



GOVERNMENT OF TELANGANA

**STATEMENT OF FISCAL POLICY TO BE
LAID ON THE TABLE OF THE
TELANGANA STATE LEGISLATURE
IN FEBRUARY, 2023**

*(As required under Section 5 of the Fiscal Responsibility and
Budget Management Act, 2005 as Amended in 2016)*

T. HARISH RAO
Minister for Finance

Form F-1

MACRO-ECONOMIC FRAMEWORK STATEMENT

(Under Rule 3 of FRBM Rules, 2006)

Economic Performance at a Glance

Trends in Select Macro-economic and Fiscal Indicators

REAL SECTOR

S N	Item	Absolute Value (Rs.in crores)		Percentage Change	
		2021-22 (PE) ¹	2022-23 (PAE) ²	2021-22 (PE)	2022-23 (PAE)
I	GSDP				
a)	Constant Prices	6,76,304	7,26,670	10.9%	7.4%
b)	Current Prices	11,48,115	13,27,495	19.4%	15.6%
	i) Primary	2,20,035	2,45,794	8.6%	11.7%
	ii) Secondary	1,79,563	1,98,575	20.7%	10.6%
	iii) Tertiary	6,38,671	7,50,408	20.5%	17.5%

¹ PE: Provisional Estimate (2011-12 Series)

² PAE: Provisional Advance Estimates (2011-12 Series)

GOVERNMENT FINANCES
(2021-22 Actuals)

S N	Item	Absolute Value (Rs.in crore)	Percentage Change
I	Opening Balance	-5.67	-99.66
II	Revenue Receipts	1,27,468.59	26.31
1	Share of Central Taxes	18,720.54	47.50
2	Tax Revenue	91,271.38	36.94
3	Non Tax Revenue	8,857.41	45.17
4	Grants-in-aid	8,619.26	-44.29
III	Capital Receipts	55,598.70	-4.66
5	Open Market Loans	45,716.00	4.41
6	Floating Debt(Gross)	0.00	--
7	Loans from the GOI	214.14	-24.95
8	Other Loans	1,278.53	87.19
9	Deposits Transactions etc.(Net)	3,772.89	-66.08
10	Loans and Advances	47.70	-18.27
11	Other Receipts (Loans showed in GOI Books GST Compensation)	4569.49	--
12	Contingency Fund(Net)	-0.05	-101.19
13	Inter State Settlement	0.00	--
IV	Total Receipts(II + III)	1,83,067.29	14.97
V	Revenue Expenditure	1,36,803.43	11.03
14	Of which Interest Payments	19,161.41	13.78
VI	Capital Expenditure	28,874.35	81.35
VII	Loans and Advances	8,469.41	-22.07
VIII	Capital Disbursements (14 to 17)	8,850.60	17.31
15	Public Debt Repayment	6,460.42	29.17
16	Loans Form GOI	509.92	4.13
17	Other Loans	1,872.08	-8.47
18	Interstate Settlement	8.18	5.14
IX	Total Expenditure	1,82,997.79	16.15
X	Overall Transactions(IV – IX)	69.50	-95.87
XI	Closing Balance(I + X)	63.83	-1225.51
XII	Revenue Surplus(II – V)	-9,334.84	-58.14
XIII	Fiscal Deficit(V+VI+VII+18)-(II+10+13)))	46,639.08	-4.89
XIV	Primary Deficit(XIII - 14)	27,477.67	-14.66

GOVERNMENT FINANCES
(R.E. 2022-23)

