

Telangana Budget Analysis 2023-24

The Finance Minister of Telangana, Mr. T. Harish Rao, presented the Budget for the state for the financial year 2023-24 on February 6, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Telangana for 2023-24 (at current prices) is roughly estimated to be Rs 14 lakh crore, an increase of 6.7% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 2,77,690 crore, an increase of 23% over the revised estimates of 2022-23. In addition, debt of Rs 12,706 crore will be repaid by the state in 2023-24.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 2,39,455 crore, an increase of 30.6% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 17,227 crore (decrease of 9%).
- **Revenue surplus** in 2023-24 is estimated to be Rs 4,882 crore, higher than the revised estimates for 2022-23 (Rs 2,980 crore). The revised estimates of the revenue surplus in 2022-23 are 0.2% of GSDP (Rs 2,980 crore), lower than the budget estimate of 0.3% of GSDP for 2022-23 (Rs 3,755 crore).
- **Fiscal deficit** for 2023-24 is projected to be Rs 38,235 crore, which is targeted at 2.7% of GSDP. In 2022-23, as per the revised estimates, the fiscal deficit is expected to be 3.2% of GSDP, lower than the budget estimate of 4.0% of GSDP.

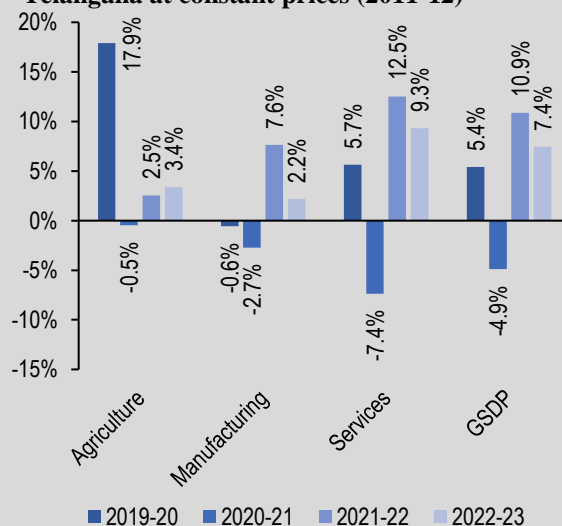
Policy Highlights

- **Irrigation and Command Area Development:** Irrigation facilities will be extended to over 50 lakh acres over the next two to three years, in addition to the 73 lakh acres for which they are currently available.
- **Judiciary:** 60 Courts will be established in 2023-24 including Junior, Senior and District Judge Courts. In 23 newly created districts, 1,721 posts have been sanctioned for District Courts and Legal Services.
- **Health:** Nine new medical colleges will be established in 2023, with nursing colleges attached. This will increase the number of medical colleges in Telangana to 26.

Telangana's Economy

- **GSDP:** In 2022-23, Telangana's GSDP (at constant prices) is estimated to grow at 7.4%, which is less than growth of 10.9% in 2021-22. In 2022-23, India's GDP is estimated to grow by 7%.
- **Sectors:** In 2022-23, the agriculture sector is estimated to grow at 3.4%, higher than in 2021-22 (in real terms). However, both services and manufacturing sectors are estimated to grow at a lower rate in 2022-23 as compared to 2021-22. In 2022-23, agriculture, manufacturing, and services sectors are estimated to contribute 21%, 17%, and 63% of the economy, respectively (at current prices).
- **Per capita income:** The per capita income of Telangana in 2022-23 (at current prices) is estimated at Rs 3,17,115, an increase of 15.1% over the per capita income of 2021-22 (Rs 2,75,443).

