Chapter 2

MACROECONOMIC TRENDS AND THE GROWTH TRAJECTORY

"Development can be seen as a process of expanding the real freedoms that people enjoy."

Amartya Sen,
Noted Economist and Nobel Laureate

With the geographical area of 1,12,077 sq. kms and population of 3.5 crore, as per 2011 census, Telangana is the 12th largest State in terms of both area and population in India. The State is geographically bordered by the Maharashtra, Chhattisgarh to the North, Karnataka to the west, and Andhra Pradesh to the south, east and north east. The State is strategically located in the Deccan plateau region and situated in the middle of the country.

The people of the State are predominantly residing in rural areas, as 61.12 percent of the total population lives in villages and the rest of 38.88 percent are residing in urban areas. The male-female sex ratio for the State is 988, according to 2011 Census. The overall growth of total population during the decade 2001 to 2011 is 13.58 percent as against the national growth of 17.7 percent. The growth of the population in urban areas has been witnessing a significant increase, resulting in Telangana becoming one of the fastest urbanising State in the country. Urban population in the State grew by 38.12% during the decade 2001 to 2011, as compared with 25.13% in the preceding decade. In sharp contrast, rural population in the State grew by a modest 2.13% as per the 2011 census. Around 30% of total urban population in the State are residing in the capital city of Hyderabad alone.

I. Gross State Domestic Product of Telangana

Economic growth is a necessary condition for eradicating poverty and uplifting the living standards of State's population. Significance of economic growth for over-all development of the State is aptly explained by Prof. Arvind Panagariya, Vice Chairman of NITI Aayog: *"Economic growth 'pulls up' people into gainful employment and places ever-rising purchasing power in their hands. This in turn cuts poverty and empowers people to access education, health and other amenities provided by the State as well as through private expenditures. Growth alone provides enhanced revenues that the Government can use to alleviate poverty and provide education, health and other social services."*

State Income or Gross State Domestic Product (GSDP) is the most important indicator in measuring the economic growth of a State. These estimates reveal the extent and direction of changes in the level of economic development. However, economic growth need not guarantee human/social development. For this to happen, Government need to play an important role in allocating financial resources towards health, education, and social welfare programmes. In this context, the present chapters outline the performance of the Telangana's economy, structure of employment in the State, inflation and public finance.

Adoption of new Base Year 2011-12: The Government of Telangana has estimated its GSDP estimates adopting the new base year 2011-12, on par with the Central Statistics Office, Ministry of Statistics & Programme Implementation. The estimates of these macro-economic aggregates are prepared at the prices of selected year known as base year for examining the performance of the economy in real terms. The estimates at the prevailing prices of the current year are termed as "at current prices", while those prepared at base year prices are termed as "at constant prices". The comparison of the estimates at constant prices, which means "in real terms", over the years gives the measure of real growth.

Box-2.1: Revising the Base Year for Estimating GDP Statistics from 2004-05 to 2011-12

The Ministry of Statistics & Programme Implementation (MOSPI), Government of India has revised the base year for estimating Gross Domestic Product (GDP) from 2004-05 to 2011-12, incorporating changes like revisions in the methodology of compilation, inclusion of new and recent data sources and adoption of latest classification systems etc. Major changes made in this series include (i) comprehensive coverage of corporate sector data by incorporation of annual accounts of companies as filed with the Ministry of Corporate Affairs (MCA), (ii) Improved coverage of activities of local bodies, (iii) Incorporation of the results of the recent NSS Surveys, viz., Unincorporated Enterprise Survey (2010-11) and Employment-Unemployment Survey (2011-12).

Sector Specific Changes made in the Revised Series are:

1. **Agriculture, Forestry and Fishing:** (i). Segregation of crops and livestock production; (ii). Adoption of Agriculture Census (2010-11) and Livestock Census (2012); (iii). Revision of yield rates of meat & by-products of different livestock species.

2. **Mining and Manufacturing:** (i) Estimation of value addition from extraction of sand through an indirect method, in accordance with its use in construction; (ii) Enterprise Approach adopted for mining and manufacturing activity using MCA21 database to account for head offices, ancillary activities, etc.

3. **Electricity, Gas, Water Supply and Other Utility Services:** Utility services, including sewage, waste management, recycling and remediation activities, brought under the group electricity, gas and water supply;

4. **Construction:** (i). Study on the inputs in the construction sector by Central Building Research Institute (CBRI), Roorkee (ii). Incorporation of results of NSS All India Debt & Investment Survey, 2013.

5. **Non-financial Services:** (i). Use of Consumer Price Indices-Rural, Urban and Combined, instead of the CPI-AL/RL/IW used earlier; (ii). Use of Service Tax as an indicator for growth in the respective service.

6. **Financial Services:** (i). Comprehensive coverage of financial sector by inclusion of information from the accounts of stock brokers, stock exchanges, asset management companies, mutual funds and pension funds, as well as the regulatory bodies, SEBI, PFRDA and IRDA.

Source: Press Note on New Series Estimates of National Income released by MOSPI, GOI on 30.01.2015.

