

Deficit in Deficit

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[Accessed 25.2.14](#)

Both Venkaiah Naidu and Jayaprakash Narayan make the same mistake in their pieces in The Hans on February 23 on the regionwise deficits in AP. As they are using the same figures and seem to have the same objective, this is no surprise.

The correct regionwise figures have been impossible to get. When Srikrishna Committee asked for them the Government could not provide these figures or they are simply not accounted in this manner. So there is a resort to estimates which are questionable at the best. However, the figures for SOTR (State Own Tax Resources) are easier to disaggregate regionally as they are collected regionwise. There are, however, problems regarding sales taxes collected in one region on sales to other regions. This is particularly acute for sales taxes paid in Hyderabad on allstate sales by private companies/State corporations headquartered in Hyderabad. These taxes are credited to Hyderabad and will move if and when these head offices move to Seemandhra.

When we come to nonSOTR revenues these are impossible to distribute across regions because they are mainly Central grants and non-tax revenues to the State.

Consequently everyone uses population ratios to do this. Expenditures are equally difficult to allocate and there is no accounting on regionwise basis. So, even these total expenditures are allocated on basis of population ratios. Thus the Naidu/Narayan regional figures, as my own elsewhere, are estimates based on what data the Government churns up. But Naidu/Narayan seem to have used different population ratios to distribute total state revenue and expenditure. But at this juncture the only issue is simply this: If the revenues and expenditures are distributed entirely by the population ratio of 58:42 (as the Finance Commission will examine before giving its new awards to the successor States), what is the picture?

Table 1 presents the picture using the Naidu-Narayan figures.

Table 1			
Rs Crores/ States	Revenue	Expenditure	Deficit
Seemandhra	73,989	75,075	-1087
Telangana	53,578	54,364	-787
Andhra Pradesh	127,567	129,439	-1,874

However, these total figures include public debt, PF receipts and loans and advances of Rs 23,737 crore and outgo of Rs 26,737 crore relating to these receipts. These figures do not contribute to represent the revenue deficit everyone is talking about and need to be discounted.

The C&AG report for the State 201213 (available on its web site) states the total revenue as Rs 103,830 crore and total expenditure was Rs. 102,702 crore leading to a total revenue surplus of Rs 1,128 crore. This is the key figure we are looking for but it is not a deficit but a surplus! Distributing these total figures (Table 2) between the success or States in ratio of 52:48, we get a more reasonable picture.

Table 2			
Rs Crores/ States	Revenue	Expenditure	Surplus
Seemandhra	60,221	59,567	654
Telangana	43,609	43,135	474
Andhra Pradesh	103,830	102,702	1,128

In just one fortnight to figures ranging from Rs 15,000 crore to Rs 1,087 crore have been hurled successively at the public from the pages of newspapers, screens of TVs and in Parliament. This does not help the public understand the true picture of Seemandhra's alleged deficit nor for anyone to access Seemandhra needs. This is made worse when the revenue picture is of a surplus rather than of a deficit.

Anyway the Finance Commission will finally do a better job accounting for the correct figures. But one thing is sure, neither successor state will have a problem if they maintain the current levels of revenue and expenditure. That is the good news.

What they borrow and spend is another thing they need to be careful about. All this while, Telangana was considered itself a victim and now that victimhood is being sought by Seemandhra politicians for their own purposes. This is the bad news. It would seem that there is no need for either Successor State to panic the population.

That is the best news.

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