

2.1 Major changes in key fiscal aggregates in FY 2022-23 vis-à-vis FY 2021-22

Major changes in key fiscal aggregates of the State, during the financial year 2022-23, compared to the previous year, are shown in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in FY 2022-23 compared to FY 2021-22

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State decreased by 1.70 per cent ✓ Own Tax receipts of the State increased by 14.25 per cent ✓ Own Non-tax receipts decreased by 21.26 per cent ✓ State's Share of Union Taxes and Duties increased by 12.70 per cent ✓ Grants-in-Aid from Government of India decreased by 8.59 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 19.54 per cent ✓ Revenue expenditure on General Services increased by 43.53 per cent ✓ Revenue expenditure on Social Services increased by 10.96 per cent ✓ Revenue expenditure on Economic Services increased by 6.52 per cent ✓ Expenditure on Grants-in-Aid increased by 4.62 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital Expenditure increased by 46.74 per cent ✓ Capital Expenditure on General Services increased by 124.31 per cent ✓ Capital Expenditure on Social Services increased by 42.65 per cent ✓ Capital Expenditure on Economic Services increased by 44.05 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 27.99 per cent ✓ Recoveries of Loans and Advances decreased by 46.87 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts decreased by 58.16 per cent ✓ Repayment of Public Debt decreased by 29.65 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 23.29 per cent ✓ Disbursement of Public Account increased by 6.13 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance decreased by ₹5,791 crore (11.30 per cent) during 2022-23, as compared to previous year

Source: Finance Accounts

2.2 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year with those of the previous year, is given in **Table 2.2**.

Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)				
	Particulars	2021-22	2022-23	Increase (+) / Decrease (-) (percentage of variation)
Sources	Opening Cash Balance	32,636	51,231	(+)18,595 (56.98)
	Revenue Receipts	1,53,060	1,50,462	(-) 2,598 (-1.70)
	Recoveries of Loans and Advances	1,566	832	(-) 734 (-46.87)
	Public Debt Receipts (Net)	(-)7,018	(-)8,580	(-) 1,562 (22.26)
	Public Account Receipts (Net)	4,815	18,008	(+) 13,193 (274.00)
	Total	1,85,059	2,11,953	(+) 26,894 (14.53)
Application	Revenue Expenditure	1,09,588	1,31,006	(+) 21,418 (19.54)
	Capital Expenditure	22,725	33,349	(+)10,624 (46.75)
	Disbursement of Loans and Advances	1,686	2,158	(+) 472 (28.00)
	Contingency Fund (Net)	(-)171	-	(+) 171 (-100.00)
	Closing Cash Balance	51,231	45,440	(-) 5,791 (-11.30)
	Total	1,85,059	2,11,953	(+) 26,894 (14.53)

Source: Finance Accounts of respective years, Government of Odisha

Appendix 2.1 provides details of the receipts and disbursements and the overall fiscal position of the State, during the current year, as well as the previous year.

Composition and application of resources, in the Consolidated Fund of the State, during FY 2022-23, are given in Chart 2.1 and Chart 2.2.

Chart 2.1: Composition of Resources
(in per cent)
(₹ comes from)

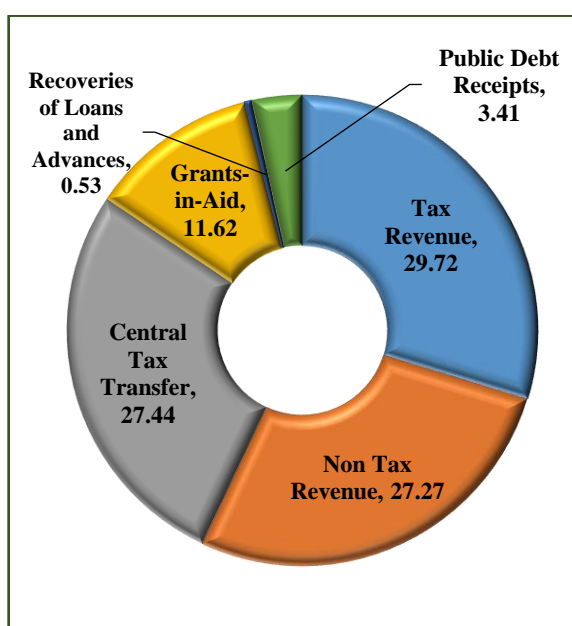
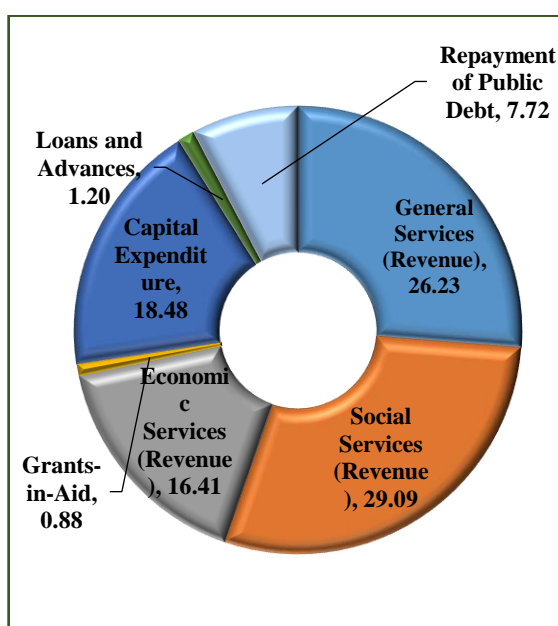


Chart 2.2: Application of Resources
(in per cent)
(₹ goes to)



Source: Finance Accounts for FY 2022-23, Government of Odisha

2.3 Resources of the State

The resources of the State are described below:

1. Revenue Receipts consist of tax revenue (Own Tax revenue plus share of Union taxes/duties), non-tax revenue and Grants-in-Aid from the Government of India (GoI).

2. Capital Receipts (debt and non-debt capital receipts) comprise of 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.

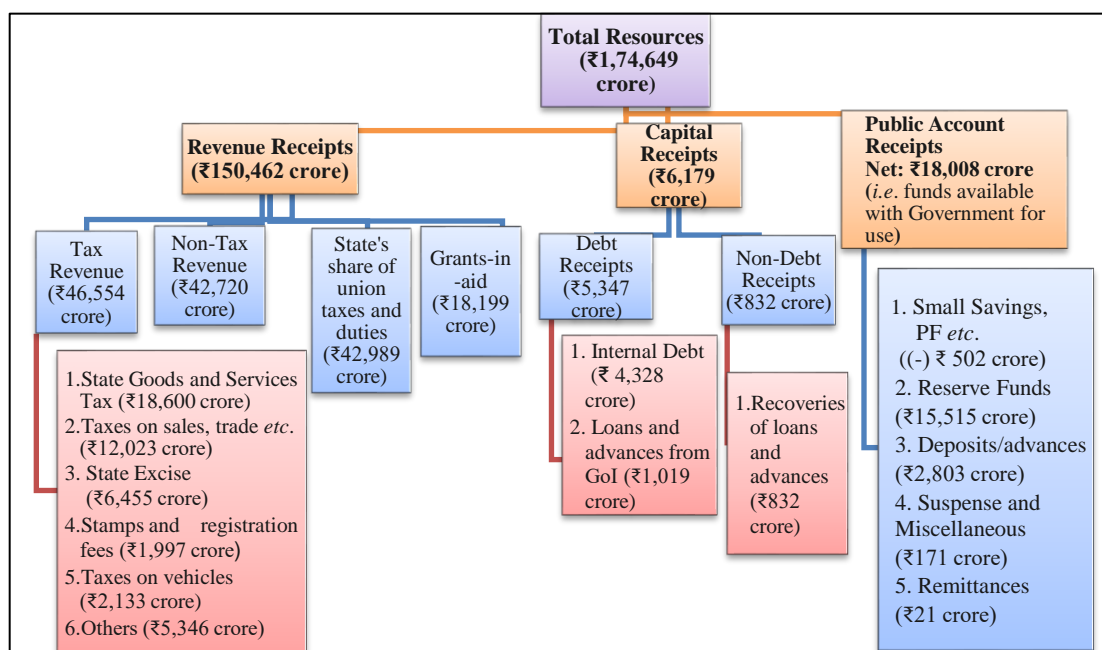
3. Net Public Account receipts: There are receipts and disbursements in respect of certain transactions, such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.*, which do not form part of the Consolidated Fund.

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

This paragraph provides the composition of the overall receipts. Besides, the Revenue and Capital Receipts, fund available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. The composition of total receipts of the State is depicted in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during FY 2022-23



Source: Finance Accounts for FY 2022-23, Government of Odisha

Out of the total resources of ₹1,74,649 crore of the State Government, during the year 2022-23, Revenue Receipts (₹1,50,462 crore) constituted 86.15 per cent. Public Account Receipts (net: ₹ 18,008 crore) and Capital Receipts (₹6,179 crore) constituted 10.31 per cent and 3.54 per cent of the total resources respectively.

2.3.2 State's Revenue Receipts

2.3.2.1 Trends and growth of Revenue Receipts

Trends and growth of revenue receipts *vis a vis* Gross State Domestic Product (GSDP) over the five-year period (FYs 2018-19 to 2022-23), are shown in **Table 2.3**. The trends and composition of the Revenue Receipts over the same period, are detailed in **Appendix 2.2**.

Table 2.3: Trends in Revenue Receipts

	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
(1) Revenue Receipts (RR)	99,546	1,01,568	1,04,387	1,53,059	1,50,462
(2) Rate of growth of RR (<i>per cent</i>)	16.83	2.03	2.78	46.63	-1.69
(3) Tax Revenue	65,672	62,769	61,801	78,892	89,543
(i) Own Tax Revenue	30,318	32,315	34,258	40,748	46,554
(ii) State's share in Union taxes and duties	35,354	30,454	27,543	38,144	42,989
(4) Non-Tax Revenue	14,276	14,647	19,518	54,257	42,720
(5) Grant-in aid from GoI	19,598	24,152	23,068	19,910	18,199
(6) Rate of growth of GIA (<i>per cent</i>)	11.23	23.24	-4.49	-13.69	-8.59
(7) State Own Revenue (Own Tax and Non-tax Revenue)	44,594	46,962	53,776	95,005	89,274
(8) Rate of growth of Own Revenue (<i>per cent</i>)	22.81	5.31	14.51	76.69	-6.03
(9) GSDP (2011-12 Series)	4,98,611	5,37,502	5,40,150	6,70,881	7,74,869
(10) Rate of growth of GSDP (<i>per cent</i>)	13.22	7.80	0.49	24.20	15.50
(11) R R/GSDP (<i>per cent</i>)	19.96	18.90	19.32	22.81	19.42
Buoyancy Ratio¹					
(12) Revenue Buoyancy w.r.t GSDP (Sl. No. 2/ Sl. No. 10)	1.27	0.26	5.67	1.93	-
(13) State's Own Revenue Buoyancy w.r.t GSDP (Sl. No. 8 / Sl. No. 10)	1.73	0.68	29.61	3.17	-

Source: For Revenue Receipts - Finance Accounts for respective years and For GSDP - Ministry of Statistics and Programme Implementation (MoSPI), Government of India.