As per new series, sector-wise estimates are presented as Gross Value Added (GVA) at basic prices, while "GSDP at market prices" will henceforth be referred to as GSDP. Estimates of GVA at factor cost (earlier called GSDP at factor cost) can be compiled by using the estimates of GVA at basic prices duly adjusting the production taxes less production subsidies. Here it is important to note that the basic price is a price that includes the production taxes minus production subsidies, whereas market price is a price, which includes the Product taxes minus product subsidies. In nutshell, market price includes the production taxes and product taxes minus production subsidies and product subsidies and equates the price available for consumer. One of the distinct features of the new series is compilation of GSDP estimates at market prices instead of factor cost and GVA at basic prices.

GSDP - Outlook for 2015-16

The Government of Telangana has released the GSDP estimates for the year 2015-16 (Advance Estimates). According to the estimates, Telangana's GSDP is estimated to be Rs.5.83 lakh crore in 2015-16 at current prices expected to grow at 11.7 percent. GSDP at constant (2011-12) prices is Rs. 4.69 lakh crore, and is expected to grow at 9.2 percent over previous year. The GSDP and growth rates of current and constant prices are given in Table 2.1.

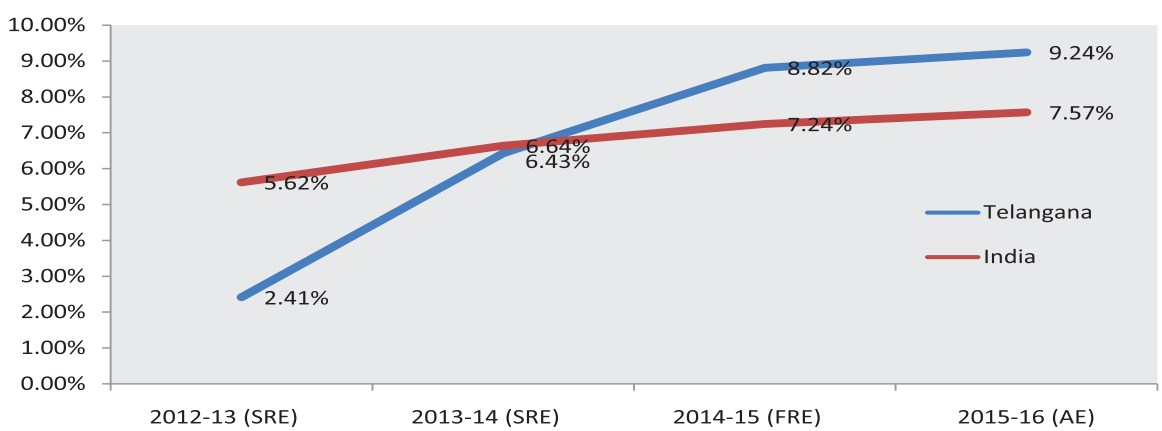
Table 2.1: GSDP of Telangana State at Current and Constant (2011-12) Prices

Year	Current Prices		Constant (2011-12) Prices	
	GSDP (Rs. crore)	Growth (%)	GSDP (Rs. crore)	Growth (%)
2011-12 (SRE)	3,61,701	-	3,61,701	-
2012-13 (SRE)	4,04,105	11.7	3,70,432	2.4
2013-14 (SRE)	4,60,172	13.9	3,94,248	6.4
2014-15 (FRE)	5,22,001	13.4	4,29,001	8.8
2015-16 (AE)	5,83,117	11.7	4,68,656	9.2

Note: SRE: Second Revised Estimates; FRE: First Revised Estimates; AE: Advance Estimates

Performance of State's economy: The share of Telangana's economy in India is about 4.1 percent in 2015-16. A comparison of Telangana's GSDP growth with that of All-India growth reveals that in 2012-13, Telangana grew at 2.41 percent which is much lower than All-India growth rate of 5.62 percent. However, since 2013-14, the growth rate of Telangana has picked up and registered higher growth than All India (See Figure 2.1). This is a clear indication of the proactive measures of the Government to spur economic growth, after the State formation.

Figure 2.1: Comparison of Growth rates of Telangana *vis-a-vis* All-India (at constant prices)



Sectoral Growth Trends: The economy is broadly classified into three sectors, i.e., primary, secondary and tertiary. The primary sector consists of crops; livestock; forestry & logging; fisheries; and mining & quarrying. The secondary sector consists of manufacturing; electricity, gas, water supply & other utility services; and construction sectors. The tertiary sector consists of trade & repair services; hotels & restaurants; transport, including railways, road, water, air & services incidental to transport; storages; communications & services relating to broadcasting; financial services; real estate, ownership of dwellings & professional services; public administration; and other services. The sectoral growth rates based on GVA at basic prices are given in Table 2.2.

