

THE ANDHRA PRADESH ECONOMIC ASSOCIATION

XXX Annual Conference

11 - 12, February, 2012



NEWS LETTER

Conference President:

Dr. K.R. Choudry
Professor (Retd.)
Acharya N.G. Ranga Agricultural University
Hyderabad

Chairman:

Prof. L. K. Mohana Rao
Department of Economics
Andhra University
Visakhapatnam - 530 003

Secretary & Treasurer:

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Dr. N. Nagendra Sai
Principal
S.V. Arts College, Tirupati - 517 502

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Dear Member,

Greetings! I am happy to inform you that Dr. K.R. Choudry, Professor(Retd.), N.G. Ranga A.P. Agricultural University, Hyderabad has given his consent to deliver the Presidential Address at our 30th Annual Conference. I am also to inform you that Prof. S.Galab, CESS, Hyderabad will deliver Sri C.V. Subba Rao Memorial Lecture.

I am also to inform you that Prof. K.C. Reddy, our former Chairman and at present Vice Chairman, REECAP & Chairman, REEMAP has given his consent to deliver the Silver Jubilee Lecture.

The 30th Annual Conference of our Association will be held during **11 -12, February 2012 at S.V. Arts College, Tirupati - 517502**. Prof. L.K. Mohana Rao, Chairman of APEA will preside over the Inaugural session. The Themes selected for the Conference are:

- Industrial Development in Andhra Pradesh
- Agricultural Development and Diversification
- Status of State Finances

Dr. N. Nagendra Sai, Principal, S.V. Arts College, Tirupati will be the Local Secretary of the Conference. Dr. Y. Arundhati and Dr. V. Subramanyam Chetty, Faculty, Department of Economics will be the Joint Local Secretaries. The delegate fee is Rs. 300/- and the members are requested to send the filled – in registration forms to the Local Secretary by 31st January 2012. This enables the Local Organisers for making the necessary arrangements.

A note on the Conference Themes is appended herewith and also you can login at **www.apea.in**. Paper writers are requested to choose any of the **sub – themes** and send their papers along with an **abstract** not exceeding 500 words. Each paper should be typed in MS Word format with 1.5 line spacing and should not exceed 15 pages (including tables). The contributors are requested to send the soft as well as the hard copies of their paper to the Local Secretary by 21st January 2012. This facilitates the Local Secretary to bring the Conference Volume in time. The contact number and the E-Mail address of the Local Secretary is given on the Title page of this News Letter. The contact number and the E-Mail address of the Joint Local Secretaries are given below.

Joint Local Secretaries:

Dr. Mrs. Y. Arundhati Mobile: 9866460881, e- mail: y.arundhati@yahoo.com
Dr. V. Subramanyam Chetty Mobile: 7893127466

C.S.N. Raju
Secretary and Treasurer
Andhra Pradesh Economic Association

XXX Annual Conference of Andhra Pradesh Economic Association - Call for Papers:

The 30th Annual Conference of our Association will be held during **11 -12, February 2012 at S.V. Arts College, Tirupati – 517 502**. Paper writers can choose any of the following Themes and can submit the papers in the prescribed format within the stipulated time to the Local Secretary.

Industrial Development In Andhra Pradesh

Industrial development play an important role and contribute effectively for the overall growth of the economy. It is sought as a means of general growth and diversification of the economy as well as a means of increasing employment opportunities and providing balance to regional development. Though Andhra pradesh was a late entrant on the industrial horizon of the country, it is well endowed in resources for setting up of industries. The State has substantial reserves of coal, mica, iron ore, limestone, asbestos as well as natural gas and oil. The State has large forest tracts covering an area of about 64 lakh hectares or about 23 percent of the total geographical area of the State which can be industrially exploited. The State has a long coast line of 974 kms. running from Ichapuram in Srikakulam district in the north to Sullurpet in Nellore district in the South. This coastline provides access to marine raw materials. There are seven working ports in the State including one major port i.e. Visakhapatnam and two intermediate ports (Kakinada and Machilipatnam). Visakhapatnam is the only major port between Calcutta and Madras with an excellent natural harbour. The State of course has a flourishing agriculture consisting of rice and other food grains as well as commercial crops like Groundnut, Castor, sunflower and other oils, fibres like cotton and mesta.

It is planned to make optimum utilisation of the potential available in the State and to exploit the resources in a scientific manner. Emphasis has been laid on increased employment generation in industries sector, improve exports, promote the growth of Small and Cottage Industries, help small entrepreneurs, diagnose industrial sickness and assist the sick industries and encourage industrial growth in harmony with environmental requirements.