¹ Buoyancy indicates the degree of responsiveness of a fiscal variable in regard 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. (Negative buoyancy not calculated)

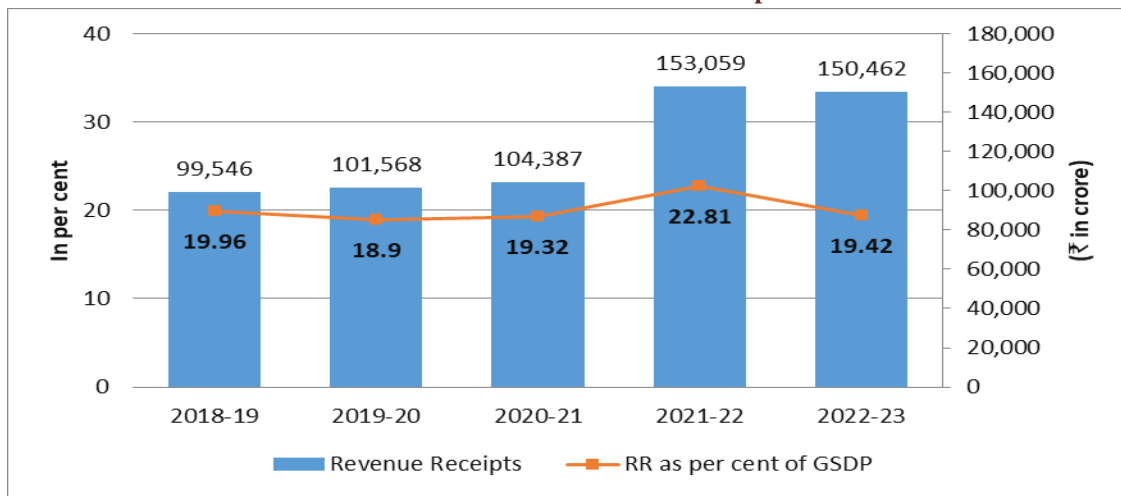
Table 2.3 shows that the revenue receipts increased by 51.15 per cent from ₹99,546 crore in 2018-19 to ₹1,50,462 crore in 2022-23. During the period of five years, it increased at an annual average growth rate of 10.88² per cent. Tax revenue increased by ₹10,651 crore (13.50 per cent), whereas, non-tax revenue decreased by ₹11,537 crore (21.26 per cent) in FY 2022-23 compared to FY 2021-22.

Grant-in-aid from GoI, on the other hand, decreased by 7.14 per cent, during the period from FYs 2018-19 to 2022-23 and it decreased by 8.59 per cent over the previous year.

Revenue buoyancy with reference to GSDP increased from 1.27 per cent in FY 2018-19 to 1.93 per cent in FY 2021-22 and State’s own revenue buoyancy in regard to GSDP, also increased from 1.73 per cent in FY 2018-19 to 3.17 per cent in FY 2021-22. However, the revenue as well as state’s own revenue showed negative growth of 1.69 per cent and 6.03 per cent, during FY 2022-23 over the previous year, due to sharp dip under revenue from mining in non-tax sector. During FY 2021-22, the non-tax revenue had increased sharply by ₹34,739 crore over FY 2020-21, mainly under non-ferrous mining by ₹34,850 crore, due to auction of new mines and higher price of iron ores in international market. However, during the current year, the same was unable to keep pace with the previous year, due to volatility in iron ore prices.

Trends of revenue receipts are shown in **Chart 2.4**.

Chart 2.4: Trends of Revenue Receipts

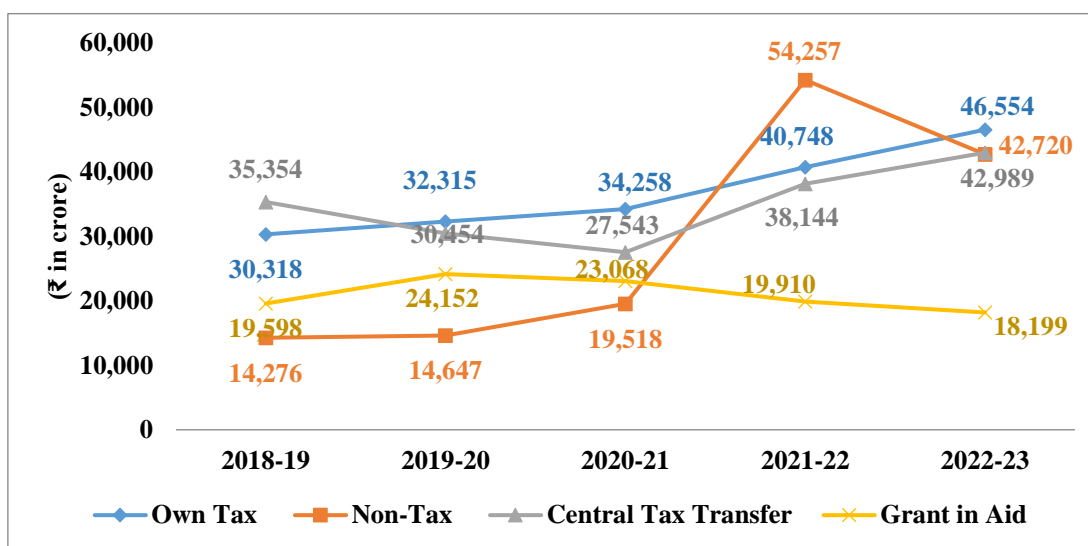


Source: Finance Accounts for respective years, Government of Odisha

² Compounded Annual Growth Rate = $[(\text{Ending Value}/\text{Beginning Value})^{(1/\text{Number of Years})} - 1] \times 100 = [(\text{₹}1,50,462 \text{ crore} / \text{₹}99,546 \text{ crore})^{(1/4)} - 1] \times 100 = 10.88 \text{ per cent}$.

Trends in composition of revenue receipts are given in **Chart 2.5**.

Chart 2.5: Trends in composition of Revenue Receipts



Source: Finance Accounts of respective years, Government of Odisha

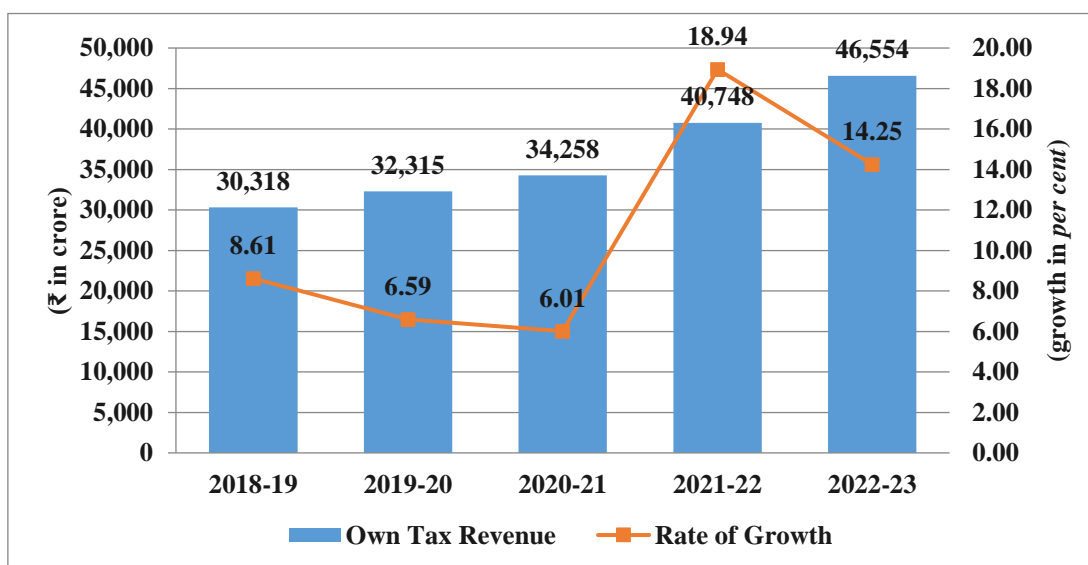
2.3.2.2 State's Own Resources

(i) Own tax revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, etc.

Trends of own tax revenue and analysis of its components, during the period from FYs 2018-19 to 2022-23, are shown in **Chart 2.6** and **Table 2.4**, respectively.

Chart 2.6: Trends of Own Tax Revenue during 2018-23



Source: Finance Accounts of respective years, Government of Odisha

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2018-19					2019-20					2020-21					2021-22					2022-23					Spark Line
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-19	2019-20	2020-21	2021-22	2022-23	2018-19	2019-20	2020-21	2021-22	2022-23	2018-19	2019-20	2020-21	2021-22	2022-23	2018-19	2019-20	2020-21	2021-22	2022-23	
State Goods and Services Tax (SGST)	11,943	13,204	13,043	16,392	18,600																					
Taxes on Sales, Trade, etc	7,310	7,455	7,777	10,000	12,023																					
State Excise	3,925	4,495	4,053	5,528	6,455																					
Taxes on Vehicles	1,746	1,836	1,526	1,663	2,133																					
Stamps and Registration fees	1,237	1,435	2,942	2,419	1,997																					
Land Revenue	511	721	603	664	739																					
Taxes on Goods and Passengers	182	133	146	111	115																					
Other Taxes	3,464	3,036	4,168	3,971	4,492																					
Total	30,318	32,315	34,258	40,748	46,554																					

Source: Finance Accounts of respective years, Government of Odisha

The total own tax revenue increased by ₹5,806 crore (14.25 per cent) during the current year over the previous year. The major increase was under (i) receipts under State GST (₹2,208 crore), (ii) Taxes on Sales, Trade, etc. (₹2,023 crore), (iii) State Excise (₹927 crore) and (iv) Taxes on Vehicles (₹470 crore), which was partly set off by decrease under Stamps and Registration fees (₹422 crore).

