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Summary Report for the State of Telangana

1. Demography

As per Census population projections for 2022-23, Telangana has a population of 38.1 million and represents 2.7 percent of the country's total population. The State's projected population growth rate, at 0.5 percent, is lower than the national average of 0.9 percent, as of 2022-23. The State's population density, at 337 persons per sq. km., and dependency ratio, at 48.2 percent, are both lower than the respective national averages (2021). According to 2023 projections, nearly half of the State's population (47.6 percent) resides in urban areas.[1] As per the NFHS V (2019-21), the sex ratio in the State, at 894 female births per 1000 male births, is lower than the national average of 929 female births per 1000 male births.

As of 2022-23, the annual unemployment rate in the State, at 4.4 percent, and the Female Labour Force Participation Rate, at 44.8 percent, are both higher than the respective national averages. The working population in the State is predominantly concentrated in the Agriculture, Forestry, and Fishing (47.3 percent); Services (33 percent); Manufacturing (10.3 percent); and, Construction (8.3 percent) sectors.[2]

2. Economic Structure (Growth and Sectoral Composition)

Telangana's real GSDP grew at an average rate of 7.2 percent during the period 2014-15 to 2021-22, which is higher than the national average growth of 5.6 percent during the same period.[3] The State's share in the country's nominal GDP has increased over time, and stood at 4.8 percent in 2021-22. Its nominal per capita income is 70 percent higher than the national per capita income, as of 2021-22.

Among the major sectors, the Services sector, with a share of 61.3 percent, is the largest contributor to the State's GSVA, followed by the Industry (20.8 percent) and Agriculture (18 percent) sectors, in that order in 2021-22. During the period 2014-15 to 2022-23, these three sectors grew by 13.9 percent, 9.5 percent, and 11.9 percent per annum, respectively.[4]

3. Socio-economic Indicators

Telangana's literacy rate, at 72 percent, is lower than the national average of 77 percent, as of 2011.[5] As of 2016-17, the State had a lower school drop-out rate (15.5 percent for Classes VIII-X) and a higher pass percentage (90.1 percent for Class X), as compared to the respective national averages. However, the State had a lower pass percentage for Class XII (77.1 percent), relative to the national average. The Gross Enrolment Ratios in the State at the Higher Secondary level (61.3 percent in 2015-16) and at the Higher Education level (39.1 percent in

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[1] Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from *"Population Projections for India and States, 2011-2036"* by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India

[2] Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

[3] Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

[4] Data used is sourced from MoSPI, as of March 2024.

[5] Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

2021) were above the respective national averages.[6] For people aged 18 to 23 years, the Gender Parity Index for higher education in the State (the ratio of girls to boys enrolled in higher education institutions) and college density were both higher than their respective national benchmarks, as of 2021.[7]

As of 2020, life expectancy in the State, at 70 years, is the same as that for the average person in the country. The Infant Mortality Rate (21 deaths per 1000 live births in 2020) and Total Fertility Rate (1.5 children per woman in 2020) are both lower than the respective national benchmarks. The share of fully immunised children (79.1 percent) is higher than the national average for 2019-21. The State has shown improvement on the "quality of life" indicators over time. The households' access to drinking water (98.7 percent), electricity (99.3 percent), and sanitation facilities (74.4 percent) are all above the respective national benchmarks, as of 2021.

4. *State of Public Finances and Tax Devolutions*

Telangana's debt-to-GSDP ratio, at 26.8 percent in 2022-23,[8] is lower than that of a median State[9]. Its contingent liabilities, at 12 percent of GSDP, are, however, significantly higher than those of a median State, as of 2021-22. The fiscal deficit, at 3.8 percent, and primary deficit, at 2.4 percent, are higher than those of a median State, as of 2022-23. The State has a revenue surplus of 0.2 percent of GSDP as of 2022-23 while a median State runs a deficit of 0.4 percent.

The State's total revenue receipts (own tax, own non-tax, and shared by the Centre), at 13.4 percent of GSDP, were about 2 percentage points lower than what a median State collected. The State's expenditure as a percentage of GSDP, at 17.2 percent in 2022-23, was about 2 percentage points lower than that of a median State.

The Debt Sustainability Analysis predictions show that due to a high primary deficit-to-GSDP (between 2.0 and 2.5 percent), its debt-to-GSDP ratio in the baseline scenario (where debt level, primary deficit, real GDP growth, real effective interest rate remain as they are), is likely to increase by nearly 8 percentage points in the next five years, starting from 2021-22. The State also has a very high magnitude of outstanding contingent liabilities; it is predicted that absorbing these liabilities would put the State's debt on an even more dire trajectory in the next five years.

As per the recommendations of the Finance Commission (FC), the State's share in taxes from the Centre has decreased from 2.4 percent under the 14th FC to 2.1 percent under the 15th FC. The State's share in the total grants-in-aid has, however, increased by about 0.2 percentage points, to 2.1 percent, under the 15th FC as compared to the 14th FC.

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[6] Data on dropout rates, pass percentage of students and Gross Enrolment Ratio at the Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

[7] Data on Gross Enrolment Ratio at the Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

[8] Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

[9] For calculation of a median State, the variable as a percentage of GSDP was computed for each State, with the median across 22 major States shown (excluding all Union Territories and the North-eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in the States' Median (Large States), Column 6, Table 4A.

5. *Fiscal Rules*

The Telangana Fiscal Responsibility and Budget Management Act of 2011, adapted from the Andhra Pradesh FRBM Act of 2006, requires the State government to present the Macroeconomic Framework Statement, the Medium-Term Fiscal Policy Statement, and the Fiscal Policy Strategy Statement.[10] The Act was amended in 2020 and 2021.

Revenue Deficit: The initial Act in 2005 required the State to reduce the revenue deficit by an amount equivalent to at least 0.32 percentage points of GSDP in each year from 2005-06 to 2008-09, and to generate revenue surplus thereafter.

Fiscal Deficit: The 2005 Act mandated the State to reduce its fiscal deficit by at least 0.25 percentage points of GSDP each year starting from 1 April 2005 onwards and bring it down to 3 percent, subject to the limits set by the Government of India. For 2008-09 and 2009-10, the fiscal deficit limits were set at 3.5 percent and 4 percent of GSDP, respectively. The 2020 amendment allowed an additional fiscal deficit of Rs. 1,435 crore over and above 3.25 percent of GSDP for 2019-20, and an extra 2 percent above 3 percent for 2020-21. The 2021 amendment set the fiscal deficit limits at 4 percent for 2021-22 and 5 percent for 2022-23, with an additional 0.5 percent fiscal space based on performance criteria.

Outstanding Liabilities: The Act mandated the State to ensure that the total outstanding liabilities did not exceed 27.6 percent of GSDP by 2014-15.

Outstanding Guarantees: Initially the Act required the State to limit the annual incremental risk-weighted guarantees to 90 percent of the previous year's total revenue receipts. The 2020 amendment raised this limit to 200 percent of the total revenue receipts of the preceding year.

Fiscal Discipline: As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period 2017-18 to 2021-22, the State was able to achieve the revenue deficit targets for only two out of five years (2017-18 and 2018-19) and the fiscal deficit targets also for two out of five years (2018-19 and 2019-20). It was also able to meet the targeted achievements for the outstanding liabilities for three out of five years with the exception of 2020-21 and 2021-22.

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[10] Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.