Keeping this in view the State Government has initiated several programmes on its own or as centrally sponsored programmes like, establishment of growth centres, district industrial centres, industrial parks, specialized complexes, etc. However, much progress was not achieved in industrial development and to cope up with the economic reforms initiated by the central government, the government of Andhra Pradesh has announced the New Industrial Policy in 1995. The New Industrial Policy aims at increased investment in industries both from inside and outside the State, faster implementation of the projects, successful running of the existing and new industries and improvement in

the quality of life of the citizens of the State. The qualitative and quantitative objectives of the new industrial policy are:

- Accelerated rate of industrial growth in the State. The target is 20 percent growth year after year
- Increased employment generation in the industrial sector.
- Attract and facilitate large scale investment in industry and infrastructure in Andhra Pradesh both from India and abroad. Target is to achieve a total investment of Rs.1,00,000 crores by 2005
- Make optimum utilisation of the potential available in the State and exploit the resources in a scientific manner.
- Improve exports from Andhra Pradesh at a rate exceeding the national average rate of growth of exports
- encourage industrial growth, in having with environmental requirements;
- promote the growth of small scale and cottage industries to help the small entrepreneurs; and
- Diagnose industrial sickness and assist the sick industries to recover and come into the market.

In order to achieve the above objectives the Government proposes to adopt the following strategy.

- Promotion of private investment in infrastructure and other sectors.
- Identification of thrust sectors and effective promotion of industries in these areas.
- Creating appropriate organisational arrangements.
- Attractive fiscal incentive.
- Scientific system of taxation.
- Simplifications of Rules and Procedures and
- Greater intervention with industry associations.

In addition to the above measures, Special Economic Zones were approved and they are at different phases of development. Despite of all these, still the State has to go a long way to accelerate the pace of industrial development. Thus, the paper writers can choose any of the following aspects or related issues:

- a) Impact of New Industrial Policy on Industrial Development
- b) Causes for low FDI in the State
- c) Causes for sickness of SSIs and the possible measures to revitalize these units
- d) Impact of the Industrial Development on employment, specifically on rural employment
- e) Prospects for promoting agro – based industries

Agricultural Development and Diversification in Andhra Pradesh

Andhra Pradesh was among the very few states in the country which heralded green revolution, especially in respect of rice, in the 1970s. Agriculture sector recorded a modest growth of around 2.5% to 2.7% per annum in the last two decades. In the last five years (2000-05), growth of GDP in agriculture was less than one per cent per annum. Growth of NSDP in agriculture increased from 2.3% during 1980-93 to 2.7% during the period 1993-2006. It may be noted that crop sector in the post-reform period recorded only 0.6% growth per annum while live stock sector showed a growth of 8.4% per annum. Therefore, major growth in agriculture sector in the post reform period was due to growth in livestock sector.

The agriculture sector is the principal source of livelihood for over 70 percent of the total population in Andhra Pradesh. It contributes about one-fourth of the state's gross domestic product. Though the state attained the status of 'a food surplus state, around 13 percent of its population continued to be poor in 2009. The agricultural sector is dominated by small and marginal farmers. Their share in total holdings increased from 65 percent in the 1970s, to 81 percent in 2000, which makes these holdings unviable for domestic and global competitiveness⁴. The agriculture in the state is characterized by less fertile lands and low irrigation potential (with the exception of the coastal region), and acute land degradation. The state contributed around 8 percent to the national agricultural gross domestic product in 2003-04. The share of the agricultural sector in the state Gross State Domestic Product (GSDP) declined from more than 40 percent in the early 1980s, to around 24 percent in 2005. Despite a declining share of the agricultural sector in the state income, several changes have taken place in it, which merit a critical examination. The importance of food grains and traditional commercial crops is on the decline, while the share of High Value Commodities (HVCs), including horticulture, fisheries and livestock, has been rising.

The agricultural sector of the state, however, is confronted with serious problems such as the growing number of farmer suicides, rising costs of production, declining farm profits, deteriorating quality of soil and water resources, and growing number of smallholders that highlight the urgent need to revitalize the agricultural sector. It is therefore, important to explore alternative options to accelerate agricultural growth, reduce disparities and improve the quality of life of the rural people. The *Andhra Pradesh Vision 2020* envisioned a strong and vibrant agricultural sector by achieving an average annual growth rate of 6 percent, from a mere 2.6 percent during 1980-2000. Several high-potential areas were identified: dairy, fruits, vegetables, poultry, fisheries and agro-processing. These are considered as high-value commodities (HVCs), and potential sources for augmenting income, generating employment opportunities, and promoting exports. There are opportunities for accelerated growth of high-value commodities. Rising population, increasing incomes, growing urbanization, unfolding globalization, and changing tastes and preferences are causing rapid increases in demand for these commodities.