Increase in State Goods and Services Tax (SGST) was attributed to resumption of business activities to full strength and healthy economic recovery, post the COVID-19 pandemic, as well as increase in wholesale and retail prices of commodities. Further, increase in the taxes on sales was on account of increase in VAT revenue, due to higher consumption of petrol and diesel, owing to increased economic activity in FY 2022-23. Increase in State excise duty was attributed to more consumption of country fermented liquor, malt liquor and foreign liquor and increased enforcement by the department. Increase in Taxes on Vehicles was attributed to registration of more vehicles during FY 2022-23.

State Goods and Services Tax (SGST)

As per the books of RBI, the amount of SGST is ₹ 19,573.05 crore and as per the Finance Accounts, the amount of SGST is ₹ 18,600.52 crore, as against the Budget Estimate of ₹ 19,479.00 crore. The difference in RBI figure and Finance Accounts' figure is due to refund of ₹ 972.53 crore.

Audit of GST Receipts

The Government of India's decision to provide audit access to PAN-India data, at the GSTN premises, was conveyed on 22 June 2020. In case of Odisha, which is a Model-II

State, role-based access to the back-end application only, was provided to the office of the Principal Accountant General (Audit-I), Odisha, in March 2021. However, the access was limited only to the premises of CT&GST Department and the matter of providing remote access was under consideration. The accounts for the financial year 2022-23 have, therefore, been certified on the basis of test-audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

Non Transfer of Cess to Local Bodies

During the year 2022-23, the Government collected ₹59.91 crore (2021-22: ₹53.76 crore) being the collection of cess/fee/surcharge (other than Labour Cess). The entire collected amount of ₹59.91 crore, however, was not transferred to Urban Local Bodies and Rural Local Bodies by the State Government. This had an impact on overstatement of Revenue Surplus and understatement of Fiscal Deficit.

(ii) Non-Tax Revenue

Non-Tax Revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Trends in the components of State's non-tax revenue, during FYs 2018-19 to 2022-23, are shown in **Table 2.5**.

Table 2.5: Components of State's Non-Tax Revenue

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	₹ in crore
						Spark line
Non-Ferrous Mining and Metallurgical Industries	10,480	11,020	13,792	48,642	37,642	
Interest Receipts	1,462	1,487	1,262	1,823	1,657	
Dividends and Profits	544	321	1,063	523	584	
Other Non-tax receipts	1,791	1,819	3,401	3,269	2,837	
a) Major and Medium Irrigation	702	669	796	790	909	
b) Road and Bridges	67	44	54	48	43	
c) Education	26	27	62	46	67	
d) Misc. General Services	419	411	1,729	438	571	
e) Others or Miscellaneous	577	668	760	1,947	1,247	
Total	14,277	14,647	19,518	54,257	42,720	

Source: Finance Account of respective years

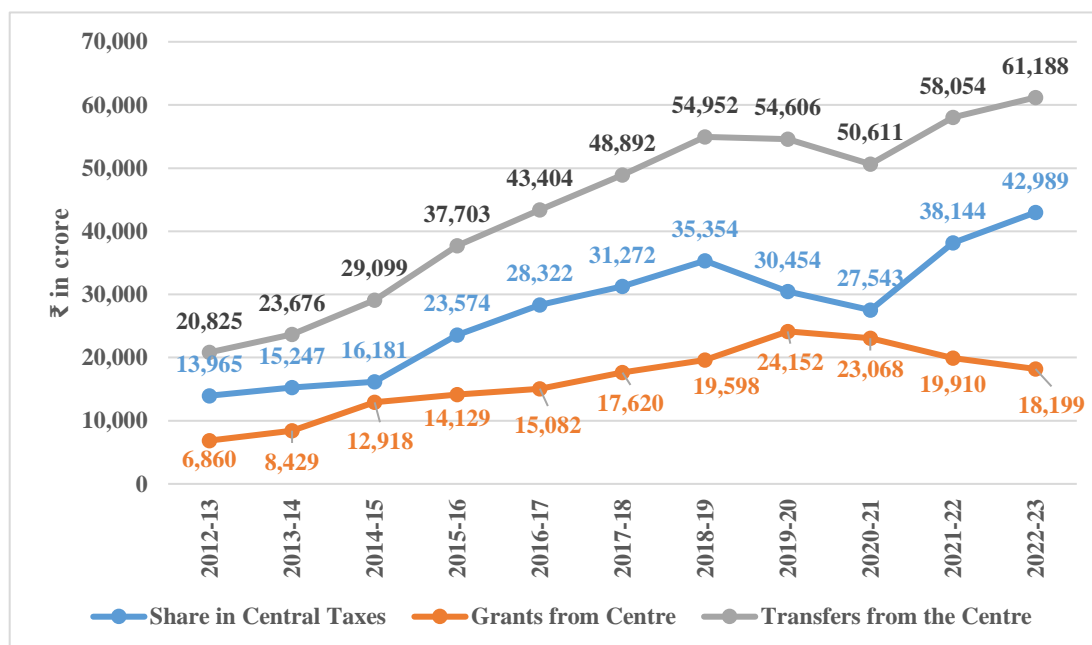
During FY 2021-22 (₹ 54,257 crore), non-tax revenue had increased by ₹ 34,739 crore (177.98 per cent) over FY 2020-21 (₹ 19,518 crore), due to increase under Non-Ferrous Mining and Metallurgical Industries, owing to renewal of existing mining leases, auction of mines and higher prices of iron ore, in the domestic, as well as international markets. However, during FY 2022-23, the price drop of iron ore in the domestic, as well as international markets, resulted in sharp fall of revenue collection from the mining sector. As a result, the non-tax revenue receipts, during FY 2022-23 (₹ 42,720 crore) decreased by ₹ 11,537 crore over the previous year. There was also decrease in interest receipts,

during FY 2022-23 over the previous year by ₹166 crore. However, the receipts under major and medium irrigation marginally increased by ₹119 crore, during FY 2022-23.

2.3.2.3 Transfers from the Centre

Trends in transfers from the Centre, for the last ten years, are shown in **Chart 2.7**.

Chart 2.7: Trends in Transfers from the Centre



Source: Finance Accounts of respective years, Government of Odisha

(i) Central tax transfer

The actual release of share in Union taxes and duties, to the State Government, *vis-à-vis* the projections made by the Thirteen Finance Commission, Fourteen Finance Commission and Fifteen Finance Commission, during the period from FYs 2010-11 to 2022-23, is shown in **Table 2.6**.

Table 2.6: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)				
Year	Finance Commission Projections	Projections in Finance Commission Reports (FCRs)	Actual Tax Devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	4.779 per cent of net proceeds of all shareable taxes excluding service tax	9,744	10,497	(+) 753
2011-12	and 4.855 per cent of net proceeds of shareable service tax (As per the recommendations of the 13 th FC)	11,429	12,229	(+) 800
2012-13		13,481	13,965	(+) 484
2013-14		15,902	15,247	(-) 655
2014-15		18,759	16,181	(-) 2,578
2015-16	4.642 per cent of net proceeds of all shareable taxes excluding service tax	27,001	23,574	(-) 3,427
2016-17	and 4.744 per cent of net proceeds of shareable service tax (As per the recommendations of the 14 th FC)	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

Finances of the State

Year	Finance Commission Projections	Projections in Finance Commission Reports (FCRs)	Actual Tax Devolution	Difference
2020-21	4.629 per cent of net proceeds of all shareable taxes (As per the recommendations of the 15 th FC)	39,586	27,543	(-) 12,043
2021-22	4.528 per cent of net proceeds of all shareable taxes (As per the recommendations of the 15 th FC)	29,821	38,144	(+)8,323
2022-23		33,173	42,989	(+)9,816

Source: Finance Commission Reports, Budget at a Glance & Finance Accounts of respective years

The State Government's share in Union taxes and duties increased by ₹4,845 crore (12.70 per cent) during FY 2022-23 over the previous year. During the first three years (FY 2020-23) of the period of the Fifteenth Finance Commission (2020-26), the State's share in Union taxes and duties, amounting to ₹1,08,676 crore was 72.95 per cent of the total share during the period of Fourteenth Finance Commission (2015-20). The actual tax devolution to the State fell short of FCR projections from FY 2013-14 to FY 2020-21. However, during FYs 2021-22 and 2022-23, the actual devolution exceeded the FCR by ₹8,323 crore and ₹9,816 crore, respectively.

Trends in the components of Central tax transfers are shown in **Table 2.7**.

Table 2.7: Central Tax transfers

(₹ in crore)

Component of State's share of Union taxes	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	8,726	8,642	8,160	11,434	12,150
Integrated Goods and Services Tax (IGST)	696	--	--	--	--
Corporation Tax	12,294	10,384	8,328	9,583	14,407
Taxes on Income other than Corporation Tax	9,054	8,136	8,540	11,743	14,074
Customs	2,506	1,930	1,447	3,031	1,690
Union Excise Duties	1,665	1,342	923	1,719	530
Service Tax	326	--	124	589	67
Other ³ Taxes	87	20	21	45	71
Grand total	35,354	30,454	27,543	38,144	42,989
Percentage of increase over previous year	13.05	-13.86	-9.56	38.49	12.70
Component of State's share as percentage of Revenue Receipts of the State	36	30	26	25	29

Source: Finance Accounts of respective years, Government of Odisha

³ Include taxes on Wealth, Other Taxes on Income and Expenditure and Other taxes and Duties on Commodities and Services.

As can be seen from the above table, the State's share of Union taxes, as a percentage of the revenue receipts of the State, had been continuously decreasing from FY 2018-19 to FY 2021-22. However, the same has increased during FY 2022-23.

(ii) Grants-in-Aid from the Government of India

Trend of Grants-in-aid from GoI and its components are shown in **Table 2.8**.