S N	Item	Absolute Value (Rs.in crore)	Percentage Change
I	Opening Balance	63.83	-1225.51
II	Revenue Receipts	1,75,802.18	12.60
1	Share of Central Taxes	19,668.15	40.59
2	Tax Revenue	1,10,592.28	19.03
3	Non Tax Revenue	15,291.53	-25.62
4	Grants-in-aid	30,250.22	5.51
III	Capital Receipts	54,582.37	1.55
5	Open Market Loans	44,970.00	-5.33
6	Floating Debt(Gross)	0.00	--
7	Loans from the GOI	3,852.00	1826.00
8	Other Loans	1,500.00	0.00
9	Deposits Transactions etc.(Net)	4,200.37	-6.66
10	Loans and Advances	60.00	20.00
11	Other Receipts	0.00	--
12	Contingency Fund(Net)	0.00	--
13	Inter State Settlement	7500.00	--
IV	Total Receipts(II + III)	2,37,884.55	13.34
V	Revenue Expenditure	1,72,822.25	13.90
14	Of which Interest Payments	18,911.88	7.55
VI	Capital Expenditure	26,934.02	3.77
VII	Loans and Advances	26,253.36	12.89
VIII	Capital Disbursements (15 to 18)	11,601.90	28.35
15	Public Debt Repayment	8,336.00	29.03
16	Loans Form GOI	367.94	-16.18
17	Other Loans	2,897.96	35.42
18	Interstate Settlement	0.00	--
IX	Total Expenditure	2,37,611.53	13.16
X	Overall Transactions(IV – IX)	273.02	-358.37
XI	Closing Balance(I + X)	336.85	-402.54
XII	Revenue Surplus(II – V)	2,979.93	-32.20
XIII	Fiscal Deficit(V+VI+VII+18)-(II+10+13))	42,647.45	-4.73
XIV	Primary Deficit(XIII - 14)	23,735.57	-61.93

MACROECONOMIC FRAMEWORK STATEMENT

Under sections 5 and 6 of the Fiscal Responsibility and Budget Management (FRBM) Act 2005, as amended from time to time, the State Government is required to present the Macroeconomic Framework Statement containing an overview of the State economy along with an analysis of growth and the sectoral composition of Gross State Domestic Product (GSDP) and an assessment of State Government finances and future prospects to the State Legislature.

Overview of the Economy:

2. After the formation of the new State, the growth of the State economy picked up momentum and there is a perceptible increase in the growth from year to year. The growth of GSDP at constant prices since 2015-16 has been consistently higher than the national GDP growth and the gap has been widening. Following the Covid pandemic, the GSDP growth declined by 4.9 per cent in 2020-21, which is much lower than the decline of 6.6 per cent in the GDP of the country. The Telangana economy regained in the very next year after the pandemic by clocking an impressive growth rate of 10.9 per cent as compared with the GDP growth of 8.7 per cent.

3. Trends in the growth of GSDP in Telangana at constant prices are presented in Table-1.

Table-1: GSDP of Telangana State at Constant Prices (2011-12)

Year	GSDP (Rs. in crore)	Growth over previous year (%)
2012-13	3,70,113	3.0%
2013-14	3,89,957	5.4%
2014-15	4,16,332	6.8%
2015-16	4,64,542	11.6%
2016-17	5,07,946	9.3%
2017-18	5,57,410	9.7%
2018-19 (TRE)	6,08,401	9.1%
2019-20 (SRE)	6,41,244	5.4%
2020-21 (FRE)	6,09,927	-4.9%
2021-22 (PE)	6,76,304	10.9%
2022-23 (PAE)	7,26,670	7.4%

4. At current prices, GSDP in Telangana is estimated to grow at 15.6 per cent in 2022-23 as per the provisional advance estimates, which is higher than the GDP growth rate for the year. Trends in the growth of GSDP at current prices in Telangana are presented below (Table-2)

Table-2: GSDP of Telangana State at Current Prices

Year	GSDP (Rs. in crore)	Growth over previous year (%)
2012-13	4,01,594	11.7%
2013-14	4,51,580	12.4%
2014-15	5,05,849	12.0%
2015-16	5,77,902	14.2%
2016-17	6,58,325	13.9%
2017-18	7,50,050	13.9%
2018-19 (TRE)	8,57,427	14.3%
2019-20 (SRE)	9,50,287	10.8%
2020-21 (FRE)	9,61,800	1.2%
2021-22 (PE)	11,48,115	19.4%
2022-23 (PAE)	13,27,495	15.6%

