

One year on, TS lands in Rs. 61,000 crore debt

Special Correspondent

HYDERABAD: Telangana government has acquired close to Rs. 61,000 crore as debt during the past one year of its tenure, reveal a Right to Information (RTI) reply received in a query from Forum for good governance. As per data collected by the forum, the government has obtained Rs. 23,348 crore from sale of bonds, Rs 24,000 crore from the Rural Electrification Corporation (REC) and Rs 4,000 crore from Power Finance Corporation.

The government has also approached the World Bank for another Rs. 10,000 crore and the matter is under negotiation. The figures were obtained from State government records. Already, at the time of Telangana State formation, the government had inherited Rs. 70,000 crore debt that was incurred before bifurcation. Going by the fact that the State generates revenue mostly by collection of taxes from its people, each person in the State with a population of 3.5 crore has a burden close to Rs.

TIME FOR PRUDENCE

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RTI NEPIT

Telangana government also approached the World Bank for another **Rs. 10,000 cr.** and the matter is under negotiation.

Sale of bonds is at **9 per cent interest**, loan from REC is at **11 per cent** interest. The World Bank loan will be at **3.3 per cent interest**.

MOST LOANS OBTAINED ARE TO BE SPENT ON THERMAL POWER PLANTS INCLUDING YADAGIRI PLANT. THE FUNDS WILL ALSO BE USED FOR SCHEMES INCLUDING MISSION KAKATIYA
FORUM FOR GOOD GOVERNANCE

40,000 on their shoulders, Forum members pointed out.

While the sale of bonds is at 9 percent interest, loan from REC is at 11 percent interest. The World Bank loan will be at 3.3 percent interest. "The State is moving towards debt trap if it does not check its expenditure. Only financial discipline can aid the State in the long run," said M. Padmanabha Reddy, secretary of

the Forum. The loans obtained by the State will have to be paid by 2024 in some cases and 2025 in others. Usually States are not allowed to loan funds higher than 3 percent of GDP, the Forum pointed out. "In this case, the government has maintained that Telangana is a surplus State to obtain hefty loans.

But pinning welfare

schemes on loans is not a sustainable financial model," Mr. Chelikani Rao of the Forum.

Most loans obtained are to be spent on Thermal power plants including Yadagiri plant. The funds will also be used for schemes including Mission Kakatiya, the Forum members said. This, when close to 60 percent of the State's annual budget is allotted for non-plan expenditure including salaries of employees, maintenance of resources and vehicles for government use.

"Ideally 50 percent of any State's budget should be plan budget for welfare schemes and the remaining 50 percent for non-plan or dead spending," Mr. Reddy said. Telangana is the only State which charges 4 percent tax on food grains. "This even as the government doesn't charge tax on diamonds and just one percent tax on gold," Mr. Reddy pointed out in a media conference held in the city on Wednesday. The Forum demanded the government to produce a white paper listing a clear plan of repayment to reassure citizens.

T neck deep in loans: RTI query

Govt Borrowed ₹51,000 Cr From Funding Agencies Till Now

Times News Network

Hyderabad: The Telangana government has borrowed a whopping Rs 51,000 crore from various funding agencies in the first 15 months of the Telangana Rashtra Samithi rule in the state. It is looking for additional loans from the likes of the World Bank to the tune of Rs 10,000 crore for various infrastructure projects that it wants to take up.

The revelation of the extent of borrowing by the TRS led government since June 2014, when the present government came to power, came in a reply to a Right to Information Act application filed by the Forum for Good Governance.

Releasing the data it received in reply to its RTI request, the Forum said that the Rs 51,000 crore loans in the pipeline, part of which have been availed, were in addition to Telangana's

share of the Rs 1.8 lakh crore outstanding loans of the united Andhra Pradesh government, whose final division between the successor Telangana and Andhra Pradesh governments is yet to be finalized.

The forum secretary M Padmanabha Reddy expressing concern at the rate of borrowings sought so far by the Telangana government, said that the new loans would add to the Rs 70,000 crore or so of handed down burden of the outstanding united AP loans that Telangana will eventually have to repay.