Table 2.2 : Sectoral growth rates based on GVA at constant prices

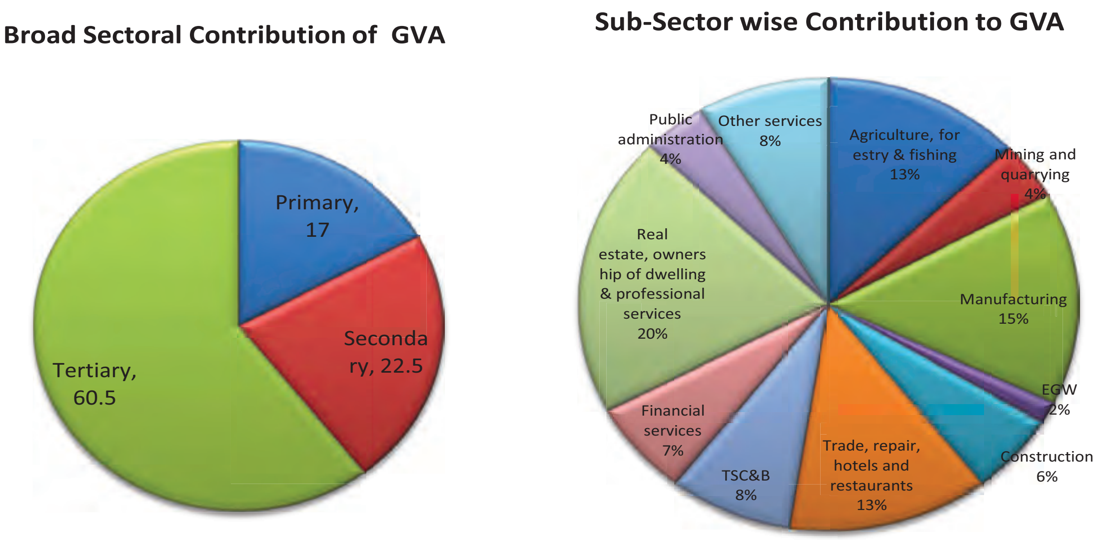
Sl. No.	Item	2012-13 (SRE)	2013-14 (SRE)	2014-15 (FRE)	2015-16 (AE)
1.	Agriculture, forestry and fishing	8.8	2.1	-5.3	-4.5
1.1	Crops	9.8	1.7	-14.2	-18.2
1.2	Livestock	8.0	2.3	8.2	12.2
1.3	Forestry and logging	-0.6	-2.5	1.4	-2.7
1.4	Fishing and aquaculture	10.4	14.4	8.5	17.8
2.	Mining and quarrying	4.1	-4.3	21.7	6.9
	Primary	**7.9**	**0.9**	**-0.4**	**-1.9**
3.	Manufacturing	-14.7	5.3	5.8	9.5
4.	Electricity, gas, water supply & other utility services	-31.9	35.9	-14.7	8.4
5.	Construction	1.8	-3.5	4.9	6.2
	Secondary	**-12.2**	**4.8**	**3.8**	**8.6**
6.	Trade, repair, hotels and restaurants	5.7	14.1	11.9	9.5
7.	Transport, storage, communication & services related to broadcasting	8.5	5.3	8.8	9.2
8.	Financial services	8.9	4.6	8.8	9.6
9.	Real estate, ownership of dwelling & professional services	12.8	9.5	11.4	12.5
10.	Public administration	1.9	5.4	35.7	7.6
11.	Other services	1.1	8.8	8.2	14.6
	Tertiary	**7.7**	**8.9**	**11.8**	**11.0**
	Total GSVA at basic prices	**2.3**	**6.2**	**7.5**	**8.1**

While the sectoral analysis in terms of GVA at basic prices reveals that during the year 2015-16 (AE), tertiary sector is expected to register a growth rate of 11%, followed by secondary sector with a growth of 8.6% and primary sector expected a negative growth of 1.9%. The GSDP growth estimates of 9.2% would have been better, but for the negative growth recorded in crops sector, attributed mainly to the adverse seasonal conditions prevailing in the State since last two consecutive years. Crops sector per se was badly affected due to these reasons and recorded a negative growth of 18.2%. But growth in primary sector was partially compensated by the positive growths registered in Livestock (12.2%), Fisheries (17.8%) and mining & quarrying (6.9%) sectors.

Table 2.3: Sectoral Contribution of Gross value added at constant prices

Sl. No.	Item	2011-12 (SRE)	2012-13 (SRE)	2013-14 (SRE)	2014-15 (FRE)	2015-16 (AE)
1.	Agriculture, forestry and fishing	16.1	17.2	16.5	14.5	12.9
1.1	Crops	9.6	10.3	9.8	7.8	5.9
1.2	Livestock	5.6	5.9	5.7	5.7	5.9
1.3	Forestry and logging	0.6	0.6	0.5	0.5	0.4
1.4	Fishing and aquaculture	0.4	0.5	0.5	0.5	0.6
2.	Mining and quarrying	4.1	4.1	3.7	4.2	4.2
	Primary	**20.2**	**21.3**	**20.2**	**18.7**	**17.0**
3.	Manufacturing	18.4	15.3	15.2	14.9	15.1
4.	Electricity, gas, water supply & other utility services	2.3	1.5	2.0	1.6	1.6
5.	Construction	6.7	6.6	6.0	5.9	5.8
	Secondary	**27.3**	**23.5**	**23.2**	**22.4**	**22.5**
6.	Trade, repair, hotels and restaurants	11.1	11.4	12.3	12.8	13.0
7.	Transport, storage, communication & services related to broadcasting	7.4	7.9	7.8	7.9	8.0
8.	Financial services	6.3	6.7	6.6	6.7	6.8
9.	Real estate, ownership of dwelling & professional services	16.4	18.1	18.6	19.3	20.1
10.	Public administration	3.4	3.3	3.3	4.2	4.2
11.	Other services	7.9	7.8	8.0	8.0	8.5
	Tertiary	**52.5**	**55.2**	**56.6**	**58.9**	**60.5**
	Total GSVA at basic prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Figure 2.2: Sectoral Contribution of Gross Value Added in 2015-16 at Constant Prices

