



International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2024; 7(2): 111-115
www.theeconomicsjournal.com
Received: 07-06-2024
Accepted: 10-07-2024

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Economic evolution of Andhra Pradesh: A post bifurcation analysis of financial performance

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DOI: <https://doi.org/10.33545/26179210.2024.v7.i2.349>

Abstract

This study “Financial Performance of Andhra Pradesh” is based on Secondary Data provided in the Socio Economic Surveys published by the Planning Department of Government of Andhra Pradesh was intended to observe the impact of bifurcation of the state of Andhra Pradesh (into two states i.e. Telangana and Andhra Pradesh) on its financial performance. The Gross Domestic Product (GSDP) of Andhra Pradesh at Current Prices from 2004-05 to 2022-23 increased from Rs 134767 Crores to Rs 1317728 Crores during this period taken into consideration. The growth rate of agriculture was engine of growth for the state GSDP as it is evident from the given data that its growth rate gave boost to overall growth rate. The reason for this tumultuous growth was because of Demonetization and COVID- 19 Pandemic. The Contribution of the Agricultural Sector to the state Gross State Domestic Product showed a positive and continuous growth which is not optimistic sign for development of the state. With regard to the percentage Contribution of the Industry sector to the state Gross State Domestic product, the change is positive but growth is not encouraging. With regard to the percentage contribution of the Service Sector to the Gross State Domestic Product, it showed continuous decline.

Keywords: Economic evolution, Andhra Pradesh, financial performance, (GSDP)

Introduction

With the geographical area of 162,760 Sq. Km, the state of Andhra Pradesh ranks as the 8th state in India. Situated in a tropical region, the state has the second longest coastline in the country with a length of 974 kilometers. The state has a forest area of 34,572 Sq. Km as per the forest records which accounts for 21.58 Per cent of the total geographical area.

Andhra Pradesh is the tenth largest state in the country, in terms of population. As per the 2011 Census, the state accounts for 4.10 Percent of the total population of the country. The decadal growth of population rose from 18.88 Per cent during 1961-71 to 21.13 Percent during 1981-91. Subsequently a significant decline was observed in the rate of growth of population and decline is even more prominent at 9.21 percent during 2001-11, lower than the all India growth rate of 17.72 percent.

The density of population for Andhra Pradesh is 304 persons per square kilometer, as against 368 per square kilometer at all India level in 2011. The sex ratio in the state was up from 983 in 2001 to 997 in 2011 and is higher than all India figures of 943 in 2011.

The literacy rate of the state is 67.35 percent in 2011 as against 62.07 percent in 2001. The literacy rate of the state is lower than all India literacy rate at 72.98 percent. Literacy in Andhra Pradesh increased over 37 percentage points from 29.94 percent in 1981 to 67.35 percent in 2011. Female literacy rate has gone up from 52.72 percent in 2001 to 59.96 percent in 2011.

The percentage of urban population to the total population in the state is 29.47 percent in 2011 as compared to 24.13 percent in 2001.

Statement of the problem

The state of Andhra Pradesh was formed in 1956 and was bifurcated as two states Andhra Pradesh and Telangana in 2014. As the then capital city Hyderabad along with many industrial establishments was given to the state of Telangana. At the time of bifurcation, the state of Telangana was a revenue surplus state and the state of Andhra Pradesh was revenue

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deficit state. This study intends to study the financial performance of the state of Andhra Pradesh prior ten years of bifurcation and also ten years after i.e 2004 to 2023.

Methodology

This study is based on purely secondary data. The

information taken into consideration for analysis and collated was taken from various Socio Economic Surveys of Government of Andhra Pradesh published by the Planning Department of Government of Andhra Pradesh.