Table 2.8: Grants-in-Aid from the Government of India

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Schemes	13,025	13,056	12,698	11,820	11,741
Finance Commission Grants	2,840	3,563	4,949	4,557	4,221
Other Transfers/Grants to States/Union Territories with Legislatures	3,733	7,533	5,421	3,533	2,238
Total	19,598	24,152	23,068	19,910	18,200
Percentage of increase over the previous year Receipts	11.23	23.24	-4.49	-13.69	-8.59
Total grants as a percentage of Revenue Receipts	19.69	23.78	22.10	13.01	12.10

Source: Finance Accounts of respective years, Government of Odisha

Table 2.8 shows that the Grants for Centrally Sponsored Schemes, as a percentage of the revenue receipts of the State, decreased continuously from FY 2019-20 to FY 2022-23. Other major transfers to the State, during FY 2022-23, include GST compensation (₹1,886.96 crore) and Central Road Fund (₹313.52 crore). The decrease in GIA, during the current year (8.59 per cent), over the previous year, was due to substantial decrease in Other transfers/Grants to States/Union Territories with Legislature by ₹1,295 crore (36.65 per cent), which was attributed to decrease in GST compensation by ₹578.18 crore, grants towards contribution to National Disaster Relief Fund (NDRF) by ₹500.00 crore and Central Road Fund by ₹221.54 crore, as compared to the previous year. The decrease was partly set off by increase in grants towards Demonstration and Development of Inland Fisheries by ₹9.13 crore. Further, the contribution of GIA towards revenue receipts decreased from 19.69 per cent in FY 2018-19 to 12.10 per cent in FY 2022-23.

(a) Grants for Centrally Sponsored Schemes

Out of the Grants of ₹11,741 crore for Centrally Sponsored Schemes, during 2022-23, the major amounts were given to:

- **Samagra Shiksha Abhiyan:** ₹1,959.89 crore; 50.37 per cent increase over the previous year (₹1,303.39 crore).
- **Pradhan Mantri Awas Yojana (PMAY) - Rural:** ₹1,723.28 crore; 70.31 per cent increase over the previous year (₹1,011.87 crore).
- **Integrated Child Development Scheme (ICDS):** ₹923.92 crore; 13.83 per cent decrease over the previous year (₹1,072.19 crore).

- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** ₹1,235.88 crore; 205.82 per cent increase over the previous year (₹404.12 crore)
- **National Rural Livelihood Mission (NRLM):** ₹664.25 crore; 0.70 per cent increase over the previous year (₹659.62 crore).
- **National Social Assistance Programme (NSAP):** ₹680.58 crore; 4.12 per cent increase over the previous year (₹653.63 crore).
- **National Health Mission** including NRHM: ₹1,384.61 crore; 19.50 per cent decrease over the previous year (₹1,719.93 crore).
- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):** ₹963.66 crore; 31.10 per cent decrease over the previous year (₹1,398.55 crore).

Single Nodal Agency

Ministry of Finance, Government of India, vide letter No. 1(13)/PFMS/FCD/2020, dated 23.03.2021, had notified the procedure for release of funds under each Centrally Sponsored Scheme (CSS) through its Single Nodal Agency (SNA) and monitoring their utilisation. For each CSS, a SNA is set up, with its own Bank Account in a Scheduled Commercial Bank, that has been authorised to conduct Government business, by the State Government. As per procedure, the State Government is to transfer the Central Share, received in its account, to the concerned SNA's account, along with the corresponding State share.

As per the VLC database, the State Government had received ₹11,287.12 crore, being the Central share, during FY 2022-23, in its Treasury Accounts. As on 31 March 2023, it had transferred Central share of ₹12,002.83⁴ crore, received in the Treasury Account, along with the State share of ₹10,276.34 crore, to the SNAs. Out of the total transfer of ₹22,279.17 crore, ₹21,223.14 crore had been transferred through Miscellaneous Bills, ₹1,040.86 crore through GIA bills and ₹15.17 crore through Other Contingent Bills. Detailed vouchers and supporting documents, in regard to the actual expenditure, were not received by the Principal AG office, from the SNAs.

As per SNA PFMS report, the State Government had received ₹11,287.12 crore, being the Central share, during FY 2022-23, in its Treasury Accounts. As on 31 March 2023, the Government has transferred Central share of ₹11,770.74 crore, received in Treasury Accounts and State share of ₹10,070.92 crore, to the SNAs. As per the SNA report, on the PFMS portal, ₹11,773.73 crore was lying unspent in the bank accounts of SNAs, as on 31 March 2023. The difference needs reconciliation.

(b) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (15th FC) grants were provided to the States for local bodies, State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF). Details of the grants provided by GoI, are given in **Table 2.9**.

⁴ Including un-transferred amount of ₹714.88 crore pertaining to FY 2021-22.

Table 2.9: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers		Recommendation of 15 th FC for 2022-23	Actual release by GoI, during 2022-23	Release by State Government (Total percentage of the amount released by GoI)
(i) Grants to PRIs		1,728.00	1,853.30	1,853.30 (100)
(a) Performance/Tied Grants#		1036.80	1162.69	1162.69 (100)
(b) Untied Grants		691.20	690.61	690.61 (100)
(ii) Grants to ULBs		851.00	851.00	851.00 (100)
(a) Non-Million Plus Cities (Performance/Tied Grant)#		510.60	510.60	510.60 (100)
(b) Non-Million Plus Cities (General Basic/Untied Grant)		340.40	340.40	340.40 (100)
(iii) Grant for Health Sector		462.00		
Total for Local Bodies (i+ii+iii)		3,041.00	2,577.52	2,577.52 (100)
State Disaster Response Fund (SDRF)	Central Share	1348.00	1348.00	1,348.00 (100)
	State Share	448.80	448.80	448.80 (100)
State Disaster Mitigation Fund (SDMF)	Central Share	337.00	168.50	-- (Nil)
	State Share	112.20	--	-- (Nil)
Total for SDRMF		2,246.00	1,965.30	1,796.80 (91)

Source: Finance Accounts for FY 2022-23 and Finance Commission Recommendations (FCR)

#: For drinking water, rainwater harvesting, SWS and Sanitation

As against the amount of ₹1,728.00 crore, recommended by the 15th FC for release to PRIs, GoI had released ₹1,853.30 crore, during FY 2022-23. The entire amount released by the GoI, was released by GoO, during the same period.

- In regard to ULBs, GoI had released the amount of ₹851.00 crore, as recommended by the 15th FC and the same amount had been released by GoO to the ULBs, during the year 2022-23.
- In regard to the State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF), the 15th FC had recommended the Centre and State shares in the ratio of 75:25. During FY 2022-23, against the recommended share of ₹1,685.00 crore, GoI had released ₹1,516.50 crore. GoO released ₹1,796.80 crore (GoI share: ₹1,348.00 crore and GoO share: ₹448.80 crore) to the funds, during 2022-23. This resulted in less release of ₹168.50 crore of GoI share and ₹56.10 crore of GoO share by the Government of Odisha.

2.3.3 Receipts under the Capital Section

Capital receipts comprise of miscellaneous capital receipts, such as proceeds from disinvestment, 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.

Trends of capital receipts and their components, during FYs 2018-19 to 2022-23, are shown in **Table 2.10**.

Table 2.10: Trends in the Growth and Composition of Capital Receipts

(₹ in crore)					
Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts (CR)	10,308	14,966	21,002	14,346	6,179
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	305	287	684	1,566	832
Public Debt Receipts	10,003	14,679	20,318	12,780	5,347
<i>Internal Debt</i>	9,020	13,721	15,191	5,174	4,328
<i>Growth rate (per cent)</i>	-24.91	52.12	10.71	-65.94	-16.35
<i>Loans and Advances from GoI[#]</i>	983	958	5,127	7,606	1,019
<i>Growth rate (per cent)</i>	15.78	-2.54	435.18	48.35	-86.60
Rate of growth of debt Capital Receipts (<i>per cent</i>)	-22.23	46.75	38.42	-37.10	-58.16
Rate of growth of non-debt Capital Receipts (<i>per cent</i>)	18.68	-5.90	138.33	128.95	-46.87
Rate of growth of GSDP (<i>per cent</i>)	13.22	7.80	0.49	24.20	15.50
Rate of growth of Capital Receipts (<i>per cent</i>)	-21.43	45.19	40.33	-31.69	-56.93

Source: Finance Accounts of respective years, Government of Odisha

For FYs 2020-21 and 2021-22, the figure includes debt of ₹3,822 crore and ₹6,430 crore respectively, as back-to-back loan from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

During the current year, the public debt receipts decreased substantially by ₹7,433 crore (58.16 per cent). Internal debt, as well as Loans from GoI, also decreased by ₹846 crore (16.35 per cent) and ₹ 6,587 crore (86.60 per cent) respectively, over the previous year. During FY 2022-23, Capital Receipts (₹6,179 crore) constituted 3.54 per cent of the total receipts (₹1,74,649 crore) of the State. During FY 2022-23, the State Government had not borrowed any amount from the open market. However, an amount of ₹ 3,898.59 crore was borrowed from the National Bank for Agricultural and Rural Development and ₹429.70 crore was borrowed from the Small Industries Development Bank of India (SIDBI) Cluster Development Fund. In addition to this, GoO borrowed ₹1,018.50 crore from GoI.

2.3.4 State's performance in mobilisation of resources

The State's performance in mobilisation of resources, is assessed in terms of its own resources, comprising of own tax and non-tax sources.

The State's actual own tax and non-tax revenue, for the year 2022-23, *vis-a-vis* the assessment made by the Fifteenth Finance Commission (15th FC) and Budget Estimates, are given in **Table 2.11**.

Table 2.11: Tax and non-tax receipts *vis-à-vis* projections during FY 2022-23

(₹ in crore)

Resources	15 th FC projections	Budget Estimates	Actual	Percentage of variation of actual over	
				15 th FC projections	Budget estimates
Own Tax Revenue	36,415	46,000	46,554	27.84	1.20
Non-Tax Revenue	17,615	48,200	42,720	142.52	(-) 11.37

Source: Finance Accounts for FY 2022-23 and Budget at a Glance of GoO

Thus, the Own tax revenue of the State Government was 27.84 *per cent* and 1.20 *per cent* higher than the projections made by the 15th FC and Budget Estimates respectively, during FY 2022-23 over the previous year. The Non-tax revenue was higher than the projections made by the 15th FC, by 142.50 *per cent*, but fell short of the Budget Estimates by 11.37 *per cent*.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while ensuring, at the same time, 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. An analysis of the allocation of expenditure in the State, is given in the succeeding paragraphs.

Growth and Composition of Expenditure

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order, as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses, are to be classified as revenue expenditure.

Capital Expenditure: All charges for the first construction of a project, as well as charges for immediate maintenance of the work, while not opened for service and also charges for such further additions and improvements, as may be sanctioned under the rules made by competent authority, are to be classified as capital expenditure.

Loans and Advances: Loans and advances by the Government to Public Sector Undertakings (PSUs) and other parties.

