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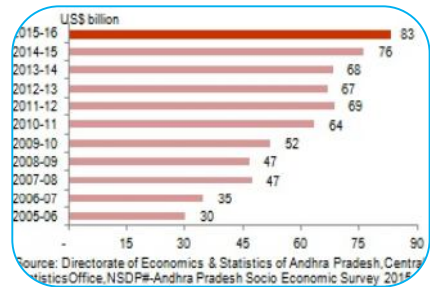
## THE ECONOMIC STATUS OF ANDHRA PRADESH AND NEED FOR SECTORAL TRANSFORMATION

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### ABSTRACT:

The Andhra Pradesh Reorganization Act, 2014, an Act of the Indian Parliament bifurcated the erstwhile State of Andhra Pradesh into Telangana and Andhra Pradesh, effective from June 2, 2014. Andhra Pradesh is one of the 28<sup>th</sup> States of India, situated on the country's southern coast. This is the eighth largest state in India covering an area of 160,205 km<sup>2</sup> (11,885 sq.ml.). As per 2011 Census of India, the State is tenth largest by population with 49,386,799 inhabitants, out of which 29% reside in urban areas. The new capital of Andhra Pradesh is in Guntur district, north of Guntur city.



**KEYWORDS:** fertile plans, major industrial centre, export centric industry.

### INTRODUCTION:

The State has the second largest coastline of 972 km (604 ml) among all the states of India, second only to Gujarat. It borders Telangana in the North West, Chhattisgarh in the north, Odhisha in south and the water of Bay of Bengal in the east. There are two regions in the State namely Coastal Andhra and Rayalaseema. There are 13 districts with 9 Coastal Andhra and 4 in Rayalaseema. Visakhapatnam is the largest city and commercial but of the State with a GDP of \$ 26 billion followed by Vizayanagaram with a GDP of \$ 36 billion.

Andhra Pradesh has a very diverse geography which leads to a very diverse economy. As many as 9 of the 13 districts have sea coast along the Bay of Bengal, which has created manufacturing and export centric industry. The fertile plans in the delta regions of major peninsular rivers of Godavari and Krishna are rich with agricultural based industries and mine deposits found in the districts of Rayalaseema, Eastern Ghats and neighbouring states has led to large scale ore exports.

Visakhapatnam has emerged as major industrial centre and has major public and private sector establishments producing large scale industrial goods ranging from steel, metals, petroleum, polymers, fertilizers, heavy engineering equipment and also facilities ship building, ports and fishing, Kakinada has multiple fertilizer refineries and provides large scale of natural gas from the off shore of KG basin Kakinada also exports sea food and related products, produce agricultural products. Vijayawada is famous for processing of agricultural products automobiles body building, hand ware, textile, consumer goods and small scale industries. Andhra Pradesh has one major port at Visakhapatnam and several medium ports like Gangavaram, Kakinada, and Krishnapatnam, which accounts to large export of cargo traffic. There are several large power plants and major ones are established at Visakhapatnam Vijayawada, Kakinada, Krishnapatnam and Cuddapah.

## OBJECTIVE OF THE PAPER

- To study the economic status of Andhra Pradesh economy
- To analyse the sectoral performance of the State economy
- To find out the reasons and need for the sectoral shift in the States' economy
- To study the expected implications of the sectoral transformation.

## STATUS OF ECONOMY OF ANDHRA PRADESH

The economy of Andhra Pradesh is one of the fastest growing economies in India. The Andhra Pradesh domestic Product (GSDP) at current prices for 2019-20 is estimated Rs. 9,72,782 crore compared to 8,62,957 crore in 2018-19 a growth rate of 12.73%. The per capita income of the State at current prices is Rs. 169,519 (2019-20) increased from Rs. 1,51,173 (2018-19) and occupied 16<sup>th</sup> GDP per capita rank, against the national per capita income Rs. 1.34,432.