Growth Rates: Sector-wise (At constant prices)

5. The growth of the secondary sector consisting of manufacturing, electricity, water supply and other utilities and construction turned around after the formation of the State following the significant improvement in the power situation and a very investor friendly industrial policy unveiled by the Government. The sector achieved an impressive growth of 21.4 per cent in 2015-16 at constant prices. There has been a decline of 2.7 per cent in the growth of the secondary sector in 2020-21. However, the sector picked up momentum the very next year by clocking a growth rate of 7.6 per cent.

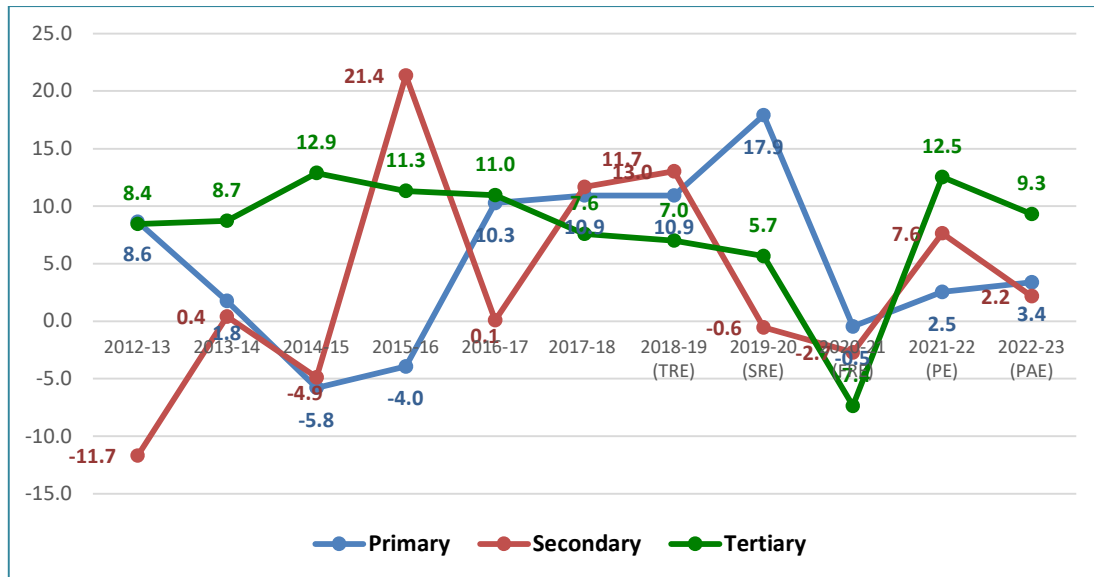
6. Within the secondary sector, the growth of the manufacturing sector after registering an impressive growth of 16.5 percent in 2018-19 contracted by 2.3 per cent in 2020-21. However, the sector recovered very fast and recorded a growth rate of 10.8 percent in 2021-22.

7. The growth of the primary sector consisting of agriculture and allied sectors and mining and quarrying has also picked up momentum because of the augmentation of irrigation facilities, uninterrupted power supply, rejuvenation of tanks, investment support scheme of 'Rythu Bandhu' and a number of other policy initiatives aimed at reviving the rural economy. These initiatives include distribution of sheep, distribution of fish seedlings, incentives to the dairy farmers, etc. Within the primary sector, the growth of the livestock and fishing and aquaculture sectors are estimated to clock impressive growth rates of 5.6 per cent and 6.3 per cent, respectively, as per the provisional advance estimates for 2022-23. The primary sector as a whole is estimated to grow at 3.4 per cent in 2022-23.