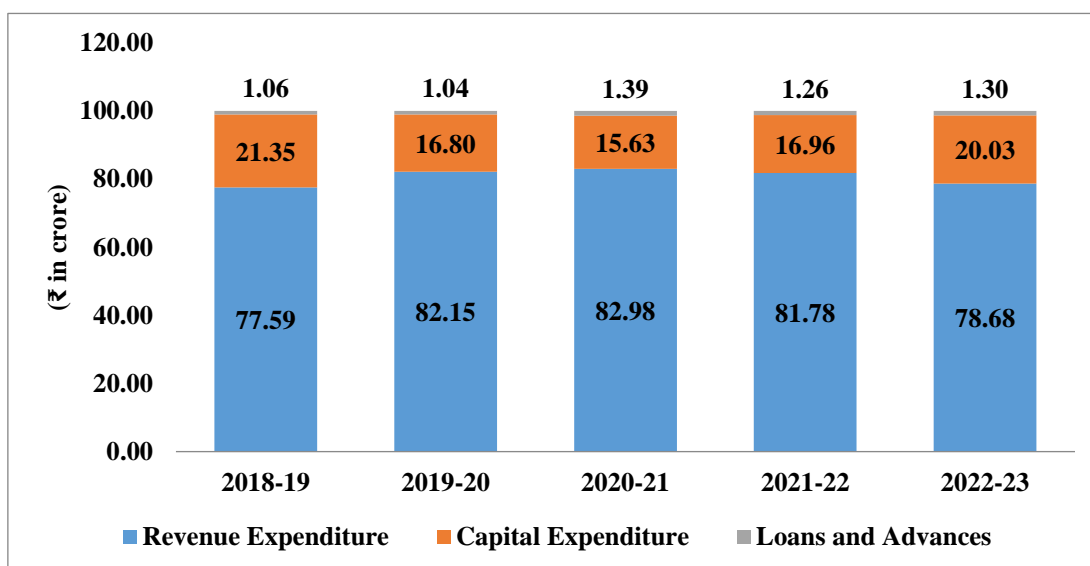
Trends of overall expenditure and its components are shown in **Table 2.12** and **Chart 2.8**.

Table 2.12: Total Expenditure and its Composition

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	1,10,008	1,20,673	1,14,857	1,34,000	1,66,513
Revenue Expenditure (RE)	85,356	99,137	95,311	1,09,588	1,31,006
Capital Expenditure (CE)	23,482	20,277	17,949	22,726	33,349
Loans and Advances	1,170	1,259	1,597	1,686	2,158
As a percentage of GSDP					
TE/GSDP	22.06	22.45	21.26	19.97	21.49
RE/GSDP	17.12	18.44	17.65	16.33	16.91
Capital Expenditure /GSDP	4.71	3.77	3.32	3.39	4.30

Source: Finance Accounts of respective years, Government of Odisha

Chart 2.8: Total Expenditure: Trends in share of its components



Source: Finance Accounts of respective years, Government of Odisha

Table 2.12 shows that the total expenditure increased by ₹56,505 crore (51.36 per cent) from ₹1,10,008 crore in FY 2018-19 to ₹1,66,513 crore in FY 2022-23, and ranged between 19.97 per cent to 22.45 per cent of GSDP, during the period of five years. **Chart 2.8** shows that revenue expenditure constituted the dominant proportion (77.59 to 82.98 per cent), during FYs 2018-19 to 2022-23, of the total expenditure. Capital expenditure, on the other hand, constituted between 15.63 per cent to 21.35 per cent of the total expenditure. Capital expenditure, as a percentage of GSDP, during the COVID period, ranged between 3.32 per cent to 3.39 per cent, but picked up during FY 2022-23, reaching 4.30 per cent of GSDP. However, it is yet to reach the pre-COVID period level (4.71 per cent of GSDP in FY 2018-19).

The relative share of various sectors of expenditure, during FYs 2018-19 to 2022-23, is shown in **Table 2.13** and **Chart 2.9**.

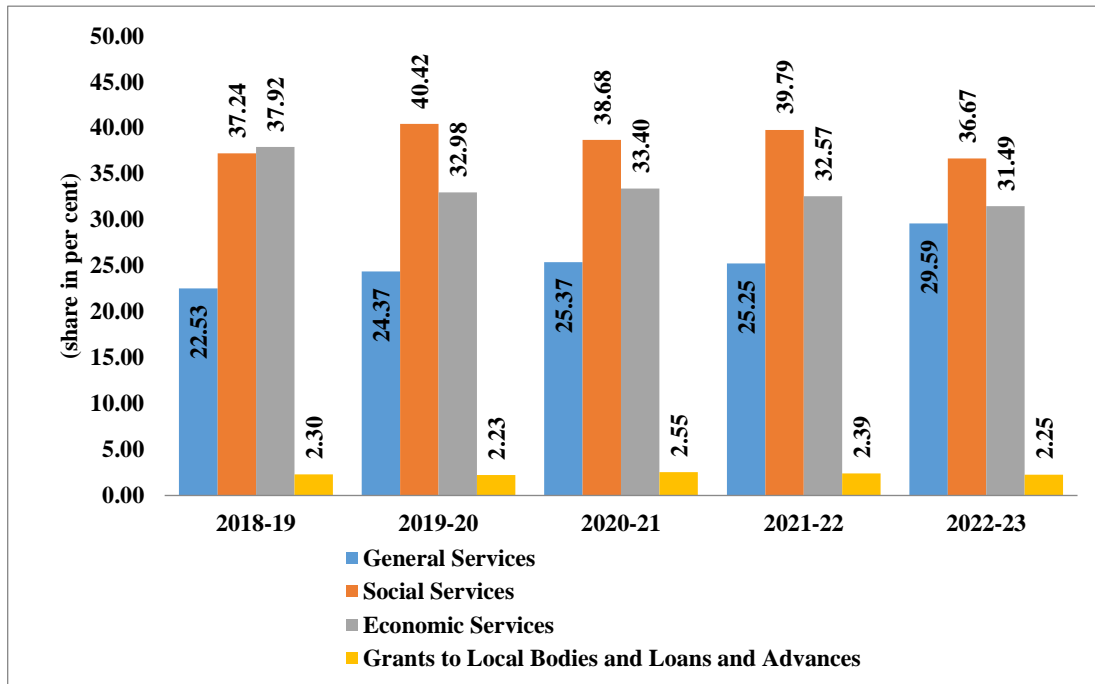
Table 2.13: Relative share of various sectors of expenditure

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	24,783	29,406	29,139	33,838	49,268
Social Services	40,972	48,781	44,424	53,315	61,061
Economic Services	41,720	39,793	38,367	43,647	52,442
Others (Grants to Local Bodies and Loans and Advances)	2,533	2,693	2,927	3,200	3,742

(₹ in crore)

Source: Finance Accounts of respective years, Government of Odisha

Chart 2.9: Total expenditure - Expenditure by activities

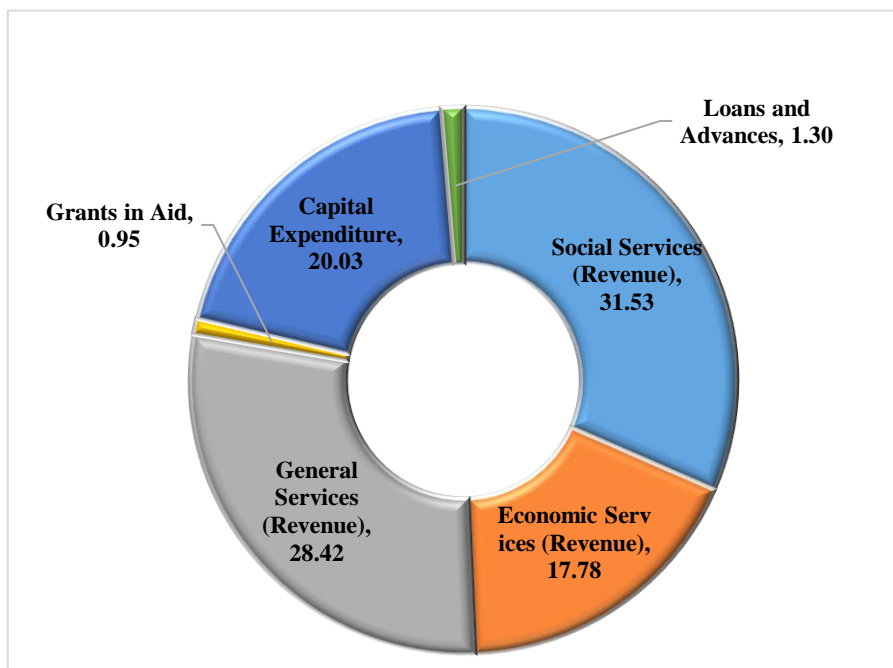


Source: Finance Accounts of respective years, Government of Odisha

Chart 2.9 shows that the relative shares of various components of expenditure in the total expenditure, fluctuated during FYs 2018-19 to 2022-23. During the period from FYs 2019-20 to 2022-23, expenditure under social services dominated the expenditure (ranging between 36.67 per cent to 40.42 per cent), followed by economic services (ranging between 31.49 per cent to 37.92 per cent) during FYs 2018-19 to 2022-23. The share of social services, economic services and grants to local bodies and loans and advances, decreased from 37.24 per cent, 37.92 per cent and 2.30 per cent in FY 2018-19 to 36.67 per cent, 31.49 per cent and 2.25 per cent in FY 2022-23. Whereas, expenditure under general services increased from 22.53 per cent in FY 2018-19 to 29.59 per cent in FY 2022-23. **Chart 2.10** shows the composition of expenditure by function.

Chart 2.10: Composition of Expenditure by function during FY 2022-23

(in per cent)



Source: Finance Accounts for FY 2022-23

2.4.1 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and to make payments for past obligations. As such, it does not result in any addition to the State's infrastructure and service network. Growth of revenue expenditure, its ratio to total expenditure, GSDP and revenue receipts, are shown in **Table 2.14** and the sectoral distribution of revenue expenditure is shown in **Chart 2.11**.