Analysis

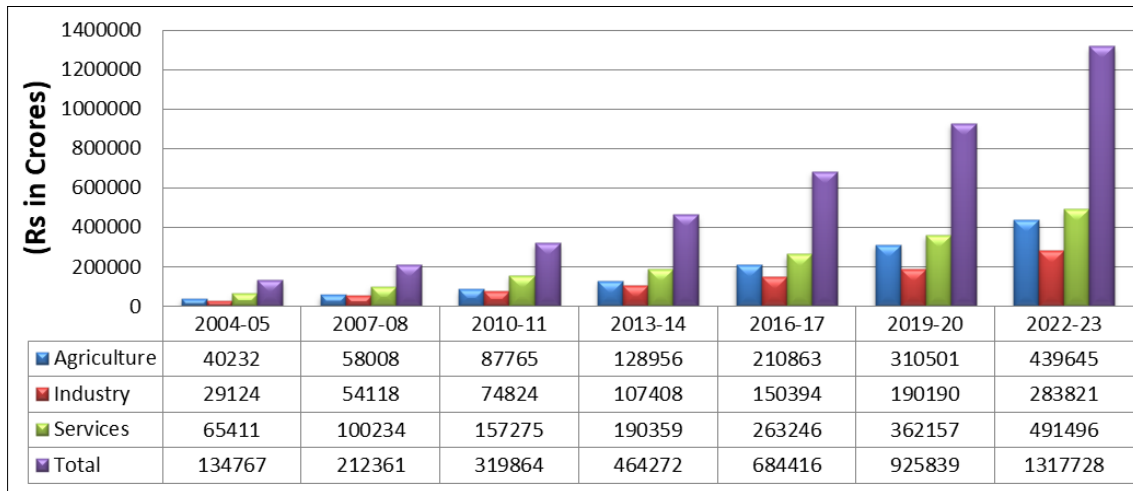


Fig 1: Gross State Domestic Product (GSDP) of Andhra Pradesh at Current Prices

The above Tabular Diagram 1 explains the trends of Gross Domestic Product (GSDP) of Andhra Pradesh at Current Prices from 2004-05 to 2022-23. The Agriculture and allied activities sector contribution to the state GSDP increased from Rs 40232 Crores to Rs 439645 Crores during 2004-05 to 2022-23.

The Industry Sector (Manufacturing Sector) contribution the

State GSDP increased from Rs 29124 Crores to Rs 283821 Crores. The Services Sector contribution increased from Rs 65411 Crores to Rs 491496 Crores.

The state GSDP increased from Rs 134767 Crores to Rs 1317728 Crores during this period taken into consideration respectively.

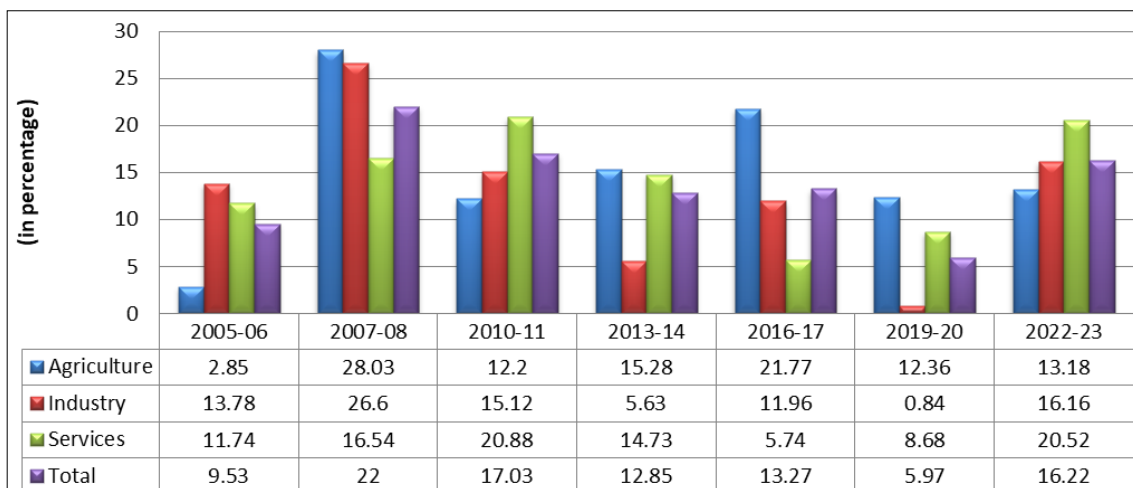


Fig 2: Growth Rates of Gross State Domestic Product (GSDP) of Andhra Pradesh at Current Prices

The Tabular Diagram 2 explains the trends of Growth Rates of Gross State Domestic Product (GSDP) of Andhra Pradesh at Current Prices from 2004-05 to 2022-23. The Agriculture and Allied Activities Sector growth rate was 2.85 percent during 2004-05 to 2005-06. It increased 28.03 percent during 2007-08. The agriculture sector growth rate was 13.18 during 2022-23. The growth rate of agriculture was engine of growth for the state GSDP as it is evident from the given data that its growth rate gave boost to overall growth rate.