8. The services (tertiary) sector is an important sector contributing nearly 63 per cent to the GSDP of the State. The growth of this sector has been impressive since the formation of the State. Due to the disruption of economic activities on account of Covid, the growth rate of the sector contracted in 2020-21. However, it recovered fast and clocked a double-digit growth rate of 12.5 per cent in 2021-

22. It is estimated to grow at 9.3 per cent in 2022-23. Trends in the growth rates of broad sectors, namely, primary, secondary and tertiary sectors are presented in Figure-1.

Figure-1: Trends in Sector-wise Growth Rates in Telangana at Constant Prices



Sectoral Composition of Gross Value Added by Economic Activity

9. At constant prices, the shares of primary, secondary and tertiary sectors in total Gross Value Added (GVA) in the State in 2022-23 are estimated at 17.2 per cent, 19.8 per cent and 62.9 per cent, respectively. While the share of the secondary sector in GVA has declined from 22.4 per cent in 2015-16 to 19.8 per cent in 2022-23, the corresponding share of the primary sector has slightly improved from 15.5 per cent to 17.2 per cent in the same period. The contribution of the services-sector marginally improved from 62.1 per cent to 62.9 per cent in the same period.

Growth Rates of Telangana and All-India

10. The growth rate of the Telangana economy has consistently been higher than the All-India growth rate since 2015-16. While the All-India growth at constant prices is estimated at 7.0 per cent in 2022-23, Telangana GSDP is

estimated to grow at a higher rate of 7.4 per cent. Thus, the growth of Telangana GSDP is higher than the National GDP growth by 0.4 per cent.

Per capita Income

11. While the GSDP reflects the total size of economy, the per capita income is a broad measure of economic development and the well-being of the people. In 2014-15, the first year of the formation of the State, the per capita income of Telangana was Rs.1,24,104. This was higher than the national per capita income of Rs.86,647 or by 43 per cent. In 2022-23, the per capita income of Telangana is estimated to increase Rs.3,17,115 as compared with the national per capita income of Rs.1,70,620. Thus, the per capita income of Telangana is estimated to be higher than the national income by Rs.1,46,495 or by 86 per cent. Trends in the per capita income of Telangana and All-India at current prices are presented below (Table-3).

Table-3: Per capita Income at Current Prices

Year	Telangana		All-India	
	Per capita (Rs)	Growth (%)	Per capita (Rs)	Growth (%)
2012-13	1,01,007	10.8%	70,983	11.9%
2013-14	1,12,162	11.0%	79,118	11.5%
2014-15	1,24,104	10.6%	86,647	9.5%
2015-16	1,40,840	13.5%	94,797	9.4%
2016-17	1,59,395	13.2%	1,03,870	9.6%
2017-18	1,79,358	12.5%	1,15,224	10.9%
2018-19 (TRE)	2,09,848	17.0%	1,25,946	9.3%
2019-20 (SRE)	2,31,378	10.3%	1,32,115	4.9%
2020-21 (FRE)	2,31,103	-0.1%	1,26,855	-4.0%
2021-22 (PE)	2,75,443	19.2%	1,50,007	18.3%
2022-23 (PAE)	3,17,115	15.1%	1,70,620	13.7%

Note: The figures of all India per capita income for the years 2020-21, 2021-22 and 2022-23 are first revised estimates, provisional and first advance estimates, respectively.

Form F-2
(See Rule 4 of FRBM Rules, 2006)

MEDIUM TERM FISCAL POLICY STATEMENT

A. Fiscal Indicators - Rolling Targets

(in percentages)

			Previous Year (Y-2) (Actual) 2021-22	Current Year (Y-1) 2022-23 (Budget Estimate)	Current Year (Y-1) 2022-23 (Revised Estimate)	Ensuing Year (Y) 2023-24 (Budget Estimate)	Targets for next two years	
							2024-25	2025-26
1	Revenue Deficit / Surplus as percentage of Total Revenue Receipts (TRR)		-7.32	1.95	1.70	2.25		
2	Fiscal Deficit as percentage of GSDP	Target	4.00	5.00	5.50	3.50	3.50	3.50
		Achmt.	4.06	4.00	3.21	2.70		
3	Total outstanding Liabilities as percentage of GSDP	Target	25.00	25.00	25.00	25.00	25.00	25.00
		Achmt.	24.69	25.29	24.33	23.80		
4	[Any additional target(s)]		-	-	-	-	-	-

