

Profile of Odisha

Odisha is located on the east coast of the country. It is the ninth largest State in terms of geographical area (155707 sq. km) and the 11th largest by population as per 2011 census. The State's population increased from 3.68 crore in 2001 to 4.20 crore in 2011, recording a decadal growth of 14 *per cent* as indicated in **Appendix-I.1**. Population below the poverty line at 45.9 *per cent* was higher than the national average of 29.5 *per cent*. Odisha has a lower literacy rate, lower life expectancy at birth and higher infant mortality rate when compared to the all India average. The State has shown a higher economic growth in the past decade as the compound annual growth rate of its Gross State Domestic Product (GSDP) for the period 2005-06 to 2014-15 has been 15.48 *per cent* as compared to 15.44 *per cent* in General Category States. During the above mentioned period, its population grew by 8.45 *per cent* against 12.76 *per cent* in General Category States. General data relating to the State is given in **Appendix-I.1**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important economic indicator of the State Economy, as it depicts the increase in total value of production activities in the State. The trends in the annual growth of India's GSDP at current prices are indicated below:

Annual growth rate of GDP and GSDP (at current price).

Year	2010-11	2011-12	2012-13	2013-14	2014-15
India's Gross Domestic Product (GDP) (₹ in crore)	7248860	8391691	9388876	10472807	11509810#
Growth rate of GDP (in percentage)	18.66	15.77	11.88	11.54	9.90
State's GSDP (₹ in crore)	197530	220589	251220	272980	310810
Growth rate of GSDP (in percentage)	21.22	11.67	13.89	8.66	13.86

Source: For GSDP, the information as available in CSO website as on 31st July, 2015.

GSDP figures for the year 2014-15 relating to Gujarat, Himachal Pradesh, Kerala, Manipur, Mizoram, Sikkim and Tripura have been obtained from respective AGs/DESSs.

Excludes three States / UTs namely Goa, A & N Islands and Chandigarh.

The GSDP of the State increased from ₹ 272980 crore during 2013-14 to ₹ 310810 crore during 2014-15, thereby registering a growth rate of 13.86 *per cent* over the previous year, whereas GDP registered a growth of 9.90 *per cent* over the previous year.

The abbreviations used in this report have been expanded in the *Glossary of terms (and basis of calculation) and Acronyms used in the Report* at **Appendix – 4.1** at page 135 .

1.1 Introduction

This chapter is based on the audit of the Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2015. It provides a broad perspective of the finances of the State Government during 2014-15 and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during last five years. The structure of Government Accounts and the layout of Finance Accounts are given at the *Appendix-1.2*.

1.2 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2014-15) vis-à-vis the previous year, *Appendix-1.3* shows the overall fiscal position of the State and *Appendix-1.4* shows details of receipts and disbursements during the current year.

Table 1.1: Summary of Current Year's fiscal operations

(₹ in crore)

Receipt			Disbursement				
	2013-14	2014-15		2013-14	2014-15		
Section A	Total	Total	Section A	Total	Non-Plan	Plan	Total
Revenue Receipts*	48946.85	56997.88	Revenue Expenditure	45617.75	32258.66	18877.09	51135.75
Tax Revenue	16891.59	19828.30	General Services	13689.41	14353.53	175.33	14528.86
Non-Tax Revenue	8378.60	8070.87	Social Services	18721.55	10482.69	10481.45	20964.14
Share of Union Taxes/ Duties	15247.24	16181.22	Economic Services	12314.59	6605.07	8220.31	14825.38
Grants from Government of India	8429.42	12917.50	Grants-in-aid and Contributions	892.20	817.37	--	817.37
Section B			Section B				
Miscellaneous Capital Receipts	0.03	--	Capital Outlay	7756.40	17.98	11056.65	11074.63
Recoveries of Loans and Advances	257.18	91.87	Loans and Advances Disbursed	463.55	98.48	259.52	358.00
Public Debt Receipts**	2290.25	7645.63	Repayment of Public Debt**	2293.22	4111.45	--	4111.45
Contingency Fund	--	150.00	Contingency Fund	150.00	--	--	--
Public Account Receipts	32677.32	24800.68	Public Account Disbursement	31256.60	--	--	22511.40
Opening Cash Balance	12867.19	9501.30	Closing Cash Balance	9501.30	--	--	9996.13
TOTAL	97038.82	99187.36	TOTAL	97038.82			99187.36

Source: Finance Accounts of the Government of Odisha for respective years

The following are the significant changes during 2014-15, compared to the previous year:

- Revenue Receipts of the State increased by ₹ 8051 crore (16.45 per cent) over the previous year. This increase was mainly contributed by State's own Tax Revenue (₹ 2936 crore), Grants-in-aid (GIA) from Government of India (₹ 4488 crore) and State's share of Union Taxes/Duties (₹ 934

* do not include ₹ 4699.58 crore and ₹ 207.07 crore transferred directly to Non-Government Organisations (NGOs)/ Voluntary Organisations in Odisha by Government of India (GoI) during 2013-14 and 2014-15 respectively.

** excluding net transactions under Ways and Means advances and overdrafts.

crore). However, there was decrease in own Non-Tax Revenue (₹ 308 crore).

- Revenue Expenditure increased by ₹ 5517.99 crore (12.09 *per cent*) during 2014-15 over the previous year mainly due to increase in expenditure in Economic Service Sector (₹ 2510.79 crore), Social Service Sector (₹ 2242.59 crore), General Services Sector (₹ 839.45 crore) and less disbursement of Grants-in-aid and contributions (₹ 74.83 crore).
- Capital outlay increased by ₹ 3318.23 crore (42.78 *per cent*) over the previous year, mainly on account of increase in expenditure on Roads & Bridges (₹ 2225.34 crore), Medical and Public Health (₹ 269.42 crore), Education, Sports, Arts and Culture (₹ 205.74 crore) and Irrigation (₹ 610.83 crore). However, disbursement of Loans and advances decreased substantially by ₹ 105 crore (22.68 *per cent*) from ₹ 463 crore in 2013-14 to ₹ 358 crore in 2014-15.
- Public Debt receipts increased by ₹ 5355.38 crore (233.83 *per cent*) while repayment of public debt increased by ₹ 1818.23 crore (79.29 *per cent*).
- Public Account receipts (₹ 24800.68 crore) decreased by ₹ 7876.64 crore (24.10 *per cent*) over the previous year mainly due to decrease in Suspense and Miscellaneous (₹ 41767 crore), Reserve Fund (₹ 1102 crore) and Deposits and Advances (₹ 177 crore) which was set off by increase in Remittances (₹ 3279 crore) and Small Savings and Provident Fund (₹ 138 crore). Public Account disbursements (₹ 22511 crore) on the other hand, decreased by ₹ 8746 crore (28 *per cent*) during the same period.
- Cash Balance of the State increased by ₹ 494.83 crore.

1.2.1 Review of the fiscal situation

The Thirteenth Finance Commission (ThFC) recommended that every State needs to amend the Fiscal Responsibility and Budget Management (FRBM) Act and work out a fiscal reform path to make credible progress towards fiscal consolidation. Keeping in line with the recommendations of the ThFC, the State Government amended (February, 2012) the State FRBM Act, 2005 which laid down the following fiscal targets:

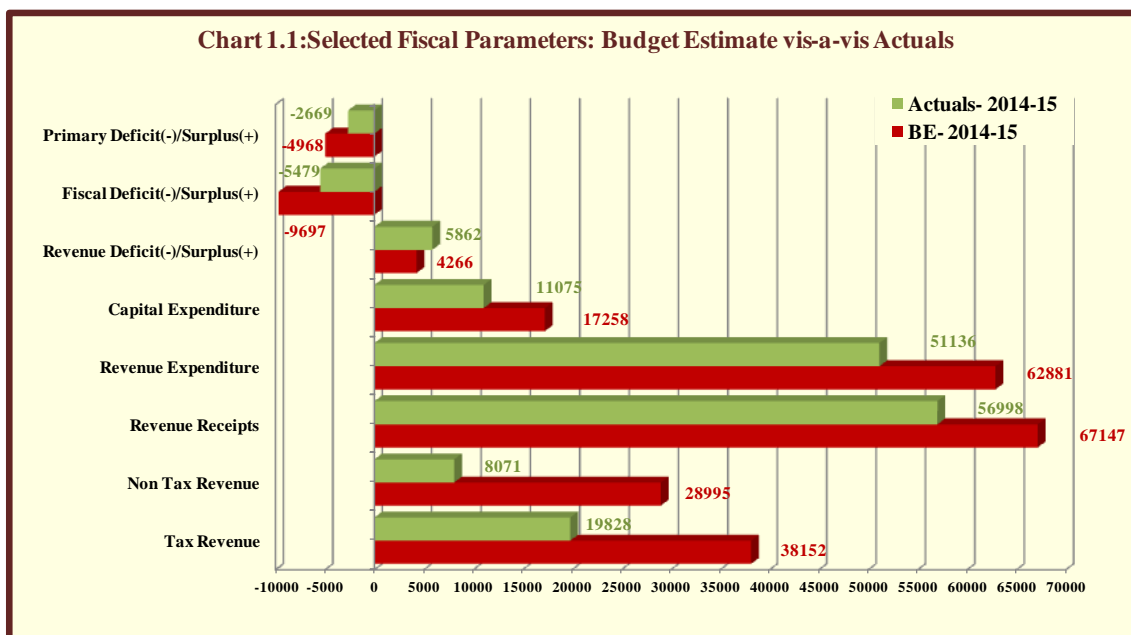
- Revenue deficit during 2011-12 and onwards to be maintained at Zero.
- Fiscal deficit to be contained within three *per cent* of the Gross State Domestic Product (GSDP) from 2011-12 and onwards.
- In order to bring the debt stock to a sustainable level, interest payment as a percentage to Revenue Receipt to be limited to 15 *per cent*.

- For the purpose of ensuring compliance to the provisions of the FRBM Act, the State Government shall entrust an agency independent of State Government who shall periodically make review of such compliance and submit reports thereof to the State Government for laying the same before the State Legislature.

However, disclosures such as projection of Revenue Consequences of Capital Expenditure (RCCE), Public Private Partnerships (PPPs) and related liabilities, statements on physical and financial assets and vacant public land and buildings were not included in the Mid Term Fiscal Plan (MTFP), even though recommended by ThFC. Further, the Government has not prepared the outcome indicators of Fiscal Correction Path (FCP) during the period covered by the ThFC. The State has achieved the targets for Revenue, fiscal deficits, level of debt stock and interest payment, as laid down by ThFC/FRBM Act for the year 2014-15.

1.2.2 Budget Estimates and Actuals

Budget papers presented by the State Government provide estimation of Revenue and expenditure for a particular financial year. The importance of accuracy in estimation of Revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from Budget Estimates are indicative of non-attainment and non-optimisation of desired fiscal objectives. Compared to the Budget Estimates for 2014-15, there was considerable variation in actuals in the case of several key fiscal parameters. **Chart 1.1** present the Budget Estimates and actuals for some important parameters.



Source: Finance Accounts for the year 2014-15 and Budget at a Glance 2014-15, Government of Odisha.

As may be observed from **Chart 1.1**, the State's actual Revenue Receipts were less than the Budget Estimates by ₹ 10149 crore whereas, the State's own Tax Revenue was less than the Budget Estimates by ₹ 18324 crore (48 per cent) while Non-Tax Revenue was less than the Budget Estimates by ₹ 20924 crore (72 per cent). Revenue expenditure was also less than Budget estimate by ₹ 11745 crore. As a result, Revenue surplus was ₹ 5862 crore instead of Budget estimate of ₹ 4266 crore. Capital expenditure was also less by ₹ 6183 crore.

1.2.3 Major policy initiatives in the budget

Major policy initiatives of the budget 2014-15 which could not be implemented during the financial year 2014-15 are given in **Table 1.2** below:

Table 1.2: Major policy announcement in the Budget and implementation thereof

Sl. No.	Department	Policy announcement details	Status of Implementation
1	Health and Family Welfare	Health Management Information System: For development of Health Information System, funds to the tune of ₹ 10 crore were provided in the Budget.	Due to non-implementation of Health Management Information System, scheme funds amounting ₹ 9.35 crore were diverted for DFID assisted Odisha Health Sector Plan (OHSP) Scheme in the Supplementary budget.
2	Rural Development Department	A new scheme "Mukhya Mantri Sadak Yojana" (MMSY) was introduced. Road connectivity to villages not covered under PMGSY was to be taken up for construction under the Scheme. A sum of ₹150 crore was provided for the new scheme during 2014-15.	The guidelines for the scheme "MMGY" were issued during February, 2015 for which there was little scope to utilise the budgetary allocation during 2014-15. Therefore, budget announcement was made without prior planning.
3	Energy Department	"State Capital Region Improvement of Power System" (SCRIPS) was launched in the current financial year with a sum of ₹ 100 crore, for providing a disaster resilient power system capable of providing quality and reliable power to the region.	Even at the end of the financial year, the e-tender was not floated.
4	Sports and Youth Services Department	For Development of Kalinga Stadium Sports Complex in Bhubaneswar, ₹ 28.13 crore was earmarked, which includes Synthetic Turfing for 2 nd Hockey stadium.	₹ 400 lakh has been re-appropriated to "Construction of Mini Stadium", ₹ 12.50 lakh was re-appropriated to "Construction of Staff quarters" and ₹ 1000 lakh was surrendered at the time of supplementary budget as per the instruction of P & C Department.
5	Co-operation Department	Financial Assistance to PACS for Establishment of Agri-Clinics- An Agri-Clinic Cell was to be established in selected PACS to provide consultative support to the farmers for maintaining proper health of their crops through dissemination of latest technology, knowledge and other agriculture related services. Accordingly, an amount of ₹ 3 crore was provided for the purpose.	The scheme could not be implemented during the financial year.
6	Panchayati Raj Department	Funds of ₹ 10 crore were provided under a new State Scheme "Mission Yuva Shakti" during 2014-15. This Scheme aims to mobilise the youth and achieve their holistic development. It is a convergence programme with a focus on tapping the existing potential of the youth, building their capacities and making them socially and economically empowered for improvement of their quality of life.	The scheme could not be implemented during the financial year.
7	Planning and Co-ordination Department	A sum ₹ 7 crore was provided for the new scheme "Innovation" to prepare technological innovation road map for promoting technological intervention in various sectors.	Out of ₹ seven crore a sum of ₹ 5.10 crore was surrendered and no expenditure was incurred from the balance amount of ₹ 1.90 crore till date.

Source: Budget at a Glance 2015-16, Government of Odisha.

As can be seen from above, the policy announcements were made without prior planning which resulted in failure.