Figure 1: Growth in GSDP and sectors in Telangana at constant prices (2011-12)



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: Telangana Socio-Economic Outlook 2022; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 2,77,690 crore. This is an increase of 23% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 2,39,455 crore and net borrowings of Rs 46,318 crore. These include inter-state settlement amounting to Rs 17,828 crore, and loans for urban development, amounting to Rs 5,000 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 31% over the revised estimate of 2022-23.
- In 2023-24, the state is estimated to observe a **revenue surplus** of Rs 4,882 crore, which is 0.3% of GSDP. In comparison, in 2022-23, the state is expected to observe a revenue surplus of 0.2% of GSDP as per the revised estimates.
- **Fiscal deficit** for 2023-24 is estimated to be 2.7% of GSDP (Rs 38,235 crore). In 2022-23, the state has estimated a fiscal deficit of 3.2% of GSDP, lower than the limit of 4% of GSDP permitted by the central government for that year (of which 0.5% of GSDP becomes available upon undertaking power sector reforms).

Table 1: Budget 2023-24 - Key figures (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Total Expenditure	2,50,272	2,56,959	2,37,712	-7.5%	2,90,396	31.4%
(-) Repayment of debt	76,117	11,702	11,702	-84.6%	12,706	8.6%
Net Expenditure (E)	1,74,155	2,45,257	2,26,010	-7.8%	2,77,690	22.9%
Total Receipts	2,46,569	2,52,761	2,33,784	-7.5%	2,85,773	22.2%
(-) Borrowings	1,19,053	59,672	50,422	-15.5%	46,318	-8.1%
Net Receipts (R)	1,27,516	1,93,089	1,83,362	-5.0%	2,39,455	30.6%
Fiscal Deficit (E-R)	46,639	52,167	42,647	-18.2%	38,235	-10.3%
as % of GSDP	4.1%	4.0%	3.2%		2.7%	
Revenue Balance	-9,335	3,755	2,980	-20.6%	4,882	63.8%
as % of GSDP	-0.8%	0.3%	0.2%		0.3%	
Primary Deficit	27,478	33,255	23,736	-28.6%	15,827	-33.3%
as % of GSDP	2.4%	2.5%	1.8%		1.1%	

Note: BE is Budget Estimates; RE is Revised Estimates. Estimates include inter-state settlement in actual expenditure for 2021-22, revised estimates for receipts in 2022-23, and budget estimates for receipts in 2023-24, and transfers to the Contingency Fund in 2021-22. Sources: Budget in Brief, Telangana Budget 2023-24; Telangana Socio-Economic Outlook 2022; PRS.

Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 2,11,685 crore, an increase of 22% over the revised estimate of 2022-23. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 37,525 crore, an estimated increase of 39% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets.

Capital outlay

In 2023-24, capital outlay is estimated to increase by 39% over 2022-23 revised estimates. Sectors with high increases include (i) irrigation and flood control (28%), (ii) education (85%), and transport (15%).

Table 2: Expenditure budget 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Revenue Expenditure	1,36,803	1,89,275	1,72,822	10%	2,11,685	22%
Capital Outlay	28,874	29,728	26,934	-9%	37,525	39%
Loans given by the state	8,469	26,253	26,253	0%	28,480	8%
Net Expenditure	1,74,155	2,45,257	2,26,010	-8%	2,77,690	23%

Note: Estimates include inter-state settlement, transfers to the Contingency Fund; Source: Annual Financial Statement, Telangana Budget 2023-24; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. Allocation of a large portion of the budget towards committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as developmental schemes and capital outlay. Estimation for allocation towards salaries in 2023-24 is not available. As per revised estimates of 2022-23, Telangana is estimated to spend Rs 59,831 crore on committed expenditure items, which is 34% of its revenue receipts. In 2023-24, the state is estimated to spend 6% of its revenue receipts on pension and 10% on interest payments.

Table 3: Committed Expenditure in 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Salaries	26,909		29,535			
Pension	14,025	11,385	11,385	0%	13,024	14%
Interest	19,161	18,912	18,912	0%	22,408	18%
Committed Expenditure	60,095	-	59,831	-	-	-

Note: Estimation for allocation towards salaries in 2023-24 is not available. Sources: Budget in Brief and Annual Financial Statement, Telangana Budget 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for 69% of the total expenditure on sectors by the state in 2023-24. A comparison of Telangana's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Telangana Budget 2023-24 (in Rs crore)