Note: The Fifteenth Finance Commission prescribed total liabilities as a percentage of GSDP of States at 33.1 per cent for the year 2023-24, 32.8 per cent for 2024-25 and 32.5 per cent for the year 2025-26. The targets indicated in the above table are much lower than those prescribed by the Fifteenth Finance Commission. This indicates the efforts being made by the State at fiscal consolidation.

FORM - F 3

FISCAL POLICY STRATEGY STATEMENT

(Under Rule 6 of FRBM Rules 2006)

The State's Fiscal Policy Strategy Statement set out below is mandated to be laid before the Legislature under sections 5 and 6 of the Fiscal Responsibility and Budget Management (FRBM) Act, 2005. The Strategy Statement shall include a policy overview and the outlook for the ensuing year on taxation, expenditure, borrowings, sinking and the Contingency Fund.

2. As mandated in the above Act, the State Government is required to eliminate revenue deficit. At the same time, fiscal deficit had to be brought down to 3 percent of GSDP. Because of the adverse impact of the Covid-19, the State finances faced a triple whammy. There was a substantial reduction in the State's own revenues, transfers from the Centre while the expenditure commitments have increased in 2020-21.

3. With the intensity of pandemic receding, there was a revival in economic activity in 2021-22 and this momentum continued in 2022-23 also. As per the Revised Estimates, the own revenues of the State are likely to clock an impressive growth rate of 21.2 per cent in 2022-23. Tax devolution is expected to be a little higher than the BE by 5.06 per cent because of higher collection of tax revenues by the Centre than budgeted. The fiscal deficit was budgeted at 4.00 per cent of GSDP in the 2022-23 BE. As per the RE, the fiscal deficit is estimated at 3.21 per cent of GSDP. Telangana despite being a new State with huge expenditure commitments and a number of new initiatives, was able to maintain surplus on the Revenue account continuously from 2014-15 to 2018-19. The account slipped into a deficit in 2019-20. However, in 2022-23, the revenue account is expected to record a surplus of Rs.2,980 crore as per the RE.

4. In 2022-23, total outstanding liabilities of the State were budgeted at 25.29 per cent of GSDP. The revised estimates indicate that the outstanding liabilities will be contained at 24.33 per cent of GSDP, which is within the FRBM limit.

Thus, the State has been able to maintain the fiscal position at sustainable levels despite the knock-on effects of Covid-19 and reduction in the Central grants.

Fiscal Strategy

5. The fiscal policy for the year 2023-24 is intended to sustain the revival of the economy and put the economy on a higher growth trajectory. It is proposed to maintain the capital expenditure at a higher level as in 2022-23 despite higher allocation of Rs.17,700 crore to Dalit Bandhu scheme. This is proposed to be achieved by efficient management of revenue collections and optimum utilisation of available resources and expenditure rationalisation.

Tax Revenue

6. Tax revenue is the predominant source of resource to the State. Therefore, the State Government's strategy is to improve tax administration, plug leakages and to expand the tax base to fully exploit the tax potential available under various heads without imposing any burden on the common man. Efforts will be made to encourage digital transactions and thereby improve tax compliance. Expecting that the growth momentum will pick up further, own tax revenue in 2023-24 is budgeted at Rs.1,31,029 crore as compared with the RE of Rs.1,10,592 crore in 2022-23. This is based on the fact that there was an increase in the buoyancy of tax revenue from GST and Stamps & Registration. With the rationalization of market values and increase in the stamp duty, there has been a significant improvement in revenue collections from stamps and registrations. An Economic intelligence unit was established in the Commercial Taxes Department which has resulted in curbing evasion of taxes and improving the tax base.