Table 2.14: Revenue Expenditure - Basic Parameters

Parameters	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	1,10,008	1,20,673	1,14,857	1,34,000	1,66,513
Revenue Expenditure (RE)	85,356	99,137	95,311	1,09,588	1,31,006
RE as percentage of TE	77.59	82.15	82.98	81.78	78.68
RE/GSDP (per cent)	17.12	18.44	17.64	16.33	16.91
Revenue Receipts	99,546	1,01,568	1,04,387	1,53,059	1,50,462
Rate of Growth of RR (per cent)	16.83	2.03	2.78	46.63	-1.70
RE as percentage of RR	85.75	97.61	91.31	71.60	87.07
Rate of Growth of GSDP (per cent)	13.22	7.80	0.49	24.20	15.50
Rate of Growth of RE (per cent)	18.82	16.15	-3.86	14.98	19.54
Buoyancy of Revenue Expenditure (RE) with					

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
GSDP (ratio) ⁵	1.42	2.07	-7.88	0.62	1.26
Revenue Receipts (ratio) ⁶	1.12	7.95	-1.39	0.32	--#

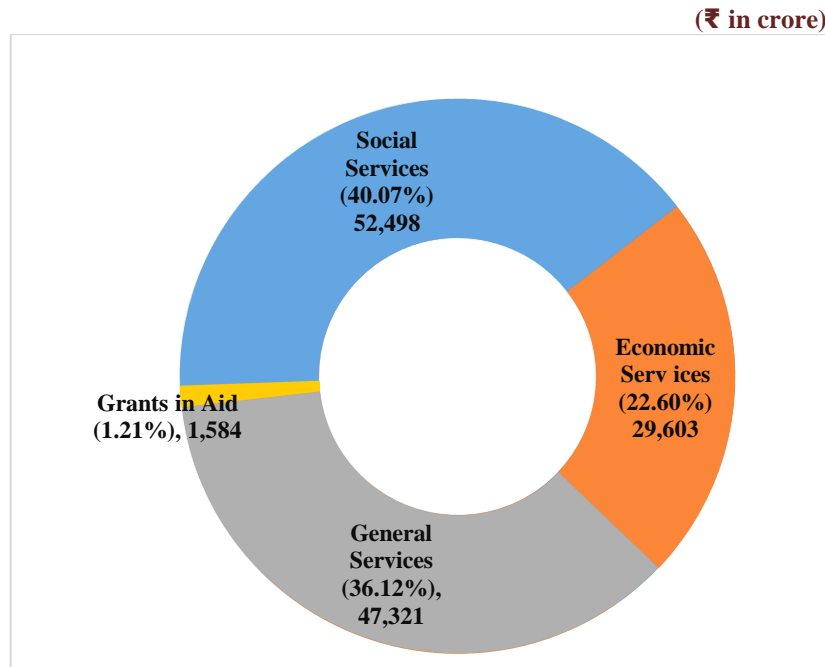
Source: Finance Accounts of respective years, Government of Odisha

* Buoyancy ratio was not calculated, as growth of GSDP was negative.

Buoyancy ratio was not calculated, as growth of Revenue Receipts was negative.

The revenue expenditure increased by ₹45,650 crore (53.48 per cent) from ₹85,356 crore in FY 2018-19 to ₹1,31,006 crore in FY 2022-23. It increased at an annual average growth rate of 11.30⁷ per cent, whereas, as percentage of GSDP, it ranged between 16.33 per cent to 18.44 per cent, during this period. Buoyancy of revenue expenditure, with reference to revenue receipts, decreased from 1.12 per cent in FY 2018-19 to 0.32 per cent in FY 2021-22.

Chart 2.11: Sector-wise distribution of revenue expenditure during FY 2022-23



Source: Finance Accounts for FY 2022-23, Government of Odisha

2.4.1.1 Major changes in revenue expenditure

The revenue expenditure increased substantially by ₹21,418 crore (19.54 per cent) from ₹1,09,588 crore in FY 2021-22 to ₹1,31,006 crore in FY 2022-23. Significant variations under various Major Heads of Accounts, in regard to the revenue expenditure of the State,

⁵ **Buoyancy of RE with GSDP:** Revenue Expenditure buoyancy at 0.85 (2021-22) implies that Revenue Expenditure tends to increase by 0.85 percentage points, if the GSDP increases by one per cent.

⁶ **Buoyancy of RE with Revenue Receipts:** Revenue Expenditure buoyancy at 0.32 (2021-22) implies that Revenue Expenditure tends to increase by 0.32 percentage points, if the Revenue Receipts increase by one per cent.

⁷ $[(1,31,006 / 85,356)^{1/4} - 1] \times 100 = 11.30$

during the current year, as compared to the previous year, are depicted in Table 2.15.

Table 2.15: Variation in revenue expenditure during FY 2022-23 compared to FY 2021-22

Major Heads of Account	(₹ in crore)		
	2021-22	2022-23	Increase (+) / Decrease (-)
2075- Miscellaneous General Services	40.00	13,750.75	13,710.75
2202- General Education	18,489.39	22,135.54	3,646.15
2515- Other Rural Development Programmes	4,124.18	6,999.53	2,875.35
2071- Pensions and Other Retirement Benefits	16,458.76	18,595.66	2,136.9
2401- Crop Husbandry	4,379.79	5,787.89	1,408.10
2210- Medical and Public Health	8,222.73	9,504.81	1,282.08
2217- Urban Development	2,215.30	3,127.00	911.70
2505- Rural Employment	5,028.12	1,861.98	-3,166.14
2048- Appropriation for Reduction or Avoidance of Debt	2,000.00	0.00	-2,000.00
2215- Water Supply and Sanitation	4,658.62	3,261.78	-1,396.84
2049- Interest Payments	6,342.45	5,502.32	-840.13
2408- Food Storage and Warehousing	2,130.13	1,302.45	-827.68

Source: Finance Accounts of respective years, Government of Odisha

Table 2.20 shows:

- Increase of ₹13,711 crore (34,277 per cent) under Miscellaneous General Services, was mainly due to transfer of ₹13,700 crore to the Budget Stabilisation Fund, which had been created during FY 2022-23, vide GoO notification of March 2023, under the Reserve Fund in Public Accounts, to ensure financial stability during periods of unexpected revenue shortfall or budget deficit.
- Increase of ₹3,646 crore (19.72 per cent) in General Education was mainly due to increase in expenditure under Government Primary Schools (by ₹555 crore), Samagra Shiksha (₹588 crore) and Elementary Education - Tribal Area Sub-Plan (₹396 crore) etc.
- Increase of ₹2,875 crore (69.72 per cent) in Other Rural Development Programmes was mainly due to increase in expenditure under Panchayati Raj (₹1,980 crore), Special Component plan for Scheduled Caste (by ₹452 crore) and Tribal Area Sub-Plan (by ₹451 crore).
- Increase of ₹2,137 crore (12.98 per cent) in Pension and Other retirement benefits was mainly due to increase under Superannuation and Retirement Allowances (₹664 crore), Gratuities (₹206 crore), Family Pensions (₹280 crore) and Pensions to Employees of State aided educational institutes (₹775 crore).
- Increase of ₹1,408 crore (32.15 per cent) in Crop Husbandry was mainly due to increase in expenditure under Tribal Area Sub Plan (by ₹456 crore), Special component plan for Scheduled Castes (by ₹201 crore), Scheme for

Small/Marginal Farmers and agricultural labours (by ₹317 crore) and other expenditure (₹116 crore).

- Increase of ₹1,282 crore (15.59 per cent) in Medical and Public Health was mainly due to increase in expenditure under Urban Health Services - Allopathy (by ₹1,686 crore), the increase was partly set off by decrease under Rural Health Services – Allopathy (by ₹489 crore).
- Increase of ₹912 crore (41.16 per cent) in Urban Development was mainly due to increase in expenditure under construction (by ₹405 crore, special component plan for Scheduled Castes (by ₹152 crore), Tribal area sub plan (by ₹212 crore) and other expenditure (by ₹216 crore) in other urban development scheme, which were partly set off by decrease under Assistance to Municipalities, Municipal Corporations and NACs by ₹94.51 crore.
- Decrease of ₹3,166 crore (62.97 per cent) in Rural Employment was mainly due to decrease in expenditure of National Rural Employment Guarantee Act under sub components; Tribal area sub plan (by ₹1,104 crore), special component plan for Scheduled Castes (by ₹878 crore), Other Expenditure (by ₹1,678 crore) and National Rural Employment Guarantee Act (₹850 crore) under Other Programs. However, the decreases were partly set off by increase in Rural Employment Guarantee Scheme under sub components; National Rural Employment Guarantee Scheme (₹677 crore), special component plan for Scheduled Castes (₹423 crore) and Tribal area sub plan (₹592 crore).
- Decrease of ₹2,000 crore in appropriation for reduction or avoidance of debt was due to non-transfer of funds to the Consolidated Sinking Fund.
- Decrease of ₹1,397 crore in Water Supply and Sanitation was mainly due to decrease in expenditure under Jal Jeevan Mission (₹1,558 crore), which was partly setoff due to increase in expenditure under Urban water supply programmes (₹404 crore).
- Decrease of ₹840 crore (13.25 per cent) in Interest Payments was due to repayment of market borrowings (₹7,500 crore) and funds borrowed from special securities issued to NSSF of Central Govt. (₹883 crore).
- Decrease of ₹828 crore (38.85 per cent) in Food Storage and Warehousing was mainly due to decrease in expenditure under the Public Distribution System (₹841 crore), which had been enhanced during COVID period.

2.4.1.2 Committed Expenditure

The committed expenditure of the State Government, on the revenue account, consists of interest payments; expenditure on salaries and wages; and pensions. It has the first charge on Government resources.

Apart from the above, there are certain items of *inflexible expenditure*, which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for

variable transactions, such as capital expenditure *etc.* For example, the following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies - statutory devolutions to local bodies for pay and allowances (devolution/transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds - Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation/Response Fund (SDMF/SDRF), *etc.*
- (iii) Recoupment of Contingency Fund – Amount recouped within the year.
- (iv) Transfer of cess to reserve fund/other body, which are statutorily required.
- (v) Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs/ spent by the State.
- (vi) Payment of interest on the balances of the interest-bearing funds, as if they could have been invested and payment of interest on public debt as charged expenditure - Interest payments.

An upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. A trend analysis of committed and inflexible expenditure and their components, is shown in **Table 2.16** and the share of committed expenditure in revenue expenditure, is shown in **Chart 2.12**.