## SECTORAL PERFORMANCE OF ANDHRA PRADESH

The economy of Andhra Pradesh is primarily dependent on agriculture, which directly and indirectly employs 62% of the population. **The State has been ranked the best State in ease of doing business in the country by the World Bank.** Due to favorable conditions, the agricultural sector Gross Value Added (GVA) grew by 18.96%. At Constant prices, Livestock, Horticulture and Fishing sectors were the key contributors to the Double Digit Growth that propelled the performance of the Agriculture & Allied Sectors. During 2019-20, the horticulture sector witnessed 11.67% growth and live stock by 4.53%. Monsoons and seasonal conditions play a major role in agricultural production. The Proportion of area under agriculture is 37.11% (including fish ponds). The gross irrigate area (38.13 lakh hectare) is 52.33% of gross area sown (72.87 lakh hectare in the State. Gross sown in the year 2019-20 is 72.87 lakh hectare from 72.97 lakh hectare (previous year 2018-19) showing a decrease of 0.14%. The net sown area in the year 2019-20 is to 58.84 lakh hectare from 58.91 hectare over previous year 2018-19 showing a decrease of 0.12%

The industry sector comprises of manufacturing, mining, construction and electricity. The sector contributed 22.2% to GVA and had a growth rate of 10.16% in FY 2016-17 at current prices. The per capita income in the industries sector is higher than the agricultural sector but lower than the services sector in Andhra Pradesh. This sector expected to register a growth rate of 5.67% in 2019-20. In 2019-19, the GBVA of the industry sector was 10.24%

Service sector is imperative for the economic growth of the state since every additional job in this sector contributes 3.8 times to GVA as compared to agriculture. Services sector provides an opportunity for shifting excessive and less productive work force out of the primary sector. Services has a share of 57% in State GVA, followed by Agriculture (32%) and Industry (22%). Despite significant growth rates, GVA contribution from services sector in the economy is low for Andhra Pradesh when compared to that of leading states like Karnataka (64%), Telangana (61%), Maharashtra (55%) and also the national average (54%). Given the benefits to the State from encouraging activity in this sector, a Task Force has been constituted under the leadership of Hon'ble Chief Secretary, with Secretaries from different line departments as its members and Secretary, Planning as its Convener. The task force has identified important growth engines and necessary strategies to give a fillip to the sector.

'Retail' has been identified as a critical growth engine. The task force has directed officers of the State to come up with an action plan to promote 500 'Made in AP' products, and to set up Integrated Retail parks in both Urban and Semi-Urban areas. It has been decided to give a boost to 'Tourism and the MICE industry'. The Tourism department has signed a strategic MOU with Ola to deploy the fleet of cabs in all the cities and tourist destinations in the state. It is planned to increase room capacity in five-star hotels from existing 750 to 3,200 in the next three years. Leveraging on the long coastline & the existing National Highway network in the state, integrated wayside and beach side amenities are being set up at identified locations.

Air transport and storage are other important growth engines that have been identified for promoting the services sector of Andhra Pradesh. Kadapa Airport has been made operational under the

Regional Connectivity Scheme, and international operations are planned for commencement from Vijayawada and Tirupati airports in addition to Vishakhapatnam. Government has announced Asia's largest 'Fintech Hub' along the beach in Visakhapatnam. Companies like HSBC and Paytm have already commenced operations from the plug-and-play facility developed there. Other foreign banks along with local players are expected to set up offices soon. 166 IT companies with a committed investment of INR 3,400 crores have initiated operations in the State and another 165 IT companies are expected to commence operations bringing in an investment of INR 7,670 crores. In addition to the above ongoing initiatives, Premier educational institutions like IIT, NIT and IIM – Visakhapatnam along with other private universities have come up in the State. The Task Force has identified 'Health, Banking and Media & Entertainment' as other important growth engines, and plans are underway to promote the same.

### NEED FOR SECTORAL TRANSFORMATION:

Having set the goal of making Andhra Pradesh the best State in the country by 2029, the government laid its focus on '**Structural Shift and transformation**' in the economy. The government estimates that 5 million to 6 million people are 'disguised unemployed in the agricultural sector. It is chalking out plans to shift such labour force which has either no work or is working in redundant manners that does not affect against output, to low skilled manufacturing sectors, Such as food processing and footwear to increase their income levels apart from addressing the unemployment.

With the 'Structural Shift' the government estimates their agricultural labour will decline from 62% to 40% by 2029 and industrial workforce increase from 18% in 2014-15 to 30% by 2029. A large number of people are employed in the agricultural sector as Andhra Pradesh is primarily an agri-based economy. A majority of them is found to 'disguised unemployed'. It has been found that there is a need for a structural shift in labour force. The total work force is skewed in favour of agriculture in the State about 69% of the rural work force and 55% of the total work force is engaged in agriculture. However, the total contribution of sector to the State economy is just 27.6% which points to low labour productivity.