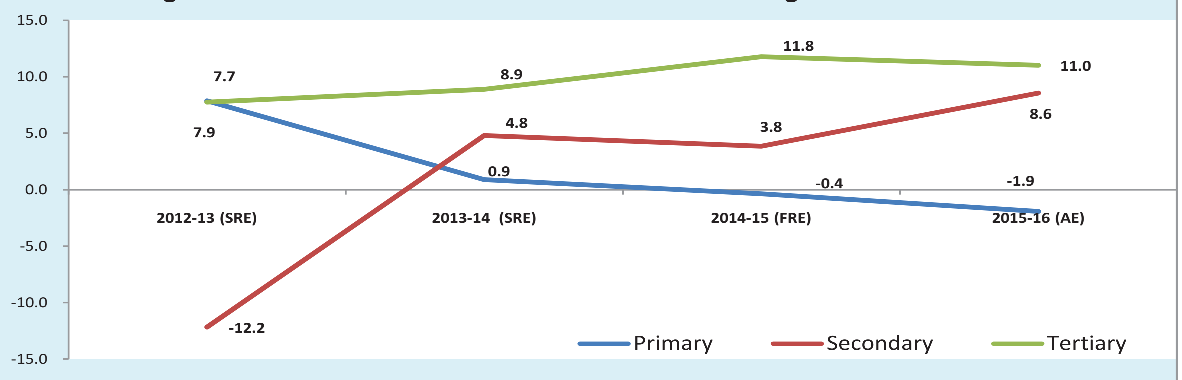


Note: (i) EGW implies Electricity, gas, water supply & other utility services and (ii) TSC& B indicates Transport, storage, communication & services related to broadcasting.

Broad sectoral classification of GVA reveals that tertiary sector has contributed about 60.5 percent of total State's GVA, followed by secondary sector with 22.5 percent and primary sector with 17 percent. At sub-sector level, highest contribution is made by real estate, ownership of dwellings and professional services with 20.1 percent of State GVA at basic prices, followed by manufacturing (15.1 percent), agriculture & allied (12.9 percent) and trade, repair, hotels and restaurants (13 percent). Detailed sub-sector contributions are shown in Table 2.3 and Figure 2.2.

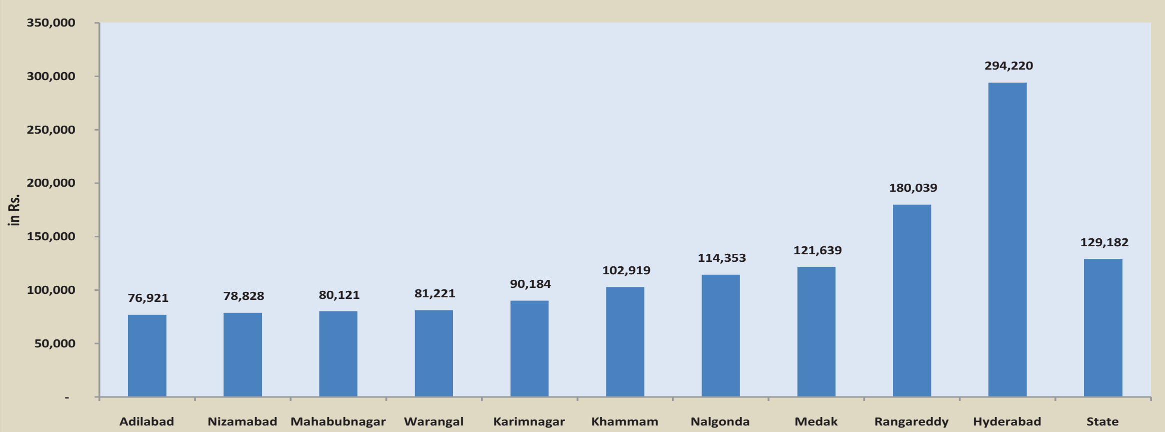
Trend in Sectoral Growth Rates: Trend in broad sectors growth reveals that primary sector has been decreasing since 2012-13 to 2015-16, mainly due to the negative growth in the production of crops. Secondary sector has registered a negative growth of -12.2 percent in 2012-13, has picked up in 2013-14 with growth rate of 4.8 percent and showed a robust growth of 8.6 percent in 2015-16. Tertiary sector is the main contributor of GVA growth of the State. It has registered a growth of 7.7 percent in 2012-13 and peaked up in 2014-15 by growing at 11.8 percent. As per the advanced estimates of 2015-16 services sector is poised to grow at 11.0 percent.