With regard to the Industry Sector, the trend of growth rate was not uniform and reduced to 0.84 percent during 2019-

20 due to the pandemic of COVID-19 and during 2020-21 Industry sector growth rate was meager 3.60 percent only.

With regard to growth rates of Service Sector during the above said period, it was high but was not up to its level during 2016-17 and 2019-20 which is 5.74 percent and 8.68 percent respectively. The service sector growth rate for 2020-21 was -4.74 percent. The reasons for this tumultuous growth was because of Bifurcation of the state where majority of the service sector enterprises were situated in Telangana State for the earlier years and for the later years Demonetization and COVID- 19 Pandemic played their part in reducing the service sector growth rates.

The overall growth of all the sectors was 9.53 percent in 2005-06 and 16.2 percent in 2022-23. Due to the reasons mentioned above the overall growth dwindled and reduced

5.97 percent in 2019-20 and 3.34 percent in 2020-21 respectively.

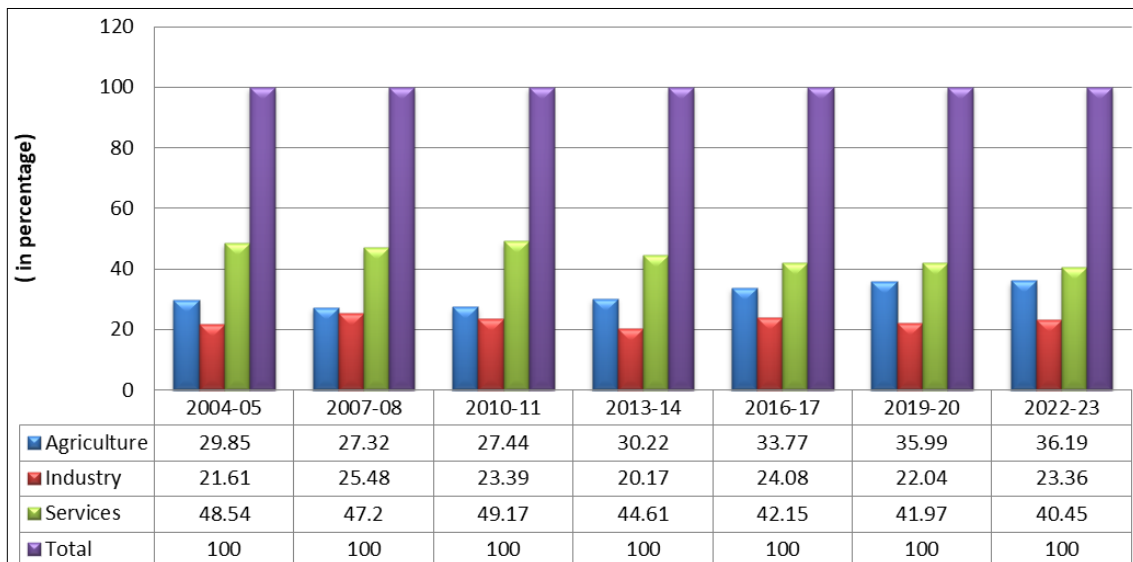


Fig 3: Sectoral Contribution to Gross State Domestic Product (GSDP) of Andhra Pradesh at Current Prices

The tabular diagram 3 explains the different Sectoral Contribution to the Gross State Domestic Product of Andhra Pradesh at current prices from 2004-05 to 2022-23.

With regard to the percentage Contribution of the Agricultural Sector to the state Gross State Domestic Product, it showed a positive and continuous growth which is not optimistic sign for development of the state. The contribution of agriculture sector increased from 29.85 percent in 2004-05 to 36.19 percent during 2022 -23.

With regard to the percentage Contribution of the Industry

sector to the state Gross State Domestic product, the change is positive but growth is not encouraging. The contribution stayed in steady path between 21.61 percent in 2004-05 to 23.36 percent in 2022-23 respectively.

With regard to the percentage contribution of the Service Sector to the Gross State Domestic Product, it showed continuous decline. The contribution of the service sector was 48.54 percent in the year 2004-05 which later reduced to 40.45 percent during 2022-23 respectively.