The government has so far, obtained Rs 23,000 crore from sale of bonds at 9% interest, got a loan of Rs 24,000 crore from the Rural Electrification Corporation at 11% interest, and Rs 4000 crore from the Power Finance Corporation.

In addition, it is in negotiations with the World Bank for a Rs 10,000 crore



► The RTI query was filed by the Forum for Good Governance

► Govt looking for additional loans from the likes of the World Bank to the tune of ₹10,000 crore

► Telangana also has to pay a share in the ₹1.8 lakh crore outstanding loans of united AP govt

loan at 3.5% interest, he said.

Padmanabha Reddy said that it was disconcerting that while chief minister K Chandrababtu Naidu repeatedly says that Telangana is a revenue surplus state, it needs to line up bor-

rowings on such a scale. He further said it was because the Telangana government has exhausted its borrowing limits that the chief minister has been seeking relaxation of borrowing limits set on the state by writing to the NTFI Ayog.

The Forum, he said, believed that the state government is relying on borrowings due to "lack of financial discipline and spending on unimportant items leading to sudden raise in non-plan expenditure."

"We are not against borrowing loans for development works but wasting the state finances on unproductive expenditure and going for loans for developmental works is not justified," Padmanabha Reddy said, adding "the government must take people into confidence on its plans for repaying the loans and how it plans to pay the annual interest on the loans."

Telangana stares at debt crisis

SPECIAL CORRESPONDENT

Hyderabad: Even as the Chief Minister repeatedly asserts that Telangana is a rich state with revenue surplus, the government has been obtaining loans by sale of bonds from the market and from Rural Electrification Corporation (REC), Power Finance Corporation (PFC), World Bank, etc. During 1956-2014, the undivided state of Andhra Pradesh had a loan burden of about 1.8 lakh crore. The state of Telangana is expected to be saddled with Rs 70,000 crore burden after the debt burden is shared between the two successor states as per Andhra Pradesh State Reorganisation Act. Thus, the new state of Telangana was born with a debt burden of Rs 70,000 crore. It means, every person in Telangana has a debt burden of Rs 20,000. With the loans already being raised, the per capita loan burden in Telangana is expected to be over Rs 37,000.

The Forum for Good Governance obtained information under the Right To Information Act about the market bor-



With the loans already being raised by the Telangana government, every person in the state has a debt burden of around Rs 37,000

rowings and other loans the Telangana government has taken since June 2014. This official information reveals the perturbing levels of debt burden on the Telangana state.

The Rural Electrification Corporation (REC) has provided loans for Thermal Projects to the tune of Rs 24,000 crore to the Telangana government at 11 percent interest.

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TS STARES AT DEBT CRISIS

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Which is only 0.5 percent less than the normal interest rate of 11.5 percent. As a part of this loan, a cheque for Rs 16,071 crore was already handed over to the Chief Minister by REC CMD Rajeev Sharma on August 21, 2015.

In addition to this, the Telangana government has taken a loan of Rs 4000 crore from the Power Finance Corporation (PFC) for setting up power plants. Besides, the Telangana government has also approached the World Bank for loans. The negotiations are underway. The official sources say that it expects a loan of Rs 10,000 crore from the World Bank. The government has raised a debt of Rs 23,000 crore from the sale of bonds at 9 percent interest.

Thus, the Telangana government has exhausted the permitted limit of borrowing under the Fiscal Responsibility and Budget Management (FRBM) Act. Planning to borrow more loans, the state government has already

written to vice-chairman of Niti Ayog for relaxation of borrowing limit. As per the FRBM Act, a state government can borrow to the extent of 3 percent of its Gross State Domestic Product (GSDP). The Telangana government has requested the Niti Ayog to raise the limit to 3.5 percent of the GSDP. The decision of the Niti Ayog is still pending.

M Padmanabha Reddy, secretary, Forum for Good Governance, said that about Rs 61,000 crore is the loan under pipeline during 15 months of inception of state of Telangana. The Forum for Good Governance lamented that the state's own tax and non-tax revenues are gobbled up by growing non-plan expenditure leaving the government to depend on loans for infrastructural projects. But, this would entail huge fiscal burden on the state.

However, the government continues to defend on the borrowing spree as the fiscal resources thus raised are spent for capital expenditure.