Figure 2.3: Trend in Sectoral Growth Rates of GVA during 2012-13 to 2015-16



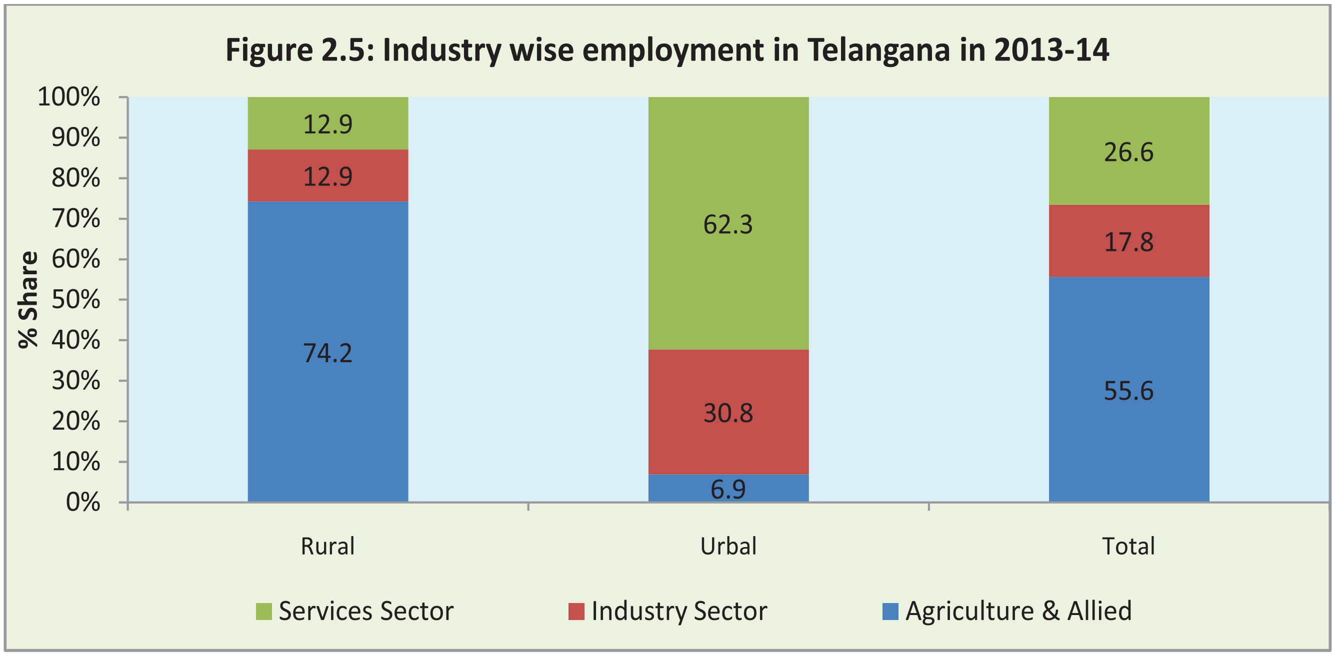
District-wise Per Capita 2014-15: District wise Per Capita Income (PCI) analysis is done using data related to 2014-15 at current prices. The per capita income of the State, for year 2014-15, is 1.29 lakh. District-wise analysis shows that Hyderabad district has highest per capita income with Rs 2.94 lakh followed by Rangareddy and Medak districts. Adilabad district has the lowest per capita income of Rs 76,921 followed by Nizamabad, Mahabubnagar and Warangal (Figure 2.4).

Figure 2.4: District-wise Per Capita Income in 2014-15



II. Employment Pattern in Telangana

Along with the structural changes in the economy, a corresponding change is observed in the employment pattern too. Over a period of time, there has been a shift of employment from primary to the secondary and to the tertiary sectors, both in terms of output and employment. However, the shift in employment is not as rapid as changes observed in sectoral output.



Source: 'District-wise Employment-Unemployment Scenario in Telangana- 2013-14' Labour Bureau, Chandigarh, Ministry of Labour & Employment, Government of India,

The share of agriculture sector in total GSDP has been declining steeply as compared to decline in employment in agriculture sector. As per the 2011-12 prices, agriculture & allied activities share in total GVA was 12.9 percent, whereas about 55.6 percent of total workforce is dependent on it. Further, the share of services sector in total GVA is 60.5 percent, but it is providing employment to 26.6 percent workforce only. Industry sector which is contributing about 26.7 percent to GVA of the State while 17.8 percent of total workforce is depending on this sector for employment (Figure 2.5). Though the urban areas have seen a greater diversification in terms of employment over a period of time, the majority of the rural areas still depends heavily on agriculture.

Unemployment Rate: The Unemployment Rate (UR) under the Usual Principal and Subsidiary Status (UPSS) among the age group 15 years and above is 2.7 percent. In rural areas, the unemployment rate is 1.1 percent, whereas in urban areas it is 6.6 percent indicating that unemployment in urban areas is much higher than the rural areas (see Table 2.4).