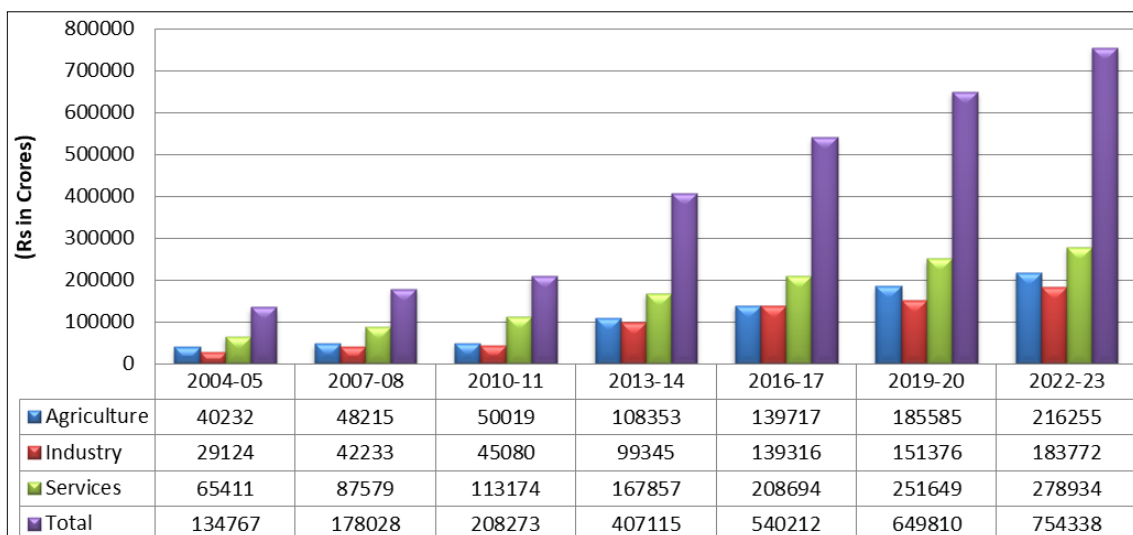


Fig 4: Gross State Domestic Product (GSDP) of Andhra Pradesh at Constant Prices

The tabular diagram 4 explains the Gross State Domestic Product of Andhra Pradesh at Constant Prices from 2004-05 to 2022-23. With the gradual improvement in the availability of basic data over the years, a comprehensive review of methodology for national accounts statistics has constantly been undertaken with a view to updating the database and shifting the base year to a more recent year. As a result, base years of the National Accounts Statistics series

have been shifted from 1948-49 to 1960-61 in August 1967, from 1960-61 to 1970-71 in January 1978, from 1970-71 to 1980-81 in February 1988 and from 1980-81 to 1993-94 in February 1999. In line with this practice, the CSO introduced the New Series of National Accounts Statistics with 1999-2000 as the base year, on 31st January, 2006. The Central Statistical Office (CSO) in January 2015 announced 2011-12 as the base year for India's national

accounts. The revision replaced the previous base year of 2004-05 and was in line with the recommendations of the National Statistical Commission, which advocated base year changes every five years.

The difference between constant prices and current prices indicates the increase in price level when compared with the base year. In this connection, the Agriculture Sector Contribution to state GSDP of Andhra Pradesh increased

from Rs 40232 Crores in 2004-05 to Rs 216255 Crores in 2022-23. The Industry Sector Contribution increased from Rs 29124 Crores in 2004-05 to Rs 183772 Crores in 2022-23. The Service Sector Contribution to the State GSDP increased from Rs 65411 Crores to Rs 278934 Crores in 2022-23. The overall GSDP at Constant Prices increased from Rs 134767 Crores in 2004-05 to Rs 754338 Crores in 2022-23 respectively.

