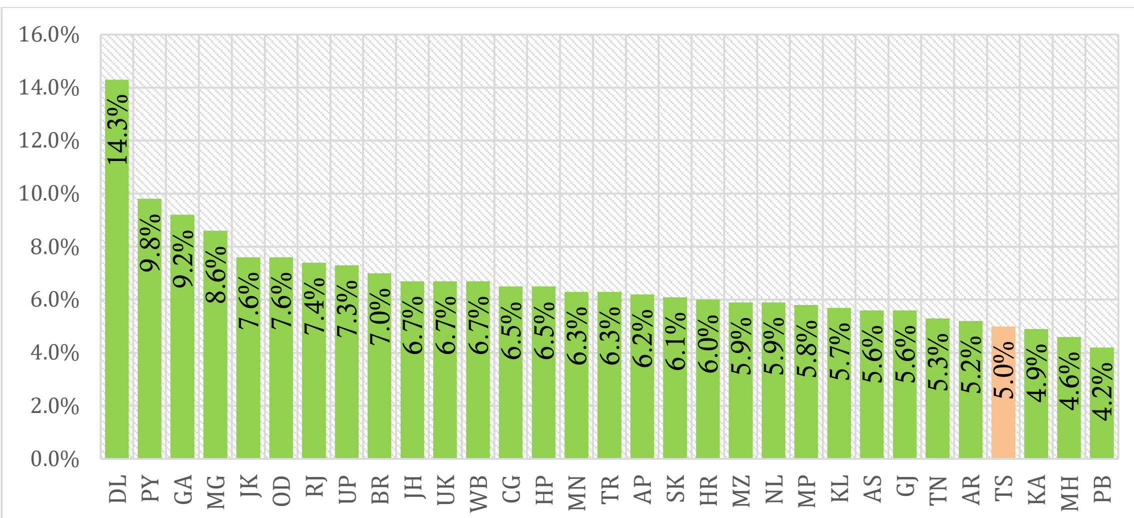


Source: State of State Finances, October 2023, PRS

Health Sector

"Healthcare expenditure can result in better provision of health opportunities, which can strengthen human capital and improve productivity, thereby contributing to economic performance." Resources are required to expand hospitals, upgrade existing facilities with modern equipment, attract and retain skilled healthcare personnel, and focus on overall healthcare accessibility and affordability. The latter is more important due to the high out-of-pocket expenditure incurred on healthcare, which affects the poor the most. It is therefore important to assess the phenomenon of healthcare spending in a country.

Figure 2: Expenditure on Health – 2023-24



Source: State of State Finances, October 2023, PRC

As per the State of State Finances report published by PRS (October 2023), Telangana is estimated to spend only 5% of the overall budgeted expenditure in FY 2023-24 on Health & Family Welfare, which is fourth lowest in the country and below the national average (6.2%) by 1.2 percentage points.

13 SUMMARY

The principal tool in the hands of the state government to manage the finance is the state budget. In Telangana, there is a gap of almost 20% between the budgeted and the actual expenditure. This figure is not only high when compared to other states, but also in comparison to the expenditure achieved in the united Andhra Pradesh. This gap in expenditure between the budget and actuals has meant that there is an accumulation of committed expenditure in terms of payments made for the services rendered by the suppliers and contractors and also to the employees. Further, there is a huge gap between the budgeted and actual money spent on major welfare schemes such as Dalita Bandhu and other welfare programs aimed at the welfare of ST, BC and minorities.

In united Andhra Pradesh, over a period of 57 years, an amount of ₹4.98 lakh crore was spent for development of Telangana region. With this money, substantial and tangible assets in terms of roads, irrigation projects, educational institutions, hospitals and power projects were created. In addition, the state facilitated - by giving lands and incentives to central public sector undertakings, defense establishments, thus paving the way for Hyderabad to be a pharma, defense and IT major in India. In contrast, after the formation of the state, in the last 10 years, the total debt of the state and the SPVs has gone up to ₹ 6,71,757 crore from ₹ 72,658 crore in 2014-15. This gigantic increase in the debt (almost 10 times) has created an enormous fiscal stress on the state’s finances in terms of its ability to service the debt. Further, no tangible fiscal assets in proportion to the money spent were created in the past 10 years.

The debt servicing burden of monies which are borrowed on the budget and off-budget has increased enormously and is consuming 34% of the state’s revenue receipts. Further, the salaries and pensions of employees consume another 35% of the state revenue receipts. This committed expenditure has meant that very little fiscal space is available for undertaking any welfare measures for the poorer sections of the society and growth enhancement measures for the development of the economy.

Due to the increased fiscal stress, the state has to depend upon the ways and means advances from the RBI on a daily basis. From a situation where the state had positive balances for all the 100% of the days in 2014 to a situation where the state has positive balances in less than 10% of the days - shows the enormous fiscal stress. Consequently, the state has not been able to spend enough money on critical sectors such as Education and Health where the budgeted amount as the proportion of the total expenditure is amongst the lowest in the country.

A careful analysis of the above facts shows that Telangana state which was a revenue surplus state in 2014 and has one of the fastest growing economies in the country is now staring at a debt crisis. The rate of accumulation of the debt from off-budget borrowings has led to this situation. Every effort will be made to increase the state's resources and direct expenditures toward uplifting the impoverished, while reducing unnecessary spending. The new Government is determined to implement all the six guarantees which are promised by the party based on which the people of Telangana had given the mandate for change. The Government is determined to overcome the fiscal challenges in a responsible, prudent and transparent manner. The white paper on state finances is the first step in this direction.

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