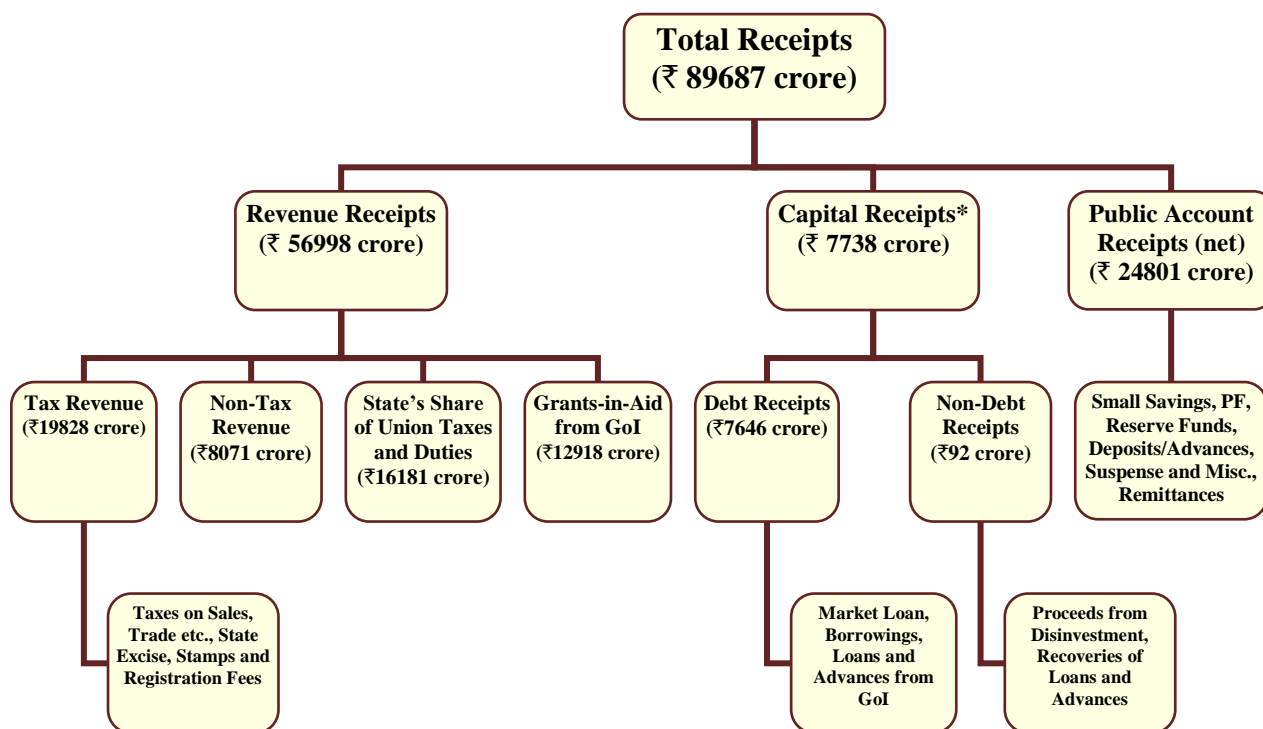
1.3 Resources of the State

1.3.1 Resources of the State as per Finance Accounts

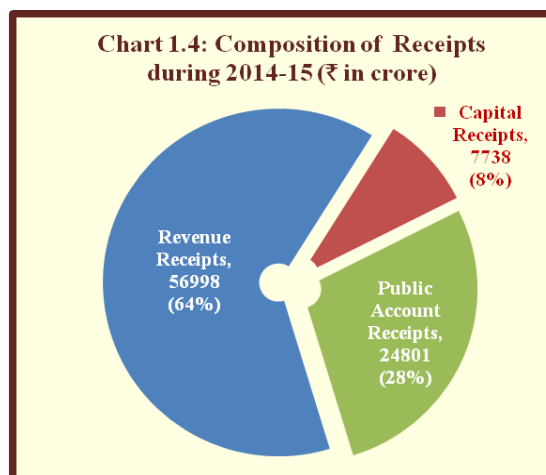
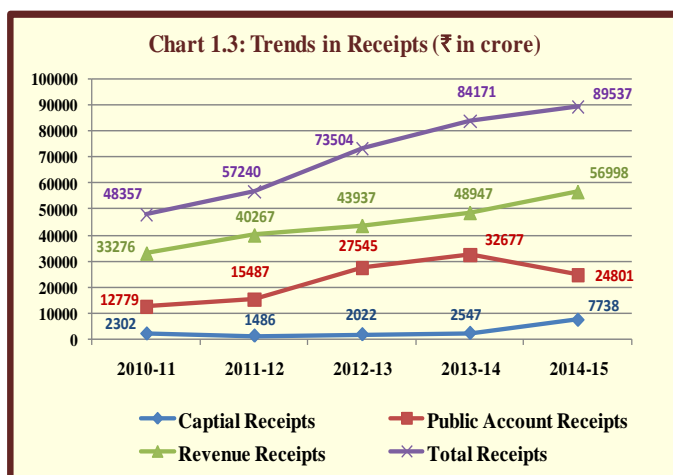
The progress of Government programmes depends on its resources and determines the expenditure threshold of the Government. Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, State’s share of Union Taxes and Duties and GIA from Government of India (GoI). Total Capital Receipts comprises of Capital Receipts such as miscellaneous Capital Receipts from disinvestments, and other receipts are recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Account.

Table 1.1 and **Chart 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2010-15. **Chart 1.4** depicts the composition of receipts of the State during the current year.

Chart 1.2: Components and sub-components of Resources



* Excludes ₹ 150 crore recouped to Odisha Contingency Fund



Source: Finance Accounts of Government of Odisha for respective years

During 2010-2015, total receipts increased by 84.71 per cent from ₹ 48556 crore in 2010-11 to ₹ 89687 crore in 2014-15, of which increase of Revenue Receipts was by 71.29 per cent from ₹ 33276 crore to ₹ 56998 crore during the period due to higher collection of State's own taxes as well as increases in State's share of Central tax transfers and GIA from GoI. However, the share of Revenue Receipts as percentage of total receipts decreased from 69 per cent to 64 per cent from 2010-11 to 2014-15. The share of Capital Receipts increased from five per cent in 2010-11 to nine per cent in 2014-15. The share of Public Account receipts to the total receipts increased from 26 per cent to 28 per cent from 2010-11 to 2014-15.

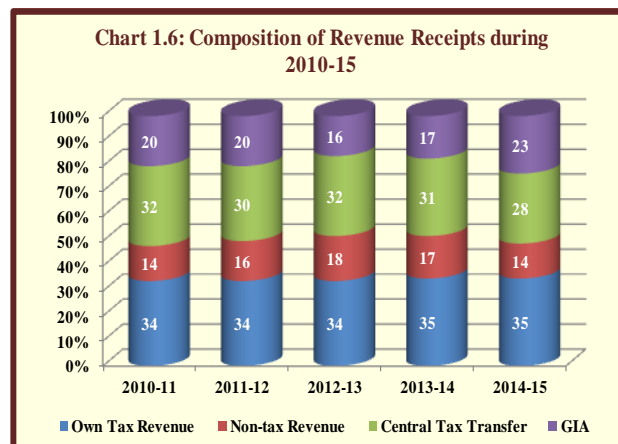
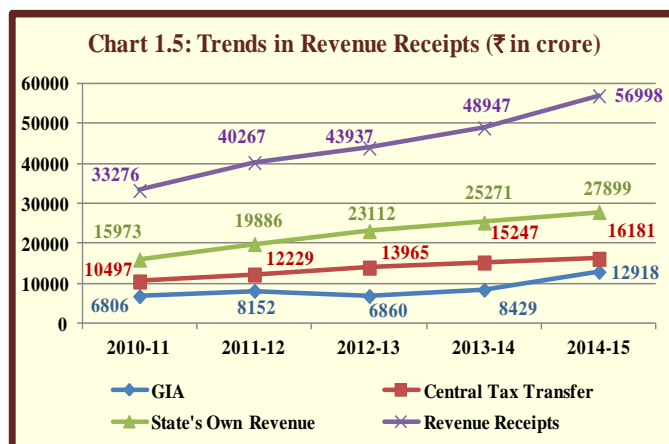
1.3.2 Funds transferred to State implementing agencies outside the State Budget

Direct transfer to State Implementing agencies by GoI was reduced by 96 per cent from ₹ 4699.58 crore in 2013-14 to ₹ 207.07 crore in 2014-15. Funds for Members of Parliament's Local Area Development Schemes (MPLADS) amounted to ₹ 135 crore. This was due to GoI's decision to release all assistance under Centrally Sponsored Schemes (CSS)/Additional Central Assistance (ACA) directly to the State Government and not to the implementing agencies. Thus, during 2014-15 the quantum of direct transfers was insignificant (0.36 per cent of State's Revenue Receipts).

1.4 Revenue Receipts

Revenue Receipts consist of State Government's own tax and Non-Tax Revenues, State's share of Central tax transfers and GIA from GoI. Statement 14 of the Finance Accounts depicts the Revenue Receipts and Capital Receipts of the Government. The State's share in Central taxes and GIA is determined on the basis of recommendation of the Finance Commission. Collection of Central tax receipts and Central assistance for plan schemes etc. is also determined on the basis of recommendation of Finance Commission. The trends and composition of

Revenue Receipts over the period 2010-15 are shown in *Appendix-1.3* and also depicted in **Chart 1.5** and **1.6** respectively.



Source: Finance Accounts of Government of Odisha for respective years

Overall, 49 per cent of Revenue came from State's own resources and the balance was from GoI in the form of State's share of taxes and GIA. An increase of ₹ 2936 crore (17 per cent) in own Tax Revenue, decrease of ₹ 308 crore (four per cent) in Non-Tax Revenue, increase of ₹ 934 crore (six per cent) in State's share in Union taxes and duties and ₹ 4489 crore (53 per cent) in GIA resulted in increase of ₹ 8051 crore (16 per cent) in Revenue Receipts during 2014-15 over the previous year.

Revenue Receipts showed progressive increase from ₹ 33276 crore in 2010-11 to ₹ 56998 crore in 2014-15 registering a growth of 71 per cent. The trends in Revenue Receipts relative to GSDP are presented in **Table 1.3**:

Table 1.3: Trends in Revenue Receipts relative to GSDP

	2010-11	2011-12	2012-13	2013-14	2014-15
Gross State Domestic Product (GSDP) (₹ in crore)	197530	220589	251220	272980	310810
Rate of growth of GSDP	21.22	11.67	13.89	8.66	13.86
Revenue Receipts (RR) (₹ in crore) *	33276	40267	43937	48947	56998
Rate of growth of RR (per cent)	25.90	21.01	9.11	11.40	16.45
R R/GSDP (per cent)	16.85	18.25	17.49	17.93	18.34
Buoyancy Ratios¹					
Revenue Buoyancy with respect to GSDP	1.22	1.80	0.66	1.32	1.19
Rate of growth of own tax	24.61	20.10	11.83	12.36	17.38
State's Own Tax Buoyancy with respect to GSDP	1.16	1.72	0.85	1.13	1.25

Source: GSDP - Directorate of Economics and Statistics, Government of Odisha and Revenue Receipts – Finance Accounts of the respective years, R- Revised and A-Advanced Estimates, * Do not include GoI funds transferred to Non-Government organisations and others.

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, Revenue buoyancy at 0.6 implies that Revenue Receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.

- Revenue buoyancy fluctuated widely during the period due to fluctuations in the growth rate of Revenue Receipts.
- Revenue buoyancy with reference to GSDP was above one during 2010-15 except 2012-13 indicating that the growth rate of Revenue Receipts was better than the growth rate of GSDP.
- The States own tax buoyancy with respect to GSDP was also more than one during 2010-15, except in 2012-13, indicating growth of own tax was better than GSDP.

1.4.1 State's Own Resources

The State's own resources comprised Revenue Receipts from its Own Tax and Non-Tax source. The actual receipts under State's Tax and Non-Tax revenue vis-à-vis assessment made by ThFC and the State Government in MTFP is indicated in **Table 1.4** below:

Table 1.4: Mobilisation of Own Tax Revenue and Non Tax Revenue during 2014-15.
(₹ in crore)

	Assessment made by ThFC	Assessment made by State Government in MTFP	Actuals
State's own Tax Revenue	17364	19513	19828
State's own Non-Tax Revenue	3068	8000	8071

Source: Finance Accounts, ThFC and MTFP of Government of Odisha

The receipts under State's Tax Revenue during 2014-15 increased by 14 *per cent* and Non-Tax Revenue exceeded the assessment of ThFC by 163 *per cent*. The State's own Tax Revenue was more than assessment made in MTFP by ₹ 315 crore (two *per cent*) while Non-Tax Revenue was more by ₹ 71 crore (one *per cent*).

1.4.1.1 Tax Revenue

The sector wise components of Tax Revenue during 2010-11 to 2014-15 are shown in **Table 1.5**.

Table 1.5: Sector wise components of State's Tax Revenue

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	% increase in 2014-15 over previous year
Taxes on Sales, Trades etc.	6807	8197	9685	10729	11817	10.14
State Excise	1094	1379	1499	1780	2035	14.33
Taxes on Vehicles	728	788	746	860	910	5.81
Stamp Duty and Registration Fees	416	498	545	606	800	32.01
Land Revenue	391	522	420	431	646	49.88
Taxes on Goods and Passengers	1111	1312	1342	1613	1711	6.08
Other Taxes ²	646	747	797	873	1909	118.67
Total	11193	13443	15034	16892	19828	17.38

Source: Finance Accounts of Government of Odisha for the respective years

² Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

The Compound Annual Growth Rate (CAGR) of Tax Revenue for 2005-14 of the State was higher as compared to the other General Category States (*Appendix-I.I*). The Tax Revenue during the current year (₹ 19828 crore) increased by 17 per cent over the previous year (₹ 16892 crore). The revenue through Taxes on Sales, Trades etc. (₹ 11817 crore) was the main source of State's own Tax Revenue and registered an increase of 10 per cent, Taxes on Goods and Passengers (₹ 1711 crore) increased by six per cent, State Excise (₹ 2035 crore) increased by 14 per cent, Taxes on Vehicles (₹ 910 crore) by six per cent, Stamp Duty and Registration fees (₹ 800 crore) by 32 per cent and Taxes on Land Revenue (₹ 646 crore) by 50 per cent over the previous year.

The growth rate of Own Tax Revenue (OTR) with respect to GSDP was less than six per cent in 2014-15. Therefore the State could not achieve the target of 7.5 per cent by 2014-15 as projected by ThFC (Para 7.6 of the recommendations).

Major increase /decrease in current year's Own Revenue along with reasons are given in **Table 1.6**.