Non-Tax Revenue

7. Efforts are being made to improve the non-tax revenue of the State. One of the major sources of non-tax revenues to the State is royalty and seigniorage fees from mines and minerals. A number of reforms have been introduced in the mines and mineral sectors to rationalize auction of mines and plug loopholes in sand mining. The possibilities of rationalising other non-tax revenues of the State are

also being explored. These policies have resulted in improving the non-tax revenues of the State. Because of intensive efforts, the State Government has been able to gain ownership rights on illegally occupied prime Government lands worth thousands of crores. Monetising some of these lands and housing units constructed under Rajiv Swagruha Project is underway. There are also proposals to monetise the joint venture housing projects. In addition, the outer ring road with a length 158 KMs is proposed to be monetised on TOT basis. Thus, there are a number of proposals underway to shore up the revenues in the State during 2023-24 and thus make adequate resources available for development and welfare.

Expenditure Strategy

8. As part of the rationalisation of expenditure, the Government had completed a thorough review of all ongoing schemes and rationalised them to meet the priorities of the new State. Apart from terminating some of the schemes which have outlived their utility, schemes with same objectives have been merged. The scope for further rationalisation is being explored. The Government is proposing to review all ongoing schemes and retain only those schemes which are found to be useful to the State.

9. The State Government has reorganised the departments of the Government with a view to achieving better coordination and synergies. Scope for further rationalization will also be explored. Housing Department has been merged with the Roads and Buildings Department.

10. Productivity of public expenditure is proposed to be enhanced through better expenditure management, elimination of discretion and strengthening of monitoring and evaluation. Better transparent services are being provided with the integration of new registration system with Revenue department. This has checked all corrupt practices.

11. The strategy of the Government's expenditure management is to redirect expenditure away from less productive schemes towards investments which will result in lasting benefits to people. The Government is according priority to the completion of ongoing works before taking up any new works.

Debt Management

12. Effective debt management is vital for fiscal health. A pro-active approach to debt management is essential for better budget formulation that is consistent with the medium-term fiscal policy. The main objective of debt management in the State is to ensure that the financing of the budget and refinancing of the debt is done at the lowest possible cost in medium to long term, all within prudent limits of risk. In pursuance of this objective, the State Government has been raising debts from the market with a tenor of even 40 years, within the borrowing limits set under the FRBM Act. As per the analysis made by Reserve Bank of India, Telangana could borrow at the lowest rates as compared with other major States in 2018-19. About 49 per cent of the outstanding state government securities would be maturing only after 2036 as per the RBI study on State Finances. Mobilisation of resources through extra-budgetary sources are being explored to supplement the resources of the State for investments in capital assets. Thus, the strategy is to explore raising borrowings for productive investments within prudent limits.

13. Market borrowings are planned to be raised with different tenors with a view to ensure that the redemption burden is equally spread across the years.

14. All the borrowings of the Government are being utilized for capital expenditure. This will result in income generating assets and more income to people. Through higher expenditure by the people, it is expected that the revenues of the State will improve significantly. With this, the Government is unlikely to face any problems in servicing the debts.

Guarantees Assessment:

15. The FRBM Act stipulates to limit the amount of annual incremental risk weighted guarantees to 200% of the total revenue receipts (TRR) in the year preceding the current year. The State Government guarantees are within these limits.

FORM D-1

[See Rule 6 of FRBM Rules, 2006]