It is also noteworthy to mention here that among the age group 15-29 years, unemployment rate is estimated to be 7.7 percent under the UPSS at State level (3.8 percent in rural areas and 17.2 percent in urban areas). This indicates that youth unemployment is one of the major concerns at the present juncture, especially in urban areas.

Table 2.4: Work Force details and Unemployment Rate in Telangana, 2013-14

Description	Rural	Urban	Total
Labour Force Participation Rate (LFPR)	75.7	51.8	66.8
Worker Participation Rate (WPR)	74.8	48.4	65
Unemployment Rate	1.1	6.6	2.7

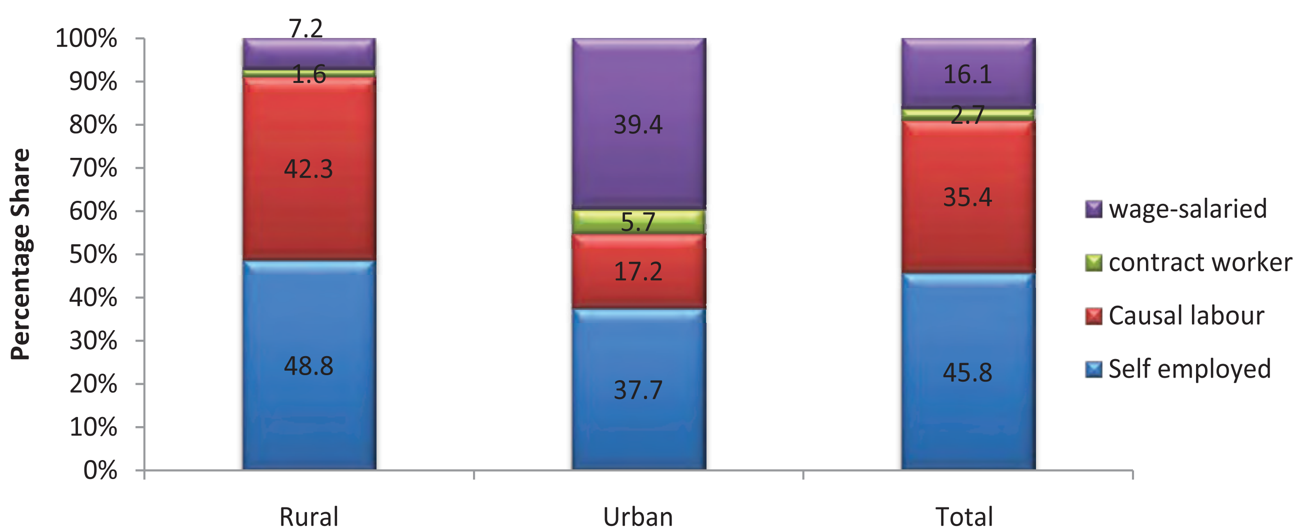
Source: 'District-wise Employment-Unemployment Scenario in Telangana- 2013-14' Labour Bureau, Chandigarh, Ministry of Labour & Employment, Government of India,

Labour Force Participation Rate: As per the 'Report on Employment-Unemployment Scenario' published by the Labour Bureau, Ministry of Labour & Employment, Government of India, about 66.8 percent of the working age population in Telangana State is either working or seeking for work in 2013-14. In other words, the Labour Force Participation Rate (LFPR) in the State is 66.8 percent under Usual Principal and Subsidiary Status (UPSS). In case of rural areas, the LFPR is 75.7 percent, whereas in urban areas, it is 51.8 percent.

Worker Participation Rate: The Worker Participation Rate (WPR under the UPSS is estimated to be 65 percent. It is higher in rural areas (74.8 percent) than that of urban areas (48.4 percent).

Nature of employment: In terms of nature of employment, 45.8 percent of the total workforce is reported to be self employed; 35.4 percent as casual labour and about 16.1 percent as wage/salaried earners and about 2.7 percent as contract workers (based on UPSS). Area wise analysis shows that, largest number of workforce (48.8 percent) is reported to be self employed in rural areas, where as majority of the workforce in urban areas is working as wage-salaried (see Figure 2.6).