Table 1.6: Major increase /decrease in current year's Own Revenue

Sl. No.	Major Heads of Account	Increase (₹ in crore)	Main Reasons
1	1601-Grants-in-aid from Central Government	4488.08	Mainly due to receipts of Central Assistance for State Plan.
2	0040-Taxes on Sales, Trade etc.	1088.18	Due to more receipts under Value Added Tax
3	0043- Taxes and Duties on Electricity	1052.48	Due to more receipts of Duty on Captive Power.
4	0050- Dividends and Profits	624.04	Due to more receipts of dividends from Odisha Mining Corporation.
Sl. No.	Major Heads of Account	Decrease (₹ in crore)	Main Reasons
5	0049-Interest Receipts	910.51	Due to decrease in receipts of Interest from 91 days and other Treasury Bills, Interest from GRIDCO (WB Loan).
6	0038- Union Excise Duties	279.30	Due to less receipt of Net Proceeds of Union Excise Duty.
7	0853-Non-Ferrous Mining and Metallurgical Industries	208.71	Due to decrease in receipts in collection of Fees, Rents and Royalties.
8	0044-Service Tax	98.47	Due to less receipt of Net Proceeds of Service Tax.

Source: Finance Accounts 2014-15, Government of Odisha.

1.4.1.2 Non-Tax Revenue

The components of Non-Tax Revenue during 2010-11 to 2014-15 are given in **Table 1.7**:

Table 1.7: Components of State's own resources

Revenue Head	(₹ in crore)					
	2010-11	2011-12	2012-13	2013-14	2014-15	% increase over previous year
Interest Receipts	261	576	588	1241	331	(-)73.33
Dividends & Profits	102	286	565	452	1076	138.05

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	% increase over previous year
Non-Ferrous Mining and Metallurgy receipts	3329	4572	5697	5519	5310	(-)3.79
Other Non-Tax Receipts	1088	1009	1228	1167	1354	16.02
Total	4780	6443	8078	8379	8071	(-)3.68

Source: Finance Accounts of Government of Odisha for the respective years

The Compound Annual Growth Rate (CAGR) of Non-Tax Revenue for 2005-14 of the State was also higher as compared to the other General Category States (*Appendix-1.1*). However, CAGR of the State was lower than the General Category States during 2014-15. The non-tax revenue collected during 2010-15 ranged between 14 to 18 *per cent* of revenue receipts. The Own Non-Tax Revenue (ONTR) (₹ 8071 crore) which constituted 14 *per cent* of Revenue Receipts during 2014-15 decreased by ₹ 308 crore (four *per cent*) over previous year. The decrease was mainly under Interest Receipts (₹ 910 crore) set off by increase under Dividends and Profits (₹ 624 crore).

The Government stated (November 2015) that decline in collection of Non-Tax Revenue is attributable to lower collection of mining revenue and less collection of interest and dividend.

1.4.2 Grants-in-aid from Government of India

Grants-in-aid from GoI increased from ₹ 6806 crore in 2010-11 to ₹ 12917 crore during 2014-15 as shown in **Table 1.8**.

Table 1.8: Grants-in-aid from Government of India

Particulars	(₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	2111	2561	1505	2729	1929
Grants for State Plan Schemes	3279	3853	3484	3429	1741
Grants for Central Plan Schemes	192	109	183	122	9145
Grants for Centrally Sponsored Schemes	1224	1629	1688	2149	102
Grants for Special Plan Schemes	--	--	--	--	0.08
Total	6806	8152	6860	8429	12917
Percentage of increase over previous year	19.05	19.78	(-)15.85	22.87	53.24
Total grants as a percentage of Revenue Receipts	20.45	20.24	15.61	17.22	22.66

Source: Finance Accounts of Government of Odisha for the respective years

Grants-in-aid from GoI increased by ₹ 4489 crore (53.26 *per cent*) from ₹ 8429 crore in 2013-14 to ₹ 12918 crore in 2014-15. The increase was under grants for Central Plan Schemes (₹ 9023 crore), while there was decreased in GIA under State Plan Schemes (₹ 1688 crore), Non-Plan Grants (₹ 800 crore) and Centrally Sponsored Schemes (₹ 2047). Percentage share of grants to Revenue Receipts increased from 20.45 to 22.66 from 2010-11 to 2014-15.

1.4.3 Optimisation of ThFC grants during 2010-15.

As per recommendation of ThFC, GoI allocated ₹ 9658.81 crore under grants (both Non-Plan and Plan), to Government of Odisha for utilisation during 2010-15, of which allocation for 2014-15 was ₹ 2492.12 crore. Scrutiny of release of grant during 2010-15 revealed the following

(i) **Non-release of ThFC grant during 2014-15**

The Thirteenth Finance Commission recommended ₹ 2492.12 crore for 2014-15 on various components relating to different departments. However ₹ 992.36 crore was not released by GoI due to non-compliance by the departments to conditions attached to grants as detailed in **Table 1.9**.

Table 1.9: Non-release of ThFC grants during 2014-15

(₹ in crore)		
Sl. No.	Purpose of Grant	Amount recommended by ThFC
1	Grant for PRI (Performance)	312.23
2	Grant for ULB (Performance)	59.77
3	Grant for Special Area (Performance)	21.60
4	Elementary Education	232.00
5	Water Sector	46.00
6	Grant for UID	35.70
7	District and State Statistical System	6.00
8	Construction of Anganwadi Centre	100.00
9	Upgradation of Health Infrastructure	87.50
10	Police Training	17.50
11	Upgradation of Jails	25.00
12	Establishment of Market Yards	15.00
13	Delivery of Justice	34.06
Total		992.36

Source: Information collected from the departments

(ii) **Short release of performance grant amounting to ₹ 1049.15 crore during 2010-15.**

As per the recommendation of ThFC, if the State fails to meet the conditions attached to grants released during a fiscal year, it would lose the performance grant for the succeeding year. It was, however, observed that the conditions in respect of (i) formation of Independent Local Body Ombudsman, (ii) certification by C&AG regarding Technical Guidance and Supervision and (iii) empowering Local Bodies to levy Property Tax were not fulfilled by March 2015 due to which the State lost the general performance grant amounting to ₹1049.15 crore as detailed in **Table 1.10**.

Table 1.10: Short-release of General Performance Grants during 2010-15

(₹ in crore)					
Sl. No.	Name of the Scheme	Implementing Department	Grant recommended	Grant released	Short-release
1	Grants for PRIs (Performance)	Panchayati Raj	897.00	63.80	833.20
2	Grants for ULBs (Performance)	Housing and Urban Development	171.70	21.41	150.29
3	Grants for Special Area (Performance)	Panchayati Raj and Housing and Urban Development	75.60	9.94	65.66
Total			1144.30	95.15	1049.15

(iii) Loss of Thirteenth Finance Commission Grant amounting to ₹ 2228.91 crore during 2010-15.

As per recommendation of ThFC, an amount of ₹ 4832.36 crore was granted to 19 schemes under 16 departments during 2010-15 out of which only ₹ 2603.45 crore was released. Thus, there was a loss of ₹ 2228.91 crore to the State during 2010-15 (*Appendix-1.5*) due to non fulfillment of the conditions. Some of the cases are discussed below:

- a) ThFC recommended grant of ₹ 184 crore for Water Sector during 2010-15. The first installment of ₹ 46 crore was released during 2011-12 with stipulation that the State would set up a statutory and independent Water Regulatory Authority (WRA) by 31 March 2012. Non setting up of the WRA by 31 March 2012 led to loss of ₹ 138 crore during 2012-13 to 2014-15.
- b) As per recommendation of ThFC, an amount of ₹ 10 crore was granted for creation of Employee and Pension database during 2010-15. The first installment of ₹ 2.50 crore was released during 2010-11 with stipulation that the State would create required database and ensure that the same would functionally integrate with the treasury on a transactional basis. As the State failed to create the database, GoI did not release the balance grant of ₹ 7.50 crore during 2011-15.
- c) ThFC had recommended an amount of ₹ 1016 crore for Elementary Education for the financial year 2010-11 to 2014-15. Grants for the years 2012-13 and 2014-15 amounting ₹ 204 crore and ₹ 232 crore respectively were not released by GoI as the growth rate of expenditure under the Major Head 2202-01-Elementary Education was lower than the growth rate (eight *per cent*) stipulated by ThFC.
- d) ThFC recommended grant of ₹ 178.50 crore for giving an incentive of ₹ 100 per person (BPL) to register for the UID with a condition that the amount would be paid to the BPL beneficiaries after successful enrollment at Central ID Data Repository (CIDDR).

Due to non availability of beneficiaries list, the funds received in the first tranche (first installment of ₹ 17.85 crore was released during 2010-11) could not be distributed to the targeted beneficiaries for which subsequent tranches (₹ 160.65 crore) were not released by GoI.

1.4.4 Central Tax transfers

During 2014-15, Central tax transfer increased by ₹ 934 crore over previous year and constituted 28 per cent of Revenue Receipts. The increase was mainly under Taxes on Income other than Corporation Tax (₹ 659 crore), Corporation Tax (₹ 523 crore) and Customs (₹ 129 crore). The increase was set off by decrease in Union Excise Duties (₹ 279 crore) and Service Tax (₹ 98 crore).

1.5 Capital Receipts, recoveries of Loans and Advances and Debt etc.

The capital receipts are either non-debt capital receipts such as proceeds from disinvestment of equity in Government companies/corporations and recoveries of loans and advances or debt capital receipts credited under public debt sections of the Consolidated Fund. The public debt receipts fall broadly under two categories (a) Loans and advances from the Union Government and (b) borrowings from banks, financial institutions through issue of State Development Loans. Capital Receipts increased by ₹ 5191 crore from ₹ 2547 crore during 2013-14 to ₹ 7738 during 2014-15 as shown in **Table 1.11**.

Table 1.11: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	2302	1486	2022	2547	7738
Miscellaneous Capital Receipts	--	--	--	0.03	--
Recovery of Loans and Advances	34	132	142	257	92
Public Debt Receipts	2268	1354	1880	2290	7646
Rate of growth of debt Capital Receipts	37.45	(-)40.30	38.85	21.81	233.89
Rate of growth of non-debt Capital Receipts	(-)90.45	288.24	7.58	80.98	(-)64.20
Rate of growth of GSDP	21.22	11.67	13.89	8.66	13.86
Rate of growth of CR (per cent)	14.76	(-)35.45	36.06	25.96	203.81

Source: Finance Accounts of Government of Odisha for the respective years

Public debt receipts, which create future repayment obligations, increased by 237 per cent from ₹ 2268 crore in 2010-11 to ₹ 7646 crore in 2014-15, which is a matter of concern. Public debt receipts during the year comprised internal debt of ₹ 7117 crore (93 per cent) and loans and advances from GoI of ₹ 529 crore (seven per cent). Debt receipts had a predominant share in capital receipts and were between 90 to 99 per cent during 2010-15 whereas non-debt receipts had a smaller share in capital receipts and ranged between one to 10 per cent during 2010-15.

The Government stated (November 2015) that Public debt receipts increased in order to finance higher capital outlay.

1.6 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund of India, are kept in Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the amount of funds available with the Government for its use. Composition of Public Account Receipt by the Government was detailed in **Table 1.12**.

Table 1.12: Trends in growth and composition of Public Account Receipts

(₹ in crore)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
Public Account Receipts	12779	15487	27545	32677	24801
a. Small Savings, Provident Fund etc.	2804	2492	3001	3332	3471
b. Reserve Fund	603	1661	939	1760	658
c. Deposits and Advances	3346	4126	6537	7019	6842
d. Suspense and Miscellaneous	-2	-32	8527	10225	210
e. Remittances	6028	7240	8541	10341	13620

Source: Finance Accounts of Government of Odisha for the respective years

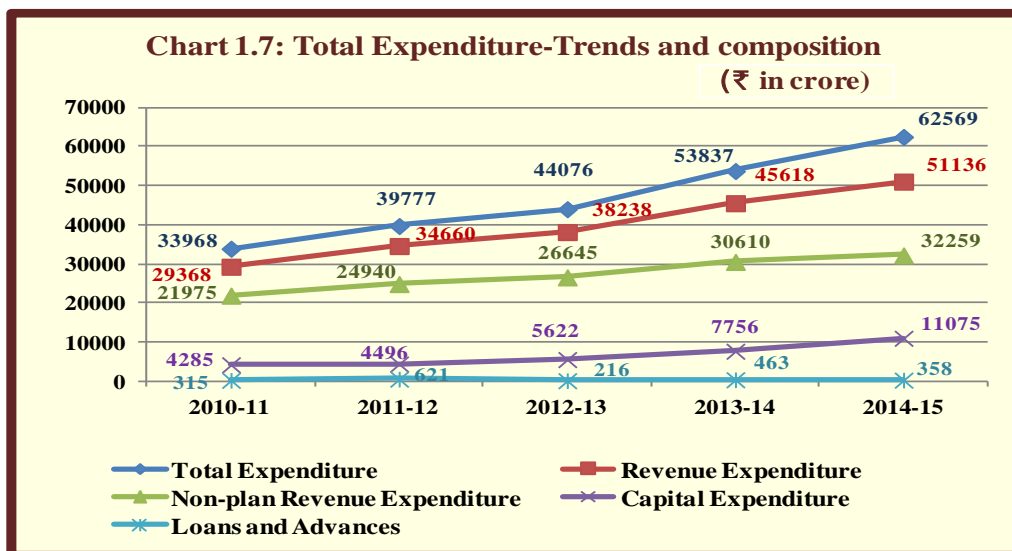
The share of Public Account receipts on total receipts increased from 26 *per cent* in 2010-11 to 28 *per cent* in 2014-15. As compared to 2013-14, the decrease during 2014-15 was 24 *per cent* (₹ 7876 crore) which was mainly under Suspense and Miscellaneous, Reserve Fund and Deposits and Advances, etc.

1.7 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

1.7.1 Growth and Composition of Expenditure

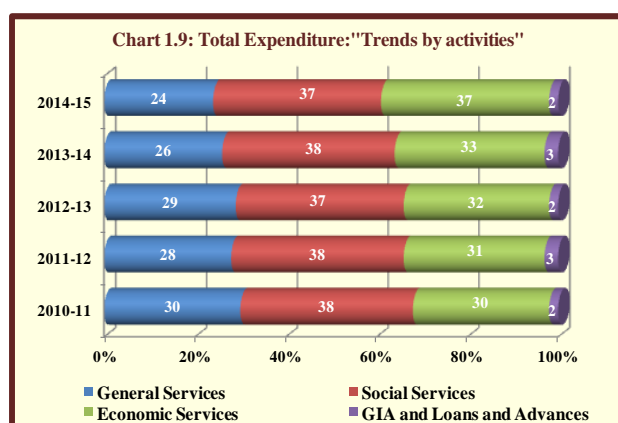
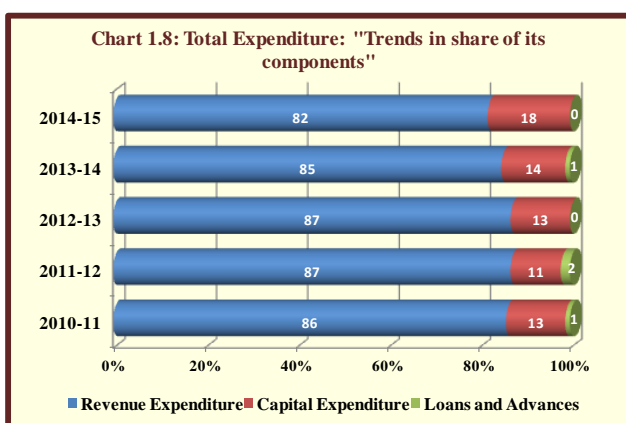
Chart 1.7 presents the trends in total expenditure over a period of five years (2010-15) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted in **Charts 1.8** and **1.9** respectively.



Source: Finance Accounts of Government of Odisha for respective years.

Total expenditure of the State increased by 84 per cent from ₹ 33968 crore in 2010-11 to ₹ 62569 crore in 2014-15 due to increase in Revenue Expenditure (₹ 21768 crore), Capital outlay (₹ 6790 crore) and disbursement of Loans and Advances (₹ 43 crore). While the share of Revenue Expenditure in the Total Expenditure decreased from 86 per cent during 2010-11 to 82 per cent in 2014-15, the share of Capital Expenditure increased from 13 per cent in 2010-11 to 18 per cent in 2014-15.

The increase of ₹ 8732 crore in Total Expenditure in 2014-15 over the previous year was on account of increase in Revenue Expenditure and Capital Expenditure by ₹ 5518 crore and ₹ 3319 crore respectively. The Total Expenditure was 20.13 per cent of GSDP during 2014-15 as compared to 19.72 per cent during the previous year.



Source: Finance Accounts of Government of Odisha for respective years.

1.7.2 Total Expenditure

Total Expenditure (TE) consisted of expenditure on General Services including Interest Payments, Social and Economic Services and GIA and disbursement of

Loans and Advances. The movement of relative shares of the component of expenditure is indicated in **Chart 1.9**.

1.7.3 Revenue Expenditure

Revenue Expenditure (RE) is incurred to maintain the current level of services and payment of the past obligation and as such does not result in any addition to the State's infrastructure and service network. Revenue Expenditure had a predominant share of 86 per cent of Total Expenditure in 2010-11 which decreased to 82 per cent in 2014-15. However, it increased by 12 per cent from ₹ 45618 crore in 2013-14 to ₹ 51136 crore in 2014-15 in absolute terms.

In the context of State finances, the quality of expenditure has always been an important issue. Currently, revenue expenditure accounts for around 82 per cent of the State's aggregate expenditure, which is in the nature of current consumption, leaving only 18 per cent for investment in infrastructure and asset creation.

1.7.4 Non-Plan Revenue Expenditure

Non-Plan Revenue Expenditure (NPRE) recorded an increase of ₹ 1649 crore (five per cent) from ₹ 30610 crore in 2013-14 to ₹ 32259 crore during the current year. The increase in NPRE is a cause of concern as it erodes the resource base for sparing budgetary resources for developmental interventions. However, NPRE as a proportion of Revenue Expenditure, decreased from 75 per cent (₹ 21975 crore) in 2010-11 to 63 per cent (₹ 32259 crore) in 2014-15. Out of the total increase of ₹ 5518 crore in Revenue Expenditure during the current year over the previous year, increase in NPRE contributed 30 per cent (₹ 1649 crore) and the remaining 70 per cent (₹ 3869 crore) was Plan Revenue Expenditure (PRE). Increase in NPRE during the current year was mainly on Pension and Miscellaneous General Services (₹ 775 crore), Education, Sports, Art and Culture (₹ 837 crore), Agriculture & Allied Services (₹ 234 crore), Health and Family Welfare (₹ 173 crore) and Rural Development (₹ 122 crore). Although NPRE exceeded ThFC's assessment (₹ 26520 crore) by ₹ 5739 crore, it remained below the assessment made by the Government in MTFP (₹ 42422 crore) for 2014-15 by ₹ 10163 crore, as indicated in **Table 1.13**.

Table 1.13: Comparative assessments of RE and NPRE and per cent of GSDP

(₹ in crore)

	Assessment made by ThFC	Assessment made by Government in MTFP	Actual in 2014-15
Revenue Expenditure	Not available	49394	51136
NPRE	26520 (8.53)	42422 (13.65)	32259 (10.38)

Note: Figures in brackets are percentage to GSDP (₹ 310810 crore) for 2014-15.

Source: Thirteenth Finance Commission's Report and Finance Accounts 2014-15 and Budget at a Glance 2014-15 on Government of Odisha

NPRE constituted 52 *per cent* of the total expenditure of the State during 2014-15. Its ratio with Revenue Expenditure declined from 75 *per cent* in 2010-11 to 63 *per cent* in the current year, an improvement over the previous period.

1.7.5 Capital Expenditure

Capital Expenditure (CE) of the State as proportion of Total Expenditure increased from 13 *per cent* (₹ 4285 crore) in 2010-11 to 18 *per cent* (₹ 11075 crore) in 2014-15. However, CE (₹ 11075 crore) increased significantly (43 *per cent*) during 2014-15 over the previous year (₹ 7756 crore) in absolute terms, mainly on account of increase in expenditure on Roads and Bridges (₹ 2225 crore), Irrigation and Flood Control (₹ 610 crore), Medical and Public Health (₹ 269 crore) and Education, Sports, Arts and Culture (₹ 206 crore). The CE during 2014-15, was 3.56 *per cent* of GSDP as against Government's projection of 5.55 *per cent* in Budget Estimate for 2014-15. The CE (₹ 11075 crore) was lesser by ₹ 6183 crore against Budget Estimate (₹ 17258 crore) during the current year.

1.7.6 Committed Expenditure

Committed Expenditure of the State Government on Revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.14** and **Chart 1.10** present the trends in the expenditure on these components during 2010-15.

Table 1.14: Components of Committed Expenditure

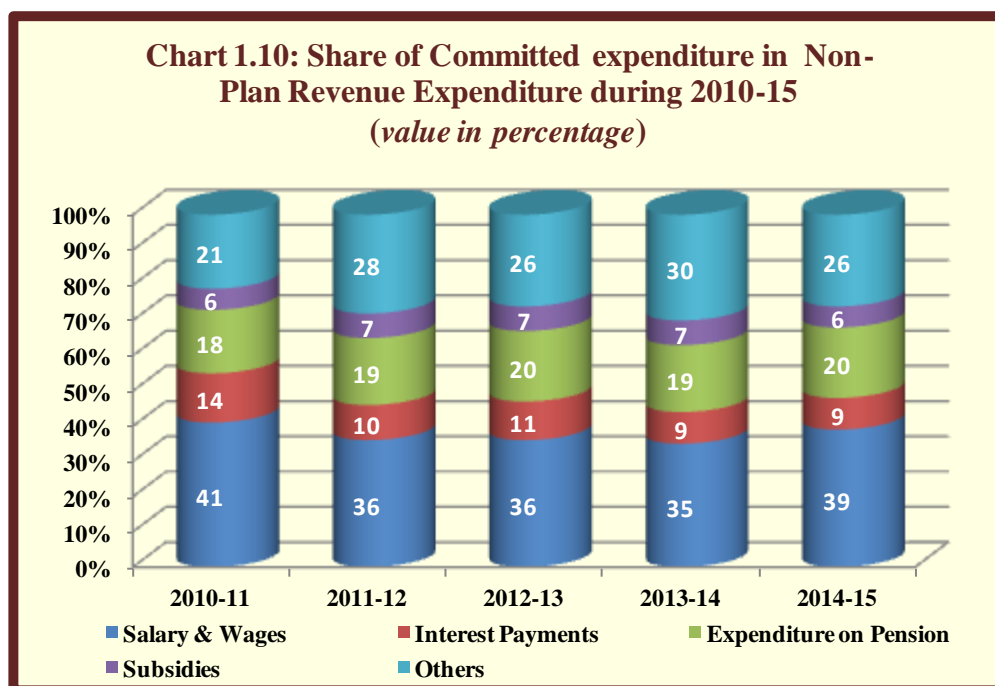
	(₹ in crore)						
	2010-11	2011-12	2012-13	2013-14	2014-15		
					BE	Actuals	
Salaries* & Wages	8969 (26)	8868 (22)	9615 (22)	10713 (22)	17030	12553	
Non-Plan Head	8448	8385	9118	10210	14383	11822	
Plan Head**	521	483	497	503	2647	731	
Interest Payments	3061 (9)	2576 (6)	2807 (6)	2888 (6)	4729	2810	
Expenditure on Pensions	4011 (12)	4741 (12)	5379 (12)	5935 (12)	7811	6417	
Subsidies	1310 (4)	1744 (4)	1951 (4)	2031 (4)	1593	2076	
TOTAL	17351	17929	19752	21567	31163	23856	

Figures in the parentheses indicate *percentage* to Revenue Receipts. **BE:** Budget Estimates

* also includes the salaries paid out of Grants-in-aid

** also includes the salaries and wages paid under Centrally Sponsored Schemes

Source: Finance Accounts 2014-15, Government of Odisha and Odisha Budget at a Glance 2015-16.



Source: Finance Accounts of Government of Odisha for respective years

1.7.6.1 Salaries

Expenditure on salaries increased from ₹ 8969 crore in 2010-11 to ₹ 12553 crore in 2014-15. This accounted for nearly 22 *per cent* of Revenue Receipts and 39 *per cent* of the NPRE of the State Government during the year. The salary expenditure (₹ 12553 crore) was ₹ 4342 crore more than the ThFC assessment of ₹ 8211 crore for 2014-15 in absolute terms. The expenditure on salary increased to 25 *per cent* of Revenue Expenditure during 2014-15 as against 23 *per cent* in 2013-14.

1.7.6.2 Interest Payments

Interest payments during the current year (₹ 2810 crore) decreased by ₹ 78 crore over the previous year's (₹ 2888 crore) and remained lower than the projections made in Mid Term Fiscal Plan (MTFP) (₹ 5008 crore), ThFC (₹ 5630 crore) and Budget Estimates (₹ 4729 crore) for the year 2014-15. During 2014-15, interest payment as percentage of total Revenue Receipts was five *per cent* which was lower than the projections of 9.76 *per cent* in MTFP.

1.7.6.3 Pensions

Expenditure on pension (₹ 6417 crore) which was 11 *per cent* of total Revenue Receipts of the State during the year increased by 60 *per cent* from ₹ 4011 crore in 2010-11 to ₹ 6417 crore in 2014-15. It also increased by ₹ 482 crore from ₹ 5935 crore in 2013-14 to ₹ 6417 crore in 2014-15. The increase in the current year over the previous year was mainly due to more expenditure under pensions on superannuation and other retirement allowances to Government servants. The State Government did not adequately estimate yearly pension liabilities for next 10

years, as required under FRBM Act, 2005. The pension payment during the current year was higher than the projection made by ThFC (₹ 3856 crore) for the year.

The Government introduced a 'Defined Contributory Pension Scheme' for all employees recruited on or after 1 January 2005 for managing the future pension liability. The State Government has executed agreement with National Securities Depository Limited (NSDL), Mumbai, the Central Record Keeping Agency appointed by the Pension Fund Regulatory and Development Authority (PFRDA) as well as with New Pension Scheme (NPS) Trust, New Delhi for smooth management of NPS. An amount of ₹ 22.55 crore, being the employees contribution as well as employer's contribution, was kept under Public Account (8342-Other Deposits) for transfer to National Pension Scheme (NPS) Trust. Thus, the State Government's liability on this account was ₹ 22.55 crore as on 31 March 2015. This amount has not been transferred to NPS, thus defeating the main objective of introducing the Defined Contributory Pension Scheme in order to limit future pension liabilities.

1.7.6.4 Subsidies

For welfare of public at large, states provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

The State Government in its MTFP for 2007-08, aimed to rationalise general subsidy and reduce their overall volume gradually at a rate of 10 *per cent* per annum beginning from 2005-06. However, the expenditure on subsidies increased from ₹ 1310 crore in 2010-11 to ₹ 2076 crore (over 58 *per cent*) in 2014-15 which included food subsidy of ₹ 1212 crore due to disbursement of rice at one rupees per kilogram to people living below poverty line, ₹ 302 crore under Relief on account of Natural Calamities which consisted mainly of assistance to farmers affected by floods/cyclone for purchase of agricultural inputs etc, ₹ 30 crore under subsidy to Odisha Lift Irrigation Corporation Limited and ₹ 181 crore interest subsidy/subvention to the Co-operative banks for providing crop loan at five *per cent* interest per annum to the farmers.

1.7.6.5 Future Committed Liabilities

Appendix-XII of Finance Accounts, 2014-15 depicts the information on committed liabilities of the State in the future as detailed in **Table 1.15**.

Table 1.15: Committed Liabilities of the State for future

(₹ in crore)

Sl. No.	Nature of the Liability	Plan	Non-Plan	Likely year of discharge	Balance
1	Pensions	0	73347.41	2015-21	73347.41
2	Interest payments	0	33562.91	2015-21	33562.91
3	Repayment of Loan	0	11649.41	2015-21	11649.41
Total			118559.73		118559.73

Source: Finance Accounts 2014-15, Government of Odisha.

The total committed liabilities of the State stood at ₹ 118559.73 crore as at the end of the year. Out of total liabilities, pension payment obligations were 61.86 per cent, interest payments were 28.31 per cent and loan repayments were 9.83 per cent of the total liabilities.

1.7.7 Financial Assistance by State Government to Local Bodies and other Institutions

The quantum of assistance provided by way of grants to local bodies and others during the current year relative to the previous years is presented in the **Table 1.16**.

Table 1.16: Financial Assistance to Local Bodies etc.

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	1722	1859	668	1090	1659
Municipal Corporations and Municipalities	1168	591	804	1359	1185
Zilla Parishads and Other Panchayati Raj Institutions	3556	1149	1227	1246	1169
Development Agencies	582	908	692	510	1367
Other Institutions	2058	4558	3632	5290	8306
TOTAL	9086	9065	7023	9495	13686
Assistance as per percentage of RE	31	26	18	21	27

Source: Finance Accounts of Government of Odisha for respective years.

Grants extended to local bodies and other institutions has significantly increased by ₹ 4191 crore (44 per cent) from ₹ 9495 crore in 2013-14 to ₹ 13686 crore in 2014-15. The increase over previous year was mainly due to increase in assistance to Educational Institutions (₹ 569 crore), Other Institutions (₹ 3016 crore) and Development Agencies (₹ 857 crore) which was partly set off by decrease in assistance to Municipal Corporations (₹ 174 crore) and Zilla Parishads and Other Panchayati Raj Institutions (₹ 77 crore) resulting in increase in the share of grants and loans to the Revenue Expenditure from 21 per cent in 2013-14 to 27 per cent in 2014-15.

1.8 Quality of Expenditure

Availability of better infrastructure in the social, educational and health sector in the State generally reflects the quality of expenditure. Improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use (assessment of input-output relationship in terms of time etc.) and the effectiveness (assessment of outlay-outcome relationships for selected services).

1.8.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. **Table 1.17** analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Expenditure and Capital Expenditure during 2014-15.

Table 1.17: Fiscal Priority and Fiscal Capacity of the State in 2011-12 and 2014-15.

(In per cent)

Fiscal Priority by the State	AE/GSDP	DE#AE	SSE/AE	ESE/AE	CE/AE	Education/AE	Health/AE
General Category States* average (Ratio) 2011-12	15.98	65.39	36.63	28.76	13.23	17.10	4.68
Odisha State's average (Ratio) 2011-12	17.47	68.62	37.41	30.96	12.61	19.47	3.75
General Category States* average (Ratio) 2014-15	16.49	69.12	36.50	32.61	14.01	16.23	5.04
Odisha State's average (Ratio) 2014-15	18.67	71.86	37.98	37.12	14.41	15.67	3.63

As per cent to GSDP

* General Category States excluding Goa and Puducherry

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, CE: Capital Expenditure

Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans & Advance disbursed

From the above table, it may be seen that

- The ratio of the AE to GSDP in 2011-12 and 2014-15 (17.47 per cent and 18.67 per cent) was higher in Odisha as compared to other General Category States (GCS).
- Development expenditure as a proportion of aggregate expenditure in Odisha was also higher compared to the average of GCS during 2011-12 as well as in 2014-15. Development expenditure consists of both economic service expenditure and social sector expenditure.
- Capital Expenditure as a proportion of aggregate expenditure in Odisha was lower as compared to the average of GCS during 2011-12. However,

in 2014-15, Odisha spent a higher proportion on this account as compared to GCS. Increased priority to physical capital formation will further increase the growth prospects of the state by creating durable assets.

- Fiscal priority given to education in Odisha was higher than other GCS in 2011-12, but in 2014-15, lower fiscal priority (15.67 *per cent*) was given to this sector by the State as compared to other GCS.
- Fiscal priority given to health sector in Odisha during 2011-12 and 2014-15 (3.75 *per cent* and 3.63 *per cent*) based on the proportion of aggregate expenditure was lower than other GCS. Greater fiscal priority needs to be accorded to the health sector.

1.8.2 Efficiency of Expenditure use

In view of the importance of public expenditure for attaining higher levels of social and economic development, it is important for the Government to take appropriate expenditure rationalisation measures so as to lay emphasis on provision of core public and merit goods³. Apart from improving the allocation towards Development Expenditure⁴, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years and which is further enlarged due to generation of a surplus on Revenue account since 2005-06, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to total expenditure (and/or GSDP) and proportion of Revenue Expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.18** presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during the current year vis-à-vis budget and the previous years, **Table 1.19** provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected social and economic services.

³ **Core public goods** are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights, pollution free air and other environmental goods and road infrastructure etc. **Merit goods** are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

⁴ Analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

Table 1.18: Development Expenditure

(₹ in crore)

Components of Development Expenditure [§]	2010-11	2011-12	2012-13	2013-14	2014-15	
					(BE)	(Actual)
Development Expenditure (a to c)						
a. Development Revenue Expenditure (DRE)	18999 (56)	23070 (58)	25173 (57)	31036 (58)	56518	35790
b. Development Capital Expenditure (DCE)	4051 (12)	4238 (11)	5271 (12)	7286 (14)	11796	10685
c. Development Loans and Advances	258 (0.8)	401 (1)	142 (0.3)	364 (0.7)	545	260
TOTAL	23308 (69)	27709 (70)	30586 (69)	38687 (72)	68859	46735 (75)

Figures in parentheses indicate *percentage* to aggregate expenditure,

Source: Odisha Budget at a Glance 2014-15 and Finance Accounts 2014-15.

[§] The expenditure on social and economic services constitutes Development Expenditure.

Development expenditure comprising Revenue, Capital and expenditure on Loans and Advances on socio-economic services increased from ₹ 23308 crore in 2010-11 to ₹ 46734 crore in 2014-15. As a percentage of total expenditure, it increased from 69 *per cent* in 2010-11 to 75 *per cent* in 2014-15.

It would be seen from the above that Development Revenue Expenditure which was ₹ 18999 crore during 2010-11 rose to ₹ 35789 crore during 2014-15, registering a growth of nearly 88 *per cent*.

During 2014-15, Development Revenue Expenditure increased by ₹ 4753 crore (15 *per cent*) in absolute terms and Development Capital Expenditure increased by ₹ 3399 crore (47 *per cent*) over the previous year.

The increase in Development Revenue Expenditure during 2014-15 over the previous year was mainly due to increase under Education (₹ 1520 crore), Rural Development (₹ 1470 crore), Agriculture & Allied Activities (₹ 919 crore), Water Supplies, Sanitation and Housing & Urban Development (₹ 332 crore) and Health & Family Welfare (₹ 882 crore). The increase in Capital Expenditure during 2014-15 over the previous year was mainly due to increase in expenditure on Transport (₹ 2225 crore), Irrigation and Flood Control (₹ 611 crore), Health & Family Welfare (₹ 269 crore) and Education, Sports, Arts and Culture (₹ 206 crore).

Table 1.19: Efficiency of expenditure in selected Social and Economic services

(In *per cent*)

Sectors	2013-14			2014-15		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O & M		S & W	O & M
Social Services (SS)						
General Education	1.85	53.19	NA	3.54	52.50	NA
Health and Family Welfare	7.38	61.44	NA	12.98	47.79	NA
Water Supplies, Sanitation & Housing & Urban Development	32.83	5.11	24.26	24.99	4.75	22.65
TOTAL (SS)	8.44	32.36	2.05	9.58	34.02	2.04

Sectors	2013-14			2014-15		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M		S&W	O &M
Economic Services (ES)						
Agriculture & Allied Activities	3.32	18.41	NA	2.36	16.98	NA
Irrigation and Flood Control	61.30	13.45	28.34	67.35	15.52	32.21
Power & Energy	67.02	17.45	14.32	16.47	10.67	7.38
Transport	56.38	0.37	41.98	70.61	0.38	42.24
Total (ES)	30.49	12.40	9.05	31.50	11.74	8.41
TOTAL (SS+ES)	18.83	24.44	4.83	21.14	24.79	4.68

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.

O&M figures are not available in General Education, Health and Family Welfare, Agriculture & Allied Activities and Transport Departments.

Source: Finance Accounts of Government of Odisha

Access to basic education, health services, drinking water and sanitation facilities are strong indicators of socio-economic progress. Further, expenditure on economic services includes all such services that promote directly and indirectly productive capacity within the State by improving the quality of human resources. Therefore, it is pertinent to make an assessment with regard to expansion and efficient provision of these services in the State. **Table 1.19** summarises percentage of expenditure under different components of social and economic services sectors incurred by the State Government in expanding and maintaining social and economic services in the State during 2013-14 and 2014-15.

The share of Capital Expenditure to total expenditure has increased in respect of General Education and Health & Family Welfare (in Social Services) and Irrigation and Flood Control and Transport (in Economic Services) during 2014-15 as compared to the previous year whereas the share of the Operation & Maintenance expenditure has substantially increased in Irrigation and Flood Control set off by substantial decrease of the same in Health & Family Welfare and Power & Energy.

As seen from **Appendix-1.3**, expenditure on Social Services during 2014-15 (₹ 23252 crore) constituting 37 per cent of total expenditure (₹ 62569 crore) increased by 14 per cent over the previous year's expenditure (₹ 20447 crore), while in Development Expenditure (₹ 46735 crore), which was 75 per cent of total expenditure, there was an increase of 21 per cent over the previous year (₹ 38687 crore). Operation and maintenance expenditure decreased by 3.11 per cent indicating that Revenue Expenditure on salaries continued to share a dominant proportion of Revenue Expenditure on Social Services (34.02 per cent). Capital Expenditure on Social Services relative to the total expenditure showed an increase (13.51 per cent) over the previous year.

Expenditure on economic services includes all such expenditure that promotes directly or indirectly, productive capacity within the State's economy. During 2014-15, total expenditure under economic services (₹ 26656 crore) increased by

26 *per cent* over previous year. The expenditure on total economic services (₹ 26656 crore) accounted for 43 *per cent* of total expenditure and 57 *per cent* of Development Expenditure.

1.8.3 Outcome Budget (Effectiveness of the Expenditure)

The concept of outcome budget is an important tool for effective Government management and accountability. It is a performance measurement tool that helps in better service delivery, decision-making, evaluating programme performance and results, communicating programme goals, and improving programme effectiveness. The exercise is primarily meant at converting financial outlays into measurable and monitorable outcome. The idea is to make the programme implementing agencies more result oriented by shifting the focus from 'Outlay' to 'Outcome'.

Outlay-outcome budgets of four departments viz. Fisheries & Animal Resources Development, Panchayati Raj, Rural Development and Water Resources departments were reviewed for the year 2014-15 and it was seen that the financial and physical targets were not fully achieved (*Appendix-1.6*).

In Fisheries and Animal Resources Development department though the financial target has been fully achieved, the physical target has not been achieved to that extent in the following schemes:

- In Interest Subvention on Short Term Credit Support to Fish Farmers Scheme, the financial target was fully achieved, but the physical target was not achieved. The achievement was only 94 hectars (five *per cent*) of land as against a target of 2000 hectars of land.
- In interest Subvention on Long Term Credit Support to Fish Farmers Scheme, the financial target has been fully achieved, but the physical target achievement was 1531 hectars (77 *per cent*) against a target of 2000 hectars.
- Similarly, in the Empowering Fishermen through Mobile Advisory Services and Establishment of Toll free Call Center for Fishermen Extension Services Scheme, the financial target has been fully achieved, but the physical target achievement was 65 *per cent*.

In Panchayati Raj department, although the financial target in major schemes i.e. Gopabandhu Grameen Yojana (GGY) for employment generation, Construction of CC Road, Non-Residential Buildings and *Mo Kudia* for rural people etc. were fully achieved but the physical achievement was very poor. The details of such shortfalls are given below:

- In *Mo Kudia* Scheme, although the funds for the year were fully utilised (₹ 330 crore), only 17 per cent (8166 nos.) of the targeted number (46675 nos.) of houses could be completed.
- In GGY Scheme for employment generation, although the funds for the year were fully utilised (₹ 225 crore), 77 per cent (8908 projects) of the targeted number (11588 projects) were completed.
- In Construction of CC Roads, the funds for the scheme were fully utilised, but the physical achievement was 83 per cent.
- In Construction of Non-residential Buildings, though the financial target (₹ 10 crore) was fully achieved, only 12 (12 per cent) out of 98 targeted projects were completed.
- In Indira Awas Yojana, 76 per cent (₹ 887 crore) of the funds utilised out of allotted funds (₹ 1169 crore), against which 39 per cent (59739 nos.) of the targeted number (152966 nos.) of houses were completed.
- In National Rural Livelihood Mission, 41 per cent (₹ 135.91 crore) of the allotted (₹ 327.82 crore) funds were utilised, but the physical achievement was only nine per cent (5132) out of targeted 57237 number of Self Help Groups (SHG).
- In Rajiv Gandhi Sashaktikaran Yojana, the financial target achievement was 29 per cent (₹ 43.89 crore) against ₹ 150 crore. The physical target achievement was only eight per cent (12) out of targeted 157 numbers of buildings.

In Rural Development department, the financial and physical achievements are given below:

- In Works PWS Scheme, against the financial target achievement of 85 per cent (₹ 51.25 crore) against ₹ 60 crore, the physical target achievement was seven per cent (47 units out of the target of 669 units).
- In Construction of Office Building, financial target achievement was 54 per cent (₹ 2.69 crore against a target of ₹ 5 crore), whereas the physical target achievement was 43 per cent (19 numbers out of the targeted 44 numbers).
- In Construction of Residential Building, financial target achievement was 93 per cent (₹ 5.60 crore against ₹ six crore), whereas the physical target achievement was 44 per cent (28 numbers out of the targeted 63 numbers).

In Water Resources Department, it was observed that:

In the Accelerated Irrigation Benefit Programme (AIBP), financial target achievement was 54 *per cent* (₹ 633.71 crore against ₹ 1176.16 crore), but the physical target achievement was only 11 *per cent* (2930 hectares against a target of 27200 hectares).

In Rural Infrastructure Development Fund (RIDF), the financial target achievement was 53 *per cent* (₹ 121.68 crore against ₹ 231 crore), but the physical target achievement was 19 *per cent* (1680 hectares against 9038 hectares).

In Biju Krushak Vikash Yojana (BKVY), financial target achievement was 11 *per cent* (₹ 23 crore against a target of ₹ 203 crore), but the physical target achieved was 38 *per cent*.

1.9 Financial Analysis of Government Expenditure and Investment

In the post-FRBM framework, the State is expected to keep its fiscal deficit not only low but also meet its Capital Expenditure/Investment (including Loans and Advances) requirement out of its own source of Revenue. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate Return on its Investments (RoI) and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.9.1 Financial Results of Irrigation Works

The financial results of 62 irrigation projects (13-major and 49-medium projects) with a Capital Expenditure of ₹ 4334.12 crore at the end of March 2015 showed that an amount of ₹ 318.17 crore was realised from these projects during 2014-15 by way of sale of water to industries. After meeting the working and maintenance expenditure of ₹ 240.11 crore and interest charges of ₹ 292.43 crore, the schemes suffered a net loss of ₹ 214.37 crore.

1.9.2 Incomplete Projects

Blocking of funds on incomplete works affects quality of expenditure negatively. The department-wise information pertaining to incomplete projects as on 31 March 2015 is given in **Table 1.20** as per information furnished to Audit by the concerned Departments.

Table 1.20: Department-wise profile of incomplete projects.

(₹ in crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cumulative Actual Expenditure as on 31 March 2015
Water Resources	59	162.75	166.98	135.94
Works	29	725.58	836.58	680.77
Employment and Technical Education & Training	3	8.76	8.54	4.8
Housing & Urban Development	2	4.43	5.07	5.05
Rural Development	113	316.83	327.68	246.47
TOTAL	206	1218.35	1344.85	1073.03

Source: Information collected from the respective Departments.

All the above 206 projects were incomplete due to the prolonged processes involved in land acquisition, matters lying sub-judice in Courts, finalising and revising the designs, shortage of funds and slow progress of work. Due to non-completion of projects, not only the benefits that were to accrue to the intended beneficiaries delayed, but also the cost to the exchequer increased due to time overrun involved in their completion.

Adequate efforts were not made by the concerned Departments to complete the incomplete projects early, as ₹ 1073.03 crore had already been spent on these incomplete projects and full benefits were yet to be realised.

1.9.3 Investment and Returns

As of March 2015, Government had invested ₹ 3504.87 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Average return on this investment was 15.58 per cent in the last five years (30.71 per cent during 2014-15) while Government paid an average interest rate of 6.09 per cent to 7.39 per cent on its borrowings during 2010-11 to 2014-2015 (Table 1.21).

Table 1.21: Return on Investment

(₹ in crore)

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year	2190.37	2908.07	2964.28	3308.79	3504.87
Return	101.58	286.23	564.53	452.40	1076.44
Percentage of return	4.64	9.84	19.04	13.67	30.71
Average rate of interest on Government borrowing	7.39	6.09	6.54	6.56	5.90
Difference between interest rate and return	(+)2.75	(-)3.75	(-)12.50	(-)7.11	(-)24.81

Source: Finance Accounts of Government of Odisha for respective years

The investment of State Government at the end of 2014-15 included ₹ 3035.88 crore in 87 Public Sector Undertakings (PSU) comprising 84 Government Companies (₹ 2544.89 crore) and three Statutory Corporations (₹ 490.99 crore).

Dividend of ₹ 1076.44 crore was received from one Co-operative Society⁵, eight Government Companies⁶ and one Statutory Corporation⁷ during 2014-15 of which Odisha Mining Corporation is the main contributor (₹ 1000.82 crore).

As per information furnished in the Odisha Budget at a Glance 2015-16, Grid Corporation of Odisha Limited (GRIDCO) with accumulated loss of ₹ 1681.43 crore, Odisha State Financial Corporation (OSFC) with ₹ 399.50 crore, Odisha State Road Transport Corporation (OSRTC) with ₹ 193.17 crore, and Odisha Forest Development Corporation (OFDC) with ₹ 141.58 crore were among the major loss incurring PSUs in the State as of 2013-14. The major profit making PSUs are Odisha Mining Corporation (OMC) ₹ 5864.17 crore, Odisha Power Generation Corporation (OPGC) ₹ 747.26 crore, IDCO ₹ 620.10 crore, Odisha Hydro Power Corporation (OHPC) ₹ 610.41 crore and Odisha State Beverage Corporation (OSBC) ₹ 226.79 crore. During the year 2014-15, the Government invested ₹ 100 crore in Angul-Sukinda Railways Limited (₹ 45 crore) and M/s Haridaspur-Paradeep Railways Company Limited (₹ 55 crore) for completion of railways lines.

1.9.4 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/ organisations. Loans and advances by the State Government increased by ₹ 266 crore from ₹ 4183 crore in 2013-14 to ₹ 4449 crore in 2014-15. During the year, Government advanced loans amounting to ₹ 358 crore and ₹ 92 crore was repaid by the loanee entities. Major portion of loans advanced during 2014-15 was to Energy sector (₹ 130 crore), Agriculture sector (₹ 125 crore) and Government servants (₹ 90 crore). **Table 1.22** presents outstanding loans and advances as on 31 March 2015 and interest receipts vis-à-vis interest payments during the last four years.

Table 1.22: Average Interest Received on Loans Advanced by the State Government
(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14	2014-15
Opening Balance	3414	3903	3977	4183
Amount advanced during the year	621	216	463	358
Amount repaid during the year	132	142	257	92
Closing Balance	3903	3977	4183	4449
<i>Of which</i> outstanding balance for which terms and conditions have been settled				

⁵ Credit Co-operatives: ₹ 0.32 crore.

⁶ Odisha Mining Corporation Limited ₹ 1000.82 crore, Agriculture Promotion and Investment Corporation Limited: ₹ 0.07 crore, Odisha Forest Development Corporation Limited: ₹ 1.22 crore, Odisha Construction Corporation Limited(OCC) ₹0.35 crore, Odisha Hydro Power Corporation: ₹ 2.64 crore, Odisha Power Generation Corporation Limited: ₹ 16.25 crore, Odisha State Cashew Development Corporation Limited: ₹ 0.62 crore and Odisha State Beverage Corporation Limited ₹ 52.72 crore,

⁷ Odisha State Warehousing Corporation, Bhubaneswar ₹ 1.43 crore.

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14	2014-15
Net addition	(+)489	(+)74	(+)206	(+)266
Interest Receipts	16	16	610	14
Interest Receipts as <i>per cent</i> to outstanding Loans and advances	0.41	0.40	14.58	0.31
Interest Payments as <i>per cent</i> to outstanding Fiscal Liabilities of the State Government.	6.07	6.48	6.46	5.57
Difference between Interest Payments and Interest Receipts (<i>per cent</i>)	(-)5.66	(-)6.08	(+)8.12	(-)5.26

Source: Finance Accounts of Government of Odisha for respective years

Loans outstanding as of 31 March 2015 aggregated to ₹ 4449 crore. Of the total outstanding loans of ₹ 4449 crore, terms and conditions for loan amount of ₹ 1411.41 crore are yet to be settled. Terms & conditions for loan amount of ₹ 1278.36 crore advanced to Odisha Hydro Power Corporation (OHPC) Limited was not settled during last 19 years. Loans amounting to ₹ 131.06 crore were disbursed to three loanee⁸ entities against whom earlier loans were in arrears.

Scrutiny of the total outstanding loans revealed that loan amounts ranging from ₹ 2998 crore to ₹ 3823 crore during 2010-11 to 2014-15 relating to 11 departments remained unaltered/marginally repaid for more than five years. **Table 1.23** shows that closing balances remained at static levels indicating no repayment.

Table 1.23: Loans and Advances rolling for a long time

(₹ in crore)

Sl. No.	Name of Department	2010-11	2011-12	2012-13	2013-14	2014-15
1	Education	6.43	6.05	6.11	6.34	6.04
2	Housing & Urban Development	475.44	639.68	637.25	625.25	625.73
3	Information & Public Relation (I & PR)	0.54	0.54	0.54	0.54	0.54
4	ST, SC Dev and Minorities and Backward Classes Welfare	13.56	13.56	13.56	13.56	11.25
5	Agriculture	49.56	49.54	49.46	49.46	31.62
6	Fisheries & Animal Resources Development	19.21	19.21	19.21	19.21	19.40
7	Co-operation	67.90	83.67	81.22	78.45	72.58
8	Water Resources	6.17	6.09	6.01	5.93	5.85
9	Energy	2148.09	2218.86	2296.20	2849.13	2849.13
10	Micro Small and Medium Enterprises (Industries)	203.54	206.04	209.25	168.12	167.51
11	Finance	7.34	7.34	7.34	7.34	7.34
	Total	2997.78	3250.58	3326.15	3823.33	3796.99

Source: Finance Accounts of Government of Odisha for respective years.

⁸ (i) Grid Corporation of Odisha Limited (₹ 130.42 crore), (ii) Shree Jagannath Weaver's Co-operative Spinning Mills, Nuapatna (₹ 0.37 crore) and (iii) Utakl Weaver's Co-operative Spinning Mills, Khurdha (₹ 0.27 crore)

As seen from above, in three cases (Energy, I & PR and Finance Department), the loans and advances remained constant over the last five years. In four cases (Education, Housing and Urban Development, Fisheries & Animal Resources Development and Water Resources departments), the repayment of loan was negligible. Further, in four departments (ST, SC Dev and Minorities and Backward Classes Welfare, Agriculture, Co-operation and Micro, Small and Medium Enterprises), the loans and advances were reduced marginally.

Further scrutiny revealed that loans amounting to ₹ 175.02 crore relating to 19 loanee entities remained in arrears for long periods as detailed in **Table 1.24**.

Table 1.24: Arrear of loans from loanee entities

(₹ in crore)

Sl. No.	Name of the Loanee entity	Amount of arrears as on March 2015	Earliest period to which arrears relate
1	The Odisha Film Development Corporation Limited	1.29	2008-09
2	Industrial Development Corporation of Odisha Limited	76.34	Not mentioned
3	National Institute of Social Work and Social Science (NISWASS)	3.45	1997
4	Odisha Pisciculture Development Corporation	2.91	1999-2000
5	FISHFED	2.29	1990-91
6	Odisha Textiles Mills, Chaudwar	28.48	1995-96
7	Odisha State Textiles Corporation (Bhaskar Textiles Mills, Jharsuguda)	7.41	1986-87
8	Odisha State Co-operative Handicraft Corporation Limited	2.15	2005-06
9	Odisha Weaver's Co-operative Spinning Mills, Tora, Baragarh	1.05	2005-06
10	Gopinath Weaver's Co-operative Spinning Mills, Baliapala	4.40	2005-06
11	Utkal Weaver's Co-operative Spinning Mills, Khurda	6.74	2005-06
12	Sarala Weaver's Co-operative Spinning Mills, Tirtol	2.73	2005-06
13	Kalinga Weaver's Co-operative Spinning Mills, Dhenkanal	2.47	2005-06
14	Gangpur Weaver's Co-operative Spinning Mills, Kerei	5.69	1995-96
15	Konark Cotton Grower's Co-operative Spinning Mills, Kesinga, Kalahandi	6.06	2003-04
16	SPINFED, Bhubaneswar	6.87	1980.81
17	Madhu Nagar Powerloom Weaver's Co-operative Societies	1.17	1961-62
18	Primary Handloom Weavers Co-operative Societies Ltd.	10.72	1959-60
19	Sri Jagannath Weavers Co-operative Spinning Mills, Nuapatna	2.80	1985-86
		175.02	

Source: Finance Account 2014-15 of Government of Odisha

It is further revealed that fresh loans of ₹ 130.42 crore were advanced during 2014-15 to Grid Corporation of Odisha (GRIDCO) Limited from whom repayment

of earlier loan to the extent of ₹ 1988.95 crore was in arrears. Reason for disbursement during the current year was not explained. Thus, sanction of loan without assessing the loan repayment capacity of the loanee entity coupled with poor monitoring, resulted in accumulation of unpaid loans for years together.

Interest receipts decreased from ₹ 16 crore in 2011-12 to ₹ 14 crore during the current year. Similarly, interest received against the total outstanding loans and advances decreased from 0.41 *per cent* in 2011-12 to 0.31 *per cent* in 2014-15. While interest payment during 2014-15 was 5.57 *per cent* of its outstanding fiscal liabilities, the interest received was 0.31 *per cent* of the outstanding loans and advances. As a result, interest spread of Government borrowings was negative during the year which meant that the state borrowings were more expensive than the loans advanced by it.

The Government stated (November 2015) that steps would be taken to specify the terms and conditions of these loans in consultation with the Administrative Departments concerned and the transfer of assets will be taken up after consultation with the concerned PSUs.

1.9.5 Cash Balances and Investment of Cash Balances

Table 1.25 depicts the cash balances and investments made by the State Government out of cash balances during 2014-15. Total investment out of cash balances during 2014-15 were ₹ 3870.55 crore, major portion of which was in 14 days Government of India Treasury Bills (₹ 3813.91 crore). On these investments, the Government earned interest of ₹ 311.40 crore during the current year. Cash balance at the close of the current year increased from ₹ 9498.77 crore of the previous year to ₹ 9993.57 crore during the current year and was reflected in cash balance investment accounts as follows:

Table 1.25: Cash balance and investment of cash balance

	(₹ in crore)	
	Opening balance on 1/4/2014	Closing balance on 31/3/2015
(a) General Cash Balance -		
Cash in Treasuries	--	--
Deposits with Reserve Bank	26.87	578.65
Deposits with other Banks	--	--
Remittances in transit - Local	--	--
Investments held in Cash Balance investment account	3927.02	3870.55
Total (a)	3953.89	4449.20
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	21.55	21.04
Permanent advances for contingent expenditure with departmental officers	0.33	0.33
Investment of earmarked funds	5523.00	5523.00
Total (b)	5544.88	5544.37
Grand total (a)+ (b)	9498.77	9993.57

Source: Finance Accounts 2014-15, Government of Odisha.

The State Government maintained more than the mandated minimum cash balance (₹ 1.28 crore) including the cash balance investment in GoI treasury bills with the Reserve Bank of India as on 31 March 2015. One option for prudent financial management would be to maintain optimum cash balances and use the surplus to settle some of the high cost bonds instead of investing the same in GoI Treasury bills with Reserve Bank of India at a relatively lower rate (five *per cent*) of interest. The State Government's closing debt stocks of 2014-15 included a few high interest bearing loans like 7.77 *per cent* Odisha Government Loan (OGL) 2015 (₹ 506 crore), 7.17 *per cent* OGL 2017 (₹ 191 crore), 6.20 *per cent* OGL 2015 (₹ 220 crore) and nine *per cent* special security to National Small Savings Scheme (NSSF) of Government of India (₹ 10075 crore). The ThFC recommended (paragraph 7.127) that States with large cash balances should make efforts towards utilising their cash balances before resorting to fresh borrowings.

Analysis of Cash Balance

The primary reason for accumulation of cash balances is borrowing more than the fiscal deficit. The excess borrowings can be partially attributed to high inflow from NSSF. Other factors also contribute to cash balance of the State. One of them is the mechanism of release of Central assistance wherein, grants are released to the State leading to a temporary build-up of cash balances that get used in due course of time. Transfer of unspent fund to deposit accounts maintained in the public account at the end of financial year leads to build-up of cash balance. In addition, flows from the centre not budgeted by State (direct transfer) and end of the year releases in Central Sponsored Schemes also leads to increase in cash balance.

Efficient debt management is an essential part of the cash management. With reduced fiscal deficit, it is essential that State follows the practice of borrowing on requirement rather than on availability. Further, ThFC also had suggested that there should be directed effort by the States with large balances towards utilising their existing cash balances before resorting to fresh borrowings. The Reserve Bank of India has also reiterated the fact and advised the States to manage their cash balance more efficiently.

1.10 Assets and Liabilities

1.10.1 Growth and composition of Assets and Liabilities

Under the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government Accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-1.7** gives an abstract of such liabilities and the assets as on 31 March 2015, compared with the corresponding position as on 31 March 2014. The liabilities consist mainly of internal borrowings, loans and advances from the GoI and receipts from

the Public Account and Reserve Funds; the assets comprise mainly the capital outlay and loans and advances given by the State Government and instruments in which surplus cash is invested. After 2006-07, Government has accumulated huge cash balances and liquidated the past liabilities especially GoI loans and also made significant improvement in their fiscal balances owing to increase in its own receipts and the central transfers which helped the State Government in improving the asset-liability ratio during these years. During last five years, assets have increased substantially.

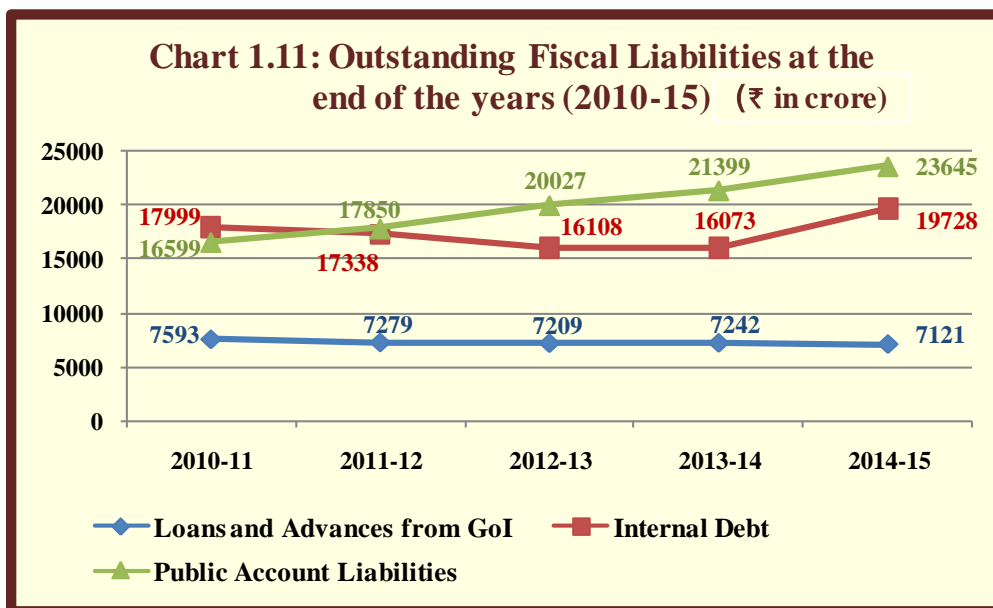
1.10.2 Fiscal Liabilities

Trends in outstanding fiscal liabilities of the State are presented in **Appendix-1.3**. However, the composition of fiscal liabilities during the current year vis-à-vis the last five years are presented in **Table 1.26** and **Chart 1.11**.

Table 1.26: Outstanding fiscal liabilities at the end of the year

Outstanding Fiscal Liabilities		2010-11	2011-12	2012-13	2013-14	2014-15
Public Account Liabilities	Actuals (₹ in crore)	16599	17850	20027	21399	23645
	Growth rate	9.17	7.54	12.20	6.85	10.50
	Percentage of revenue receipts	49.88	44.33	45.58	43.72	41.48
Internal Debt	Actuals (₹ in crore)	17999	17338	16108	16073	19728
	Growth rate	4.78	(-)3.67	(-)7.09	(-)0.22	22.74
	Percentage of revenue receipts	54.09	43.06	36.66	32.84	34.61
Loans and Advances from GoI	Actuals (₹ in crore)	7593	7279	7209	7242	7121
	Growth rate	(-)7.74	(-)4.14	(-)0.96	0.46	(-)1.67
	Percentage of revenue receipts	22.82	18.08	16.41	14.80	12.49

Source: Finance Accounts of Government of Odisha for respective years.



Source: Finance Accounts of Government of Odisha for respective years.

Fiscal liabilities stood on 1 April 2014 at ₹ 44714 crore comprising internal debt of ₹ 16073 crore (36 per cent), Public Account liability of ₹ 21399 crore (48 per cent) and loans and advance of ₹ 7242 crore (16 per cent) from GoI. However, it increased by ₹ 5779 crore to ₹ 50493 crore as of 31 March 2015. The fiscal liabilities comprised internal debt of ₹ 19728 crore (39 per cent), public account liability of ₹ 23645 crore (47 per cent) and loans and advances of ₹ 7121 crore (14 per cent) as at the end of 2014-15. The internal debt of ₹ 19728 crore comprised mainly of market loans bearing interest (₹ 4565 crore), loans from National Bank for Agriculture and Rural Development (₹ 4940 crore) and special securities issued to National Small Savings Fund (₹ 10075 crore). The ThFC has recommended that by the year 2014-15, fiscal liability should be brought down to 25 per cent of GSDP. The Government has already been able to achieve this target during this year. The fiscal liabilities at the end of 2014-15 constituted 14 per cent of GSDP which is one per cent less than previous year. This is a positive sign for the State finances.

1.10.3 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended by the State Government.

As per Statement 20 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.27**.

Table 1.27: Guarantees given by the Government of Odisha

(₹ in crore)

Guarantees	2012-13	2013-14	2014-15
Maximum amount guaranteed (₹ in crore)	10578.61	10624.61	10885.61
Outstanding amount of guarantees (₹ in crore)	2251.23	1705.26	1671.77
Percentage of maximum amount guaranteed to total Revenue Receipt of current year (percentage)	24.08	21.71	19.10
Percentage of outstanding guarantee to total Revenue Receipt of 2 nd preceding year less Grants-in-aid as provided in the MTFP (percentage)	8.50	5.31	4.51
Maximum amount of guarantee as per criteria (not be more than 100 <i>per cent</i> of State's Revenue Receipt less Grants-in-aid of the 2 nd preceding year as provided in Finance Department Resolution No. 52214/F, dated 12 November 2002)	26470	32115	40518

Source: Finance Accounts of Government of Odisha for respective years.

The outstanding guarantees decreased by two *per cent* from ₹ 1705 crore in 2013-14 to ₹ 1672 crore in 2014-15. Guarantees were given in respect of Power sector (4), Co-operatives sector (42), Housing & Urban Development (86), Irrigation sector (1), Roads and Transport sector (2), State Financial Corporation sector (7) and other infrastructure (16). Government in their resolution (19 March 2004) issued instruction to the Public Sector Undertakings/Urban Local Bodies/Co-operative Societies etc, who had borrowed or intended to borrow against Government guarantees to open an Escrow Account in a Nationalised Bank for timely repayment of guaranteed loans. As on 31 March 2015, Escrow Accounts have been opened by only 14 out of 161 such institutions.

Though no law has been enacted under Article 293 of the Constitution laying down maximum limits for such guarantees, the State Government imposed (November 2002) an administrative limit in Finance Department Resolution No.52214/F, dated 12 November 2002 prescribing that the total outstanding guarantee as on 1st April every year was not to exceed hundred *per cent* of the State's Revenue Receipts of the 2nd preceding year (as per the books of account maintained by Accountant General (A&E) Odisha). As per the above, the guarantee position was within the norms laid down in the said resolution as indicated in **Table 1.27**.

To provide for sudden discharge of State's obligation on guarantee, Twelfth Finance Commission (TFC) recommended that States should set up Guarantee Redemption Fund through earmarked guarantee fees. The Government has set up a "Guarantee Redemption Fund" during 2002-03 to meet the contingent liabilities arising out of the total outstanding liabilities. However, there was no transaction since 2008-09 though there were guarantee commission receipts and expenditure on account of discharge of guarantee obligation. As on 31 March 2015, ₹ 480 crore remained invested in the fund.

Further, in consideration of the guarantee given by the Government, the institutions in some cases are required to pay guarantee commission at rates varying from 0.01 *per cent* to one *per cent*. As per information supplied to Audit, ₹ 172.97 crore was received as Guarantee Commission or fee against the arrear of ₹ 303.22 crore as shown in **Table 1.28**.

Table 1.28: Guarantee Commission received/to be received by the Government.
(₹ in crore)

Name of the Sector	Commission Received	Commission to be Received
Power	135.02	233.09
Co-operatives	2.02	4.04
Irrigation	--	--
State Financial Corporation	2.87	8.51
Housing and Urban Development	26.81	40.94
Roads and Transport	1.84	1.84
Other Infrastructure	4.41	13.54
Any Other	--	1.26
TOTAL	172.97	303.22

Source: Finance Accounts 2014-15, Government of Odisha.

During the year 2014-15, the Government has not invoked any guarantee and also not issued any letter of comfort.

1.10.4 Transactions under Reserve fund

i) Consolidated Sinking Fund (CSF): Twelfth Finance Commission has recommended that State should set up Sinking Funds for amortization of all loans including loans from banks, liabilities on account of National Small Savings Fund etc. and should not be used for any other purpose, except for redemption of Loans. Guarantee Redemption Fund is meant for discharge of the States' obligations on Guarantee. The State Government is required to contribute a minimum of 0.5 *per cent* of the total liabilities outstanding at the beginning of the year to the Fund. The State Government has raised debt amounting to ₹ 44713.80 crore, out of which, ₹ 2921.18 crore constituted market loans. Accordingly, the amount due to be contributed to the Fund was ₹ 223.57 crore (@ 0.5 *per cent* of total liabilities at the beginning of the year) in terms of the recommendations of the Twelfth Finance Commission. However, the State Government did not contribute any amount to the Fund during the year. Consequently, the Revenue Surplus during the year was overstated by ₹ 223.57 crore.

ii) Guarantee Redemption Fund (GRF): Guarantee Redemption Fund was constituted in the year 2002-03 as per recommendation of the Twelfth Finance Commission with a corpus of ₹ 20 crore. The balance at the credit of the fund as on 31 March 2015 was ₹ 480 crore. The Government of Odisha has discharged guarantee liabilities for ₹ 744.99 crore by charging different functional loan major heads at the end of 2014-15 without reimbursing any amount from the redemption fund.

iii) State Disaster Response Fund (SDRF): As per recommendation of the ThFC the State Disaster Response Fund was constituted w.e.f 2010-11. In terms of the guidelines, the Centre and State Government are required to contribute to the fund in proportion of 75:25. Accordingly, the Centre contributed ₹ 276.98 crore and the State Government has contributed ₹ 92.34 crore to the Fund during 2014-15. The balance in the Fund as on 31 March 2015 is ₹ 23.42 crore after incurring expenditure of ₹ 400.49 crore during the year.

iv) Funds for Protection of Interest of Depositors: The State Government created a new fund in 2014-15 i.e. “Fund for Protection of Interest of Depositors” with a corpus of ₹ 300 crore to safeguard the interest of small and genuine depositors of the State. The Fund has to be maintained in the Public Account under section ‘Reserve Funds not bearing interest’. No expenditure was made out of the Fund during 2014-15.

1.10.5 Inoperative Reserve Funds

Reserve Fund is created for specific and defined purposes under the Sector ‘J’ in the accounts of the State Government. The sources of the fund are the contributions or grants from the Consolidated Fund of India or State. After obtaining the vote of the Legislature, the expenditure incurred from the fund is initially accounted for under the Consolidated Fund. On the closure of the account, at the end of the year, the expenditure so incurred is transferred to the fund (Public Account) through an operation of deduct entry in accounts. Funds may be further classified as ‘funds bearing interest’ and ‘funds not bearing interest’. All these funds (whether interest bearing or not) are intended to be used for the purposes for which they are created.

Ten reserve funds have been created and maintained in the accounts of the State Government. Out of these, nine funds are inoperative or dormant for significant periods and one reserve fund (Consumer Welfare Fund) was created in 2012-13. The details of nine major inoperative funds are given in **Table 1.29**.

Table 1.29: Inoperative Reserve Funds

(₹ in lakh)

Sl. No.	Major and Minor heads with nomenclature	No. of Reserve Funds	Balance as on 31.03.2015		Year of last transaction
1	8011-Insurance and Pension Funds 105-State Government Insurance Fund	01	Cr.	0.07	2003-04
2	8012-Special Deposit and Accounts 123-Special Deposit for Employees Provident Fund Scheme (Administration Fund)	01	Cr.	1.63	2002-03
3	8013-Other Deposits and Accounts 01-Deposit Schemes for Retiring Employees 101-Deposit Scheme for Retiring Govt. Employees, 1989	01	Cr.	38.81	1997-98
4	8121-General and Other Reserve Fund 101-General and Other Reserve Funds - Government Commercial Departments and Undertakings.	01	Cr.	1.88	1996-97

Sl. No.	Major and Minor heads with nomenclature	No. of Reserve Funds	Balance as on 31.03.2015		Year of last transaction
5	8229-Development and Welfare Funds 109-Co-operative Development Funds, State Co-operative Development Fund	01	Cr.	2.00	1959-60
6	8235-General and Other Reserve Funds 102-Zamindari Abolition Fund 103-Religious and Charitable Endowment Funds 200-Other Funds: - Guarantee Reserve Fund Passengers Amenities Reserve Fund	04	Cr. Cr. Cr. Cr.	59.19 1.51 1,10.88 6.00	1994-95 1983-84 1997-98 1982-83
TOTAL		09		221.97	

Source: Finance Accounts of Government of Odisha 2014-15 (Volume-1)

The credit balances are debt liability of the Government on which interest is paid by the Government to the fund if the fund is interest bearing. The above reserve funds remained inoperative for periods ranging from 11 to 55 years.

The Government stated (November 2015) that in order to close the nine inoperative reserve funds, consent of the administrative departments concerned are being sought for by Finance Department. However, the fact remains that the nine inoperative or dormant funds exist even after commitment of Government earlier (October 2014) for closure of these funds.

1.11 Debt Sustainability

Debt sustainability is generally measured in terms of level of debt, primary deficit and interest cost in relation to nominal GSDP. A secular falling Debt/GSDP ratio can be considered as leading towards stability. The ratio of interest payments to revenue receipts is also used to measure debt sustainability. In this section, assessment of the sustainability of public debt is made using trends observed in critical variables.

This section assesses the sustainability of debt of the State Government in terms of (i) Debt/GSDP ratio (ii) IP/RR ratio and (iii) Maturity Profile of State Government Securities. **Table 1.30** analyses the Debt-GSDP ratio of the State Government according to these indicators for the period of five years beginning from 2010-11 to 2014-15.

Table 1.30: Trends in Debt-GSDP Ratio

Year	Total Debt (₹ in crore)	GSDP (₹ in crore)	ThFC Recommendations (Percentage)		Debt/GSDP (Percentage)
			All States	Odisha	
2010-11	25592	197530	26.7	31.0	12.96
2011-12	24618	220589	26.1	30.6	11.16
2012-13	23317	251002	25.5	30.2	9.29
2013-14	23314	272980	24.9	29.8	8.54
2014-15	26849	310810	24.3	29.5	8.64

Source: Finance Accounts of Government of Odisha for respective years

The trend in the Debt-GSDP ratio is an important indicator which signifies sustainability of the public debt. In Odisha, Debt-GSDP ratio was 12.96 *per cent* in 2010-11 which declined to 8.64 *per cent* in 2014-15. Also, this rate is less than the recommended figure stipulated by the ThFC (29.5 *per cent*).

Table 1.31: Trends in Interest Payment- Revenue Receipts ratio

(₹ in crore)

Year	Revenue Receipts (RR)	Growth over previous year (Percentage)	Interest payment (IP)	Growth over previous year (Percentage)	IP / RR (Percentage)
2010-11	33276	25.90	3061	0.56	9.20
2011-12	40267	21.01	2576	(-)15.84	6.40
2012-13	43937	9.11	2807	8.97	6.39
2013-14	48947	11.40	2888	2.89	5.90
2014-15	56998	16.45	2810	(-)2.70	4.93

Source: Finance Accounts of Government of Odisha for respective years

The trend in the Interest Payment (IP) – Revenue Receipts (RR) ratio is also another important indicator to measure sustainability of the public debt. In the state, IP-RR Ratio was 9.20 *per cent* by the end of March 2011, which has decreased to 4.93 *per cent* by the end of March 2015. During 2010-11 to 2014-15 the rate of growth of RR is more than the rate of growth of IP.

Table.1.32: Debt Maturity Profile

(₹ in crore)

Years	2010-11	2011-12	2012-13	2013-14	2014-15
0 – 1	2265(8.9)	2678(10.9)	2299(9.9)	2434(10.4)	2676(10.0)
1 – 3	5079(19.8)	5375(21.8)	5552(23.8)	5637(24.2)	4628(17.2)
3 – 5	5174(20.2)	4622(18.8)	3822(16.4)	3383(14.5)	5831(21.7)
5 – 7	3143(12.3)	2585(10.5)	2670(11.4)	2848(12.2)	3287(12.2)
7 and above	9931(38.8)	9358(38.0)	8974(38.5)	9012(38.7)	10427(38.9)
Total	25592	24618	23317	23314	26849

Source: Finance Accounts of Government of Odisha for respective years

Figures in brackets are the percentage to total debt.

The debt maturity profile of the State (**Table 1.32**) indicates that the State Government has to repay 17 *per cent* (₹ 4628 crore) of its debt between 1-3 years, 22 *per cent* (₹ 5831) between 3-5 years and 51 *per cent* (₹ 13746 crore) in the next seven years.

Table 1.33: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Debt Stabilisation (Quantum Spread +/- Primary Deficit/Surplus)	8929	9657	8458	1003	1501
Sufficiency of Non-debt Receipts (Resource Gap)	1608	1280	(-)619	(-)4636	(-)5479
Net Availability of Borrowed Funds	(-)1654	(-)3124	(-)3417	(-)2351	(-)1181

Source: Finance Accounts of Government of Odisha for respective years

During 2011-15, quantum spread together with primary deficit consistently remained positive resulting in continuous decline in debt/GSDP ratio. This is a positive sign indicating that debt is tending to be stable.

During the current year, the Government repaid principal plus interest on account of internal debt of ₹ 4826 crore, Government of India loans of ₹ 1031 crore and also discharged other obligation of ₹ 9538 crore, as a result of which payments exceeded the receipts during the year.

1.12 Fiscal Imbalances

Three key fiscal parameters - Revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government Account represents the gap between its expenditure and receipts. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of Revenue and fiscal deficits for the financial year 2014-15.

1.12.1 Trends in Deficits/Surpluses

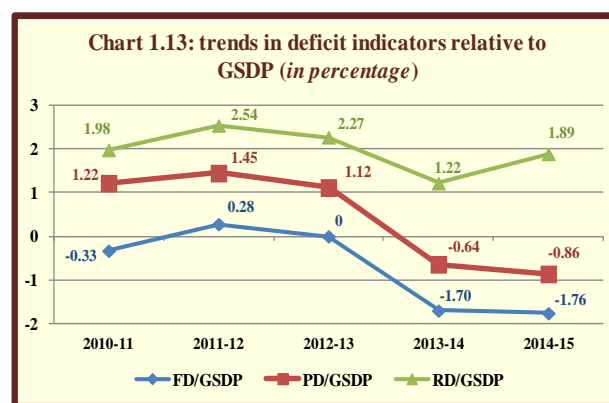
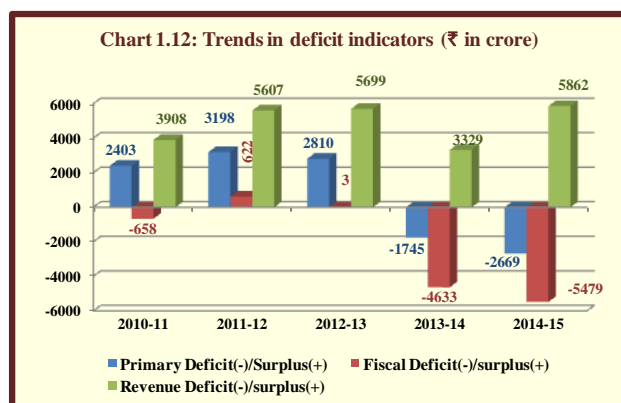
Table 1.34, Chart 1.12 and 1.13 present the trends in deficits/surpluses indicators over the period 2010-15.

Table 1.34: Deficits/Surpluses

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue deficit (RD) (-)/ surplus (+) (₹ in crore)	(+)3908	(+)5607	(+)5699	(+)3329	5862
Fiscal deficit (FD) (-)/ surplus (+) (₹ in crore)	(-)658	(+)622	(+)3	(-)4633	(-)5479
Primary deficit (PD) (-)/ surplus (+) (₹ in crore)	(+)2403	(+)3198	(+)2810	(-)1745	(-)2669

	2010-11	2011-12	2012-13	2013-14	2014-15
RD/GSDP (<i>per cent</i>)	(+)1.98	(+)2.54	(+)2.27	1.22	1.89
FD/GSDP (<i>per cent</i>)	(-)0.33	(+)0.28	(+)0.00	(-)1.70	(-)1.76
PD/GSDP (<i>per cent</i>)	(+)1.22	(+)1.45	(+)1.12	(-)0.63	(-)0.86

Source: Finance Accounts of Government of Odisha for respective years



Source: Finance Accounts of Government of Odisha for respective years.

Revenue surplus/deficit

Revenue surplus represents the difference between Revenue Receipts and Revenue Expenditure. Revenue surplus helps to reduce the borrowings. In 2005-06, after a gap of 22 years, the State was able to attain a Revenue surplus of ₹ 481 crore and continued to be a Revenue surplus State. During 2014-15, revenue receipts grew 16 *per cent* as against a growth rate of 12 *per cent* by revenue expenditure resulting in revenue surplus being increased by ₹ 2533 crore as compared to previous year. However, the achievement was in line with the State's FRBM (Amendment) Act, 2011 which prescribed reduction of Revenue deficit to zero for the financial year 2011-12 onwards.

Fiscal surplus/deficit

Fiscal surplus of three crore in 2012-13 turned into fiscal deficit of ₹ 5479 crore during 2014-15 mainly on account of steep increase in the capital expenditure by the State. However, fiscal deficit (₹ 5479 crore) was within the State's FRBM (Amendment) Act, 2011 target of not more than three *per cent* of GSDP (₹ 9324 crore).

Primary Surplus/deficit

The primary deficit of ₹ 1745 crore in 2013-14 increased to ₹ 2669 crore during the current year. While Fiscal Deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payment. Interest payment represents the expenditure of past obligation and is independent of current allocative priorities. During 2014-15, the Fiscal deficit was almost twice the interest payment. This meant that around 50 *per cent* of the fiscal deficit was due to revenue expenditure other than interest payment. Hence prudent

reduction of revenue expenditure could enable the State Government to attain primary surplus.

1.12.2 Components of Fiscal Deficit/Surplus and its Financing / Investing Pattern

The financing / investing pattern of fiscal deficit/surplus underwent a compositional shift as reflected in the **Table 1.35**.

Table 1.35: Components of Fiscal Deficit/Surplus and its Financing/Investing Pattern
(₹ in crore)

Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
Decomposition of Fiscal Deficit		(-)658	622	3	(-)4633	(-)5479
1	Revenue surplus	3908	5607	5699	3329	5862
2	Capital Expenditure	(-)4285	(-)4496	(-)5622	(-)7756	(-)11075
3	Net Loans and Advances	(-)281	(-)489	(-)74	(-)206	(-)266
Financing Pattern of Fiscal Deficit*/Surplus						
1	Market Borrowings	(-)623	(-)1046	(-)1308	(-)885	(-)1533
2	Loans from GoI	(-)636	(-)314	(-)70	33	(-)121
3	Special Securities Issued to National Small Savings Fund (NSSF)	1023	26	115	388	1090
4	Loans from Financial Institutions	420	360	(-)37	461	1033
5	Small Savings, PF etc	1223	426	691	689	1073
6	Reserve fund	17	269	-107	(-)130	256
7	Deposits and Advances	154	554	1594	813	915
8	Suspense and Misc	(-)809	(-)1290	(-)460	3437	99
9	Remittances	(-)4	9	4	28	2
10	Others	--	--	--	--	--
11	Increase / decrease in cash Balance	69	12	(-)441	(-)51	(-)552
12	Net of Odisha Contingency Fund	(-)176	372	16	(-)150	150

*All these figures are net of disbursements/outflows during the year

Source: Finance Accounts of Government of Odisha for respective years

The Fiscal deficit of 2013-14 increased by ₹ 846 crore and stood at ₹ 5479 crore in the current year. The factor contributing to increase in fiscal deficit was the increase in capital expenditure from ₹ 7756 crore in 2013-14 to ₹ 11075 crore during 2014-15. The fiscal deficit was largely managed by small savings, provident funds etc, Deposits and Advances, Special Securities issued to NSSF and Loans from financial institutions.

1.12.3 Quality of Deficit/Surplus

The ratio of Revenue deficit to fiscal deficit and the decomposition of primary deficit into primary Revenue deficit and Capital Expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of Revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of Revenue deficit to

fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have any asset backup. In Odisha, there has been a Revenue surplus since 2005-06. Bifurcation of the primary surplus (**Table 1.36**) would indicate the extent to which the deficit has been on account of enhancement in Capital Expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.36: Primary Deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue deficit (-) /surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2010-11	33310	26307	4285	315	30907	7003	2403
2011-12	40399	32084	4496	621	37201	8315	3198
2012-13	44079	35431	5622	216	41269	8648	2810
2013-14	49204	42730	7756	463	50949	6474	(-)1745
2014-15	57090	48326	11075	358	59759	8765	(-)2669

Source: Finance Accounts of Government of Odisha for respective years

During 2014-15, non-debt receipts increased from ₹ 49204 crore to ₹ 57090 crore (16 per cent) against an increase of 13 per cent in Primary Revenue Expenditure.

Analysis of the factors resulting into primary revenue surplus of the State during 2010-13 revealed that the State was experiencing primary surplus during these years. However, during 2013-14 and 2014-15, the State has had a primary deficit of ₹ 1745 crore and ₹ 2668 crore respectively. In other words, non-debt receipts of the State were not enough to meet the primary expenditure⁹ requirements in the Revenue account. Ideally incremental non-debt receipts every year should cover not only the primary expenditure but also incremental interest burden.

1.13 Public Private Partnerships (PPP)

Recourse to the PPP mode for project financing is generally encouraged because it frees valuable fiscal space for the provision of public goods in areas where such financing may not be forthcoming, as envisaged in ThFC. The Government of Odisha framed their PPP Policy in August 2007 to support private investment, particularly in the infrastructure sector, to utilise the efficiency and innovativeness of the private investors, besides tapping their capital. PPP projects in sectors that come under the purview of the Government of Odisha cover 19 infrastructure sectors such as Roads, Ports, Airports, Industrial parks, Inland Container Depot and Logistic hubs, Water Supply, Power Generation, Solid Waste Management, Railway related projects and agriculture production and marketing etc. Out of the 19 sectors, the Government has not entered into the PPP contracts in five of the sectors viz. Airports, Airstrips and Heliports, Inland Container Depots and Logistic

⁹ Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

Hubs, Sewerage and Drainage, Inland Water Transport and Agriculture Production and Marketing. In terms of the main types of PPP contracts, almost all contracts have been of the build, operate and transfer (BOT) type or build, own, operate and transfer (BOOT) type (either toll or annuity payment models) or close variants.

The status of the PPP in Odisha as on 31 March 2015 is given in **Table 1.37:**

Table 1.37: Status of projects as of 31 March 2015

(₹ in crore)

Sector	Operational		Under Implementation		Under Pipeline		Total	
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
Urban Development	4	156	8	888	6	919	18	1963
Health	11	200	0	0	0	0	11	200
Finance & Revenue	1	72	0	0	0	0	1	72
Transport	3	4861	6	12550	0	0	9	17411
Industrial Infrastructure	2	165	3	720	0	0	5	885
Roads	1	48	1	1293	0	0	2	1341
Tourism	5	52	10	25	0	0	15	77
Education	14	35	0	0	0	0	14	35
Energy	0	0	1	108	1	50	2	158
Total	41	5589	29	15584	7	969	77	22142

Source: Figures furnished by Planning & Co-ordination Department, Government of Odisha

A total number of 77 PPP projects in Odisha in different sectors are given in **Appendix-1.8**, out of which 41 projects have been completed, 29 are in implementation/construction stage and the rest seven projects are still in the pipeline. During the financial year, the number of operational projects remained the same whereas under implementation projects increased by two.

1.14 Conclusion

- Revenue Receipts increased by five *per cent* from around 11 *per cent* in 2013-14 to around 16 *per cent* in 2014-15 (**Paragraph 1.4**).
- Non-Plan Revenue Expenditure (NPRE) as a proportion of Revenue Expenditure, decreased from 75 *per cent* in 2010-11 to 63 *per cent* in 2014-15. Out of the total increase of ₹ 5518 crore in Revenue Expenditure during the current year over the previous year, increase in NPRE contributed 30 *per cent* (₹ 1649 crore) and remaining 70 *per cent* (₹ 3869 crore) was the Plan Revenue Expenditure (PRE) (**Paragraph 1.7.4**).
- Capital Expenditure of the State as a percentage of total expenditure increased from 13 *per cent* in 2010-11 to 18 *per cent* in 2014-15. However, it was still 3.56 *per cent* of GSDP during 2014-15 as against the projection of 5.55 *per cent* in the Budget Estimates (**Paragraph 1.7.5**).
- The total committed liabilities of the State stood at ₹ 118559.73 crore at the end of the year. Out of these, pension payment obligations were 61.86

per cent, interest payments 28.31 per cent and loan repayments were 9.83 per cent (Paragraph 1.7.6).

- Outlay-outcome budgets of four departments viz. Fisheries & Animal Resources Development, Panchayati Raj, Rural Development and Water Resources departments were reviewed for the year 2014-15 and it was seen that the financial and physical targets were not achieved (*Paragraph 1.8.3*).
- Expenditure of over ₹ 1073 crore was incurred on 206 projects which were still incomplete due to the prolonged processes involved in land acquisition, matters lying sub-judice in Courts, finalisation and revision of designs, shortage of funds and slow progress of work. (*Paragraph 1.9.2*).
- Out of 10 Reserve Funds, nine remained inoperative or dormant for significant periods. (*Paragraph 1.10.5*).
- During 2010-15, quantum spread together with primary deficit consistently remained positive resulting in continuous decline in Debt/GSDP ratio, which is a positive sign indicating that debt is tending to be stable. (*Paragraph 1.11*).
- Out of 77 PPP projects, 41 projects were complete, 29 in implementation/construction stage and the remaining seven projects are still in pipeline (*Paragraph 1.13*).