SELECT FISCAL INDICATORS

SN	Item	2021-22 (Actuals)	2022-23 (RE)
1	Gross Fiscal Deficit as Percentage of GSDP	4.06	3.21
2	Revenue Deficit/Surplus as Percentage of Gross Fiscal Deficit	-20.02	6.99
3	Revenue Deficit/Surplus as Percentage of GSDP	-0.81	0.22
4	Revenue Deficit/Surplus as Percentage of TRR	-7.32	1.70
5	Total Liabilities -GSDP Ratio (%)	24.69	24.33
6	Total Liabilities - Total Revenue Receipts (%)	222.37	183.73
7	Total Liabilities –State’s Own Revenue Receipts (%)	283.09	256.58
8	State’s Own Revenue Receipts to Revenue Expenditure (%)	73.19	72.84
9	Capital Outlay as Percentage of Gross Fiscal Deficit	61.91	63.16
10	Interest Payment as Percentage of Revenue Receipts	15.03	10.76
11	Salary Expenditure as Percentage of Revenue Receipts	21.11	16.80
12	Pension Expenditure as Percentage of Revenue Receipts	11.00	6.48
13	Gross Transfers from the Centre as Percentage of Aggregate Disbursements (TRE)	6.30	17.50
14	Non-tax Revenue as Percentage of TRR	6.95	8.70

FORM D-2

[See Rule 6 of FRBM Rules, 2006]

Components of State Government Liabilities

(Rs.in crore)

Category	Raised during the Fiscal Year		Repayment/Redemption during the fiscal year		Outstanding amount (End-March)	
	2021-22 actual	2022-23 (RE)	2021-22 actual	2022-23 (RE)	2021-22 actual	2022-23 (RE)
Market Borrowings	45,716.00	44,970.00	6,460.42	8,336.00	2,42,454.86	2,79,088.86
Loans from Centre	214.14	3,852.00	509.92	367.94	7,498.79	10,982.85
Special Securities issued to the NSSF	-	-	827.30	827.30	6,377.77	5,550.46
Borrowings from Financial Institutions/ Banks	1,278.53	1,500.00	1,044.79	2,070.66	14,208.23	13,637.57
Provident Funds, Insurance Funds etc.	2,658.66	3,006.74	1,591.63	2,185.72	12,912.19	13,733.21
Total	49,867.33	53,328.74	10,434.05	13,787.62	2,83,451.84	3,22,992.95

FORM D-3

[See Rule 6 of FRBM Rules, 2006]

Consolidated Sinking Fund (CSF)

(Rs.in Crores)

Outstanding balance in CSF as on 31.3.2021	Additions to CSF during the 2021-22	Withdrawals from CSF during the 2022-23	Outstanding balance in CSF at the end of the 2021-22/ beginning of 2022-23	(Col.4)/ Outstanding Stock of SLR Borrowings (%)	Additions to CSF during the 2022-23 (RE)	Withdrawal- also from CSF during the 2022-23	Outstanding at the end of 2022-23/ beginning of 2023-24	(8)/ Stock of SLR Borrowings (%)
1	2	3	4	5	6	7	8	9
5920.00	469.00	--	6389.00	--	322	--	6711.00	--

Source: RBI Bulletin

FORM D-5

[See Rule 6 of FRBM Rules, 2006]

Outstanding Risk - weighted Guarantees

(Rs.in crores)

Default Probability	Risk weights	Amount outstanding as in the Previous Year and the Current Year		Risk weighted outstanding Guarantee in the Previous Year and the Current Year	
		2021-22	2022-23	2021-22	2022-23
Direct Liabilities	100%	--	--	--	--
High Risk	75%	--	--	--	--
Medium Risk	50%	41,729.59	38,962.23	20,864.80	19,481.12
Low Risk	25%	76,549.89	74,361.12	19,137.47	18,590.28
Very Low Risk	5%	17,003.03	15,920.24	850.15	796.01
Total Outstanding		1,35,282.51	1,29,243.60	40,852.42	38,867.41

FORM D-6

[See Rule 6 of FRBM Rules, 2006]

Guarantee Redemption Fund (GRF)

(Rs.in crores)

Outstanding invoked guarantees at the end of the previous year	Outstanding amount in GRF at the end of the previous year	Amount of Guarantees likely to be Invoked during the current year	Addition to GRF during the current year	Withdrawal from the GRF during current year	Outstanding amount in GRF at the end of the current year
(1)	(2)	(3)	(4)	(5)	(6)
1,35,282.51	1397.00	--	67.00	--	1464.00

Source: RBI Bulletin.