Sectors	2021-22 Actuals	2022-23 BE	2022-23 RE	2023-24 BE	% change from RE 22-23 to BE 23-24	Budget Provisions 2023-24 BE
Welfare of SC, ST, OBC, and Minorities	15,849	31,427	24,727	33,075	34%	Rs 17,700 crore has been allocated for Dalit Bandhu Scheme
Agriculture and Allied Activities	19,712	27,228	23,628	29,164	23%	Rs 11,704 crore has been allocated for Investment Support Scheme for farmers.
Social Welfare and Nutrition	12,391	18,602	17,602	19,416	10%	Rs 2,740 crore has been allocated towards Aasara pensions.
Education, Sports, Arts, and Culture	14,406	16,043	16,043	18,955	18%	Rs 11009 crore has been allocated for assisting local bodies with school education
Energy	12,921	15,096	14,594	16,677	14%	Rs 8,260 crore has been allocated for assistance to Transmission Corporation of Telangana Limited. Rs 500 crore have been allocated for taking over discom losses under UDAY scheme.
Health and Family Welfare	6,930	10,954	10,954	12,378	13%	Rs 1,070 crore has been allocated towards Urban Health Services - Allopathy. Rs 687 crore have been allocated towards Rural Health Services - Allopathy.
Housing	299	12,172	8,112	12,140	50%	Rs 11000 crore allocated for the Construction of two-bedroom houses for rural and urban poor.
Irrigation and Flood Control	13,886	10,946	8,947	11,169	25%	Rs 8,493 crore has been allocated for capital outlay on major irrigation.
Transport	4,199	8,016	7,516	10,060	34%	Rs 4,552 crore has been allocated for capital outlay on roads and bridges.
Police	7,659	8,764	8,764	9,023	3%	Rs 3,310 crore has been allocated towards district police.
% of total expenditure on all sectors	65%	73%	71%	69%		

Sources: Annual Financial Statement, Telangana Budget 2023-24; PRS.

Receipts in 2023-24

Total revenue receipts for 2023-24 are estimated to be Rs 2,16,567 crore, an increase of 23% over the revised estimate of 2022-23. Of this, Rs 1,53,837 crore (71%) will be raised by the state through its **own resources**, and Rs 62,730 crore (29%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (10% of revenue receipts) and grants (19% of revenue receipts).

- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 21,471 crore, an increase of 9% over the revised estimate of 2022-23.
- **Grants from the centre** in 2023-24 are estimated at Rs 41,259 crore, an increase of 36% over the revised estimates for 2022-23.
- **Inter-state settlement:** Telangana is estimated to receive Rs 17,828 crore as inter-state settlement in 2023-24, and will receive Rs 7,500 crore in 2022-23 as per revised estimates.
- **State's own tax revenue:** Telangana's total own tax revenue is estimated to be Rs 1,31,029 crore in 2023-24, an increase of 18% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 9.3% in 2023-24. For 2022-23, the state had estimated this ratio at 8.3%.

Table 5: Break-up of the state government's receipts (in Rs crore)

Sources	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State's Own Tax	91,271	1,08,212	1,10,592	2%	1,31,029	18%
State's Own Non-Tax	8,857	25,422	15,292	-40%	22,808	49%
Share in Central Taxes	18,721	18,394	19,668	7%	21,471	9%
Grants-in-aid from Centre	8,619	41,002	30,250	-26%	41,259	36%
Revenue Receipts	1,27,469	1,93,029	1,75,802	-9%	2,16,567	23%
Inter-state settlement			7,500		17,828	138%
Non-Debt Capital Receipts	48	60	60	0%	5,060	8333%
Net Receipts	1,17,180	1,93,089	1,83,362	-5%	2,39,455	31%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Telangana Budget 2023-24; PRS.

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (34% share). State GST revenue is estimated to increase by 22% over the revised estimates of 2022-23.
- Revenue from sales tax/VAT in 2023-24 is expected to see an increase of 20% (Rs 39,500 crore) compared to revised estimates for 2022-23.