Agricultural diversification is viewed as a shift in production portfolio away from staple cereals towards High-Value Food Commodities such as fruits, vegetables, milk, meat, eggs

and fish. Based on the aggregate share of these commodities in the total value of agricultural production, the districts can be classified as high-, medium- and low-diversification zones. There are a number of factors that influence the spread of HVCs. These include availability of credit, post-harvest infrastructure and marketing, cold chains, quality-testing laboratories. Unless these facilities are streamlined to support the needs of stakeholders on the supply chain, diversification towards HVCs would remain restricted. For instance, the processing industry is plagued by a number of bottlenecks on the supply side – non-availability of raw materials, poor quality, small size of the units and obsolete technology, regulations and policy hurdles, high taxes, lack of post-harvest infrastructure and food standards testing laboratories. Vertical coordination or contract farming for high-value commodities is in a nascent stage in the state and only a small proportion of HVCs' production is covered under such innovative arrangements (hybrid seed production and broiler production being the only exceptions). In recent years, the state government has taken a number of initiatives to promote HVCs and improve infrastructure and marketing efficiency. An important step was to modify the existing AP Markets Act (Agricultural Produce and Livestock) 1966, by including provisions from the Model Marketing Act 2003 evolved by the central government. Another initiative was the establishment of Agri-Export Zones (AEZs) to promote exports of horticultural products. Presently, there are five AEZs covering gherkins, mangoes and its products, grapes, vegetables and chilies. The state government has also come out with a policy on 'food processing' with an emphasis to develop food parks and agri-export zones, and to give clearances to food processing industries under the single-window system. However, implementation of all these measures/policies is far from adequate. The recent expansion in the retail sector owing to the reduction of control in the investment and the entry of large corporate players into the food processing and outlet chain has changed the game to a great extent. On one hand, massive investments made by corporate giants like Reliance, Spencer's, Subhiksha and many other regional players have opened up new markets for fresh and processed high-value commodities, on the other, the absence of coordinated supply chains, and the lack of strong backward linkages pose challenges for sustainable and inclusive growth. In the long run, the consolidation of the marketing and retail chain will reduce transaction and marketing costs but there is a need to put in place various measures to ensure that the smallholders are not left out.

The paper writers by keeping the above points in view, can choose any of the following aspects or related issues:

- a) The growth of agricultural sector in Andhra Pradesh specifically during the post reform period.
- b) The nature of diversification in Andhra Pradesh's agricultural sector.
- c) The factors influencing the diversification of agricultural sector.
- d) The institutional supportive measures to be taken by the government of A.P. to boost up agricultural exports through diversification.
- e) The impact of diversification towards High Value Commodities on food security and poverty.

Status of State Finances

Fiscal imbalances prevailed moderately in 1980s and severely in the 1990s at national and sub-national levels of the Indian Union which has assigned greater importance to the subject 'State Finances'. To begin with, fiscal crisis occurs because of increasing revenue deficits i.e., more revenue expenditure and relatively low revenue receipts which compels the state to divert the resources meant for capital expenditure raised mostly through borrowings, to fill the revenue deficits. This situation causes not only low overall productivity of government expenditure and low returns but also massive rise in interest burden accentuating the revenue deficit further and also increases the debt repayment burden. At this stage, the borrowings are spent not only to fill the revenue deficit but also to repay the debt component.

Andhra Pradesh state was not an exception to the above mentioned situation. To turn-around this situation, the government of Andhra Pradesh initiated reforms on several fronts. Policy measures particularly budgetary measures are through fiscal instruments such as taxes, public expenditure, loan finance and debt management and fiscal correction. The state government took certain steps on the receipts front to improve its finances since the mid-90s. The World Bank also suggested a few reforms to increase the developmental impact of public expenditure and to strengthen the management of expenditure to improve the fiscal situation of the state. Finance Commissions too emphasized need for fiscal correction. The Reserve Bank of India and the Central government took the initiative in the reform process of the state governments. With the introduction of rule-based fiscal reform process several states (also central government) have enacted Fiscal Responsibility Budget Management Act which compelled the state governments to reduce the revenue deficit and reach the revenue surplus situation by 2008-09. The act placed the limit on the fiscal deficit/GSDP ratio and Debt/GSDP ratio as well.