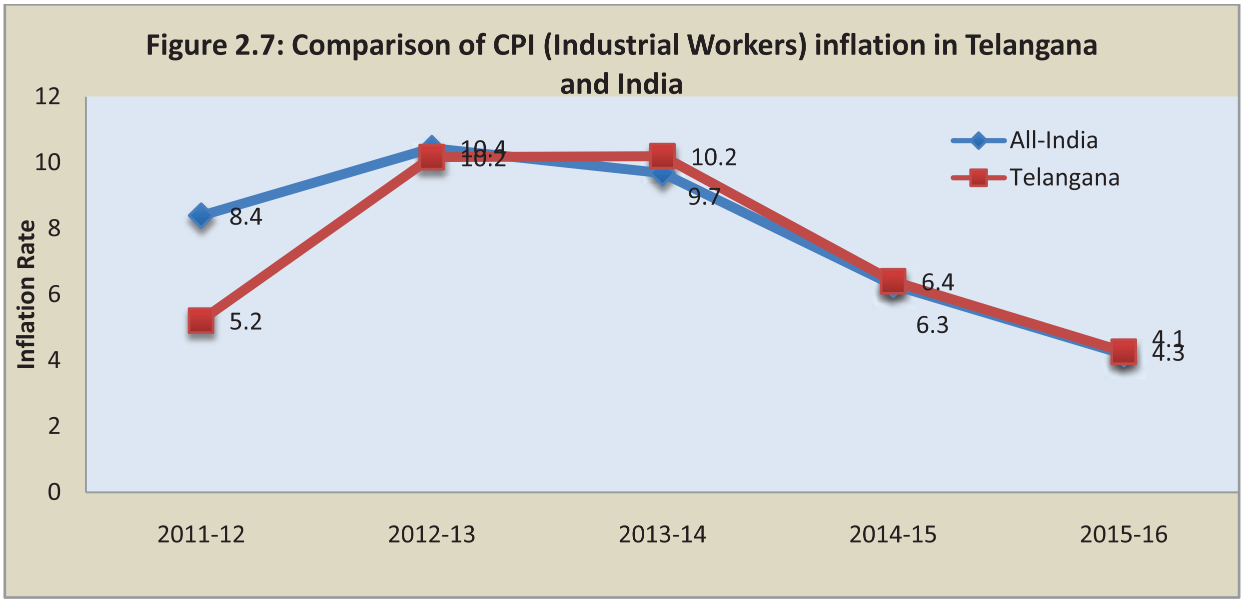
Figure 2.6:Type of Employment of workers aged 15 years and above-2013-14



District-wise Employment Situation: The District wise employment situation among the age group 15 years and above in the State reveals that LFPR is highest in Karimnagar at 74.4 percent, followed by Mahabubnagar at 73.9 percent, whereas it is lowest in Hyderabad with 48.8 followed by Warangal with 65.6 percent. The LFPR in urban is comparatively lower than the rural areas. District-wise analysis of unemployment situation indicates that unemployment rate is too high in the urban areas. Hyderabad district has highest unemployment rate among all the districts.

III. Trends in Inflation

Inflation in India is usually measured by Wholesale Prices Index (WPI) and Consumer Prices Index (CPI). Data on CPI (Industrial Workers) is available for Telangana State during 2011-12 to 2015-16. Trend in CPI (IW) indicates that inflation in Telangana is moving in same line with that of all-India (Figure 2.7).



High Inflation was observed during the years 2012-13 and 2013-14 and exhibited a downward trend in the following years. CPI (IW) inflation came down to 4.3 from in the year 2015-16, giving a sign of relief to the consumers.

IV. Public Finance

Public (Government) investment is an engine of economic development. Government spending on programmes/schemes create what is called as "public goods" such as infrastructure facilities, education, healthy and skilled labour force, clean environment, disease-free society etc. The positive externalities emitted out of these 'public goods' create conducive environment for private investments. Therefore, some of the developmental theorists advocate that Governments in developing countries should inject large public investment in education, health, infrastructure etc. to bolster economic growth. Since its formation, Government of Telangana has been making sincere efforts to mobilise resources for filling-up critical developmental gaps.

V. New Developments in Centre-State Financial Relations

In recent times, two important developments are seen in Centre – State financial relations, which have implications for State Governments viz., (i) Higher tax devolutions under the 14th Finance Commission, and (ii) Restructuring of Centrally Sponsored Schemes, based on the recommendations of Sub-Group of Chief Ministers. A brief analysis on these two developments and its implications for State's finances is presented below.

A. 14th Finance Commission

As per the Article 280 of the Constitution of India, the 14th Finance Commission (FFC) has made recommendations for distribution of the net proceeds of taxes of the Central Government between the Center and the States (vertical devolution) and the allocation among the States (horizontal devolution). These recommendations will guide the tax distributions during the period 2015 to 2020.

As per the recommendations of the 14th FC, the States' share in the net proceeds of the Union tax revenues would be 42% when compared to 32% as recommended by the 13th Finance Commission. Thus, there is a huge increase in resources transfer, when compared with previous Finance Commissions' recommendations. The philosophy of the FFC is to reduce Central assistance to State Plans as a whole and be replaced by greater devolution of taxes. In recommending horizontal distribution, the FFC has used broad parameters of population (1971) and changes of population since then, income distance, forest cover and area. The details of this criteria and the weight assigned to them are as shown in Table 2.5.

Table 2.5: Criteria and Weights Assigned for determination of States' share

Criteria	Weight (percent)
Population	17.5
Demographic Change	10
Income Distance	50
Area	15
Forest Cover	7.5
Total	**100**

Following the horizontal distribution criteria, the share of Telangana is worked out to be 2.44 percent of total tax devolutions. The State-wise share of the divisible pool of Central taxes, in percentage terms is as shown in Table 2.6.