### TRANSFORMATION FROM AGRICULTURAL SECTOR TO INDUSTRIAL SECTOR:

With Andhra Pradesh emerging as one of the fast growing economies in India we need to relook at our journey to ensure that the fruits of this economic growth are enjoyed by all sections of the people. CII believes that the inclusive growth can better achieved by creating employment opportunities for everyone in the society. The employment opportunities can be created with accelerated phase of industrial development as well as enhancing the skills of the people. Hence, CII AP has set the vision to strengthen the workforce by envisioning 35 Million Employment by 2022, focusing on the nonfarm sectors. To achieve this there is a need to promote labour intensive production units in the rural areas.

To solve the disguised unemployment and unemployment problem in Andhra Pradesh the Government decided to develop industrial sector in the State. For this the Government unveiled its new Industrial Policy 2020-23 identified 10 thrust areas to propel economic growth, with manufacturing as the high priority sector that would create large scale employment. The Government identified industrial zoning as a key focus area to ensure planned industrial development and provide a risk-free, investment- friendly environment for setting up and operating industries in the state with minimal impact on the environment.

The workforce while working at the manufacturing units can also look after the agriculture and this would not only facilitate equitable economic growth but also ensures food security to the country's growing population. CII strongly believes that creation of more employment opportunities in rural and semi urban areas will reduce the migration of people from rural areas to urban areas in search of employment and would ease out the burden on the urban cities which have fast emerged as traffic islands.

Government of Andhra Pradesh has focused on the following industries in the State mapped to districts based on their potential synergies.

**The focused ten areas are:**

1. Agro and Food process
2. Life sciences (including pharmaceutical)
3. Textile and Apparel
4. Electronics and Information Technology
5. Aerospace and defence manufacturing
6. Automobiles and auto components
7. Petroleum, chemicals (including fertilizers and petro-chemicals)
8. Energy
9. Mineral based industry
10. Leather

The Government identified the regions which are suitable for certain industries according to their potentialities.

1. Srikakulam – Agro and Food processing, Chemicals and Petrochemicals, mineral based industries, life science
2. Vizianagaram – Agro and food processing, metallurgy, aquaculture
3. Visakhapatnam – textiles, electronics, metallurgy, engineering and life sciences
4. East Godavari – chemicals, petrochemicals, agro and food process
5. West Godavari – textiles, ceramic, agro and food processing, aquaculture
6. Krishna – petrochemical, agro and food processing, automobiles and auto components, life sciences, textiles and metallurgy
7. Guntur – cement, textile, agro and food processing
8. Prakasam – textiles, Granite
9. Nellore – leather, agro and food processing and textile, automobiles and auto component
10. Chittoor – Agro and food processing, electronics, textile, automobiles and auto component, Heavy engineering
11. Kadapa – Agro and food processing, mineral based industries
12. Anantapur – Electronics, textile
13. Kurnool – Mineral based industries, food processing

The Government has entered into more than 2,500 MoUs so far. Of them, 630 pertain to the food processing industry and more than 2-20 million jobs are expected to be created. Of them, at least 20% would be in low-skilled manufacturing sector such as footwear and apparel.

Now the target is to impart training to the disguised unemployed in the agricultural sector and shift them to the low-skilled manufacturing sector. Moreover, the agricultural sector's share in the State's economy is expected to drop to 22-25% by 2029. But the industry's share is expected to rise to 25-28%. The labour force in the industry stood at 18% in 2015 and is expected to touch 30% by 2029. The labour force service sector in 2015 was 27, and the target is to take it to 30% by 2029.

For this Andhra Pradesh Government introduced the 'De-risking the investments in the cornerstone of the new industrial policy. Introducing 'YSR AP One' a multi-faceted business enablement centre which acts as a one-step resource and support centre for industries. YSR AP One would provide handling support (to investors) during pre-establishment and set up of industrial units, post-set up support, backward and forward linkages and access to market and new technologies among other things.

Achieving full employment will require a reorientation of Government priorities, policies and action. The goals could be set on a sector-wise basis while simultaneously planning need to be integrated around a central vision. It is important for the Government, CII and other stakeholders to work together to have achieved this goal. This is possible only through collaborative efforts of all the stakeholders.

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