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# Trifurcation would yield three viable states

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No state in the India Union is “viable” in as much as not a single one can sustain itself without support and subventions from Union revenues.

This is true regardless of the population or geographical size of the state concerned. So what will be the financial status of the three regions of Andhra Pradesh state when they become two, or even, three separate states? The balance of their own revenues and expenditures would give a major clue towards their potential for stability and progress. The Andhra Pradesh government does not present its financial data separately for each region - though such was its undertaking in 1956 for Telengana. However, on 21 March 2007, the finance minister (and now chief minister) K Rosaiah, replying to a starred question in the State Assembly, addressed the breakup of revenue and expenditure over the previous four years (2003-07) for the three regions.

## Financial Viability of Andhra, Rayalaseema and Telengana

Year	Andhra			Rayalaseema			Telengana			HQ			Ex-State	
	Rev	Exp	Balance	Rev	Exp	Balance	Rev	Exp	Balance	Rev.	Exp	Balance	Rev.	
2003-04	2796	3848	-1052	730	2150	-1420	5565	5158	407	5095	706	4389	3220	
2004-05	3494	3799	-305	867	2411	-1544	4725	5546	-821	8311	893	7418	3283	
2005-06	3702	4532	-830	1004	2684	-1680	5935	4111	1824	9708	976	8732	4055	
Average	3331	4060	-729	867	2415	-1548	5408	4938	470	7705	858	6846	3519	

LAQ NO: 7406(Starred) of AP Legislative Assembly Session-9 answered on 21.03.07

He did not quite comply with the spirit of the question, and a large chunk of revenue and expenditure was attributed to a fourth category - "Headquarters" - without specifying what this entity represented. Presumably, it is the capital city of Hyderabad and its district.

This was despite the established practice stated by the finance secretary that "receipts at headquarters will be credited to the Telengana region except in cases where they specifically relate to the Andhra region." Policy (political?) decisions taken at one stressful time (the 1969 Telengana agitation) by one government are hardly remembered by another government in another stressful period (the Telengana agitation today)! Yet the point rests there and Rosaiah's response is less than candid and does not make sense - unless, of course, the idea is to show Hyderabad as a separate political entity in the future.

To complicate matters further, another line was added: "revenues from other states." This too was not allocated to any of the four categories. To make matters simple, we need to add it to the ambiguous category "Headquarters" to at least put all ambiguity in one category.

We have not considered the 2006-07 figures given by Rosaiah as they exclude the February and March data (when much of the revenue is received and expenditure incurred). It is not comparable to full 12-month data of the earlier years.

Curiously, Telengana's revenues for 2004-05 drop by Rs 840 crore compared to the previous year while the two other regions and 'Headquarters' show a rise. That year Telengana had a negative balance of Rs 821 crore, which it made up next year by a sharp rise in revenues.

The balance shows an extraordinary increase to a positive Rs 1824 crore (a turnaround of Rs. 2645 crores!). This seems to indicate that some of the 2004-05 revenues have been shown in the next year. It also shows the poor state of financial bookkeeping in the state.

The 'Headquarters' income and expenditure has to be allocated to the three regions.

Two methods of allocation have been attempted here. One is to allocate it in the same ratio of population between Andhra, Rayalaseema and Telengana - that is, in the ratio of 40:20:40. The other is to allocate it in the ratio of the revenues attributed to each region in the year 2005-06 (the last full year available) - that is, in the ratio of 35:9:56. On both these bases, we have calculated the difference between revenues and expenditures to arrive at an idea on how much of the expenditure incurred in each region could be funded by its own revenues.

The results for the average of three years' (2003-06) balance between revenues and expenditure is given in the table below. The allocation is based on two methods as indicate above. It needs to be borne in mind that these figures exclude central Plan funds and devolution from the Finance Commission.

Region	HQ Allocation	HQ Allocation
	40:20:40	35:9:56
<b>Andhra</b>	3417	2876
<b>Rayalaseema</b>	525	-571
<b>Telengana</b>	4616	6253
<b>State</b>	8559	8559

Conclusions: The table seems to indicate broadly that of all the regions, Telengana has the most viable finances as it generates large surpluses of revenues over expenditure (as in the past). These surpluses when invested in Telengana would then ensure a vibrant economy based on agriculture, irrigation (especially the much-neglected tank irrigation) and industry and not just on real estate and services.

Hyderabad metropolis will act as a growth hub and magnet for Telengana development.

Andhra with its large educated and entrepreneurial population, the two massive river deltas of the Krishna and Godavari, and the gas fields on and off-shore, has a viable future if it mobilizes its taxation revenues and applies it to industry. Its main ports, Visakhapatnam, Kakinada and Krishnapatnam will serve as hubs for the increasing foreign trade of the south central region. Visakhapatnam will provide the muchneeded access to central India and southern Orissa. Nellore with its proximity to Madras has a great locational advantage for industry having access to the metropolis and its port. Its agriculture is highly developed - the two Deltas have provided extensive irrigation for 150 years and there is an accumulation of private capital that finds its application in diverse places - which could be re-directed to the region itself.

The problem is less favourable for Rayalaseema, which will need central assistance to a greater extent than the other two regions if its finances are to be stabilized. It has after all only half the population as the two other regions and while it is geographically large, it is relatively small in terms of productive workforce. However, it has extensive mineral resources and the prime location of Anantapur, Chittoor and Kurnool districts within reach of the three great metropolises - Bangalore, Madras and Hyderabad -- will ensure prosperity to them.

Cuddapah town can easily become the capital, having access to the KC Canal and Telugu Ganga, and it will generate its own growth for the district. We see, therefore, that in terms of revenues and expenditures, trifurcation of the state hardly poses a problem for the two larger regions (Andhra and Telengana) and has good potential for the weaker one, Rayalaseema.

No region is an unviable state; while some are more viable than others.

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