Table 2.16: Components of Committed Expenditure

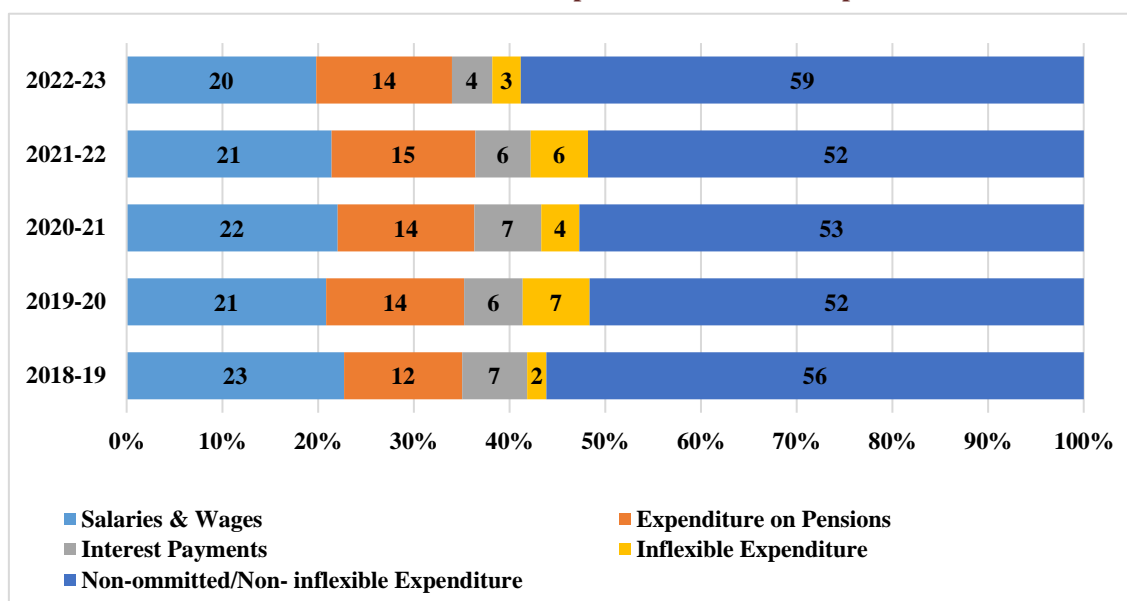
(₹ in crore)					
Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	19,399	20,683	21,003	23,456	25,770
Expenditure on Pensions	10,520	14,273	13,629	16,459	18,596
Interest Payments	5,800	6,063	6,644	6,342	5,502
Total	35,719	41,019	41,276	46,257	49,868
Components of Inflexible Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Statutory Devolution to local bodies	658.37	658.37	1,213.72	1,225.96	1,220.14
Contribution to Reserve Funds	1,206.72	4,203.10	2,639.00	4,639.00	1,796.80
Recoupment of Contingency Fund	0	1,440	0	171	0
Non transfer of cess to reserve fund/other body	50.45	41.20	78.07	55.37	63.23
Non transfer of fund to State Disaster Mitigation Fund	0	0	0	0	224.60
Share contribution of CSS against the Central Fund received	0	0	0	0	0
Payment of interest on the balance of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment	10.55	179.22	93.83	131.88	231.76

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Less Government contribution to National Payment System.	0	0	0	0	172.53
Total	1,926.09	6,521.89	4,024.62	6,223.21	3,709.06
Grand Total	37,686	47,541	45,301	52,480	53,577.06
As a percentage of Revenue Receipts (RR)					
Committed expenditure					
Salaries & Wages	19.49	20.36	20.12	15.32	17.13
Expenditure on Pensions	10.57	14.05	13.06	10.75	12.36
Interest Payments	5.83	5.97	6.36	4.14	3.66
Total	35.89	40.38	39.54	30.22	33.14
Inflexible expenditure	1.97	6.42	3.86	4.07	2.46
Total	37.86	46.80	43.40	34.29	35.61
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	22.73	20.86	22.04	21.40	19.67
Expenditure on Pensions	12.32	14.40	14.30	15.02	14.19
Interest Payments	6.80	6.12	6.97	5.79	4.20
Total	41.85	41.38	43.31	42.21	38.06
Inflexible expenditure	2.26	6.58	4.22	5.68	2.83
Total	43.84	47.96	47.53	47.89	40.77
Non-committed RE	49,637	58,118	54,035	63,331	81,138
Percentage of RE	58.15	58.62	56.69	57.79	61.93
Percentage of TE	45.12	48.16	47.05	47.26	48.73
Subsidies	3,168	3,366	4,288	4,695	3,979
Subsidies as <i>percentage</i> of non-committed expenditure	6.38	5.79	7.94	7.41	4.90

Source: Finance Accounts of respective years, Government of Odisha

Table 2.16 shows that the percentage of non-committed expenditure to revenue expenditure increased from 58.15 *per cent* in FY 2018-19 to 61.93 *per cent* in FY 2022-23, in which subsidies constituted between 4.90 *per cent* to 7.94 *per cent*.

Chart 2.12: Share of committed expenditure in revenue expenditure



Source: Finance Accounts of respective years, Government of Odisha

Salaries and wages

Expenditure on salaries and wages (₹25,770 crore) increased by 9.87 per cent during FY 2022-23 over the previous year (₹23,456 crore) and constituted 19.67 per cent of revenue expenditure.

Interest payment

Interest payments (₹ 5,502 crore) as a percentage of Revenue Expenditure constituted 4.20 per cent in 2022-23, which was less than the previous year's ratio (5.79 per cent). In absolute terms, while interest payments had been consistently increasing from FYs 2018-19 to 2020-21, since FY 2021-22, they had started decreasing, due to repayment of Open Market Loans, National Small Savings Fund and swapping of high interest rate loans with low interest rate loans. Interest payment, relative to Revenue Receipts (₹ 1,50,462 crore), was 3.66 per cent, which was well below the fiscal target of 15 per cent, set out in the Odisha FRBM (Amendment) Act, 2016.

Pensions

The expenditure on pension and other retirement benefits to State Government pensioners, during the year, was ₹18,596 crore and constituted 14.19 per cent of the revenue expenditure. During the year, expenditure under pension and other retirement benefits increased by ₹2,137 crore (12.98 per cent) over the previous year. The increase was mainly due to increase in Superannuation and Retirement Allowances (₹5,771 crore) by ₹664 crore, Family Pensions (₹2,041 crore) by ₹280 crore and Pensions to Employees of State Aided Educational Institutions (₹5,125 crore) by ₹775 crore.

Inflexible expenditure

The components of inflexible expenditure, which include among others, Statutory devolution to local bodies and contribution to Reserve Funds, fluctuated during the period from FYs 2018-19 to 2022-23. As a percentage of revenue expenditure, the inflexible expenditure ranged between 2.26 *per cent* to 6.58 *per cent*. The inflexible expenditure during FY 2022-23 substantially decreased by 40.40 *per cent* over the previous year.

(i) Undischarged liabilities in the National Pension System

The State Government introduced (September 2005) the ‘National Pension System’ (NPS) in the name of Defined Contributory Pension Scheme (DCPS), applicable to all new entrants joining the State Government Services on or after 1 January 2005. Under this system, employees contribute 10 *per cent* of basic pay and dearness allowances, which is matched by the State Government (Government’s share has been increased to 14 *per cent*, with effect from 1 April 2019). The employees’ contribution is booked in the Public Account, under the Major Head ‘8342-Other Deposits, 117- Defined Contribution Pension Scheme’ and the employer’s contribution is transferred by debiting the Major Head ‘2071-Pension and Other Retirement Benefits, 01-Civil, 117 – Defined Contributory Pension Schemes’, to the Major Head ‘8342-Other Deposits, 117- Defined Contribution Pension Scheme’. The employer’s share, along with employees’ share, is then to be transferred to the National Securities Depository Limited (NSDL), from the Public Account. The State Government has the responsibility to deposit both employees’ and employer’s share with the NSDL, for further investment, as per the guidelines of NPS.

Though the State Government started collecting pension contribution from the employees from FY 2006-07, it started transferring the same 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.

As per the provisions of the scheme, during FY 2022-23, ₹3,141.57 crore (employees’ contribution of ₹1,380.87 crore and employers’ contribution of ₹1,760.69 crore) was deposited under Major Head ‘8342-Other Deposits 117- Defined Contributory Pension Scheme in Public Account. During FY 2022-23, against the balance of ₹3,149.38 crore (including opening balance of ₹7.83 crore) lying in the Public Account, the State Government had transferred ₹3,120.74 crore to NSDL, leaving a balance of ₹28.64 crore, as on 31 March 2023.

Details of the receipts from the employees’ share, Government’s contribution and investment in pension fund, are given in **Table 2.17**.

Table 2.17: Details of contribution and investment under Defined Contributory Pension Scheme

(₹ in crore)

Years	Receipts				Disbursement (Transferred to NSDL)	Short transfer (-) / Excess transfer (+)
	Opening Balance	Employees' share	Government contribution	Total		
1	2	3	4	5	6	7 (6-5)
2006-07	0.00	0.05	0.00	0.05	0.00	(-)0.05
2007-08	0.05	1.29	0.13	1.47	0.00	(-)1.47
2008-09	1.47	3.73	0.01	5.21	0.00	(-)5.21
2009-10	5.21	6.58	0.00	11.79	0.00	(-)11.79
2010-11	11.79	13.84	14.00	39.63	0.01	(-)39.62
2011-12	39.62	44.87	46.44	130.93	70.83	(-)60.10
2012-13	60.10	68.54	65.52	194.16	132.59	(-)61.57
2013-14	61.57	112.28	107.26	281.11	251.49	(-)29.62
2014-15	29.62	163.68	160.77	354.07	331.52	(-)22.55
2015-16	22.55	238.51	232.63	493.69	465.35	(-)28.33
2016-17	28.33	295.25	291.12	614.70	579.49	(-)35.21
2017-18	35.21	414.92	432.83	882.96	862.24	(-)20.72
2018-19	20.72	501.03	507.36	1,029.11	1,011.68	(-)17.44
2019-20	17.44	597.94	592.98	1,208.36	1,184.18	(-)24.18
2020-21	24.18	719.84	737.65	1,481.67	1,475.67	(-)6.00
2021-22	6.00	947.81	1,719.95	2,673.76	2,665.93	(-)7.83
2022-23	7.83	1,380.87	1,760.68	3,149.38	3,120.74	28.64
Total		5,511.03	6,669.33	12,180.36	12,151.72	28.64

Source: Finance Account of respective years

During the period from FYs 2006-07 to 2022-23, against the total receipts of ₹12,180.36 crore (employees' share: ₹5,511.03 crore and State Government contribution: ₹6,669.33 crore), an amount of ₹12,151.72 crore was transferred to the pension fund. Thus, there was short transfer of ₹28.64 crore, which is a deferred liability of the State Government. The short contribution/ transfer of funds to NSDL would impact the pensionary yield of the employees.

Further, as per notification dated 11.10.2021, the GoO was required to contribute 14 per cent to NPS, which amounted to ₹1,933.22 crore (1,380.87*14)/10. However, GoO had contributed ₹1,760.69 crore, which was less by ₹172.53 crore. This had resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit, by that extent.