Inter-state settlement

Inter-state settlement refers to the sums owed by one government to another following the establishment of a new state, as well as between India and other countries. The 2023-24 budget estimates that Telangana will receive Rs 17,828 crore as inter-state settlement. The state is estimated to receive Rs 7,500 crore in 2022-23 at the revised estimate stage from inter-state settlement.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Taxes	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State GST	28,917	36,203	36,203	0%	44,000	22%
Sales Tax/ VAT	26,974	33,000	33,000	0%	39,500	20%
Stamps Duty and Registration Fees	12,373	15,600	15,600	0%	18,500	19%
Taxes on Vehicles	4,381	4,953	6,453	30%	7,512	16%
State Excise	17,482	17,500	17,500	0%	19,885	14%
Land Revenue	0	7	7	0%	12	80%
Taxes and Duties on Electricity	548	32	912	2789%	751	-18%
GST Compensation Grants	2,006	3,000	2,248	-25%	1,237	-45%
GST Compensation Loans	4,569	-	-		-	0.6%

Sources: Annual Financial Statement, Revenue Budget, and Budget in Brief statements, Telangana Budget 2023-24; PRS.

Deficits, Debt, and FRBM Targets for 2023-24

The Telangana Fiscal Responsibility and Budget Management Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: It is the excess of revenue receipts over revenue expenditure. A revenue surplus implies that the government does not need to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue surplus of Rs 4,882 crore (or 0.3% of GSDP) in 2023-24. In 2022-23, the revenue surplus is expected to be Rs 2,980 crore (0.2% of GSDP) as per revised estimates. As per the 15th Finance Commission recommendations, Telangana will not receive any revenue deficit grant from 2021-22 to 2025-26.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2023-24, the fiscal deficit is estimated to be 2.7% of GSDP. For 2023-24, the central government has permitted a fiscal deficit of up to 3.5% of GSDP. As per the revised estimates, in 2022-23, the fiscal deficit of the state is expected to be 3.2% of GSDP, which is lower than the budget estimate of 4.0% of GSDP.

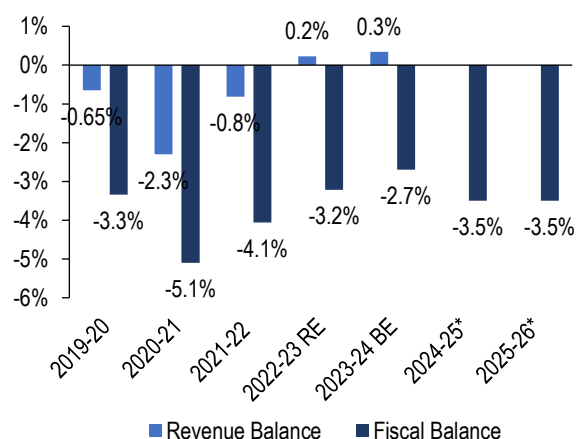
Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year. It also includes any liabilities on the public account. At the end of 2023-24, the outstanding liabilities are estimated to be 23.8% of GSDP, slightly lower than the revised estimate for 2022-23 (24.3%).

Outstanding government guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. At the end of 2022-23, government guarantees are estimated to be Rs 1,29,244 crore (11.3% of GSDP as per revised estimates).

Off-budget Borrowings

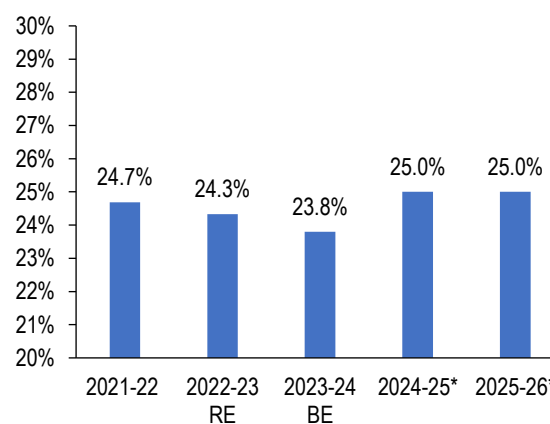
Off-budget borrowings refer to borrowings made by government-owned entities such as special purpose vehicles and public sector enterprises, debt servicing of which is done through budgetary resources. This causes debt and deficit numbers to be understated. CAG reports have highlighted use of off-budget borrowings by Telangana Government. In the report on Telangana's finances in 2020-21, the CAG noted that outstanding liabilities as a percentage of GSDP was 28.1%, within the limit of 29.5% of GSDP prescribed by the Fifteenth Finance Commission. However, if off-budget borrowings were included, total outstanding liabilities would be significantly higher than the limit, at 38.1%.

Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: RE is Revised Estimates; BE is budget estimates, a positive number indicates a surplus, a negative number indicates a deficit; revenue balance projections for 2023-25 and 2025-26 are not provided. Sources: Macroeconomic Framework Statement, Telangana Budget 2023-24; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: *Figures for 2024-25 and 2025-26 are projections; RE: Revised Estimates; BE: Budget Estimates.

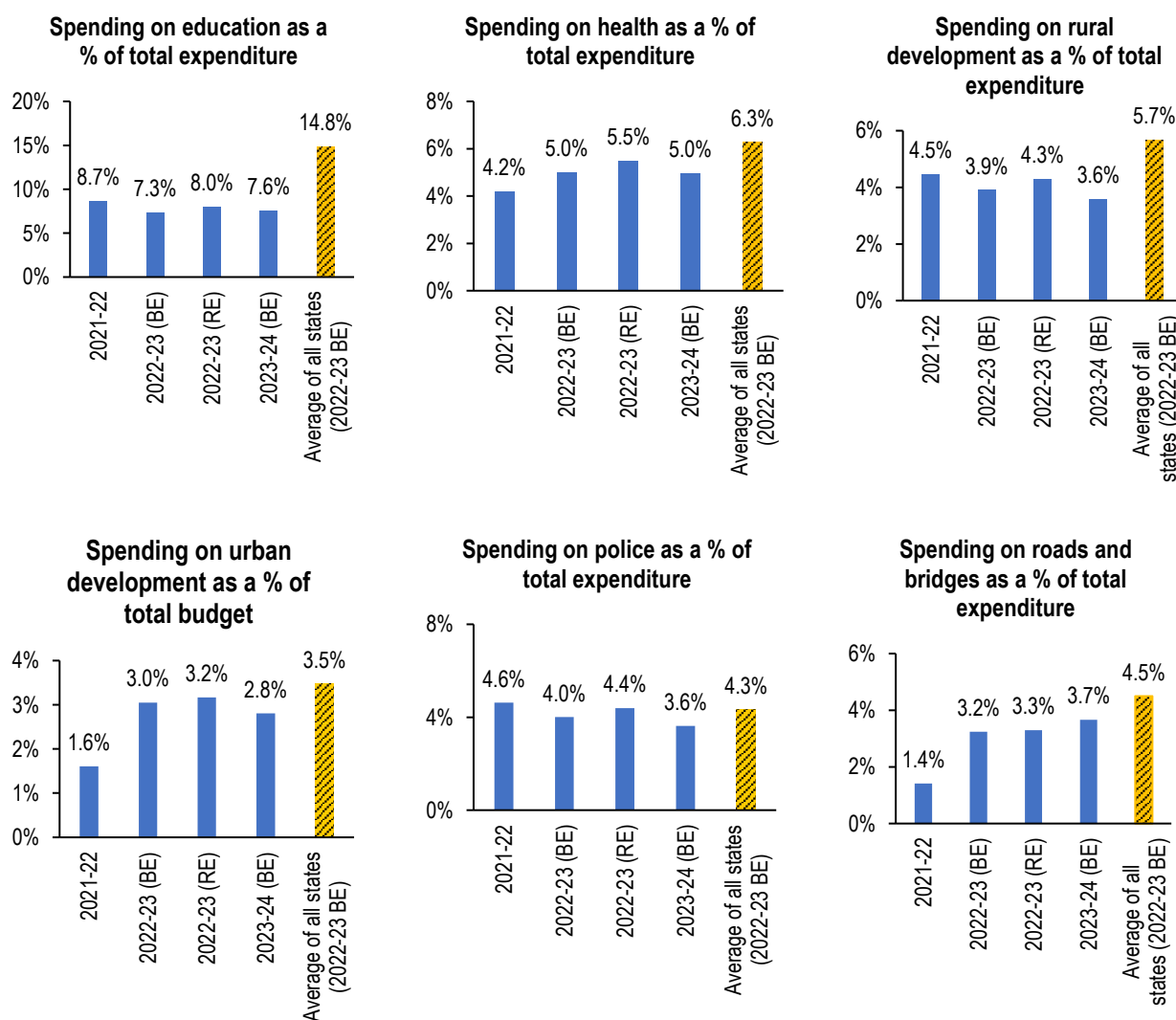
Sources: Macroeconomic Framework Statement, Telangana Budget 2023-24; PRS.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Telangana's expenditure in 2023-24 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Telangana) as per their budget estimates of 2022-23.¹