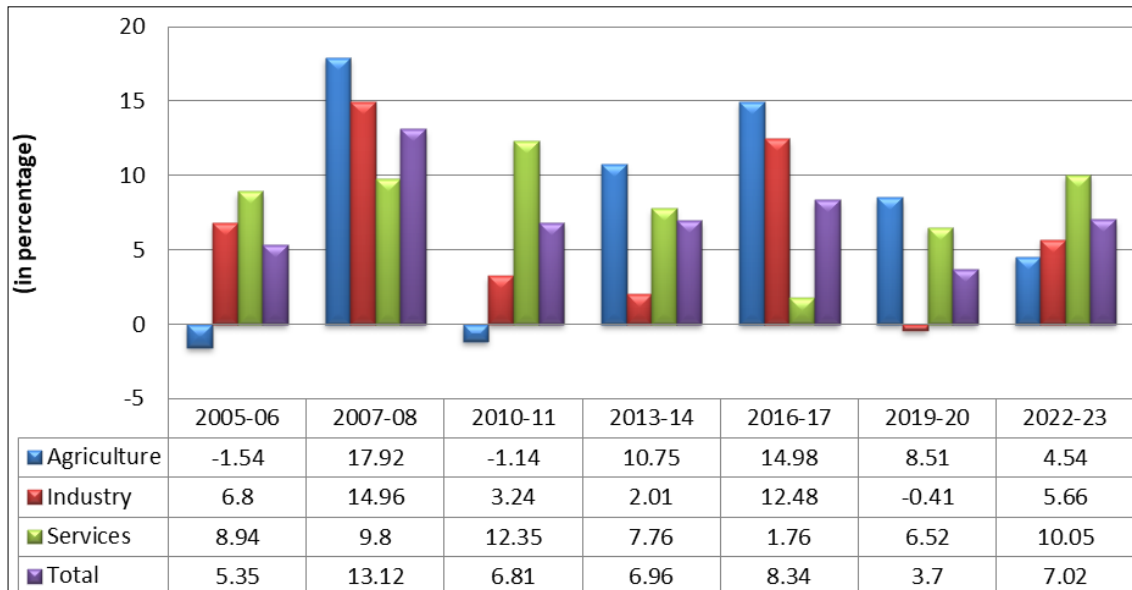


Fig 5: Growth Rates of Gross State Domestic Product (GSDP) of Andhra Pradesh at Constant Prices

The Tabular Diagram 5 explains the Growth Rates of the Gross State Domestic Product of Andhra Pradesh at Constant Prices from 2004-05 to 2022-23. The Base Years as declared by the Central Statistical Organization were 2004-05 and 2011-12 for this period taken into consideration.

With regard to the Growth rate of Agriculture Sector, from 2004-05 to 2005-06 it is -1.54 percent. Again the growth rate was negative in 2009-10 to 2010-11. During the period taken into consideration the growth rate of agriculture sector peaked to 14.98 percent in 2015-16 to 2016-17.

With regard to the Growth Rate of Industry Sector, it is 6.80 percent in 2004-05 to 2005-06. This growth rate was

dwindled to -13.56 percent in 2011-12 to 2012-13 and again went negative of -0.41 percent in 2019-20.

With regard to growth rate Service Sector, it is 8.94 percent in 2004-05 to 2005-06. The growth rate went on to 1.76 percent during 2015-16 to 2016-17, where the reason might be shock of demonetization. The growth rate went on negative during the period taken in to consideration to -8.50 percent in 2019-20 to 2020-21 the cause was the COVID-19 pandemic.

The Overall Growth rate of all the sectors combined was 5.35 percent in 2004-05 to 2005-06. This went on to negative -2.48 percent during 2019-20 to 2020-21 again the reason was COVID-19 pandemic.