The impact of fiscal measures on receipts, expenditure and debt position of Andhra Pradesh state government is glaring. The fiscal situation of A P started improving and in 2006-07 revenue surplus and primary surplus situation has been reached. Fiscal deficit and debt ratios with respect to GSDP were also brought within the limits. But this state of affairs has not been consistently maintained in subsequent years. The relative share of revenue receipts in the total receipts in the budget / revised estimates / accounts of 2007-08 showed a decline when compared with corresponding figures of the preceding year 2006-07. The corresponding figures for the year 2008-09 are though higher than the 2007-08, they are more or less nearer to that of 2006-07. The growth rate of revenue receipts in the year 2007-08 was lower than the previous year by 7 percentage points while the revenue expenditure increased by nearly 12 percentage points. As the growth rate of revenue receipts of 2008-09 again declined by 6 percentage points over previous year, the revenue expenditure growth rate halved for the same period. This reflected in the fiscal indicators too. The revenue surplus which was at 1% of GSDP in 2006-07 declined to 0.05%, 0.27% and 0.30% in 2007-08, 2008-09 and 2009-10 respectively. Nominal maintenance of revenue surplus situation made the fiscal deficit deteriorate during the same period. The *fiscal deficit / GSDP ratio* was 2.04 % in 2006-07 and has

reached to 2.69%, 3.29% and 3.41% in 2007-08, 2008-09 and 2009-10 respectively. It is clear that the fiscal position of the State is not consistent, in spite of the reform measures.

While minimal upholding of revenue surplus situation, abiding FRBM norm, may not contribute much to the state economy, limit on fiscal deficit and debt stock control the scope of state borrowings at last affecting the implementation of socio-economic activities of the state. The reason for the decline in the fiscal situation is, though, attributed to economic slowdown by most policy makers and observers of the Indian economy or state economy which in turn mainly because of the external factors such as global slowdown, considerable correction is necessary and inevitable particularly in the context of initiation of the Twelfth Five Year Plan and also to improve the position of Andhra Pradesh with respect to human development index.

With this backdrop, the APEA has chosen "State Finances" as a theme to be discussed at the Annual Conference to be held at Tirupati during the second week of February 2012. To raise the discussion, fiscal situation of Andhra Pradesh state government is discussed above. Members of APEA may submit their research papers on financial issues of state(s). Below mentioned topics are only indicative and not exhaustive.

- (a) Exploring revenue potential in Andhra Pradesh;
- (b) Fiscal discipline;
- (c) Expenditure management and the quality of expenditure;
- (d) Debt management;
- (e) Andhra Pradesh vs. other states;
- (f) Financial position of state governments.

Sri C.V. Subba Rao Memorial Lecture

During the 30th Annual Conference Sri C.V. Subba Rao Memorial Lecture will be delivered by Prof. S. Galab, CESS, Hyderabad.

Silver Jubilee Lecture

During the 30th Annual Conference, Prof. K.C. Reddy, our former Chairman and at present Vice Chairman, REECAP & Chairman, REEMAP will deliver the Silver Jubilee Lecture.

Sri Mukdum Memorial Prize for Essay Writing

The topic chosen for Sri Mukdum Memorial Prize for this year is "Improving Human Development in Andhra Pradesh" The Post Graduate Students of Economics or related subjects are eligible to participate in this competition. The essay should be written legibly and should not exceed 20 pages. The last date for sending the essays is 31st January 2012 and they should be sent to the Secretary, APEA for evaluation by a Committee to be constituted by the Chairman, APEA for this purpose.

Prof. K. V. Ramana Memorial Prize for Best Paper Presentation

A committee constituted by the Chairman of APEA will go through the papers and announce the name of the winner and the Award will be presented at the next Conference.

Member of the Executive Committee

Dr. Sanjaya Baru New Delhi	Prof. S. Indrakanth Dept. of Economics Osmania University Hyderabad
Prof. K. S Reddy CESS Nizamia Observatory Campus Hyderabad	Prof. K. Dasaratha Ramiah Dept. of Economics Sri Krishna Devaraya University Anantapur
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Dr. A. Bhavani Siva Sivani Institute of Management Kompally, Secunderabad	Dr. C. Subba Reddy Lecturer in Economics Guntur – 522 002
Dr. M. Pushpa Latha Dept. of Economics, Khammam PG Centre, Khammam-507 001.	Dr. K. Madhava Rao Lecturer in Economics Malligudem Khammam



REGISTRATION FORM

**XXIX Annual Conference of the APEA at S V Arts College, Tirupati
(11- 12 February, 2012)**

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