- **Education:** Telangana has allocated 7.6% of its expenditure on education in 2023-24. This is lower than the average allocation for education by states in 2022-23 (14.8%).
- **Health:** Telangana has allocated 5% of its total expenditure towards health, which is less than the average allocation for health by states (6.3%).
- **Rural development:** Telangana has allocated 3.6% of its expenditure on rural development. This is lower than the average allocation for rural development by states (5.7%).
- **Urban development:** Telangana has allocated 2.8% of its expenditure towards urban development. This is lower than the average allocation towards urban development by states (3.5%).
- **Police:** Telangana has allocated 3.6% of its total expenditure towards police, which is lower than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Telangana has allocated 3.7% of its total expenditure towards roads and bridges, which is lower than the average allocation by states (4.5%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Telangana.

Sources: Annual Financial Statement, Telangana Budget 2023-24; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry .

Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Net Receipts (1+2)	1,76,177	1,27,516	-28%
1. Revenue Receipts (a+b+c+d)	1,76,127	1,27,469	-28%
a. Own Tax Revenue	92,910	91,271	-2%
b. Own Non-Tax Revenue	30,557	8,857	-71%
c. Share in central taxes	13,990	18,721	34%
d. Grants-in-aid from the Centre	38,669	8,619	-78%
2. Non-Debt Capital Receipts	50	48	-5%
3. Borrowings	49,300	1,19,053	141%
Net Expenditure (4+5+6)	2,21,687	1,74,147	-21%
4. Revenue Expenditure	1,69,383	1,36,803	-19%
5. Capital Outlay	29,047	28,874	-1%
6. Loans and Advances	23,256	8,469	-64%
7. Debt Repayment	9,139	76,117	733%
Revenue Balance	6,744	-9,335	-238%
Revenue Balance (as % of GSDP)*	0.6%	-0.8%	-238%
Fiscal Deficit	45,510	46,639	2%
Fiscal Deficit (as % of GSDP)	4.0%	4.1%	2%

Note: BE: Budget Estimates. For calculating deficits, GST compensation loan not treated as grants.
Sources: Telangana Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Land Revenue	6	0	-96%
Taxes on Vehicles	5,000	4,381	-12%
State GST	31,000	28,917	-7%
Stamps Duty and Registration Fees	12,500	12,373	-1%
Sales Tax/ VAT	26,500	26,974	2%
State Excise	17,000	17,482	3%
Taxes and Duties on Electricity	30.	548	1727%

Sources: Telangana Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Housing	11,151	299	-97%
Urban Development	10,555	2,665	-75%
Social Welfare and Nutrition	18,997	12,391	-35%
Transport	6,123	4,199	-31%
<i>of which Roads and Bridges</i>	5,187	2,341	-55%
Agriculture and Allied Activities	26,822	19,712	-27%
Welfare of SC, ST, OBC, and Minorities	15,729	15,849	1%
Education, Sports, Arts, and Culture	13,498	14,406	7%
Rural Development	6,728	7,389	10%
Health and Family Welfare	5,868	6,930	18%
Energy	10,663	12,921	21%
Police	6,049	7,659	27%
Water Supply and Sanitation	3,962	6,442	63%
Irrigation and Flood Control	7,979	13,886	74%

Sources: Telangana Budget Documents of various years; PRS.