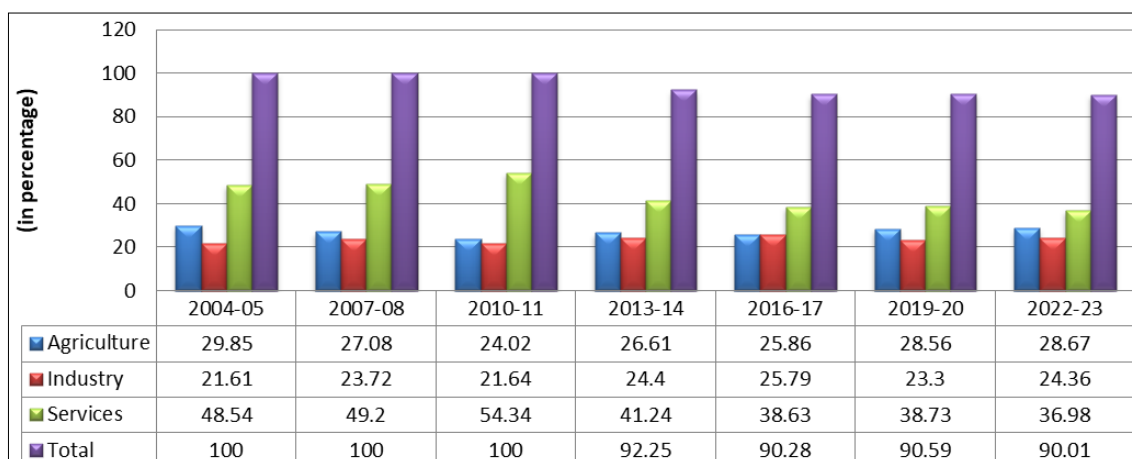


Fig 6: Sectoral Contribution to Gross State Domestic Product (GSDP) of Andhra Pradesh at Constant Prices

The tabular diagram 6 explains the Sectoral Contribution to the Gross State Domestic Product at Constant Prices from

2004-05 to 2022-23. The contribution of Agriculture Sector was 29.85 percent in 2004-05 which later on stayed on the

same course that is 28.67 percent in 2022-23. The contribution of agriculture sector was lowest in 2010-11 that is 24.02 percent.

The contribution of Industry sector was 21.61 percent in 2004-05 and increased to 24.36 percent in 2022-23. The percentage contribution increased to its highest for the period taken into consideration was 25.79 percent in 2016-17. The Contribution of Service Sector was 48.54 percent in 2004-05 and was 36.98 percent in 2022-23. This reduction in percentage share was due change in methodology of calculation where the product taxes and product subsidies were taken out in calculation of the Gross State Domestic Product.

Conclusion

With the geographical area of 1,62,760 Sq.Km, the state of Andhra Pradesh ranks as the 8th largest state in India. Andhra Pradesh is the tenth largest state in the country, in terms of population. As per the 2011 Census, the state accounts for 4.10 Percent of the total population of the country. The percentage of urban population to the total population in the state is 29.47 percent in 2011 as compared to 24.13 percent in 2001.

In this scenario, this study based on Secondary Data provided in the Socio Economic Surveys published by the Planning Department of Government of Andhra Pradesh was intended to observe the impact of bifurcation of the state of Andhra Pradesh (into two states i.e. Telangana and Andhra Pradesh) on its financial performance.

The Gross Domestic Product (GSDP) of Andhra Pradesh at Current Prices from 2004-05 to 2022-23 increased from Rs 134767 Crores to Rs 1317728 Crores during this period taken into consideration.

With regard to Growth Rates of Gross State Domestic Product (GSDP) of Andhra Pradesh at Current Prices from 2004-05 to 2022-23, The growth rate of agriculture was engine of growth for the state GSDP as it is evident from the given data that its growth rate gave boost to overall growth rate.

The overall growth of all the sectors was 9.53 percent in 2005-06 and 16.2 percent in 2022-23. Due to the reasons mentioned above the overall growth dwindled and reduced 5.97 percent in 2019-20 and 3.34 percent in 2020-21 respectively. The reason for this tumultuous growth was because of Demonetization and COVID- 19 Pandemic.

With regard to the Sectoral Contribution to the Gross State Domestic Product of Andhra Pradesh at current prices from 2004-05 to 2022-23, Contribution of the Agricultural Sector to the state Gross State Domestic Product showed a positive and continuous growth which is not optimistic sign for development of the state. With regard to the percentage Contribution of the Industry sector to the state Gross State Domestic product, the change is positive but growth is not encouraging. With regard to the percentage contribution of the Service Sector to the Gross State Domestic Product, it showed continuous decline.

With regard to the Gross State Domestic Product of Andhra Pradesh at Constant Prices from 2004-05 to 2022-23, the overall GSDP at Constant Prices increased from Rs 134767 Crores in 2004-05 to Rs 754338 Crores in 2022-23 respectively. The difference between constant prices and current prices indicates the increase in price level when compared with the base year.

With regard to the Growth Rates of the Gross State

Domestic Product of Andhra Pradesh at Constant Prices from 2004-05 to 2022-23, the Overall Growth rate of all the sectors combined was 5.35 percent in 2004-05 to 2005-06. This went on to negative -2.48 percent during 2019-20 to 2020-21 again the reason was COVID-19 pandemic.

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