Table 2.6: State-specific share in Central taxes

S. No	State	State Share
1	Uttar Pradesh	17.96
2	Bihar	9.67
3	Madhya Pradesh	7.55
4	West Bengal	7.32
5	Maharashtra	5.52
6	Rajasthan	5.50
7	Karnataka	4.71
8	Odisha	4.64
9	Andhra Pradesh	4.31
10	Tamilnadu	4.02
11	Assam	3.31
12	Jharkhand	3.14
13	Gujarat	3.08
14	Chhattisgarh	3.08
15	Kerala	2.50
16	**Telangana**	**2.44**
17	Jammu & Kashmir	1.85
18	Punjab	1.58
19	Arunachal Pradesh	1.37
20	Haryana	1.08
21	Uttarakhand	1.05
22	Himachal Pradesh	0.71
23	Meghalaya	0.64
24	Tripura	0.64
25	Manipur	0.62
26	Nagaland	0.50
27	Mizoram	0.46
28	Goa	0.38
29	Sikkim	0.37
	All States	**100.00**

The increase in tax devolution to States from 32 to 42 percent of the divisible pool of Central tax revenue recommended by the Fourteenth Finance Commission has largely bypassed the State of Telangana. The State of Telangana has suffered revenue loss on account of the reduction of its inter se share tax devolution from 2.893 percent in 2014-15 to 2.44 percent in the award period of the Fourteenth Finance Commission (2015-2020) and more so on account of reduction in plan transfers from 2015-16 onwards. The reduction in the inter se share of the State by 0.456 percent has reduced the tax devolution to the State by Rs.2,389 crore in 2015-16 (Tax devolution to States is budgeted at Rs.5,23,958 crore in the Central Budget for 2015-16). The increase in transfers to the State as a result of increase in tax devolution to States from 32 to 42 percent is much below the average for all States. On a per capita basis, the increase in tax-devolution in 2015-16 is Rs.858, as compared with all-India average of Rs.1564.

Decreased tax devolution to Telangana is mainly due to the fact that (i) Per Capita Income occupies 50% weightage in deciding the State's share (ii) Telangana's per capita income is much higher than the national average. Reduced allocation has increased the resource crunch for the State.

B. Restructuring of Centrally Sponsored Schemes

Centrally Sponsored Schemes (CSS) are floated by the Central Government falling either in the State or in Concurrent Lists of the Constitution, while implemented through the State Governments. Funding pattern of CSS is shared between the Centre and States in the range of 50:50 to 90:10. The main objective of floating CSS is to poverty alleviation, ensure equal development on critical parameters such as education, health, agriculture, rural infrastructure, food security etc. across the country.

However, there is growing concern among the States on implementation of CSS: (i) Over a period of time, CSS are proliferated to many sector leading thin spread of financial resources on the field, (ii) Opting for CSS requires matching grants from the States, (iii) Spending on CSS components are guided by guidelines issued by Central Government (iv) It is argued by the State that, expectation of people are not the same and they have acquired capabilities of designing their own strategies for development.

Considering the concerns, the Planning Commission has set up a Committee on 'Restructuring of Centrally Sponsored Scheme' under the Chairmanship of Sri B.K Chaturvedi, Member, Planning Commission. The Committee has recommended restructuring of CSS to enhance flexibility to suit the requirement of States in utilizing the schemes. Further, 14th Finance Commission has recommended to reduce funding through CSS and to increase formula based devolution to States for strengthening Co-operative Federalism led to relook at CSS.

In the light of 14th Finance Commission recommendations, NITI Ayog has constituted a Sub-Group of Chief Ministers on 'Rationalisation of Centrally Sponsored Schemes' in March, 2015, which submitted its report in October, 2015. The important recommendations of the Sub-Committee are: (i) CSS to be implemented in sectors such as poverty elimination, drinking water, Swachh Bharat Mission, rural connectivity, agriculture, irrigation, river conservation etc., (ii) Schemes should be classified as "Core" and "Optional". Core Schemes comprising of MGNREGA, National Social Assistance Programme, Scheme for development and welfare of SCs, STs, OBCs and Minorities etc., and it is compulsory for States to opt for 'Core Scheme'. Whereas amongst the Optional Schemes, States could choose some or all of them. (iii) Number of CSS should be reduced to a maximum of 30 Schemes. All optional schemes would be 'Umbrella Schemes', with every Scheme having a large number of components with a uniform funding pattern. (iv) NITI Aayog, in consultation with State and Central Ministries, should evolve a transparent criteria based on the development needs, population, potential of the State in that sector for inter-State allocation of CSS funds, (v) Central share should at least be 50% in case of option schemes and core schemes to continue to have same funding pattern, (vi) Flexi-Funds in each Scheme should be 25% of allocation in each financial year, (vii) Streamlining of procedure for release of CSS funds, (viii) All works that have begun in existing projects in 2014-15 in which work has been awarded until 31st March, 2015 should be funded on the existing pattern for the next 2 years.

VI. Outlook

Telangana State has been outperforming among many of the Indian States in terms of economic indicators. Specifically, the State has performed very well in terms of per capita income and GSDP growth. The present Government has undertaken many sector-specific initiatives to further improve business environment in the State. Sector-wise performance and steps taken, are discussed in the following chapters.

Hyderabad Metro Rail Project