2.4.1.3 Subsidies

Table 2.18 shows the expenditure on subsidies, during the period from FYs 2018-19 to 2022-23. The subsidies during the current year decreased by ₹716 crore (15.25 per cent) from the previous year. The decrease was mainly due to decrease of food subsidy under

public distribution system by ₹887.45 crore. The decrease was partly set off by increase under Crop Husbandry (by ₹350.01 crore), owing to increased input subsidy for purchase of seeds, fertilisers, bio-fertilisers, insecticides, bio-pesticides, agricultural equipment and diesel pump sets.

Department-wise major subsidies for FYs 2018-19 to 2022-23, are shown in **Table 2.18:**

Table 2.18: Department-wise Subsidies during FYs 2018-19 to 2022-23

(₹ in crore)						
Sl. No.	Departments	2018-19	2019-20	2020-21	2021-22	2022-23
1	Food Supplies & Consumer Welfare	981	1,088	2,085	2,058	1,170
2	Co-operation	1,185	1,344	1,269	1,451	1,388
3	Agriculture & Farmers' Empowerment	207	307	301	329	679
4	Revenue & Disaster Management	468	312	224	470	274
5	Other Departments ⁸	327	315	409	387	468
Total Subsidy		3,168	3,366	4,288	4,695	3,979
Subsidies as a percentage of Revenue Receipts		3.18	3.31	4.11	3.07	2.64
Subsidies as a percentage of Revenue Expenditure		3.71	3.39	4.50	4.28	3.04
Subsidies as a percentage of Total Expenditure		2.88	2.79	3.73	3.50	2.39

Source: Finance Accounts of respective years, Government of Odisha

The State Government, in its Medium Term Fiscal Plan (MTFP) for FY 2007-08, had aimed at rationalisation of general subsidies and their reduction at a rate of 10 per cent per annum, beginning with FY 2005-06. On the contrary, subsidies have increased over the years and during FYs 2018-19 to 2021-22, subsidies increased from ₹3,168 crore to ₹ 4,695 crore. However, during FY 2022-23, they decreased by 15.25 per cent.

2.4.1.4 Financial assistance by the State Government to Local Bodies and other institutions

Assistance provided by way of grants, to local bodies and other institutions, during the period from FYs 2018-19 to 2022-23, is shown in **Table 2.19.**

Table 2.19: Financial assistance to Local Bodies and other institutions

(₹ in crore)					
Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporations and Municipalities	1,431.52	1,886.04	2,661.52	1,992.35	1,811.96

⁸ Other Departments include (i) ST&SC Development, Minorities & Backward Classes Welfare, (ii) Transport, (iii) Industries, (iv) Water Resources, (v) Handlooms, Textiles & Handicrafts, (vi) Fisheries and Animal Resources Department, (vii) Women & Child Development, (viii) Micro, Small and Medium Enterprises and (ix) Mission Shakti

Zilla Parishads and other Panchayati Raj Institutions	3,222.79	4,415.45	2,508.08	1,906.85	1,809.56
Total (A)	4,654.31	6,301.49	5,169.60	3,899.20	3,621.52
(B) Others					
Educational institutions (Aided Schools, Colleges, Universities, etc.)	6,220.82	6,862.60	6,632.48	6,028.73	5,903.00
Development Authorities	3,626.26	2,153.92	1,483.12	1,612.69	1,085.73
Hospitals and Other Charitable Institutions	1,507.10	1,789.38	21,027.82	1,561.05	800.07
Other institutions	9,948.76	11,358.07	11,856.37	12,829.30	7,673.97
Total (B)	21,302.94	22,163.97	22,099.79	22,031.77	15,462.77
TOTAL (A+B)	25,957.25	28,465.46	27,269.36	25,930.97	19,084.29
GIA for creation of Capital assets	8,507.43	7,487.48	8,567.39	5,387.86	4,229.43
Revenue Expenditure	85,356	99,137	95,311	1,09,588	1,31,006
Assistance as a percentage of Revenue Expenditure	30.41	28.71	28.61	23.66	14.57

Source: Finance Accounts of respective years, Government of Odisha

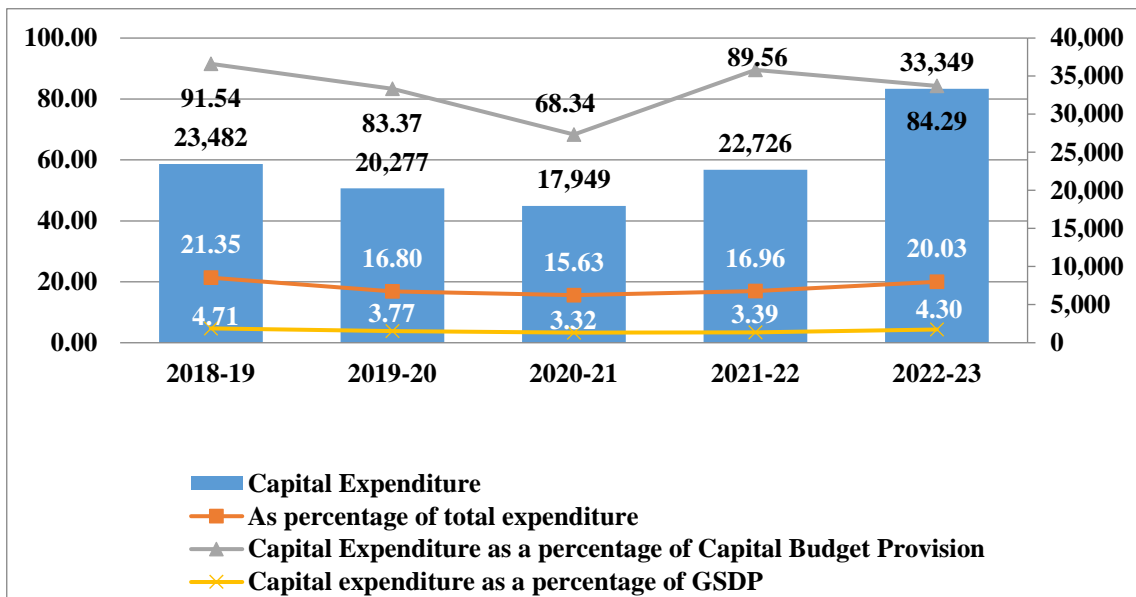
During the current year, financial assistance to the local bodies and other institutions decreased by ₹6,846.68 crore (26.40 per cent) over the previous year. The decrease was mainly due to decrease in assistance to Urban Local Bodies by ₹180.39 crore, Rural Local Bodies by ₹97.29 crore, Educational Institutions by ₹125.73 crore, Development Authorities by ₹526.96 crore, Hospitals and other charitable institutions by ₹760.98 crore and Other institutions by ₹5,155.33 crore. The overall quantum of financial assistance to the local bodies and other institutions, as a percentage of revenue expenditure had persistently decreased since FY 2018-19 (30.41 per cent) to FY 2022-23 (14.57 per cent).

It was also observed that the assistance given to local bodies and other institutions, as well as assistance given for creation of capital assets, had substantially decreased by ₹6,872.96 crore (26.48 per cent) and ₹4,278 crore (50.29 per cent) respectively, from FYs 2018-19 to 2022-23.

2.4.2 Capital Expenditure (CE)

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets, such as roads, building etc. Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/ off-budget. It also includes investments made by the State Government in Companies/ Corporations. Trend of capital expenditure in the State, over the last five years, i.e. FYs 2018-23, is given in **Chart 2.13**.

Chart 2.13: Capital Expenditure in the State



Source: Finance Accounts for respective years and Budget at a Glance, Government of Odisha

Chart 2.13 shows that capital expenditure had fluctuated during the five years' period. It increased by ₹9,867 crore (42.01 per cent) from ₹23,482 crore in FY 2018-19 to ₹33,349 crore in FY 2022-23. However, as a percentage of total expenditure, it decreased from 21.35 per cent in FY 2018-19 to 20.03 per cent in FY 2022-23. As compared to the previous year, the capital expenditure of GoO has substantially increased by ₹10,623 crore (46.74 per cent), but fell short of ₹6,217 crore from the estimated capital expenditure (₹39,566 crore). The Capital Expenditure as percentage of GSDP, during FY 2022-23 was 4.30 per cent, which was higher than that of FY 2021-22 (3.39 per cent), growing at an average annual rate of 9.16 per cent.

Besides, the State Government also gave Grants-in-aid of ₹4,229 crore, during FY 2022-23 for creation of capital assets. Capital Expenditure as a percentage of Capital Budget ranged between 68.34 per cent to 91.54 per cent.

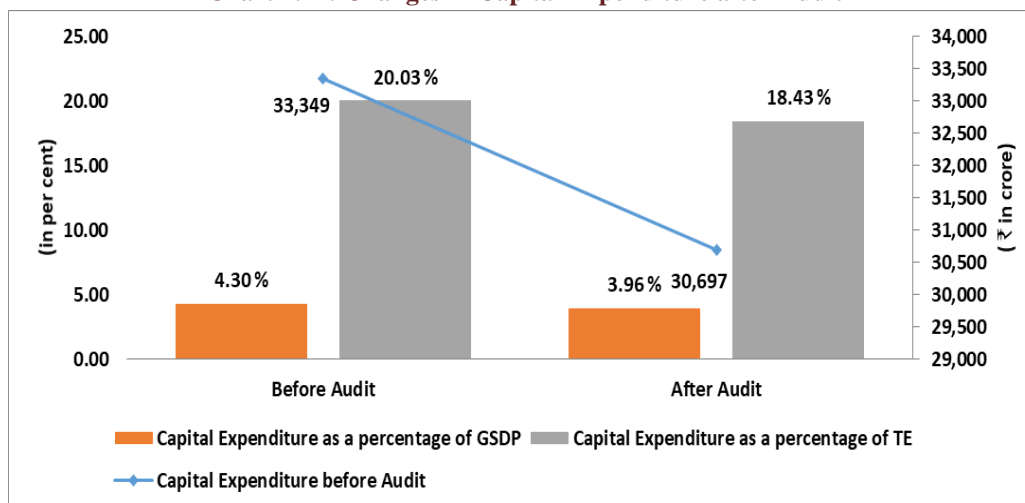
2.4.2.1 Misclassification of Revenue Expenditure as Capital Expenditure

During the financial year 2022-23, the State Government had booked ₹33,349.41 crore as Capital Expenditure. