

2.1 Major changes in key fiscal aggregates vis-à-vis 2019-20

This section gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2020-21, as compared to 2019-20. Each of these indicators has been analysed in the succeeding paragraphs.

Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 2.78 per cent ✓ Own Tax receipts of the State increased by 6.01 per cent ✓ Own Non-tax receipts increased by 33.25 per cent ✓ State's Share of Union Taxes and Duties decreased by 9.56 per cent ✓ Grants-in-Aid from Government of India decreased by 4.49 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure decreased by 3.86 per cent ✓ Revenue expenditure on General Services decreased by 1.15 per cent ✓ Revenue expenditure on Social Services decreased by 8.31 per cent ✓ Revenue expenditure on Economic Services increased by 0.88 per cent ✓ Expenditure on Grants-in-Aid decreased by 7.25 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 11.48 per cent ✓ Capital expenditure on General Services increased by 7.83 per cent ✓ Capital expenditure on Social Services decreased by 14.08 per cent ✓ Capital expenditure on Economic Services decreased by 11.61 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 26.85 per cent ✓ Recoveries of Loans and Advances increased by 138.33 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 38.42 per cent ✓ Repayment of Public Debt increased by 105.87 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts decreased by 15.24 per cent ✓ Disbursement of Public Account increased by 17.51 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance decreased by ₹ 9,802 crore (23.10 per cent) during 2020-21 as compared to previous year

2.2 Sources and Application of Funds

This section compares the components of the sources and application of funds of the State during the financial year 2020-21 as compared to 2019-20. The details of sources and application of funds are given in **Appendix 2.1** and **Appendix 2.2**.

Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

₹ in crore				
	Particulars	2019-20	2020-21	Increase / Decrease (% of variation)
Sources	Opening Cash Balance	38,134	42,438	4,304(11.29)
	Revenue Receipts	1,01,568	1,04,387	2,819(2.76)
	Recoveries of Loans and Advances	287	684	397(138.33)
	Public Debt Receipts (Net)	10,185	11,066	881(8.65)
	Public Account Receipts (Net)	11,497	(-)10,911	-22,408(194.90)
	Total	1,61,671	1,47,664	-14,007(8.66)
Application	Revenue Expenditure	99,137	95,311	-3,826(3.86)
	Capital Expenditure	20,277	17,949	-2,328(11.48)
	Disbursement of Loans and Advances	1,259	1,597	338(26.85)
	Contingency Fund (Net)	(-)1,440	171	1,611(111.88)
	Closing Cash Balance	42,438	32,636	-9,802(23.10)
	Total	1,61,671	1,47,664	-14,007(8.66)

Source: Finance Accounts of respective years, Government of Odisha

Chart 2.1: Composition of Resources

(in per cent)

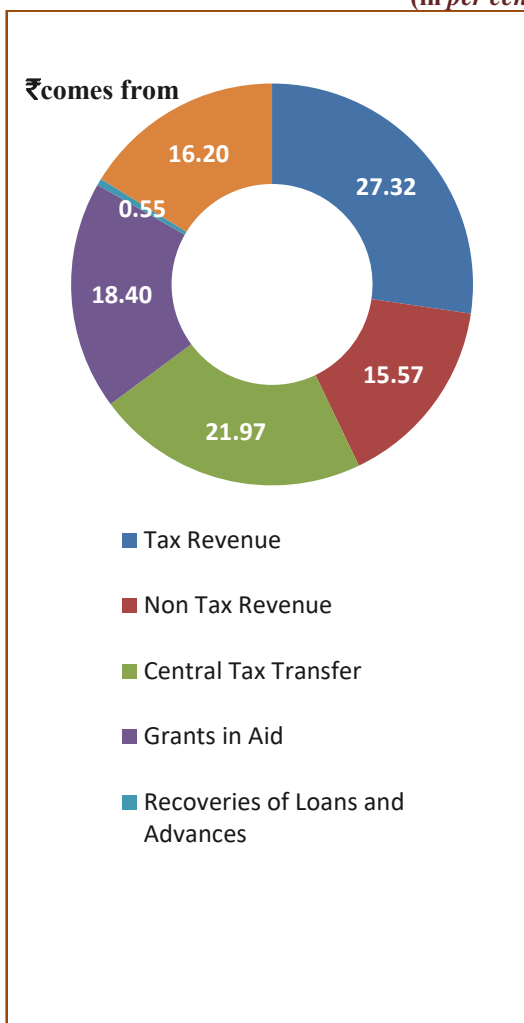
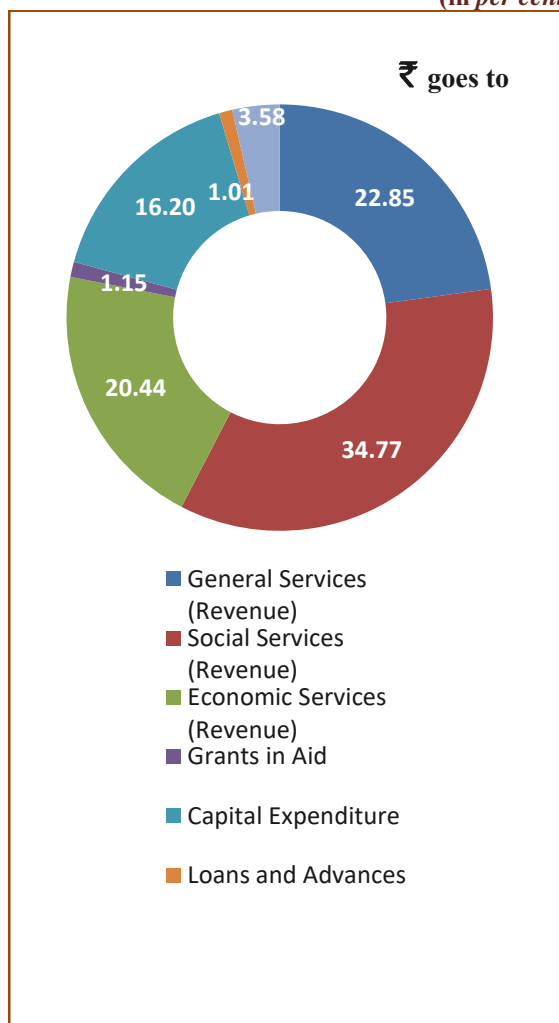


Chart 2.2: Application of Resources

(in per cent)



Source: Finance Accounts 2020-21

2.3 Resources of the State

The resources of the State are described below:

1. Revenue Receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and Grants-in-Aid from the Government of India (GoI).

2. Capital Receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

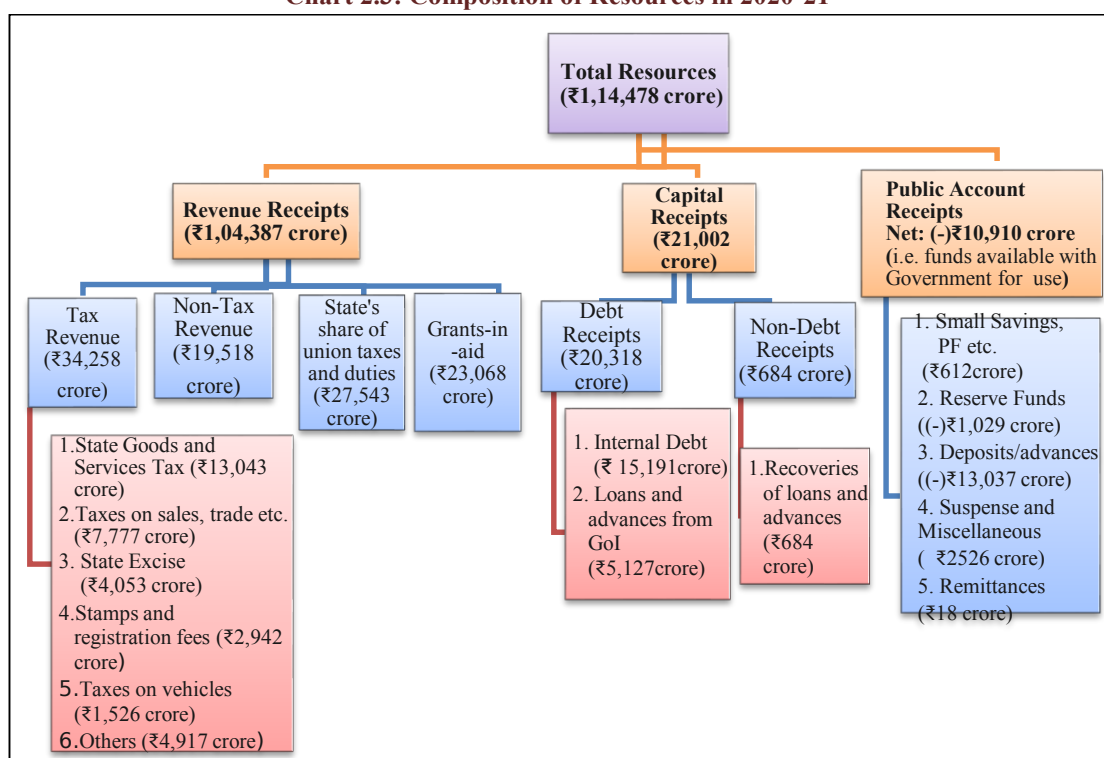
3. Net Public Account receipts: These are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

The overall composition of the State resources (₹1,14,478 crore) in 2020-21 is shown in **Chart 2.3**:

Chart 2.3: Composition of Resources in 2020-21

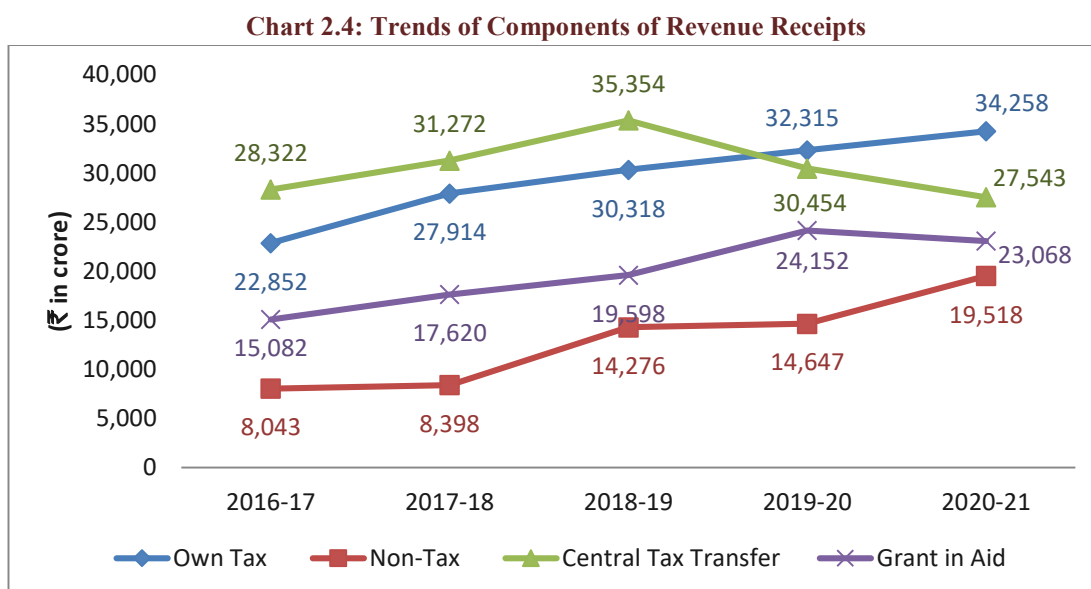


Source: Finance Accounts 2020-21, Government of Odisha

The above Chart shows that out of the total resources of ₹ 1,14,478 crore of the State Government during the year 2020-21, Revenue Receipts (₹1,04,387 crore) constituted 91.19 *per cent* of total resources. Capital Receipts (₹ 21,002 crore) and Public Account Receipts net {(-) ₹ 10,910 crore} constituted 18.35 *per cent* and (-)9.53 *per cent* of the total resources, respectively.

2.3.2 State's Revenue Receipts

Statement 14 of the Finance Accounts gives details of the Revenue Receipts of the Government. Revenue Receipts (₹ 1,04,387 crore) of the Government constituting 20.49 *per cent* of the GSDP⁵ (₹ 5,09,574 crore), increased by 2.78 *per cent* over the previous year (₹ 1,01,568 crore). Revenue Receipts were, however, lower than the budget estimates (₹ 1,24,300 crore) by ₹ 19,913 crore. The trends and composition of the Revenue Receipts during the years 2016-17 to 2020-21 are shown in **Chart 2.4**.



Source: Finance Accounts of respective years, Government of Odisha

As can be seen from the above Chart, Own Tax Revenue and Non Tax Revenue have been increasing over the last five years.

Central Tax Transfer followed increasing trend for the period 2016-17 to 2018-19, and started decreasing from 2019-20. The BE for Central Tax Transfer was ₹ 36,300 crore, while the actual receipt was only ₹ 27,543 crore, during 2020-21, which was less than BE by 24.12 *per cent* (₹8,757 crore).

2.3.2.1 Trends and Growth of Revenue Receipts

This sub-paragraph provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period.

The trends of Revenue Receipts relative to GSDP are presented in **Table 2.3** and **Chart 2.5**:

⁵GSDP at current prices

Table 2.3: Trends of Revenue Receipts relative to GSDP

	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	74,299	85,204	99,546	1,01,568	1,04,387
Rate of growth of RR (<i>per cent</i>)	7.77	14.68	16.83	2.03	2.78
Own Tax Revenue	22,852	27,914	30,318	32,315	34,258
Non Tax Revenue	8,043	8,398	14,276	14,647	19,518
State Own Revenue (Own Tax and Non-tax Revenue)	30,895	36,312	44,594	46,962	53,776
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	(-)1.10	17.53	22.81	5.31	14.51
Gross State Domestic Product (GSDP) (₹ in crore)	3,92,804	4,40,879	4,87,805	5,21,275	5,09,574
Rate of growth of GSDP (<i>per cent</i>)	19.56	12.24	10.64	6.86	-2.24
R R/GSDP (<i>per cent</i>)	18.92	19.33	20.41	19.48	20.49
Buoyancy Ratio⁶					
Revenue Buoyancy with respect to GSDP	0.40	1.20	1.58	0.30	(-)1.24
State's Own Revenue Buoyancy with respect to GSDP	(-)0.06	1.43	2.14	0.77	(-)6.48

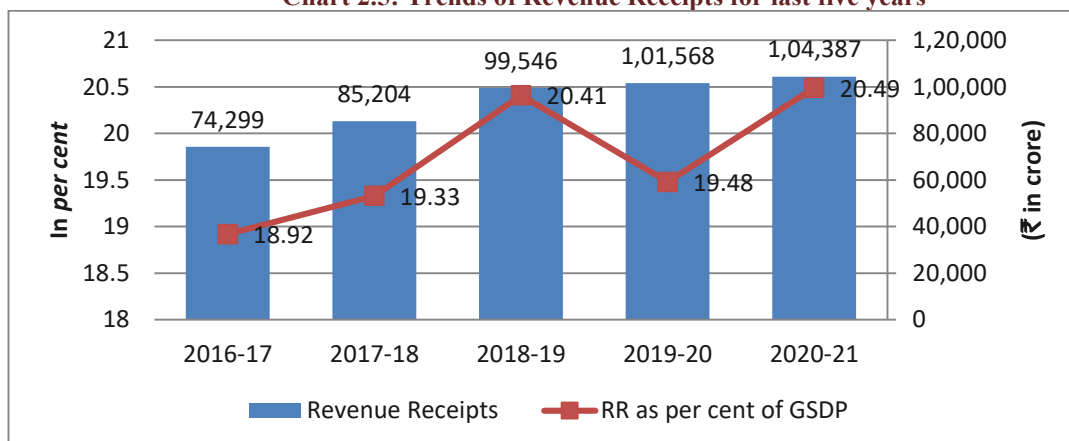
Source: GSDP- Directorate of Economics and Statistics, Government of Odisha
Revenue Receipts- Finance Accounts of the respective years.

From the above table, it can be inferred that:

- Revenue buoyancy as well as State's own tax buoyancy with reference to GSDP was above one during last five years, except 2016-17 and 2019-20. During 2020-21, the Revenue Buoyancy was (-)1.24 due to negative growth of GSDP. During 2020-21, the Revenue Buoyancy was (-) 1.24 due to negative growth of GSDP. Revenue Buoyancy above one indicated that for every one *per cent* increase (or decrease) in GSDP, there was more than one *per cent* increase (or decrease) in Revenue, and highlighted the need for adopting policies that encourage economic growth of the State.
- Revenue Receipts as a *per cent* of GSDP for the year 2020-21 (20.49 *per cent*) increased in comparison to 2019-20 (19.48 *per cent*) due to the decrease in the denominator, *i.e.* GSDP (₹5,09,574 crore), as compared to previous year (₹5,21,275 crore). The same is also depicted in **Chart 2.5** below.

⁶Buoyancy 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 0.72 implies that Revenue Receipts tend to increase by 0.72 percentage points, if the GSDP increases by one *per cent*.

Chart 2.5: Trends of Revenue Receipts for last five years



Source: GSDP- DES, Government of Odisha, Revenue Receipts- Finance Accounts of the respective years.

2.3.2.2 State's Own Resources

The State's performance in mobilisation of resources is assessed in terms of Tax Revenue and Non-Tax Revenue, not including the State's share in Central Taxes and Grants-in-Aid which is based on the recommendations of the Finance Commission. State's Own Revenue (Tax Revenue and Non-Tax Revenue) during 2020-21 grew by 14.51 *per cent*, which was much higher than the increase (-2.24 *per cent*) in the economic base measured in terms of GSDP during same period. The Budget Estimates for Own Tax Revenue during 2020-21 was ₹ 38,350 crore.

a) State's Own Tax Revenue

Components of State's Own Tax Revenue are shown in **Table 2.4**.

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Spark Line
State Goods and Services Tax (SGST)	0	6,609	11,943	13,204	13,043	
Taxes on Sales, Trade, etc	13,402	11,522	7,310	7,455	7,777	
State Excise	2,786	3,221	3,925	4,495	4,053	
Taxes on Vehicles	1,216	1,535	1,746	1,836	1,526	
Stamps and Registration fees	1,364	1,037	1,237	1,435	2,942	
Land Revenue	460	542	511	721	603	
Taxes on Goods and Passengers	1,760	1,260	182	133	146	
Other Taxes	1,864	2,188	3,464	3,036	4,168	
Total	22,852	27,914	30,318	32,315	34,258	

Source: Finance Accounts of respective years, Government of Odisha

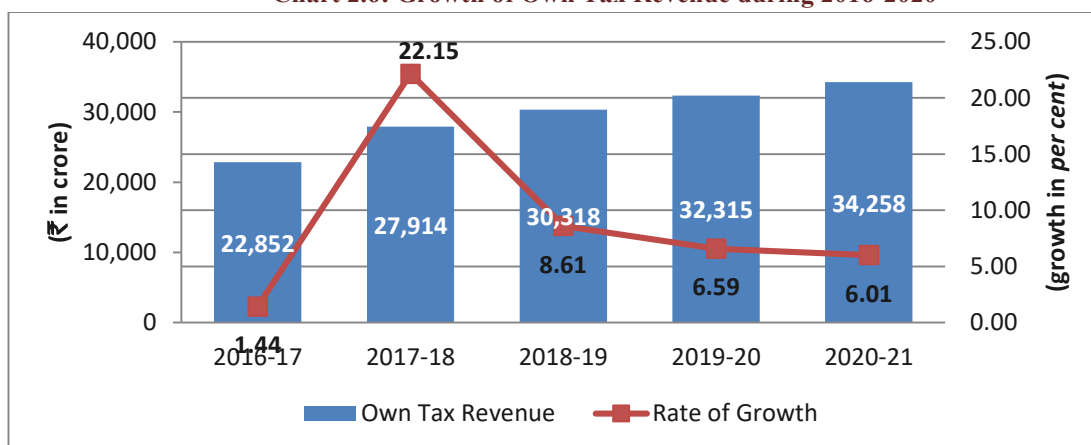
From the above table, it can be inferred that:

- In comparison to the Budget Estimates (₹ 38,350 crore) of 2020-21, the State's actual Own Tax Revenue in 2020-21 was ₹ 34,258 crore (89.32 *per cent*). The shortfall in comparison to Budget Estimates was under SGST by ₹2,426 crore, under Taxes on Sales, Trade, etc. by ₹ 973 crore, under State

Excise by ₹ 1,197 crore and under Taxes on Vehicles by ₹ 474 crore. Own tax Revenue constituted 32.82 *per cent* of total Revenue Receipts for 2020-21.

- As per the provision of Odisha Cess Act 1962, collections from Land Revenue Cess are to be distributed among Panchayati Raj Institutions (PRIs) *i.e.*, Gram Panchayats (GPs), Panchayat Samiti (PSs) and Zilla Parishads (ZPs) in the ratio of 60:20:20. However, during 2020-21, an amount of ₹ 73.58 crore was collected towards Land Revenue Cess and not distributed to the PRIs. This had an impact of overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹73.58 crore. This had also been the case in 2018-19 and 2019-20 when ₹48.07 crore and ₹36.60 crore respectively, were collected and not transferred to PRIs.
- The Own Tax revenue of the State during the years 2016-17 to 2020-21 showed increasing trend in absolute terms. However, in terms of growth over previous year, it started declining from 2017-18, which is depicted in **Chart 2.6** below. As can be seen in comparison to the last financial year, the growth rate of own tax revenue of the State fell from 6.59 *per cent* in 2019-20 to 6.01 *per cent* in 2020-21. During 2020-21, the growth in various economic sectors/ activities and therefore of taxes from those sectors was uneven and was severely impacted due to the Covid-19 outbreak.

Chart 2.6: Growth of Own Tax Revenue during 2016-2020



Source: Finance Accounts of respective years, Government of Odisha

b) State Goods and Services Tax (SGST)

The State Government implemented the Goods and Services Tax (GST) Act from 01 July 2017. According to GST (Compensation to States) Act, 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years starting from 2017-18. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. The protected revenue for any year of a State shall be calculated

applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State. The base year for calculation of revenue figures of taxes subsumed under GST was fixed as 2015-16.

In case of Odisha, the revenue in the base year (2015-16) was ₹ 11,049.34 crore. The protected revenue for the year 2020-21 assessed with respect to base year was ₹ 21,274.56 crore. In 2020-21, the State's receipt of GST (SGST) was ₹13,043 crore and pre-GST taxes on GST goods was ₹165.95 crore. GoO received GST compensation of ₹ 4,361.59 crore as GIA under revenue receipts and ₹ 3,822 crore as back-to-back loan with no repayment liability under debt receipts.

Details of SGST, pre-GST taxes and compensation received by the State during 2020-21 are given in **Table 2.5**:

Table 2.5: Details of SGST, pre-GST taxes and compensation received by the State during April 2020 to March 2021

Particulars	Amount (₹ in crore)
Revenue to be Protected (A)	21,274.56
State Goods & Services Tax (including IGST advance apportionment of ₹535.78 crore) (B)	1,30,43.19
Collection of pre-GST Taxes (April 2020 to March 2021) (C)	165.95
Total Collection (D) = (B+C)	13,209.14
Compensation received (E)	4,361.59
Back to back loan towards shortfall in GST Compensation	3,822.00

Source: Finance Accounts, Commercial Tax & GST wing of the Finance Department

Details of State Goods and Service Tax projection *vis-à-vis* actual receipts for the years 2017-18 to 2020-21 are given in **Table 2.6**.

Table 2.6: Details of SGST during the years 2017-21

Base Year	Projection at a growth rate of 14 <i>per cent</i>	Actual
2015-16	11,049	-
2016-17	12,596	-
2017-18	14,359	11,229 [#]
2018-19	16,369	12,129
2019-20	18,662	13,330
2020-21	21,275	13,209

Source: Finance Accounts, Commercial Tax & GST wing of the Finance Department

[#] Actual receipts of 9 months was ₹8,422 crore; average of 12 months has been calculated.

It can be seen from the above table that the projection of the GST growth was 14 *per cent* per annum over the base year revenue, *i.e.*, 2015-16. However, the actual growth of SGST was much lower than the projected growth of 14 *per cent* per annum.

c) Non-Tax Revenue

Non-Tax Revenue (NTR) accounts for receipts of interest, dividends and profits, mining receipts and other departmental receipts. NTR received during the last five years are shown in **Table 2.7**:

Table 2.7: Components of State's non-tax revenue

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Ferrous Mining	4926	6,131	10,480	11,020	13,792
Interest Receipts	427	601	1,462	1,487	1,262
Dividends and Profits	566	66	544	321	1,063
Other Non-tax receipts	2,124	1,600	1,791	1,819	3,401
a) Major and Medium Irrigation	722	663	702	669	796
b) Road & Bridges	73	66	67	44	54
c) Education	31	24	26	27	62
d) Misc. General Services	384	240	419	411	1,729
e) Other or Misc.	914	607	577	668	760
Total	8,043	8,398	14,277	14,647	19,518

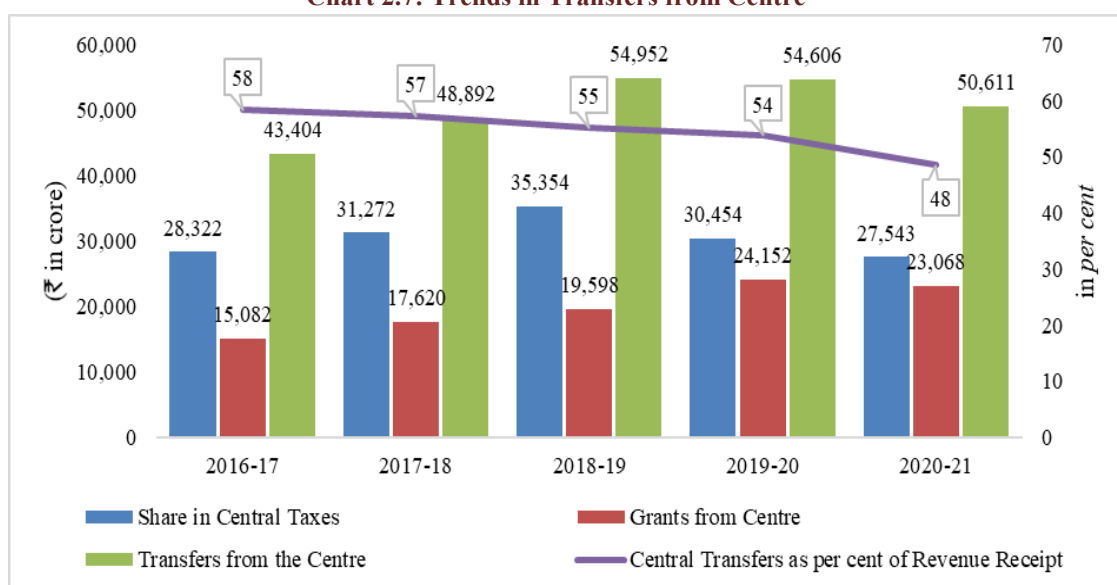
Source: Finance Accounts of respective years, Government of Odisha

The NTR in 2020-21 was ₹19,518 crore, which constituted 18.70 per cent of Revenue Receipts and increased by ₹ 4,871 crore (33.26 per cent) over previous year (₹ 14,647 crore).

2.3.2.3 Transfers from the Centre

The Union Government transfers funds to States in two ways (i) Devolution of Central taxes to States and (ii) Grants in aid given by the Centre. The central taxes devolved to states are untied funds, and states can spend them according to their discretion, whereas grants given by the centre to states and local bodies are meant for specific purpose and used only for the specified scheme or purpose. The transfers to states are dependent on the tax collection of the GoI and the states get their share as per the percentage recommended by the respective Finance Commissions. Trends in transfers from Centre for last ten years are given in **Chart 2.7**.

Chart 2.7: Trends in Transfers from Centre



Source: Finance Accounts of respective years, Government of Odisha

As can be seen from the above Chart, Central transfers have been consistently decreasing from 58 *per cent* in 2016-17 to 48 *per cent* in 2020-21. Due to high dependence on Central transfers, the State's overall Revenue Receipts were adversely impacted as Central Tax Transfer and Grants decreased by ₹ 2,911 crore (9.56 *per cent*) and ₹ 1,084 crore (4.49 *per cent*) respectively during 2020-21 over the previous year.

The BE for Central Tax Transfer was ₹ 36,300 crore, while the actual receipt was only ₹ 27,543 crore during 2020-21. Similarly, the BE for Grants-in-Aid from Government of India was ₹ 32,000 crore, while the actual receipts was only ₹ 23,068 crore. This shortfall in receipt of Central Transfer contributed to the actual Revenue Receipt (₹ 1,04,387 crore) being lower than budgeted Revenue Receipts (₹ 1,24,300 crore) by ₹ 19,913 crore for the year 2020-21.

a) State's Share of Union Taxes and Duties

State's share of Union taxes recommended by Fourteenth Finance Commission (FFC) (2015-16 to 2019-20) and Fifteenth Finance Commission (2020-21 to 2025-26) as compared with actual devolution made by Centre are summarised in **Table 2.8**.

Table 2.8: State's share in Union taxes and duties: Actual devolution vis-à-vis projections in Finance Commission Report (FCR)

(₹ in crore)

Year	Finance Commission Projections	Projections in FCR	Actual Tax Devolution	Difference
1.	2.	3.	4.	5. (4-3)
2015-16	4,642 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 4.744 <i>per cent</i> of net proceeds of shareable service tax (As per recommendations of FFC)	27,001	23,574	(-) 3,427
2016-17		31,158	28,322	(-) 2,836
2017-18		36,005	31,272	(-) 4,733
2018-19		41,656	35,354	(-) 6,302
2019-20		48,250	30,454	(-) 17,796
2020-21	4,629 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of Fifteenth FC)	39,586	27,543	(-) 12,043

Source: Finance Commission Report, Budget at a Glance & Finance Accounts

As seen from the table above, the gap between FCR projections and actual tax devolution to the State has been consistently widening between the years 2016-17 to 2020-21.

The State's share of Union Taxes under different components during the years 2016-17 to 2020-21 are shown in **Table 2.9**.

Table 2.9: State's share of Union Taxes under different components for last five years
(₹ in crore)

Component of State's share of Union taxes	2016-17	2017-18	2018-19	2019-20	2020-21
Corporation Tax	9,072	9,575	12,294	10,384	8,328
Customs	3,903	3,156	2,506	1,930	1,447
Income Tax	6,305	8,085	9,054	8,136	8,540
Other Taxes and Duties on commodities and services	--	--	18	19	21
Service Tax	4,564	3,561	326	--	124

Component of State's share of Union taxes	2016-17	2017-18	2018-19	2019-20	2020-21
Wealth Tax	21	--	5	1	--
Union Excise Duties	4,457	3,298	1,665	1,342	923
CGST	--	441	8,726	8,642	8,160
IGST	--	3,156	696	--	--
Other Taxes on Income and Expenditure	--	--	64	--	--
Grand total	28,322	31,272	35,354	30,454	27,543
Percentage of increase over previous year	20.14	10.42	13.05	-13.86	-9.56
Component of State's share as percentage of Revenue Receipts of the State	38	37	36	30	26

Source: Finance Accounts of respective years, Government of Odisha

As can be seen from the above, the receipts of the State's share of Union taxes has been increasing from 2016-17 to 2018-19. However, it declined by 13.86 *per cent* during 2019-20 and 9.56 *per cent* during 2020-21 over the previous year.

b) Grants-in-Aid from Government of India

The details of Grants-in-Aid and its composition during the years 2016-17 to 2020-21 are in **Table 2.10**.

Table 2.10: Grants-in-Aid from Government of India

Particulars	₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Non Plan Grants	3,248	--	--	--	--
State Plan Grants	11,769	--	--	--	--
Grants for Central Plan Schemes	65	--	--	--	--
Grants for Centrally Sponsored Plan Schemes	0.1	--	--	--	--
Grants for Centrally Sponsored Schemes	--	12,900	13,025	13,056	12,698
Finance Commission Grants	--	2,406	2,840	3,563	4,949
Other Transfers/Grants to States/Union Territories with Legislatures	--	2,314	3,733	7,533	5,421
Total	15,082	17,620	19,598	24,152	23,068
Percentage of increase over the previous year Receipts	6.74	16.83	11.23	23.24	-4.49
Total grants as a percentage of Revenue Receipts	20.30	20.68	19.69	23.78	22.10

Source: Finance Accounts of respective years, Government of Odisha

The Government of India decided to give effect to the merger of plan/ non-plan provisions in the Estimates for Budget 2017-18, after conclusion of the 12th Plan period (2012-17). With the removal of the Plan and Non-Plan distinction, Grants-in-Aid from Centre comprises only (i) Finance Commission recommended grants for Local Bodies, (ii) grants for Disaster Response and (iii) grants for Central share of Central Sector and Centrally Sponsored Schemes. Percentage of Grants-in-Aid to Revenue Receipts increased from 19.69 *per cent* in 2018-19 to 23.78 *per cent* in 2019-20, however, it declined to 22.10 *per cent* in 2020-21.

c) Finance Commission Grants

The 73rd Constitutional Amendment requires both the Centre and the States to help Panchayati Raj Institutions to evolve as a unit of self-governance by assigning them

funds, functions and functionaries. The Finance Commission Grants are the funds provided by the Centre to local bodies, state disaster relief funds and compensates any revenue loss to states after devolution of taxes. The details of FC recommendations *vis-a-vis* actual receipts are given in **Table 2.11**.

Table 2.11: Grant-in-aid released by GoI as per recommendation of Finance Commissions
(₹ in crore)

Department	Sectors	2019-20		2020-21		Increase (+) / Decrease (-) over last year
		FCR	Actuals	FCR	Actuals	
1	2	3	4	5	6	7 (4-6)
Panchayati Raj & Drinking Water Department						
Rural Local Bodies	Basic Grant	2389.54	2389.54	2,258.00	2,258.00	(-)131.54
	Performance Grant	292.05	196.40	--	--	(-)196.40
	Total	2,681.59	2585.94	2,258.00	2,258.00	(-)327.94
Housing & Urban Development						
Urban Local Bodies	Basic Grant	425.39	425.39	1,087.00	1,087.00	(+)661.61
	Performance Grant	116.98	--	--	--	--
	Total	542.37	425.39	1,087.00	1,087.00	(+)661.61
Revenue and Disaster Management						
State Disaster Response Fund (SDRF)		818.00	552.00	1,604.00	1,604.00	(+)1,052.00
Grand Total		4041.96	3563.33	4,949.00	4,949.00	(+)1,385.67

Source: Finance Accounts and Finance Commission Recommendations (FCR)

It is evident from the above table that Central Government has released the Fifteenth Finance Commission Grant at par with the recommendation during 2020-21. Fifteenth Finance Commission recommendation for the year 2020-21 under Urban Local Bodies and State Disaster Response Fund has substantially increased over Fourteenth Finance Commission Grants for 2019-20 by 100 *per cent* and 96 *per cent* respectively.

State Government stated (December 2021) that Budget Estimates always happen to be tentative in nature and their realization is contingent upon a whole lot of social, political and economic factors. Lower Revenue Receipts during 2020-21 compared to the Budget Estimates were primarily due to short realization of Central Transfers. It is a healthy sign that State's Own Revenue has been increasing and is now contributing more than 50*per cent* of the total Revenue Receipts.

Provisions against Central Transfers are made based on the estimates in the Union Budget. However, less transfers against the estimates in Budget puts the State Government in a problematic situation. This in turn affects the fiscal space for incurring development and capital expenditures.

2.3.3 Receipts under Capital Section

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from Government of India (GoI). The details of Capital Receipts and their composition for the years 2016-17 to 2020-21 are given in **Table 2.12**.

Table 2.12: Trends in Growth and Composition of Capital Receipts

(₹ in crore)					
Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts (CR)	11,312	13,119	10,308	14,966	21,002
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	89	257	305	287	684
Public Debt Receipt	11,223	12,862	10,003	14,679	20,318
Net Public Debt Receipts	8,261	10,172	6,063	10,185	11,066
Internal Debt	8,028	10,031	5,837	10,174	6,926
Growth Rate	18.11	24.95	-41.81	74.30	-31.92
Loans and Advances from GoI	233	141	226	11	4,140
Growth rate	109.91	-39.48	60.28	-95.13	37,536.36
Rate of growth of debt Capital Receipts	14.64	14.60	-22.23	46.75	38.42
Rate of growth of non-debt Capital Receipts	-60.96	188.76	18.68	-5.90	138.33
Rate of growth of GSDP	19.79	10.47	14.05	7.66	-2.24
Rate of growth of Capital Receipts (<i>per cent</i>)	12.92	15.97	-21.43	45.19	40.33

Source: Finance Accounts of respective years, Government of Odisha

During 2020-21, Capital Receipts (₹21,002 crore) constituted 18.35 *per cent* of the total receipts (₹ 1,14,478 crore) of the State. The State Government borrowed ₹ 15,191 crore from open market and other financial institutions and took loans of ₹ 5,127 crore from GoI. As can be seen from **Table 2.12**, Public Debt receipts constituted major component of Capital Receipts (96.74 *per cent*).

2.3.4 State's performance in mobilisation of resources

Mobilisation of resources allows governments to ensure sustainable funding for social programmes and for public investments to promote economic growth and development. As the State Government does not have control over receipt of Grants in Aid from Government of India and Share of Central Taxes, State Government's own resources (tax and non-tax) are necessary to sustain its institutions and programmes. Tax and non-tax receipts *vis-à-vis* Budget Estimates are given in **Table 2.13**.

Table 2.13: Tax and non-tax receipts vis-à-vis Budget Estimates

	Budget Estimates	Actual	Percentage of variation of actual over Budget Estimates
Own Tax Revenue	38,350	34,258	-10.67
Non Tax Revenue	17,650	19,518	+10.58

Source: Finance Accounts, Budget at a Glance of GoO

During 2020-21, the receipts under State's Own Tax Revenue were less than the assessment by 10.67 *per cent*. However, the State's non-tax revenue was higher than the assessment made in MTFP by 10.58 *per cent*, with main contribution from the increase in Mining Receipts during 2020-21.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.4.1 Growth and Composition of Expenditure

The total expenditure in 2020-21 was ₹1,14,857 crore. **Table 2.14** presents the trends and composition of total expenditure during 2016-17 to 2020-21.

Table 2.14: Total Expenditure and its Composition

(₹in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	83,766	94,821	1,10,008	1,20,673	1,14,857
Revenue Expenditure (RE)	65,041	71,837	85,356	99,137	95,311
Capital Expenditure (CE)	18,471	21,109	23,482	20,277	17,949
Loans and Advances	254	1,875	1,170	1,259	1,597
As a percentage of GSDP					
TE/GSDP	21.28	21.81	22.19	22.61	22.54
RE/GSDP	16.53	16.52	17.21	18.57	18.70
CE/GSDP	4.69	4.86	4.74	3.80	3.52
Loans and Advances/GSDP	0.06	0.43	0.24	0.24	0.31

Source: Finance Accounts of respective years, Government of Odisha

As can be seen from the above table, there has been a decline in the Capital Expenditure as a percentage of the GSDP from 2017-18 to 2020-21. However, revenue expenditure as percentage of GSDP has risen during the same period.

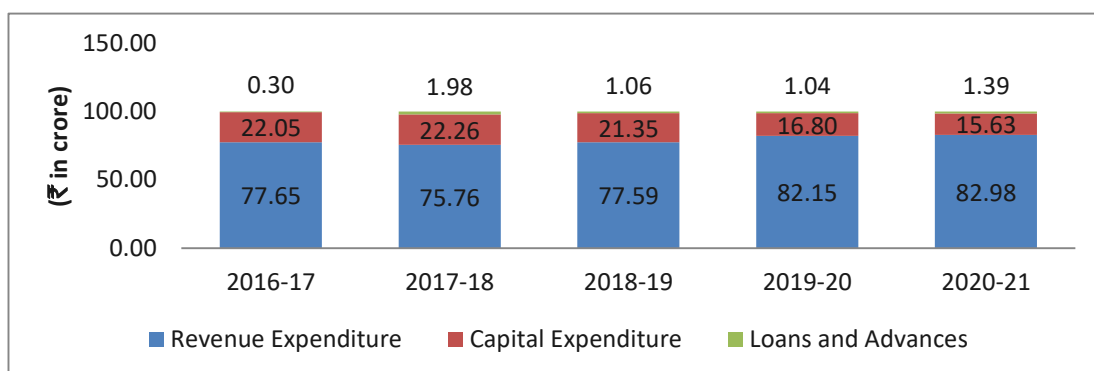
The share of various sectors in the overall expenditure of the State is detailed in **Table 2.15**.

Table 2.15: Relative share of various sectors of expenditure

(₹in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	17,089	22,126	25,483	30,106	29,839
Social Services	30,603	33,758	40,972	48,781	44,424
Economic Services	34,972	37,595	42,081	40,244	39,169
Others (Grants to Local Bodies and Loans and Advances)	1,102	1,343	1,472	1,542	1,425
Share of Total Expenditure (in per cent)					
General Services	20.40	23.33	23.16	24.95	25.98
Social Services	36.53	35.60	37.24	40.42	38.68
Economic Services	41.75	39.65	38.25	33.35	34.10
Others (Grants to Local Bodies and Loans and Advances)	1.32	1.42	1.34	1.28	1.24

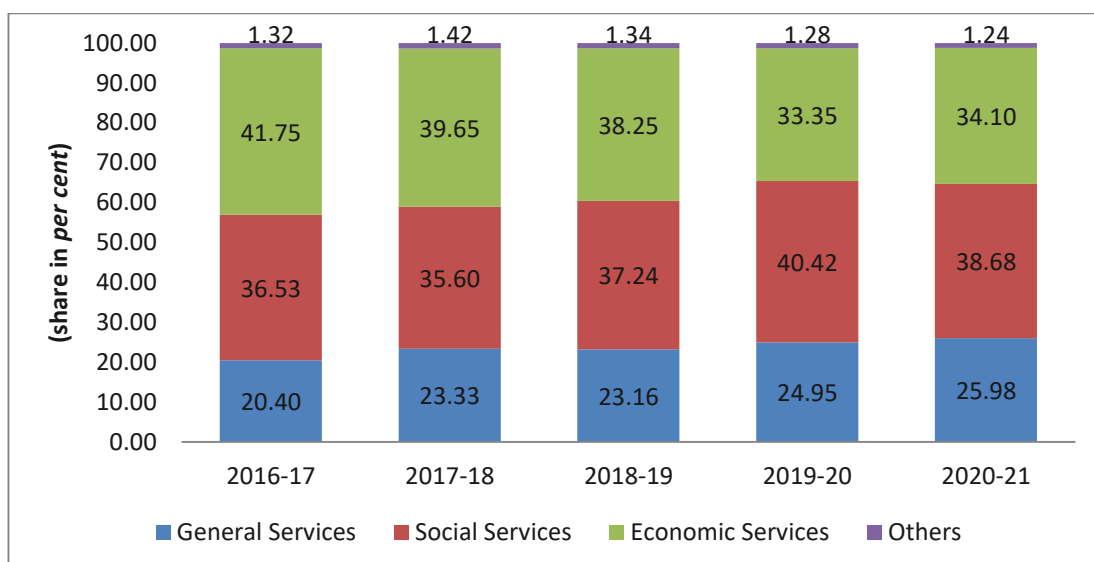
Source: Finance Accounts of respective years, Government of Odisha

Chart 2.8: Relative share of various sectors of expenditure



Source: Finance Accounts of respective years, Government of Odisha

Chart 2.9: Share of Expenditure by Activities



Source: Finance Accounts of respective years, Government of Odisha

From the table and charts above, it is noted that around 83 per cent of the total expenditure in 2020-21 was Revenue Expenditure as compared to 82 per cent during 2019-20. Social Services⁷ Expenditure took precedence with 38.68 per cent over Economic Services⁸ (34.10 per cent), General Services (25.98 per cent), and Others (1.24 per cent) in the total expenditure. Capital Expenditure (₹17,949 crore) constituted 15.63 per cent of the total expenditure, as compared to 21.35 per cent during 2018-19 and 16.80 per cent in 2019-20.

⁷ Refers to welfare activities of the Government and includes (i) Education, Sports, Art and Culture, (ii) Health and Family Welfare, (iii) Water Supply, Sanitation, Housing and Urban Development, (iv) Information and Broadcasting, (v) Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes, (vi) Labour and Labour Welfare, (vii) Social Welfare and Nutrition and (viii) Others.

⁸ Refers to economic development activity sectors of the Government and includes (i) Agriculture and allied services, (ii) Irrigation and Flood Control, (iii) Energy, (iv) Industries and Minerals, (v) Transport, (vi) Science, Technology and Environment and (vii) General Economic Services.

Component-wise major expenditure incurred under Revenue and Capital sections during 2019-20 and 2020-21 are shown in **Table 2.16**.

Table 2.16: Major expenditure components under Revenue and Capital

(₹ in crore)							
Revenue				Capital			
Component	Sector	2019-20	2020-21	Component	Sector	2019-20	2020-21
Education, Sports, Art and Culture	Social	17,228	17,242	Transport	Economic	6,466	6,671
Rural Development	Economic	9,737	11,352	Irrigation and Flood Control	Economic	4,748	3,108
Agriculture and Allied Activities	Economic	10,992	8,569	Water Supply, Sanitation, Housing and Urban Development	Social	3,592	2,796
Social Welfare and Nutrition	Social	10,861	7,991	Energy	Economic	2,134	1,284
Water Supply, Sanitation, Housing and Urban Development	Social	6,844	4,844	Rural Development	Economic	348	231
Health and Family Welfare	Social	5,681	7,244	Health and Family Welfare	Social	504	631
Welfare of SCs, STs, Minorities and OBCs	Social	2,458	2,113	Welfare of SCs, STs, Minorities and OBCs	Social	153	269
Transport	Economic	1,889	2,257	Education, Sports, Art and Culture	Social	759	581
Irrigation and Flood Control	Economic	1,305	1,685				

Source: Finance Accounts of respective years, Government of Odisha

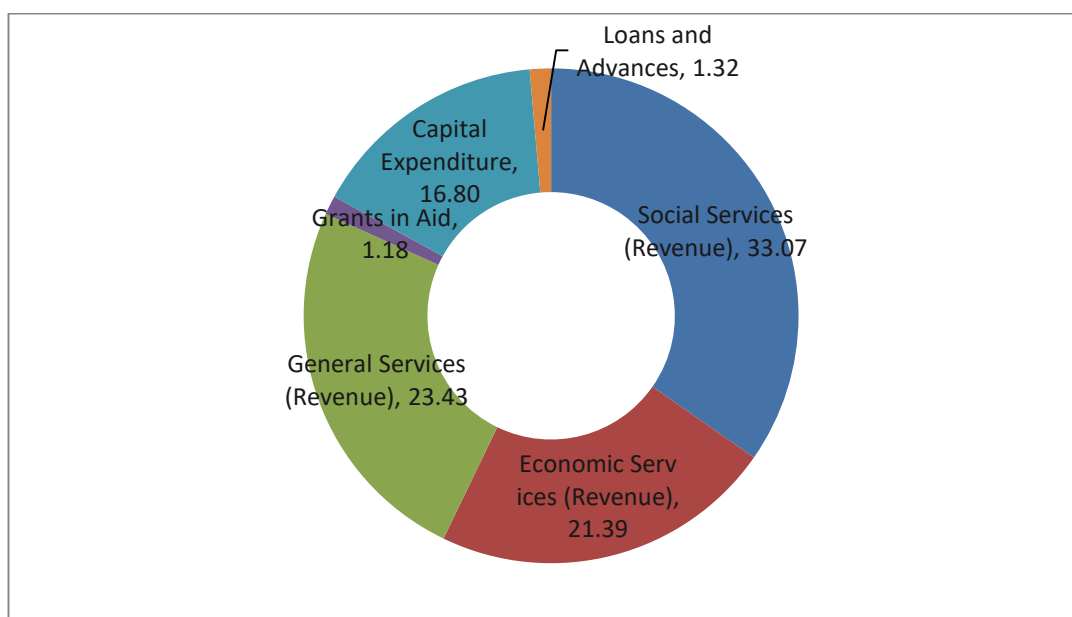
From the above table, it can be inferred that:

- Revenue Expenditure (₹ 95,311 crore) was lower than the previous year (₹ 99,137 crore) by 3.86 per cent. The decrease over previous year was mainly due to lower outgo on Agriculture and Allied activities (₹ 2,423 crore), Social Welfare and Nutrition (₹ 2,870 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 2,000 crore) and Welfare of SCs, STs, Minorities and OBCs (₹ 345 crore) which was partly set off by increase of expenditure under Rural Development (₹1,615 crore), Health and Family Welfare (₹ 1,563 crore), Transport (₹ 368 crore) and Irrigation and Flood Control (₹ 380 crore).
- Capital Expenditure during the current year (₹ 17,949 crore) was lower than the previous year (₹ 20,277 crore) by 11.48 per cent. This was mainly due to decrease under Irrigation and Flood Control (₹ 1,640 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 796 crore), Energy (₹ 850 crore)

and Education, Sports, Arts & Culture (₹ 178 crore). The decrease was partly set off by increase under Transport (₹ 205 crore) and Health & Family Welfare (₹127 crore).

Major component wise share over Total Expenditure during 2020-21 is depicted in **Chart 2.10**.

Chart 2.10: Composition of Expenditure



Source: *Finance Accounts 2020-21, Government of Odisha*

It can be seen from the above chart that Major share of Total Expenditure were under Social Services in Revenue Sector (33.07 *per cent*), General Services in Revenue Sector (23.43 *per cent*) and Economic Services in Revenue Sector (21.39 *per cent*).

The State Government stated (December 2021) that decline in Capital Expenditure during 2020-21 is attributable to strategic lock-downs/ shut-downs imposed both by the Centre and State Government to contain the spread of the pandemic. In contrast, the increase in the share of revenue expenditure is due to the expenditure on livelihood support programmes and social benefit transfers by the State Government under different welfare schemes in order to counter the negative impact of COVID-19 on the vulnerable section of the society.

2.4.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue expenditure during 2020-21 (₹ 95,311 crore) was 18.70 *per cent* of GSDP. The Revenue Expenditure during the year decreased by 3.86 *per cent* from 2019-20 (₹99,137 crore). It was, however lower than the budget estimates (₹ 1,14,971 crore) by ₹ 19,660 crore (17.10 *per cent*).

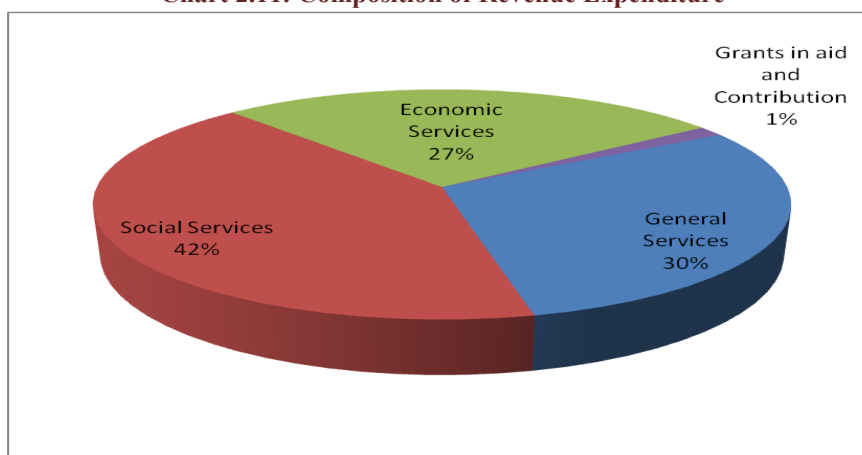
Table 2.17: Revenue Expenditure - Basic Parameters

(₹ in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	83,766	94,821	1,10,008	1,20,673	1,14,857
Revenue Expenditure (RE)	65,041	71,837	85,356	99,137	95,311
Rate of Growth of RE (<i>per cent</i>)	10.60	10.45	18.82	16.14	-3.86
RE as percentage of TE	77.65	75.76	77.59	82.15	82.98
RE/GSDP (<i>per cent</i>)	16.53	16.52	17.21	18.57	18.70
RE as percentage of RR	87.54	84.31	85.75	97.61	91.31
Buoyancy of Revenue Expenditure with GSDP and Revenue Receipt					
GSDP (ratio)	0.90	0.95	1.79	2.08	1.30
Revenue Receipts (ratio)	1.36	0.71	1.12	7.95	-1.39

Source: Finance Accounts of respective years, Government of Odisha

Revenue Expenditure of GoO consists of General Services (₹28,271 crore), Social Services (₹ 39,901 crore), Economic Services (₹25,809 crore) and Grants in Aid and Contribution (₹ 1,330 crore). The sector wise composition of Revenue Expenditure was given in **Chart 2.11**.

Chart 2.11: Composition of Revenue Expenditure



Source: Finance Accounts 2020-21, Government of Odisha

2.4.2.1 Major changes in Revenue Expenditure

Significant variations under various Heads of Account with regard to Revenue expenditure of the State during the current year and the previous year are detailed in **Table 2.18**.

Table 2.18: Variation in Revenue Expenditure during 2020-21 compared to 2019-20

(₹ in crore)			
Major Heads of Account	2019-20	2020-21	Increase (+) / Decrease (-)
2071- Pension and Other Retirement Benefits	14,273	13,629	-644
2245 – Relief on account of Natural Calamities	4,290	2,653	-1,637
2401 – Crop Husbandry	7,032	4,185	-2,847
2235 – Social Security and Welfare	6,565	4,171	-2,394
2215 – Water Supply and Sanitation	3,974	2,265	-1,709

Major Heads of Account	2019-20	2020-21	Increase (+) / Decrease (-)
2210 – Medical and Public Health	5,275	6,822	1,547
2505 – Rural Employment	4,596	6,033	1,437
2049- Interest Payment	6,063	6,644	581
2702- Minor Irrigation	281	846	565

Source: Finance Accounts of respective years, Government of Odisha

Audit noticed that during 2020-21, Revenue Expenditure of the State decreased by ₹3,826 crore, while Revenue Receipts increased by ₹2,819 crore as compared to last year. There was significant reduction of expenditure under Social Services (₹3,616 crore) from ₹43,517 crore in 2019-20 to ₹39,901 crore in 2020-21. Major decrease in expenditure during 2020-21 was noticed under MH 2235- Social Security and Welfare (₹-2,394 crore) due to less expenditure under Pension-Social Security Scheme, Child welfare and other welfare schemes and in MH 2215-Water Supply and Sanitation (₹-1,709 crore) due to less expenditure under sewerage and sanitation services. Other major variations in revenue expenditure were under MH 2401- Crop Husbandry (₹-2,847 crore) due to decrease in expenditure on Farmers' Welfare scheme – Krushak Assistance for Livelihood and Income Augmentation (KALIA) Yojana and expenditure on Jalanidhi scheme *etc.* It was also noticed that during 2019-20, substantial expenditure (₹4,290.24 crore) had been incurred under MH 2245-Relief on Account of Natural Calamities due to occurrence of severe cyclonic storm FANI.

Due to these reasons, Revenue Surplus (₹9,076 crore) for the year 2020-21 significantly increased (273 *per cent*) from the Revenue Surplus of the previous year (₹2,430 crore).

The State Government stated (December 2021) that though Revenue Expenditure does not directly contribute to asset creation, it is critical to the welfare of the population, maintenance of assets and meeting the debt servicing obligations of the State Government. The overall expenditure including Revenue Expenditure was affected during 2020-21 by the outbreak of Covid-19 pandemic and subsequent lock-downs affecting expenditure efficiency of the Government machinery. The fact, however, remains that the Government should make efforts for higher capital expenditure to achieve faster economic growth.

2.4.2.2 Committed Expenditure

Committed Expenditure of Government on revenue account consists of interest payments (₹6,644 crore), salaries and wages (₹ 21,003 crore) and pensions (₹ 13,629 crore). It has first charge on Government resources and therefore, upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. The Committed Expenditure in 2020-21 was ₹ 41,276 crore and constituted 43.31 *per cent* of Revenue Expenditure (₹ 95,311 crore), as compared to ₹ 41,019 crore (41.38 *per cent* of Revenue Expenditure) during 2019-20. The details are shown in **Table 2.19**.

Table 2.19: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	15,035	17,527	19,399	20,683	21,003
Expenditure on Pensions	6,843	8,693	10,520	14,273	13,629
Interest Payments	4,035	4,988	5,800	6,063	6,644
Total	25,913	31,208	35,719	41,019	41,276
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	20.24	20.57	19.49	20.36	20.12
Expenditure on Pensions	9.21	10.20	10.57	14.05	13.06
Interest Payments	5.43	5.85	5.83	5.97	6.36
Total	34.88	36.62	35.89	40.38	39.54
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	23.12	24.40	22.73	20.86	22.04
Expenditure on Pensions	10.52	12.10	12.32	14.40	14.30
Interest Payments	6.20	6.94	6.80	6.12	6.97
Total	39.84	43.44	41.85	41.38	43.31

Source: Finance Accounts of respective years, Government of Odisha

From the above table, it can be inferred that:

- Three items of expenditure *i.e.*, salary, pension and interest payment make up 40 to 43 *per cent* of the committed expenditure of the State Government during last five years. As these expenditures are non-developmental in nature, barely 57 to 60 *per cent* is left over for developmental purposes out of the Revenue Expenditure.
- Committed expenditure during 2020-21 increased by ₹ 257 crore (0.63 *per cent*) over previous year. However, measured as a percentage of Revenue Receipt of the State, its share decreased in 2020-21.
- Committed Expenditure as a percentage of Revenue Expenditure was decreasing since 2017-18, however it increased in 2020-21.
- Expenditure on payment of pension during 2020-21 decreased by ₹644 crore (4.51 *per cent*) over previous year. During 2019-20 payment of pension had abnormally increased over 2018-19, by ₹3,753 crore due to revision of 7th CPC pension and payment of arrears.
- Interest payment (₹ 6,644 crore) as a percentage of Revenue Expenditure constituted rose to 6.97 *per cent* in 2020-21, from 6.12 *per cent* during 2019-20. In absolute terms, interest payment has been consistently increasing, with an increase of ₹2,609 crore from ₹4,035 crore in 2016-17 to ₹6,644 crore in 2020-21. Interest payment relative to Revenue Receipts (₹ 1,04,387 crore) was however, 6.36 *per cent*, which was well below the fiscal target of 15 *per cent* set out in the Odisha FRBM (Amendment) Act, 2016.

The State Government stated (December 2021) that committed Expenditure is an essential item of expenditure in a welfare state, since it ensures better delivery of public services and other development expenditure. In absolute terms, Committed

Expenditure has gone down compared to previous years. Interest Payment to Revenue Receipts (IP-RR) ratio has remained well within the mandated limit.

2.4.2.3 National Pension System

State Government employees recruited on or after 1 January 2005 are covered under National Pension System (NPS), which is a defined contributory pension scheme. It is mandatory for employees to contribute 10 *per cent* of basic pay and dearness allowance every month. The State Government has to make equal contribution. The Government has to transfer these contribution amounts along with details to the National Securities Depository Limited (NSDL) and to the fund managers appointed by the NPS Trust, respectively. Though the State Government started collecting pension contribution from the employees from 2006-07, it started transferring to NSDL only in 2010-11 (₹ 0.01 crore), leaving a balance of ₹39.62 crore to be transferred to NSDL as on 31 March 2011. Similarly, every year thereafter, there has been a short transfer to NSDL with the last being ₹ 24.18 crore in 2019-20. As of 31 March 2021, there was a cumulative short transfer of ₹ 6.00 crore to the NSDL and the current liability thus stands deferred to future year(s). Further, the State Government has created interest liability on the amount not transferred to NSDL, incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the employees affected/avoidable financial liability to Government in future.

It was observed that during 2020-21, under the NPS, State Government collected from its employees an amount of ₹719.84 crore. The State Government contributed ₹737.65 crore and transferred ₹1,457.49 crore to NSDL. Therefore, the State Government made more contribution of ₹17.81 crore during the current financial year.

The State Government stated (December 2021) that the legacy short transfers have been addressed and already complied with for previous years. However, short transfer of ₹6.00 crore to the NSDL is in fact due to the time-lag in transfer of matching Government contribution and delay in drawal of personal claims in certain instances during the year. However, such short transfers are made good in subsequent period after the closure of a financial year.

2.4.2.4 Subsidies

The State Government in its Medium Term Fiscal Plan (MTFP) for 2007-08, had aimed at rationalisation of general subsidies and reduction at a rate of 10 *per cent* per annum beginning with 2005-06. However, on the contrary, subsidies have increased over the years and during 2016-21, general subsidy increased from ₹ 2,386 crore to ₹ 4,288 crore. Department-wise subsidies for 2016-17 to 2020-21 are shown in **Table 2.20**:

Table 2.20: Department-wise Subsidies during 2016-17 to 2020-21

(₹ in crore)

Sl. No.	Departments	2016-17	2017-18	2018-19	2019-20	2020-21
1	Food Supplies & Consumer Welfare	970	886	981	1,088	2,085
2	Revenue & Disaster Management	363	754	468	312	224
3	Co-operation	726	697	1,185	1,344	1,269
4	Agriculture & Farmers' Empowerment	203	203	207	307	301
5	Industries	27	170	200	178	47
6	Fisheries & Animal Resources Development	10	56	50	50	81
7	Handlooms, Textiles & Handicrafts	46	50	50	42	37
8	Women and Child Development	1	1	1	1	183
9	Micro Small and Medium Enterprises	-	-	-	35	53
8	Others	40	13	26	9	8
Total Subsidy		2,386	53	3,168	3,366	4,288
Total Revenue Expenditure (RE)		65,041	71,837	85,356	99,137	95,311
Subsidy as a percentage of RE		3.67	3.94	3.71	3.39	4.50
Revenue Receipts (RR)		74,299	85,204	99,546	1,01,568	1,04,387
Subsidy as a percentage of RR		3.21	3.32	3.18	3.31	4.11

Source: Finance Accounts of respective years, Government of Odisha

From the above table, it can be seen that during 2020-21, Subsidies for Department of Food Supplies and Consumer Welfare (₹ 2,085 crore) which accounted for 48.62 per cent of the total subsidies, increased by ₹ 997 crore (91.64 per cent) as compared to previous year due to increase in distribution of subsidised ration under Public Distribution System during COVID-19. Subsidies for Women and Child Development Department substantially increased from ₹1 crore in 2019-20 to ₹183 crore in 2020-21 due to interest subvention subsidy to Women's Group under the Mission Shakti Programme.

2.4.2.5 Financial Assistance to Local Bodies and other institutions

Financial assistance to the tune of ₹ 27,269 crore was provided by the State Government to local bodies and other institutions by way of grants and loans in 2020-21, as shown in Table 2.21.

Table 2.21: Financial Assistance to Local Bodies and other institutions

(₹ in crore)

	2019-20	2020-21
Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	6,707	6,633
Municipal Corporations and Municipalities	1,886	2,662
Zilla Parishads and other Panchayati Raj Institutions	4,415	2,509
Development Agencies	2,154	1,483
Other institutions	13,303	13,982
TOTAL	28,465	27,269
Assistance as a percentage of Revenue Expenditure	29	26

Source: Finance Accounts of respective years, Government of Odisha

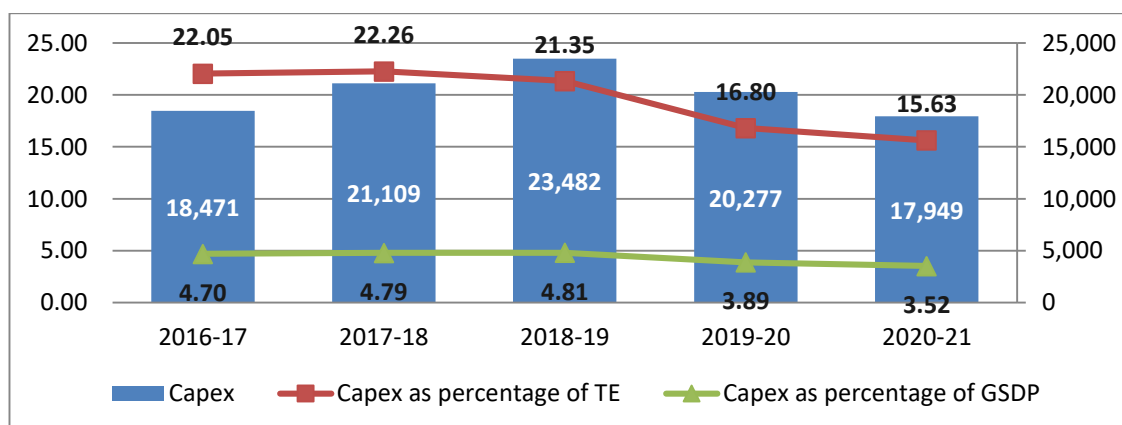
From the above table, it can be seen that the grants extended to local bodies and other institutions decreased by ₹ 1,196 crore (4.20 *per cent*) from ₹ 28,465 crore in 2019-20 to ₹ 27,269 crore in 2020-21. This decrease was mainly due to decrease in assistance to Rural Local Bodies (₹ 1,906 crore), Educational Institutions (₹ 74 crore), Development Agencies (₹ 671 crore). The decrease was partly set off by increase in assistance to Urban Local Bodies (₹ 776 crore) and Other Institutions (₹ 679 crore).

2.4.3 Capital Expenditure (CE)

Capital Expenditure (Capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.* Capex in both Centre and State is being met from budgetary support and extra budgetary resources/off budget.

The State Government's Capital Expenditure has started decreasing from 2019-20 fiscal year. During 2020-21, the Capital Expenditure was ₹17,949 crore, which was nearly 68.34 *per cent* of Budget Estimate (₹26,263 crore). It decreased both in terms of absolute numbers as well as percentage of the total expenditure over 2019-20. Capex relative to Total Expenditure (₹ 1,14,857 crore) and GSDP (₹5,09,574 crore) during 2020-21 decreased to 15.63 *per cent* and 3.52 *per cent* respectively, which was 16.80 *per cent* and 3.89 *per cent* in 2019-20. High Capital Expenditure is considered essential for achieving a faster economic growth as it goes into asset creation. Capital expenditure as part of total expenditure/GSDP, is detailed in **Chart 2.12**.

Chart 2.12: Capital Expenditure as a percentage of GSDP and Total Expenditure



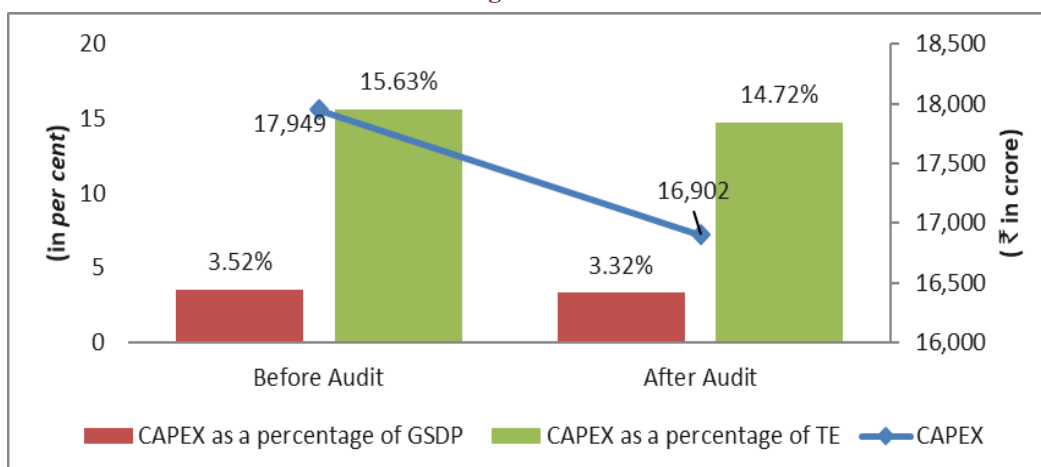
Source: Finance Accounts of respective years, Government of Odisha

The State Government stated (December 2021) that they are committed to creation of Capital Assets by increasing Capital spending. Decrease in Capital expenditure of the Government during 2020-21 is primarily due to COVID-19 induced delay in implementing Capital projects.

Misclassification of Revenue Expenditure as Capital Expenditure

During the year 2020-21, the State Government had booked ₹17,948.98 crore as Capital Expenditure. Audit examined Sanction Orders and expenditure vouchers from the Office of the Accountant General (A&E) related to this amount and noticed that out of the amount of ₹17,948.98 crore, ₹ 6,735.66 crore was transferred to bank account of Government DDOs or to entities maintaining accounts outside purview of Government. Audit examined Sanction Orders and vouchers for ₹6,735.66 crore and noticed that an amount of ₹366.12 crore had been incurred towards operation, maintenance, repair and renovation *etc.* As per Rule 31(2)(b) of Government Accounting Rules, 1990, Revenue Accounts should bear all charges relating to maintenance and working expenses. Further, Audit noticed that ₹681.25 crore had been transferred for creation of assets of entities other than Government. In accordance with Note below Rule 30(1) of GAR 1990, ₹ 681.25 crore was required to be classified as Revenue Expenditure instead of Capital Expenditure. Thus, there was mis-classification of ₹1,047.37 crore which resulted in overstatement of Revenue Surplus to that extent. The resulting Capital Expenditure after Audit for the year 2020-21 was ₹16,902 crore (**Chart 2.13**).

Chart 2.13: Changes in CAPEX after Audit



Source: Audited Finance Accounts 2020-21, Government of Odisha

The State Government stated (December 2021) that issues pertaining to misclassification of revenue expenditure as capital expenditure have already been taken up in the Annual Budget, 2021-22. However, concerned Departments like Commerce & Transport, Rural Development, Housing & Urban Development, Tourism, Planning & Convergence, *etc.*, would be requested to furnish further compliance to the audit observations on the proper classification of the expenditure.

2.4.3.1 Major changes in Capital Expenditure

Capital Expenditure during 2020-21 decreased by ₹ 2,328 crore over previous year, which is detailed in **Table 2.22**.

Table 2.22: Variation in Capital Expenditure under various Major Heads during 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+) / Decrease (-)
5475- Capital Outlay General Economic Services	10	637	(+)627
5075- Capital Outlay on Other Transport Services	197	382	(+)185
4217- Capital Outlay on Urban Development	122	276	(+)154
5054- Capital Outlay on Roads and Bridges	6,123	6,252	(+)129
5452- Capital Outlay on Tourism	113	240	(+)127
4210- Capital Outlay on Medical and Public Health	504	631	(+)127
4225- Capital Outlay on Welfare of SC, ST and OBC	153	269	(+)115
4702- Capital Outlay on Minor Irrigation	1,655	815	(-)840
4700- Capital Outlay on Major Irrigation	1,505	949	(-)556
4515- Capital Outlay on Rural Development Programmes	348	17	(-)331
4202- Capital Outlay on Education, Sports, Arts and Culture	758	581	(-)177
4701- Capital Outlay on Medium Irrigation	608	431	(-)177
5055- Capital Outlay on Road Transport	123	10	(-)113
4216- Capital Outlay on Housing	344	239	(-)105

Source: Finance Accounts of respective years, Government of Odisha

Decrease in Capital Expenditure during 2020-21 over previous year was mainly due to less expenditure under (1) Capital Outlay on Minor Irrigation by ₹840 crore due to less expenditure under Parvati Giri Mega Lift Project, Mukhyamantri Adibandha Tiyaari Yojana and Minor Irrigation Project under State Plan, (2) Capital Outlay on Major Irrigation by ₹556 crore due to less expenditure under Anand Barrage Commercial Project, Upper Indravati Irrigation Project and deduct recovery under Lower Suktel Irrigation Project and (3) Capital Outlay on Rural Development Programme by ₹ 331 crore due to less expenditure under Ama Gaon Ama Vikas Yojana.

2.4.3.2 Quality of Capital Expenditure in Companies, Corporations and Other bodies

Investments by the State Government in Companies, Corporations and other bodies which result in equity infusion are classified as Capital expenditure. Such equity infusion is intended for procurement and use of fixed assets such as land, buildings, plant and machinery, equipment and other infrastructure by these PSUs. Such Capital expenditure in the form of investments by the Government is expected to give rise to income in the form of dividends or capital gains in future periods. Capital

expenditure in the companies and corporations, which are loss making and whose net worth is completely eroded, is not sustainable. Return on investment in share capital invested in PSUs is therefore, an important determinant of quality of Capital Expenditure.

As of 31 March 2021, the State Government's investment stood at ₹ 7,288.29 crore in Public Sector Undertakings (PSUs) comprising Government Companies (₹ 5,705.34 crore), Co-operative Societies (₹ 907.74 crore), Statutory Corporations (₹ 673.06 crore) and others⁹ (₹ 2.15 crore). Details of investment for the years 2016-21 are given in **Table 2.23**:

Table 2.23: Return on Investment

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20	2020-21
1	Investment at the end of the year (₹ in crore)	4,423.02	4,974.21	5,353.76	5,698.65	7,288.29
2	Return in the form of Dividend (₹ in crore)	566.04	66.22	543.94	321.38	1,062.81
3	Rate of Return (RoR) (<i>per cent</i>)	12.80	1.33	10.16	5.64	14.58
4	Average rate of interest on Government borrowing (<i>per cent</i>)	7.62	7.58	7.74	7.09	7.04
5	Difference between RoR (<i>per cent</i>) and interest rate (3-4)	5.18	(-) 6.25	2.42	(-) 1.45	7.54
6	Difference between interest on Government borrowings and return on investment (₹ in crore) [#]	229.11	(-) 310.89	129.56	(-) 82.63	549.71

Source: Finance Accounts of respective years, Government of Odisha

[#] Investment at the end of the year*Difference between interest rate and return

The above table shows that ₹ 1,062.81 crore was received as dividend against total investment of ₹ 7,288.29 crore during 2020-21, which was much more than the average rate of interest on Government borrowings.

- It was observed that out of 147 entities, only 6 entities had paid dividend. These included one Co-operative Society¹⁰ and five Government Companies¹¹ (which included one Power Sector Company).
- Out of the total investment of ₹ 7,288.29 crore, ₹ 3,809.30 crore (52 *per cent*) was invested in four¹² Power Sector Companies. Out of these, only one¹³ company paid dividend of ₹ 30.00 crore (2.75 *per cent*).
- The return on investment was mainly dependent on Odisha Mining Corporation (OMC). OMC paid ₹ 1,000 crore dividend in 2020-21, which was 300 *per cent*

⁹ Joint Stock Companies & Partnerships and Rural Banks

¹⁰Co-operative Society: Credit Co-operatives ₹4.16 crore

¹¹ Government Companies: Odisha Construction Corporation Limited (OCC) ₹ 20.16 crore, Odisha State Police Housing and Welfare Corporation Ltd.: ₹ 6.12 crore, Odisha Mining Corporation Limited (OMC) ₹1,000.00 crore, Odisha State Beverage Corporation Limited: ₹7.58 crore and Odisha Hydro Power Corporation (OHPC): ₹30.00 crore.

¹² OPGC: ₹1,130.46 crore, OPTCL: ₹1,571.06 crore, GRIDCO: ₹573.44 crore and OHPC: ₹534.34 crore.

¹³ OHPC: ₹30.00 crore

more than the previous year (₹250 crore) 2019-20. As a result, return on investment increased from ₹ 321 crore during 2019-20 to ₹ 1,063 crore during 2020-21. OMC was the highest contributor of dividend in 2016-17: ₹ 500 crore, 2018-19: ₹ 500 crore, 2019-20: ₹ 250 crore and 2020-21: ₹ 1,000 crore.

- Out of total 147 entities, 72 were inactive. Of the remaining active 75 entities, 69 had not paid any dividend in 2020-21.

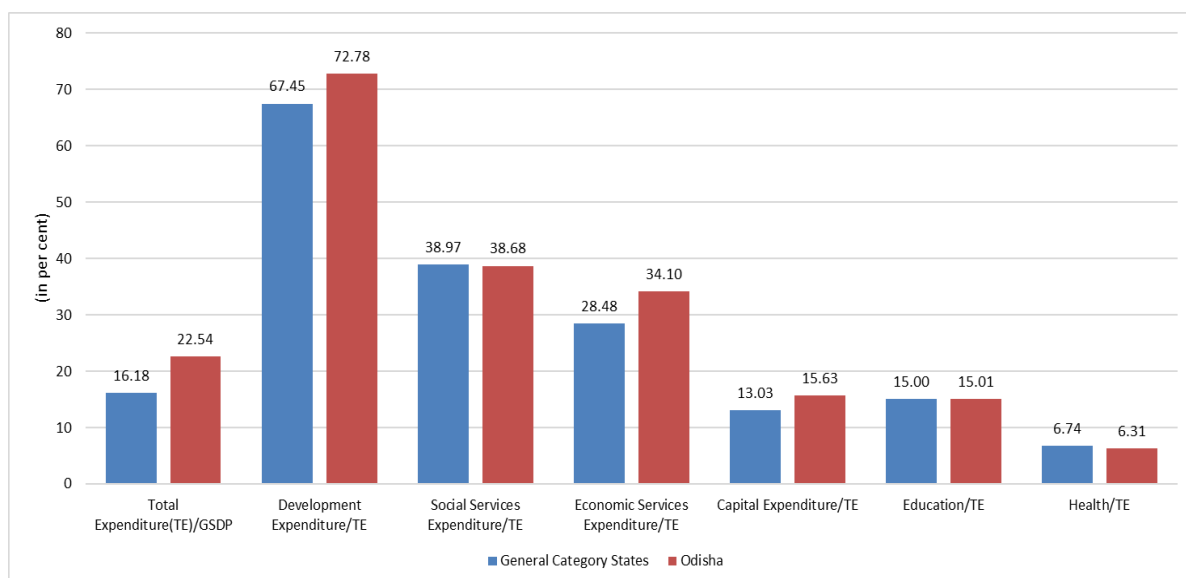
The State Government stated (December 2021) that Public Sector Undertakings play a critical role in important economic activities. Majority of Government investment in PSUs is concentrated in power sector. Most of them are incurring losses and thus are not paying dividend. In the mining sector, OMC is the most profit-making PSU in the State.

2.4.4 Expenditure Priorities

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 the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Chart 2.14 analyses the fiscal priority of the State Government with regard to Development Expenditure¹⁴, Social Services Expenditure, Economic Services Expenditure and Capital Expenditure during 2020-21, *vis-à-vis* the average of the General Category States¹⁵.

Chart 2.14: Prioritisation in public expenditure in percentage



¹⁴Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans & Advance disbursed

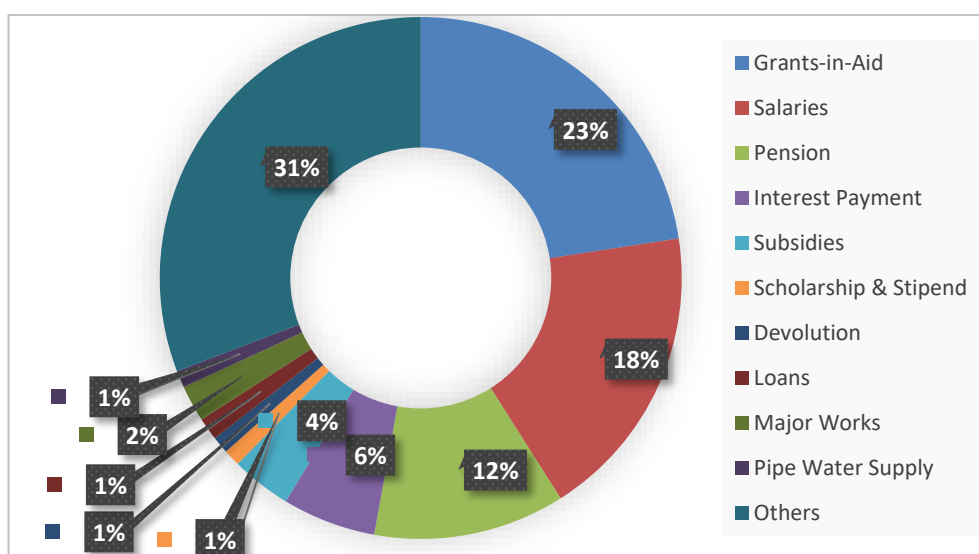
¹⁵ Andhra Pradesh, Telangana, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

From the above **Chart**, it can be inferred that the Total Expenditure relative to GSDP in Odisha was better than the General Category States. Odisha fared favourably in its focus on Development Expenditure, Economic Services Expenditure, Capital Expenditure and Expenditure on Education *vis-à-vis* General Category States. The State, however, lagged behind General Category States in the areas of Healthcare Expenditure and Social Services Expenditure.

2.4.5 Object head wise expenditure

Finance Accounts depict transactions only up to the Minor Head level. Object head wise expenditure gives information about the object/ purpose of the expenditure. The object head wise expenditure of Odisha is depicted **Chart 2.15**.

Chart 2.15: Object Head wise Expenditure



Source: Finance Accounts 2020-21, Government of Odisha

Note- Object Heads contributing less than one per cent are included in Others

It can be seen from above pie chart that 23 *per cent* of total expenditure were booked under detailed head grants-in-aid released to local bodies followed by salaries 18 *per cent*, pension 12 *per cent*, interest payment 6 *per cent* etc.

2.5 Public Account Receipts

Receipts and disbursements in respect of transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in Public Account set up under Article 266(2) of the Constitution. These are not subject to vote by the State Legislature. Government acts as a banker or trustee. The balance after disbursements during the year is the fund available with the Government for its own use.

2.5.1 Net Public Account Balances

Composition of Public Account receipts and disbursements is detailed in **Table 2.24**:

Table 2.24: Component-wise net balances in Public Accounts as of 31 March 2021

		(₹ in crore)				
Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Fund etc.	Small Savings, Provident Fund etc.	1,857	1,558	1,748	915	612
J. Reserve Funds	a) Reserve Funds bearing interest	1142	-88	-916	6,201	178
	b) Reserve Funds not bearing interest	3	2	7,828	1,053	-1,207
K. Deposits and Advances	a) Deposits bearing interest	7	-14	-3	7	-19
	b) Deposit not bearing interest	600	13,912	4,206	3,422	-13,013
	c) Advances	0	0	0	1	-5
L. Suspense and Miscellaneous	b) Suspense	-9	105	-54	-80	26
	c) Other Accounts	-1	0	0	0	0
	d) Accounts with Governments of Foreign Countries	0	0	0	0	0
	e) Miscellaneous	0	-27	0	0	2,500
M. Remittances	a) Money Orders and other Remittances	-53	-7	10	-21	24
	b) Inter Governmental Adjustment Account	0	-5	4	0	-6
TOTAL		3,547	15,435	12,821	11,497	-10,910

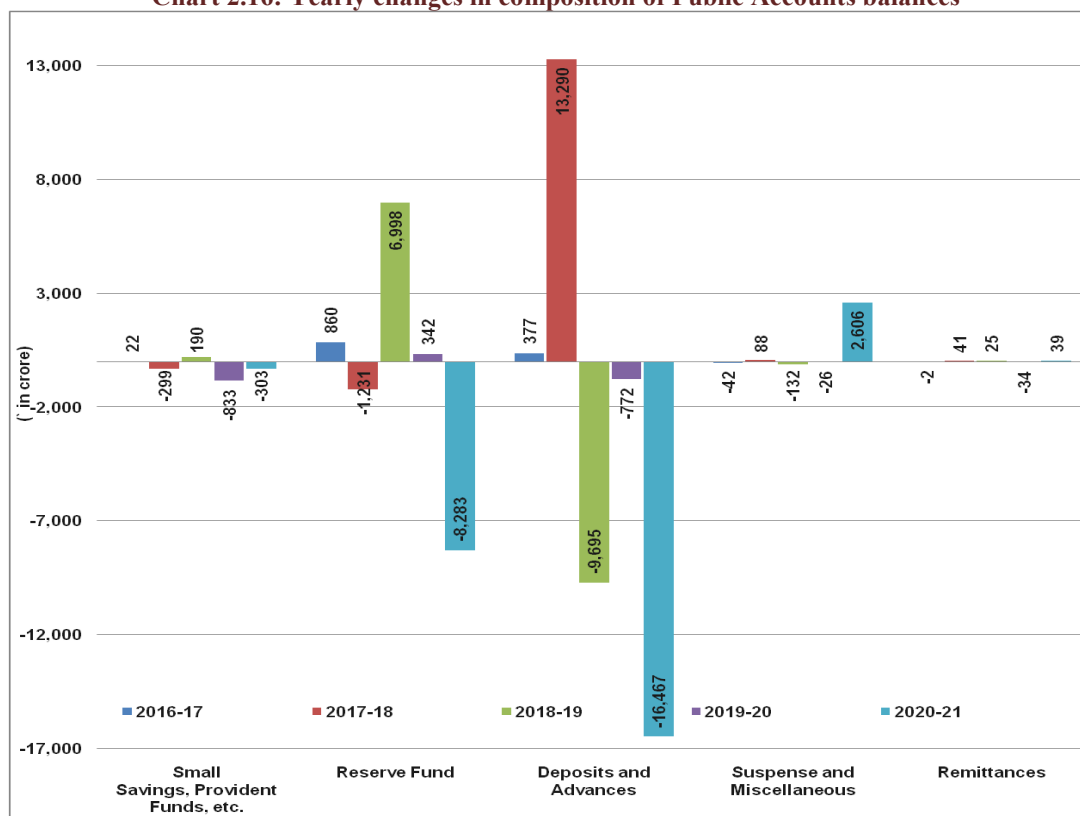
Source: Finance Accounts of respective years, Government of Odisha

Note: +ve denotes debit balances and -ve denotes credit balances

From the above table, it can be observed that during the year 2020-21, net Public Account receipts {(-) 10,910 crore}, showed negative inflows (more outgo than inflow) and consumed 8.70 per cent of the total revenue and capital receipts (₹ 1,25,389 crore) of the State. The reason for negative net Public Account receipts was due to investment of OMBADC Fund (₹5,955 crore), expenditure of OMBADC Fund (₹2,154 crore) and disbursement of other funds from Personal Deposit Accounts under Deposit not bearing interest and withdrawal of Consolidated Sinking Fund (₹2,500 crore) for repayment of matured loan under Reserve Fund not bearing interest.

Government is liable to pay/adjust interest in respect of interest-bearing Reserve Funds and Deposits. During the year 2020-21, Interest on Defined Contributory Pension Scheme (₹1.22 crore), Deposits on Government Companies (₹1.36 crore) and Miscellaneous Deposit (₹0.02), totalling ₹2.60 crore were not credited to the Public Account which impacted favourably on revenue and fiscal position of the State.

Chart 2.16: Yearly changes in composition of Public Accounts balances



Source: Finance Accounts of respective years, Government of Odisha

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Accounts of the State Government. These funds are met from contribution or grants from Consolidated Fund of India or State. Out of the gross accumulated balances of ₹ 20,333 crore lying in these Funds as on 31 March 2021, ₹18,238 crore was invested in Government Stock by Reserve Bank of India, leaving the total net accumulated balance of ₹ 2,095 crore as on 31 March 2021.

The transactions during the year 2020-21 under major Reserve Funds are detailed below:

i) Consolidated Sinking Fund (CSF): As per 12th Finance Commission recommendation, GoO set up Consolidated Sinking Funds for amortisation of outstanding liabilities. The guidelines of the Reserve Bank of India, stipulate a minimum annual contribution of at least 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year to the CSF during the year. In consultation with RBI, the State Government vide notification dated November 2018 revised the scheme for Constitution and Administration of the Consolidated Sinking Fund of Government of Odisha and inserted that the State Government is at liberty of not contributing to the fund, if the balance in the fund is maintained at a level higher than 5 *per cent* of the total liability of the State Government at the end of the previous year.

As on 31 March 2021, the balance in the Consolidated Sinking Fund was ₹ 11,693.75 crore, which was 9.27 *per cent* (more than the mandated level of 5 *per cent*) of the total liability of the State Government at the end of the previous year (₹1,26,084 crore). Accordingly, the State Government had not made any contribution to the Consolidated Sinking Fund in 2020-21. However, interest accrued for the year 2020-21 from investment amounting to ₹1,190.20 crore was credited in the fund and ₹2,500.00 crore was withdrawn by GoO towards redemption of matured debt. The entire outstanding amount of the fund was invested in Government of India securities by the Reserve Bank of India.

ii) Guarantee Redemption Fund (GRF): GRF was constituted in the year 2002-03, with the objective of meeting the payment obligations arising out of default in debt servicing of loans guaranteed by the Government. The State Government is required to contribute an amount equivalent at least to 1/5th of the outstanding invoked guarantees plus amount likely to be invoked as a result of the incremental guarantees issued during the year. No guarantees were invoked and the Government of Odisha had not made any contributions to the Fund during 2020-21. Interest accrued for the year 2020-21 from investment, amounting to ₹ 111.24 crore was accounted for in the fund. The balance at the credit of the fund as on 31 March 2021 was ₹ 1,522.83 crore, which had been invested in Government of India securities by the Reserve Bank of India.

iii) State Compensatory Afforestation Fund Management and Planning (CAMPA) Fund: Opening Balance of CAMPA Fund as on 01 April 2020 was ₹5,656.53 crore. During the year 2020-21, the State Government had not received any fund from National Compensatory Afforestation Fund (NCAF), however, an amount of ₹152.95 crore was received as interest from investment of the fund. The expenditure incurred out of the fund during the year was ₹673.27 crore and the balance in the State CAMPA Fund as on March 2021 was ₹5,136.21 crore. Out of this, ₹2,895.00 crore has been taken as loan by GoO and ₹2,566.10 crore invested in RBI Treasury Bills, leaving an amount of ₹324.89 crore un-invested. Due to non-investment on regular basis, State Government has to bear ₹32.19 crore (as per 364 days Treasury Bill interest) towards interest on monthly balance of CAMPA Fund. This had an impact of overstatement of Revenue Surplus and understatement of Fiscal Deficit to the tune of ₹32.19 crore.

iv) State Disaster Response Fund (SDRF): During the year 2020-21, Central Government contributed ₹ 1,604 crore and State Government contributed ₹ 535.00 crore to SDRF. Grants from National Disaster Response Fund (NDRF) amounted to ₹ 500.00 crore. Total funds in SDRF amounted to ₹ 3635.02 crore (including Opening Balance ₹991.84 crore and interest earned ₹4.18 crore). Out of this Fund, State Government incurred expenditure of ₹ 1,945.00 crore during the year, leaving a balance of ₹ 1,690.02 crore as on 31 March 2021 as against ₹991.84 crore as on

March 2020. The entire amount of ₹ 1,690.02 crore remained un-invested as on 31 March 2021. Due to non-investment on regular basis, State Government has to bear ₹58.48 crore (as per 364 days Treasury Bill interest) towards interest on monthly balance of SDRF, which overstated the revenue surplus and understated the fiscal deficit to the tune of ₹58.48 crore.

2.5.3 Position of loans and advances and interest received/ paid by the State Government

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to Public Sector Undertakings and autonomous bodies such as Universities, Local Bodies and Urban Development Authorities and Corporations *etc.* **Table 2.25** shows the details of outstanding Loans and Advances for the years 2016-21:

Table 2.25: Position of loans and advances

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance (₹ in crore)	4,557	4,708	6,326	7,191	8,163
Amount advanced during the year (₹ in crore)	254	1,875	1,170	1,259	1,597
Amount recovered during the year (₹ in crore)	89	257	305	287	684
Closing Balance (₹ in crore)	4,708*	6,326	7,191	8,163	9,076
Net addition (₹ in crore)	(+)151	(+)1,618	(+) 865	(+) 972	(+)913
Interest Receipts (₹ in crore)	36	41	35	64	316
Interest Receipts as a percentage of outstanding loans and advances (in <i>per cent</i>)	0.76	0.65	0.49	0.78	3.48
Interest Payments (₹ in crore)	4,035	4,988	5,800	6,063	6,644
Outstanding Liabilities/ Debt (₹ in crore)	71,623	97,164	1,08,258	1,26,084	1,22,774
Interest Payments as percentage to total outstanding Liabilities of the State Government (in <i>per cent</i>)	5.63	5.13	5.36	4.81	5.41
Difference between Interest Receipts and Interest Payments (in <i>per cent</i>)	(-) 4.87	(-) 4.48	(-) 4.87	(-) 4.03	(-)1.93

*4722-4708 Difference of ₹14 crore was due to conversion of loan to Share Capital Investment

Source: Finance Accounts of respective years, Government of Odisha

From the above table, it can be inferred that:

- Loans and Advances extended by the State Government increased nearly six times from ₹ 254 crore in 2016-17 to ₹ 1,597 crore in 2020-21. Outstanding Loans and Advances rose from ₹4,708 crore in 2016-17 to ₹ 9,076 crore in 2020-21. Major portion of loans advanced during 2020-21 was to Indian Oil Corporation Limited (₹ 700 crore), Odisha Power Transmission Corporation Limited (₹536.73 crore), Odisha State Co-operative Marketing Federation Ltd. (₹ 125 crore), Odisha State Seeds Corporation (₹ 60 crore) and Odisha Agro Industries Corporation (₹ 10 crore). Government of Odisha had entered into an

agreement with Indian Oil Corporation Limited for providing fiscal incentive of ₹10,500 crore interest free loan over a period of 15 years for Paradeep Refinery Project, as Viability Gap Funding (VGF¹⁶). As a part of this, the State Government disbursed ₹1,400 crore in 2017-18 and ₹ 700 crore each in 2018-19, 2019-20 and 2020-21.

- The current recovery of loan (₹ 684 crore) was 42.83 *per cent* of the advances (₹ 1,597 crore) made during the year and was more than previous year's (₹ 287 crore) recovery. The actual recovery (₹ 684 crore) for 2020-21 was more than what was estimated in the Budget for recovery (₹ 250 crore) by 173.60 *per cent*. The recovery of Loans and Advances during the year 2020-21 spiked due to conversion of Bonds worth ₹ 400 crore issued to Odisha Power Transmission Corporation Limited (OPTCL) to equity investment of Government.
- Interest receipts increased from ₹36 crore in 2016-17 to ₹316 crore in 2020-21, with percentage of interest received to total outstanding loans and advances increasing from 0.76 *per cent* in 2016-17 to 3.48 *per cent* in 2020-21. Interest receipt during 2020-21 (₹316 crore) surged by 393.75 *per cent* over 2019-20 (₹64 crore) due to conversion of ₹247 crore interest accrued on bonds issued to OPTCL as equity investment of government in OPTCL. As compared to interest receipt of 3.48 *per cent* on outstanding loans, interest payment (₹6,644 crore) during 2020-21 was 5.41 *per cent* of its total outstanding liabilities (₹1,22,774 crore). As a result, interest spread of Government borrowings was negative (-1.93 *per cent*) during the year, which meant that the State's borrowings are more expensive than the loans advanced by it.

The Government stated (December 2021) that the borrowings are for capital investment in public interest and within Odisha Fiscal Responsibilities framework. Interest Payment against such borrowing is a part of committed expenditure which would always be higher than the interest accrued out of the loans and advances extended by the State Government. This negative spread in no way affects the fiscal performance of the State Government and that comparison of interest rates between Government borrowings and loans and advances extended is not logical.

The reason for specifying the negative spread is to highlight the fact of its existence, which indicates that the loans and advances extended by the State Government carry an implicit element of subsidy, *i.e.* the loanee entities are enabled to access funds at lower than market rate of interest. In these circumstances, Audit is of the view that the State Government should follow a financially prudent process of due diligence before extending loans and advances to distinct entities.

¹⁶Viability Gap Funding means a grant to support projects that are economically justified but not financially viable.

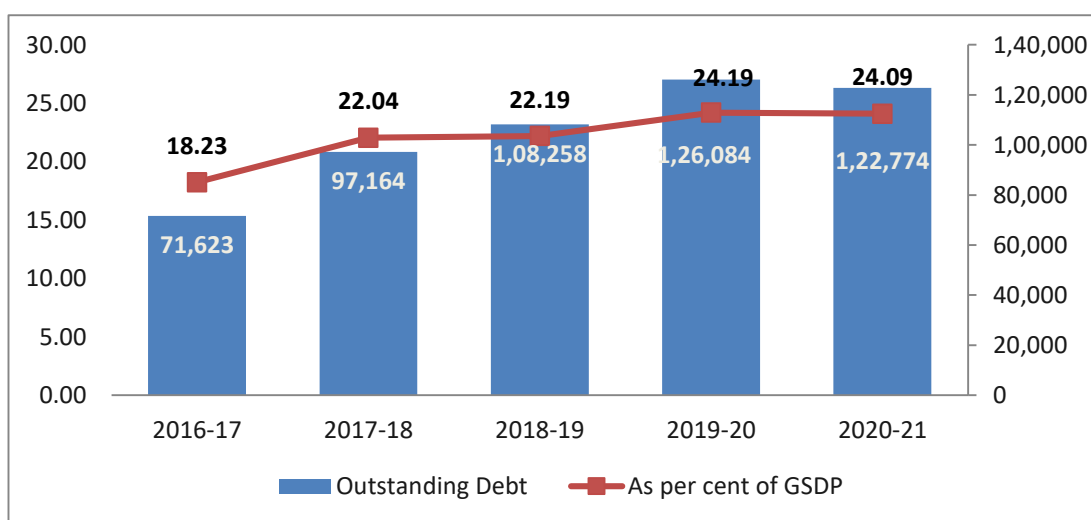
2.6 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcement.

Outstanding Debt of the State Government (Internal Debt, Loans and Advances from GoI and Public Account Liabilities) as of 31 March 2021 stood at ₹1,22,774 crore, which was less by 2.62 *per cent* over the preceding year. Out of ₹1,22,774 crore of Outstanding debt, ₹16,492 crore carried no interest obligations (Deposits not bearing interest ₹16,201 crore and Reserve Fund not bearing interest ₹291 crore), of which ₹14,398 crore of Cash Balance was available with the State Government.

During the year, Internal Debt increased by ₹6,926 crore and Loans from Government of India increased by ₹4,139 crore. However, outstanding liabilities as a whole decreased by ₹3,310 crore, as Government of Odisha took a loan of ₹8,850 crore from Public Accounts (₹5,955 crore from OMBADC and ₹2,895 crore from CAMPA), which had no net impact on outstanding liabilities. This loan reduced the Public Accounts Liabilities and increased the Internal Debt to that extent. GoO repaid market loan of ₹2500 crore from Consolidated Sinking Fund. An abstract of liabilities and assets as on 31 March 2021 compared with corresponding position of last year is given in **Appendix 2.3**. Trend analysis of the outstanding debt of the State is depicted in **Chart 2.17**.

Chart 2.17: Outstanding Debt vis-à-vis GSDP



Source: Finance Accounts of respective years, Government of Odisha

2.6.1 Debt profile: Components of Outstanding Liabilities/Debt

The components of Outstanding Liabilities are given in **Chart 2.18**.

Chart 2.18: Components of outstanding liabilities of the State Government

Outstanding Liabilities (₹ 1,22,774 crore)		
Internal Debt from Market, financial institutions, etc. (₹ 67,521 crore)	Loans and Advances from Government of India (₹ 11,982 crore)	Public Account Liabilities where Government acts as a banker (₹ 43,270 crore)
Market Loans (₹ 35,031 crore)	Loans for Plan Schemes (₹ 11,970 crore)	Small Savings, Provident Fund, etc. (₹ 24,949 crore)
Loans from Financial Institutions (₹ 15,943 crore)	Non Plan Loans (₹ 12 crore)	Reserve Funds bearing Interest (₹ 1,805 crore)
Special Securities issued to NSSF (₹ 7,408 crore)		Reserve Funds not bearing interest (₹ 291 crore)
Other Loans (₹ 9,139* crore)		Deposits bearing interest (₹ 24 crore)
		Deposits not bearing interest (₹ 16,201 crore)

* includes loan taken from OMBADC and CAMPA fund.

Source: Finance Accounts, Government of Odisha.

During the year, Market Loans increased by ₹ 500 crore from ₹ 34,531 crore in 2019-20 to ₹ 35,031 crore in 2020-21. Similarly, Loans from Financial Institutions increased by ₹ 1,483 crore from ₹ 14,589 crore in 2019-20 to ₹ 15,943 crore in 2020-21.

Debt Sustainability is defined as the ability of the State to service its debt in future. **Table 2.26** analyses the debt sustainability of the State during the five-year period 2016-21.

Table 2.26: Debt Sustainability Indicators during 2016-21

Indicators of Debt* Sustainability	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Debt (₹ in crore)	71,623	97,164	1,08,258	1,26,084	1,22,774
Public Debt - Internal Debt	34,553	44,584	50,421	60,595	67,521
Public Debt - Loans from Government of India	7,465	7,606	7,832	7,843	11,982
Public Accounts Liabilities	29,605	44,974	50,005	57,646	43,270
Rate of growth of Outstanding Debt (in per cent)	19.87	35.66	11.42	16.47	(-2.63)
GSDP (at current prices) (₹ in crore)	3,92,804	4,40,879	4,87,805	5,21,275	5,09,574
Rate of growth of GSDP	19.56	12.24	10.64	6.86	(-2.24)

Indicators of Debt* Sustainability	2016-17	2017-18	2018-19	2019-20	2020-21
Debt/GSDP ratio (in per cent)	18.23	22.04	22.19	24.19	23.34 [#]
Total Debt Receipts (₹ in crore)	33,782	61,698	48,103	60,314	60,649
Total Debt Repayment (₹ in crore)	21,912	36,157	37,009	42,487	63,960
Net availability of Debt (after payment of interest)	7,835	20,553	5,294	11,764	(-)3,311
Debt Repayment/ Debt Receipts (in per cent)	64.86	58.60	76.94	70.44	105.46

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

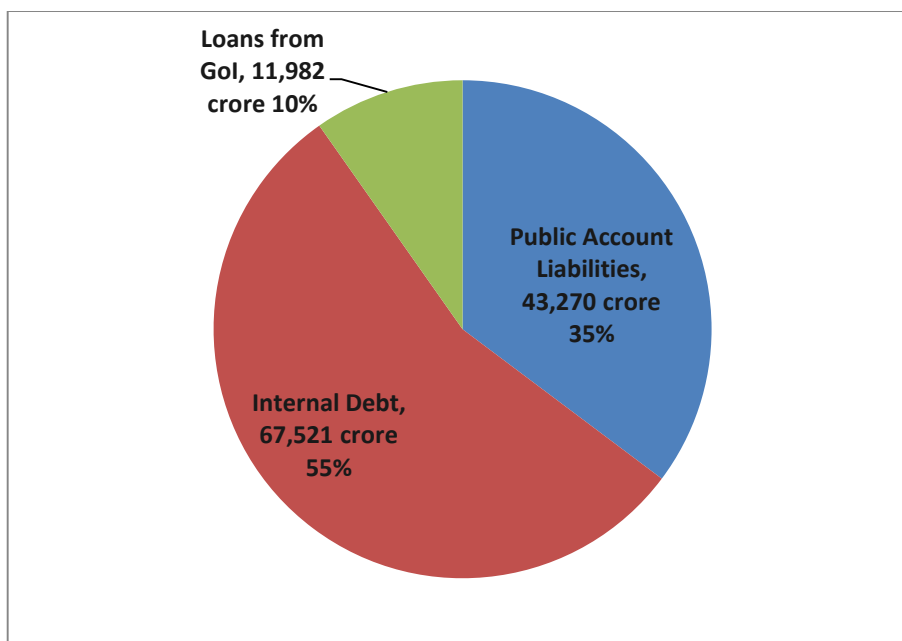
*Internal Debt, Loans from GoI and Public Account Liabilities

This debt does not include ₹3,822.00 crore, which was passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation, vide GoI's No. F. No. 40(1) PF-S/2021-22 dated 10-12-2021

The effective outstanding overall debt would be ₹ 1,18,951.59 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 3,822 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

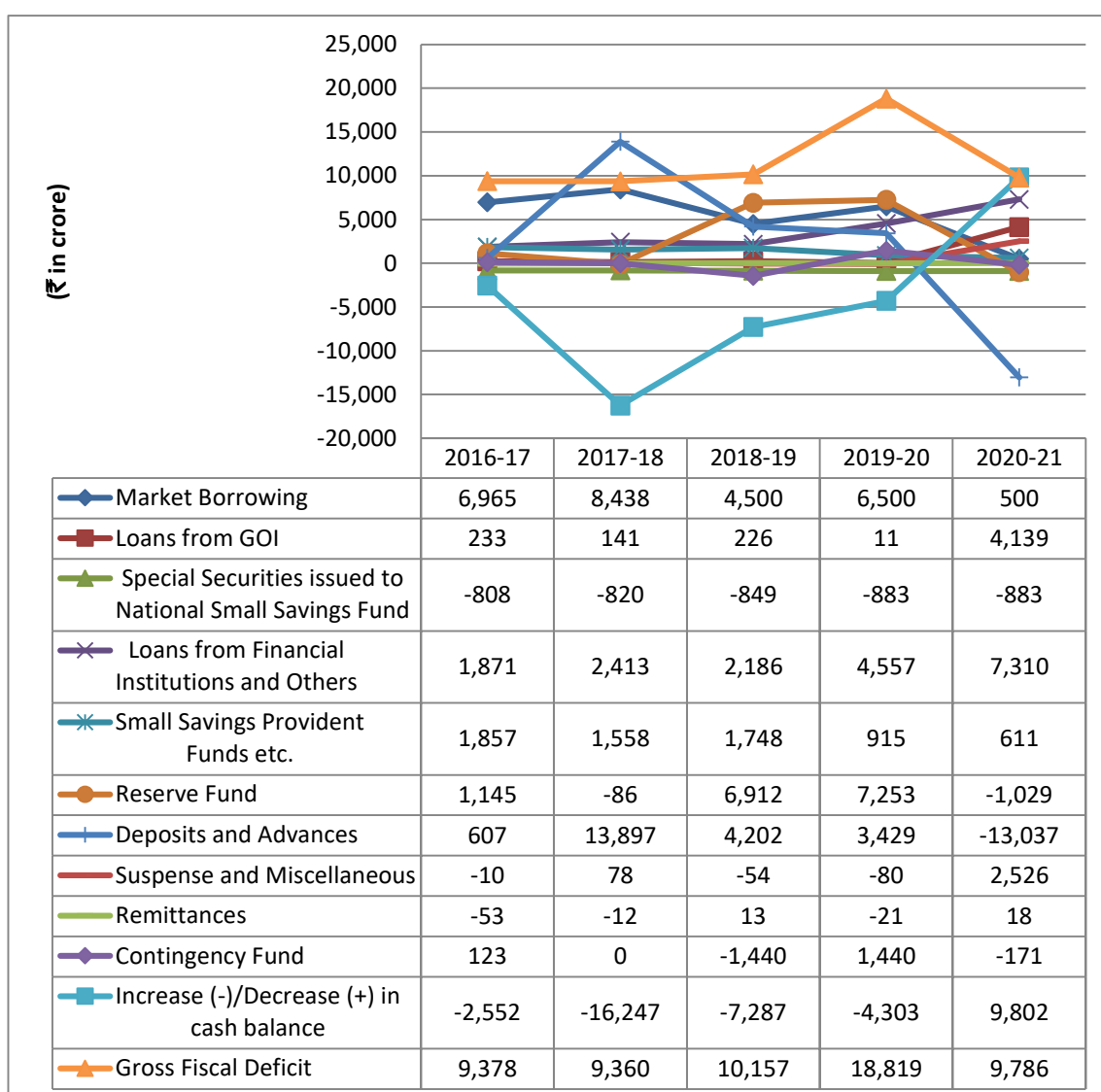
Out of the total outstanding debt of ₹1,22,774 crore, Internal Debt constituted major share (55 per cent) followed by Public Account Liabilities (35 per cent) and Loans from Government of India (10 per cent) which is shown in **Chart 2.19**. Component-wise debt trends are depicted in **Chart 2.20**.

Chart 2.19: Break up of Outstanding Debt at the end of 2020-21



Source: Finance Accounts 2020-21, Government of Odisha.

Chart 2.20: Components wise Debt Trends

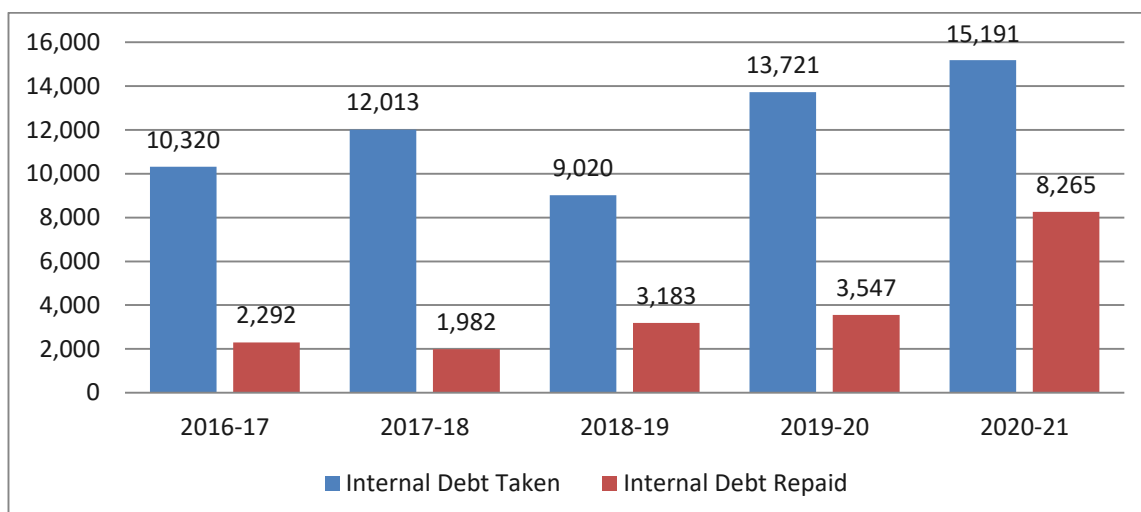


Source: Finance Accounts of respective years, Government of Odisha.

It can be seen from **Chart 2.20** that the decrease in Outstanding Debt was mainly due to decrease in Deposit and advances by ₹13,037 crore, Reserve Fund by ₹1,029 crore, which was compensated by increase of Loans from Financial Institutions by ₹7,310 crore, Loans from Government of India by ₹4,139 crore, Small Savings and Provident Fund by ₹ 611 crore and Market Loan by ₹500 crore.

Internal Debt taken *vis-a-vis* repayment during 2016-17 to 2020-21 is given in **Chart 2.21**.

Chart 2.21: Internal debt taken vis-à-vis repaid



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

It can be seen from the above chart that Internal Debt taken is consistently increasing since 2018-19 while repayment of Internal Debt is increasing since 2017-18.

2.6.1.1 Composition and Financing pattern of Fiscal Deficit

Fiscal deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of the revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The composition and financing pattern of fiscal deficit are in **Table 2.27**.

Table 2.27: Components of Fiscal Deficit and their financing pattern

(₹ in crore)

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
		Net	Net	Net	Net	Net
A.	Composition of Fiscal Deficit (1 to 3)	(-)9,378	(-)9,360	(-) 10,157	(-) 18,819@	(-)9,786
1	Revenue Surplus	9,258	13,367	14,190	2,430	9,076
2	Capital Expenditure	(-)18,471	(-)21,109	(-) 23,482	(-)20,277	(-)17,949
3	Net Loans and Advances	(-)165	(-)1,618	(-) 865	(-)971	(-)913
B	Financing Pattern of Fiscal Deficit					
1	Net Borrowings	8,261	10,172	6,063	10,185	11,066
a	Market Borrowings	6,965	8,438	4,500	6,500	500
b	Special Securities issued to NSSF	-808	-820	-849	-883	-883
c	Loans from Financial Institutions and Others	1,871	2,413	2,186	4,557	7,310
d	Loans from GoI	233	141	226	11	4,139
2	Net Public Account	3,546	15,435	12,821	11,496	(-)10,911
a	Small Savings, Provident Fund etc.	1,857	1,558	1,748	914	611
b	Reserve Funds	1,145	(-)86	6,912	7,254	(-)1,029

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
		Net	Net	Net	Net	Net
c	Deposits and Advances	607	13,897	4,202	3430	(-)13,037
d	Suspense and Miscellaneous	(-)10	78	(-) 54	-80	2,526
e	Remittances	(-) 53	(-) 12	13	-22	18
3	Contingency Fund	123	--	(-) 1,440	1,440	(-)171
4	Total (1 to 3)	11,930	25,607	17,444	23,121	(-)16
5	(-) Increase / (+) Decrease in Cash Balance	(-) 2,552	(-)16,427	(-) 7287	(-) 4,303	9,802
6	Overall Surplus/ Deficit (4+5)	9,378	9,360	10,157	18,819@	9,786

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

Includes market borrowings & borrowings from other institutions also

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

@ difference of ₹one crore is due to rounding off

It can be seen from above Table that the Fiscal Deficit and net outflow of Deposits and Advances, Reserve Funds and Contingency Fund were mainly financed from utilisation of cash balance, loans from Government of India and loans from Financial Institutions.

2.6.2 Debt profile, Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Table 2.28 and Chart 2.22 show the debt maturity profile of repayment of State Debt.

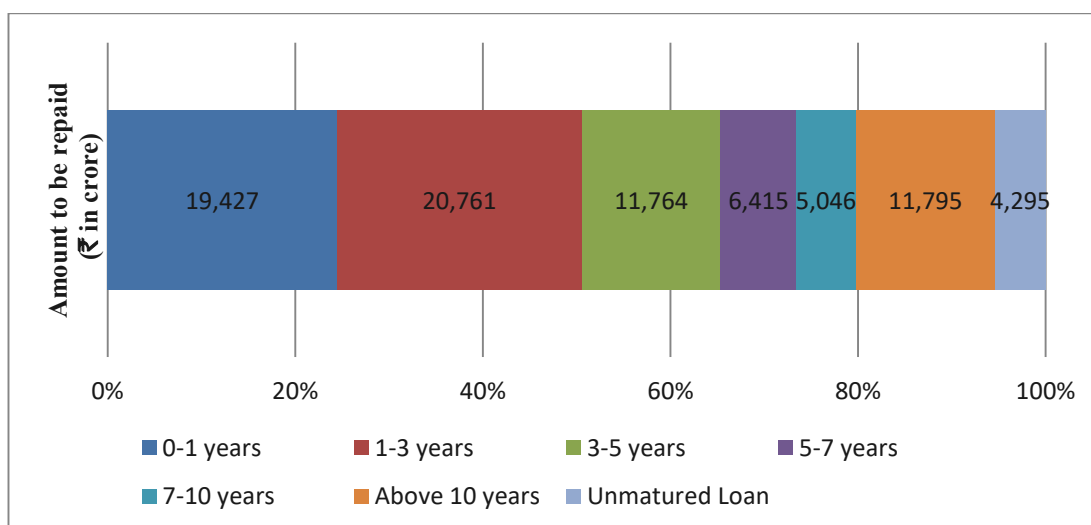
Table 2.28: Debt Maturity Profile of repayment of State Debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public Debt)
0-1	19,427	24.44
1-3	20,761	26.11
3-5	11,764	14.80
5-7	6,415	8.07
7-10	5,046	6.35
Above 10	11,795	14.84
Un-matured Loan*	4,295	5.40
Total	79,503	100.00

Source: Finance Accounts 2020-21, Government of Odisha.

*includes loan in lieu of GST compensation/ shortfall

Chart 2.22: Debt Maturity Profile



Source: Finance Accounts, Government of Odisha.

It can be seen from the **Chart 2.22** and **Table 2.28** that ₹19,427 crore (24.44 percent) of the outstanding Public Debt will be matured during one year. Out of the ₹19,427 crore, ₹8,850 crore loan was taken from Public Account, which is matured as well as renewed in yearly basis. Further, ₹51,952 crore (65.35 per cent) of the outstanding public debt is going to be matured within five years which create extra burden on the finances of the state. Considering the future financial constraint owing to repayment of ₹51,592 crore in coming five years GoO is required to widened its Revenue Surplus so that the Revenue Surplus is sufficient enough to Service the debt.

2.6.3 Net availability of borrowed funds

The Net availability (-₹9,955 crore) of borrowed funds (₹60,649 crore) after providing for interest payments (₹6,644 crore) and repayment of borrowings (₹ 63,960 crore), was negative (16.41 per cent). The borrowed fund during the year was insufficient to service the debt, which resulted in less expenditure under Capital Head and other developmental purposes even after obtaining ₹9,076 crore of Revenue Surplus. During the year, Government of Odisha took ₹8,850 crore loan from Public Accounts (₹5,955 crore from OMBADC and ₹2,895 crore from CAMPA), which resulted in decrease in Public Accounts Liabilities to the extent of ₹8,850 crore and as a result, the net availability of borrowed funds after payment of interest became negative.

2.7 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Debt Sustainability Analysis (DSA) considers the feasibility of meeting debt related financial obligations during a period beginning with the present

and is a crucial aspect for assessing financial health of an economy. The cornerstone of DSA is the Debt GSDP ratio. The Debt to GSDP ratio rises mainly because higher levels of debt lead to higher net interest expenditures, and in turn to higher deficits and debt. A sustainable fiscal policy is one where the debt to GSDP ratio is stable or declining over the long term. The sustainability of the debt of the State is analysed through Debt Sustainability Indicators.

2.7.1 Debt Stabilisation- Debt Sustainability Indicators

Trends in fiscal variable indicating the progress towards the debt stabilisation are indicated in **Table 2.29**.

Table 2.29: Trends in debt Sustainability Indicators

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt¹⁷	42,018	52,190	58,253	68,438	79,503
Rate of Growth of Outstanding Public Debt	24.47	24.21	11.62	17.48	16.17
GSDP	3,92,804	4,40,879	4,87,805	5,21,275	5,09,574
Rate of Growth of GSDP	19.79	10.47	14.05	7.66	-2.24
Public Debt/GSDP	10.68	12.00	11.75	12.82	15.60
Debt Maturity profile of repayment of State Debt					
Interest paid on Public Debt	2,663	3,318	3,986	4,226	4,748
Average interest Rate of Outstanding Public Debt ¹⁸ (per cent)	7.03	7.04	7.22	6.67	6.42
Percentage of Interest payment to Revenue Receipt	5.43	5.85	5.83	5.97	6.36
Percentage of Debt Repayment to Debt Receipt	26.39	20.91	39.39	30.62	45.54
Net Debt available to the State ¹⁹	5,598	6,854	2,077	5,959	6,318
Net Debt available as per cent of Debt Receipts	49.88	53.29	20.76	40.60	31.10
Interest Spread*	12.76	3.43	6.83	0.99	-8.66
Quantum Spread ²⁰	5362	1789	3980	677	-795
Primary Deficit	-5,343	-4,372	-4,357	-12,756	-3,142
Debt Stabilisation (Quantum spread + Primary Deficit)	19	-2,583	-377	-12,078	-3,937

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

* *Rate of Growth of GSDP – Average interest rate of outstanding Public Debt.*

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth – interest rate) and quantum spread

¹⁷ Outstanding Public Debt is the sum of outstanding balances under the heads 6003- Internal Debt and 6004- Loans and Advances from the Central Government.

¹⁸ Average interest rate - Interest paid / (OB of Public Debt + CB of Public Debt)/2

¹⁹ Net debt available to the State Government is calculated as excess of Public Debt receipts over Public debt repayment and interest payment on Public Debt.

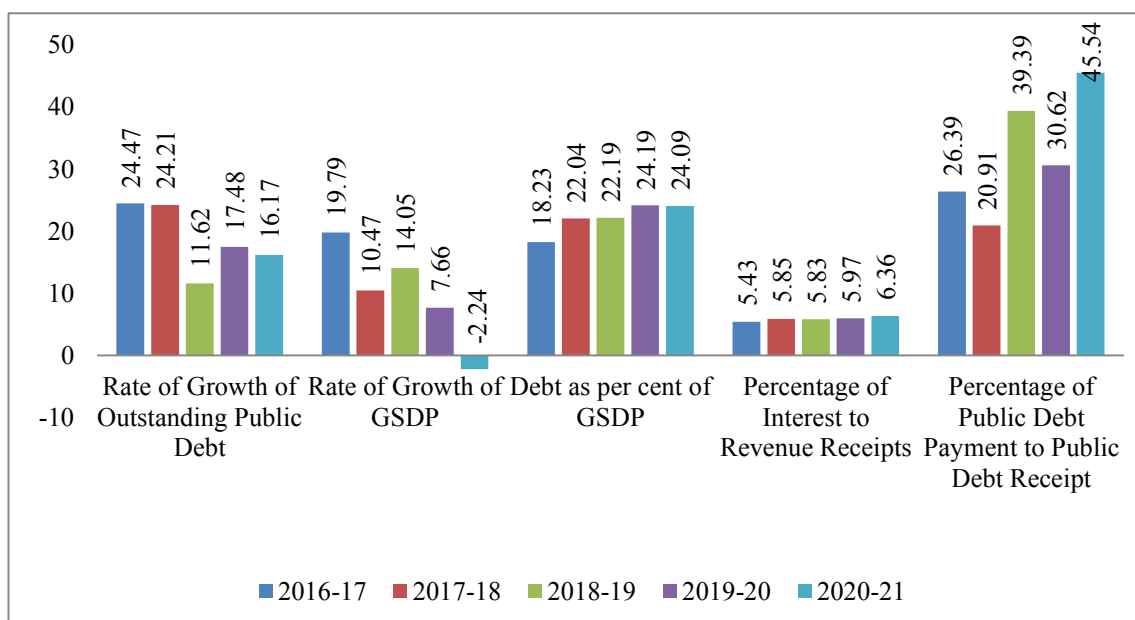
²⁰ Quantum Spread = Outstanding Public Debt X Interest Spread/100

(Debt x rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

It can be seen from **Table 2.29** that during last five years, except 2020-21, all the four years' rate of growth of economy (rate of growth of GSDP) exceeded the interest rate or cost of public borrowings. However, primary balances (primary deficit) remained negative resulting in non-fulfilment of necessary condition of debt stabilisation.

The primary deficit, the sum of quantum spread and Primary Deficit performed better as compared to previous year even at the time of pandemic which is a good indicator. However, Public debt to GDSP ratio were increasing consistently since 2018-19 and highest in 2020-21, which is a matter of concern.

Chart 2.23: Trends in debt Sustainability Indicators



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

2.7.2 Utilisation of borrowed funds

Borrowed funds should be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

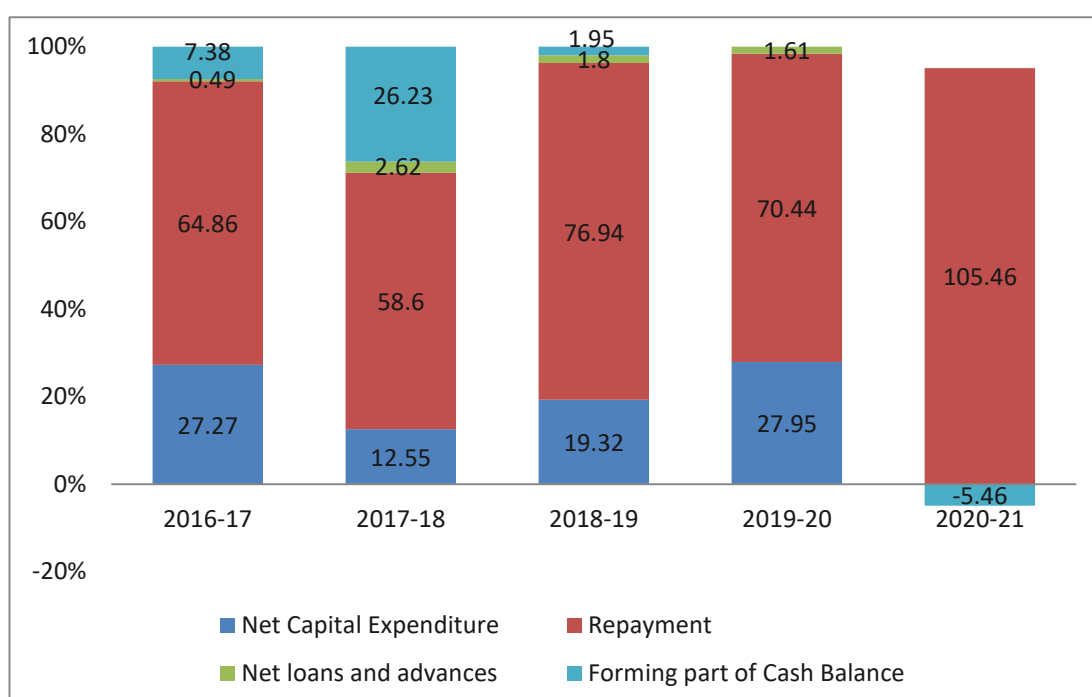
Table 2.30: Utilisation of borrowed funds

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Total borrowings (₹ in crore)	33,782	61,698	48,103	60,314	60,649
Repayment of earlier borrowings (Principal) (₹ in crore)	21,912	36,157	37,009	42,487	63,960
Repayment of earlier borrowings	64.86	58.60	76.94	70.44	105.46

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
(Principal) (Percentage)					
Net Loans and Advances (Percentage)	0.49	2.62	1.80	1.61	--
Net Capital Expenditure (Percentage)	27.27	12.55	19.32	27.95	--
Revenue expenditure met out of net available borrowings (Percentage)	--	--	--	--	--
Surplus of borrowing as Cash Balances (Percentage)	7.38	26.23	1.95	--	(-)5.46

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

Chart 2.24: Trends of Utilisation of borrowed funds



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

It is evident from **Table 2.30** and **Chart 2.24** that entire amount of the borrowed funds and 5.46 *per cent* of cash balance were consumed for repayment of earlier borrowings.

2.7.3 Status of Guarantees- Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. Finance Department, Government of Odisha instructed (November 2002) that the total outstanding guarantee as on 1st April every year should not exceed hundred *per cent* of the State's Revenue Receipts (excluding Grants-in-Aid) of the 2nd preceding year. The trends of Outstanding Guarantees for the years 2016-17 to 2020-21 are shown in **Table 2.31**. The outstanding guarantees (₹ 7,086 crore) at the end of 2020-21 stood at 8.86 *per cent* of total Revenue Receipts less grants in aid of the second preceding

year (₹79,948 crore) and was within the ceiling (100 *per cent*) laid down in the said resolution.

Table 2.31: Guarantees given by the Government

(₹ in crore)					
Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	44,080	54,812	59,217	67,584	79,948
Outstanding guarantees at the beginning of the year	1,290	2,256	1,711	4,170	3,532

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

Government categorised the guarantees as 100 *per cent* risk weighted *i.e.*, the risk of default was borne by the State Government. During the year 2020-21, Government extended ₹3,553.05 crore guarantees to Grid Corporation of Odisha Limited (GRIDCO). On the other hand, no guarantee was withdrawn or invoked during the year. Out of the total outstanding loans guaranteed by the Government, 98.57 *per cent* (₹6,985.30 crore) pertained to Grid Corporation of Odisha Limited (GRIDCO).

In consideration of the guarantees 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 Finance Accounts, the State received ₹32.67 crore Guarantee Commission during 2020-21. The cumulative guarantee commission received as on 31 March 2021 was ₹ 340.24 crore as against the receivable amount of ₹ 400.64 crore. The balance guarantee commission of ₹ 59.41 crore is yet to be received. Details are shown in Table 2.32.

Table 2.32: Guarantee Commission received/receivable by the Government

(₹ in crore)				
Name of the Sector	No. of entities	Commission receivable	Commission received	Commission yet to be received
Power	4	329.99	300.54	28.46
Co-operatives	42	4.45	2.24	2.21
State Financial Corporation	7	8.55	2.89	5.66
Housing and Urban Development	86	41.16	28.48	12.68
Roads and Transport	2	1.84	1.84	0.00
Other Infrastructure	15	13.39	4.25	9.14
Others	4	1.26	0.00	1.26
TOTAL	160	400.64	340.24	59.41

Source: Finance Accounts 2020-21, Government of Odisha.

2.7.4 Cash Balance

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank.

State Governments invest their surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting to productive use.

The cash balance at the end of March 2021 was ₹ 32,636.04 crore. Cash balances and investments thereof made by the State Government during 2020-21 are given in **Table 2.33**.

Table 2.33: Cash Balance and Investment of Cash Balance

(₹ in crore)		
	Closing balance on 31/3/2020	Closing balance on 31/3/2021
(a) General Cash Balance -		
Cash in Treasuries	--	--
Deposits with Reserve Bank	242.18	27.48
Deposits with other Banks	--	--
Remittances in transit - Local	--	--
Investments held in Cash Balance investment account	24,865.00	14,351.36
Total (a)	25,107.18	14,378.84
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	19.86	19.24
Permanent advances for contingent expenditure with departmental officers	0.33	0.33
Investment in earmarked funds (Consolidated Sinking Fund- ₹11,693.75 crore, Guarantee Redemption Fund- ₹1,522.83 and State Compensatory Afforestation Fund ₹ 5,021.05 crore as on 31 March 2021)	17,310.13	18,237.63
Total (b)	17,330.32	18,257.20
Grand total (a)+ (b)	42,437.50	32,636.04
Interest realised	1,422.96	945.88

Source: Finance Accounts 2020-21, Government of Odisha.

- During the year 2020-21, GoO opened separate investment account of OMBADC under head of account 8443-106-3521-91357- Government Debt and 8443-106-3521-91358- Treasury Bill and invested ₹5,955.00 crore and ₹9,124.41 crore respectively, which does not form part of cash balance investment account. This resulted in decrease of cash balance by ₹9801.46 crore from ₹42,437.50 crore in 2019-20 to ₹32,636.04 crore in 2020-21.
- During the year 2020-21, an amount of ₹1,190.21 crore interest accrued towards investment of Consolidated Sinking Fund, ₹111.24 crore interest accrued towards investment of Guarantee Redemption Fund and ₹152.95 crore interest accrued towards investment of State CAMPA Afforestation Fund were credited in the respective funds under Earmarked Fund.
- The Government invested cash balances amounting to ₹ 14,351.36 crore in GoI Treasury Bills (TB) and GoI Stocks. On these investments, the Government earned interest of ₹ 945.88 crore during the year.

- The 13th Finance Commission had recommended that the States with large cash balances should make efforts to utilise their cash balances before resorting to fresh borrowings. As on 31 March 2021 GoO has ₹14,378.84 crore of General Cash Balance. GoO during the year undertook a loan of ₹8,850 crore (₹5,955 crore from OMBADC and ₹2,895 crore from CAMPA Fund) from cash balance. The State, however also borrowed ₹ 6,341.08 crores from Open Market and other financial institutions at interest rates ranging from 7.55 to 8.79 *per cent*, contrary to the Finance Commission recommendation.

The balances under Cash Balance Investment Account of the State Government for the last five years are given in **Table 2.34**.

Table 2.34: Cash Balance Investment Account (Major Head 8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
2015-16	3,870.55	5,836.24	(+) 1,965.69	365.34
2016-17	5,836.24	8,738.10	(+) 2,901.86	391.09
2017-18	8,738.10	24,747.97	(+) 16,009.87	559.32
2018-19	24,747.97	23,135.59	(-) 1,612.38	1,427.13
2019-20	23,135.59	24,865.00	(+) 1,729.41	1,422.96
2020-21	24,865.00	14,351.36	(-) 10,513.64	945.88

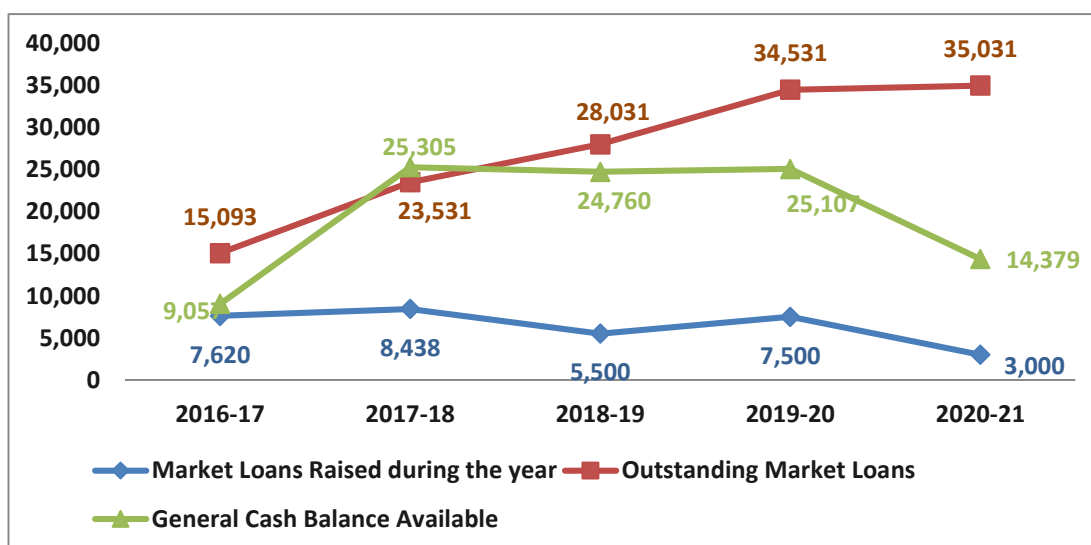
Source: Finance Accounts of respective years, Government of Odisha.

The Government stated (May 2021) that the surplus cash balance has a negative impact. Accordingly, a new mechanism has been put in place which has been vetted by Accountant General as well as the concerned authority. Under this mechanism, the State Government is now able to avail loan from a portion of the surplus cash balance of the dedicated funds (like OMBADC/CAMPA *etc.*) at the rate equivalent to 364 days Auctioned Treasury Bill. Thus, the State Government has been able to reduce reliance on open market. This effect has substantially reduced the cash balance. However, since borrowing from these dedicated funds is restricted to only 60 *per cent* of the surplus investible balance in these funds, there will be still a sizeable cash balance available which would be invested in auction treasury bills.

While the steps taken by Government to borrow from OMBADC and CAMPA funds at rates of interest lower than market rates are financially prudent, Audit is of the view that there still remained significant quantum of untied cash balance of ₹14,351 crore (excluding earmarked fund and OMBADC fund), which could have been optimally utilised before having to raise fresh debt.

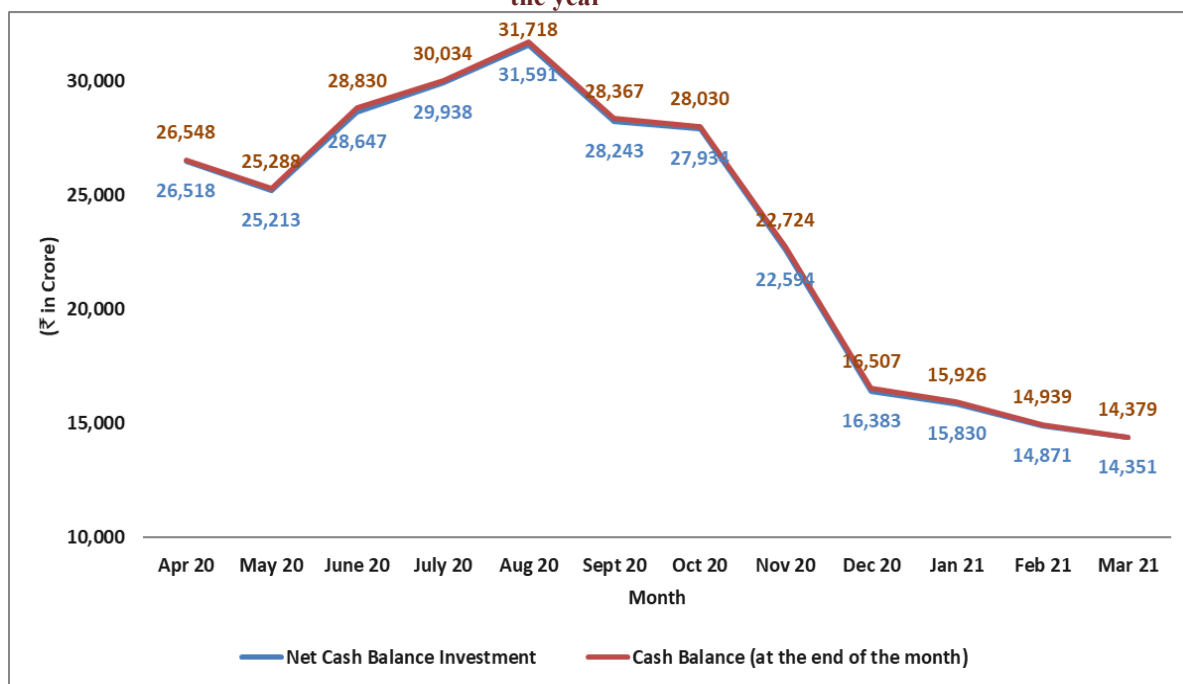
Year wise Market loan raised *vis-à-vis* cash balance available in cash balance investment account for the years 2016-17 to 2020-21 is compared in **Chart 2.25** and month wise cash balance available *vis-à-vis* cash balance invested in cash balance investment account is shown in **Chart 2.26**.

Chart 2.25: Market Loans vis-à-vis Cash Balance Investment Account (Major Head 8673)



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

Chart 2.26: Month wise movement of Cash Balances and net cash balance investments during the year



Source: Monthly Civil Accounts, Government of Odisha.

It can be seen from the above chart that the cash balance started declining from August 2020. However, Government maintained large (more than ₹14,000 crore) general cash balances throughout the year. The net cash balance investment is moving along with cash balance, which shows that almost all the funds were invested in cash balance investment account.

2.8 Recommendations

1. It is imperative for the State Government to review the classification of expenditure met out of grants-in-aid and take necessary corrective action in formulating its budget and booking its expenditure in this regard, to ensure that its fiscal parameters like revenue surplus/deficit and fiscal deficit reflect the correct position of its finances.
2. The Government should review the budget preparation exercise, so that the persisting gap between budget estimates and actual may be bridged.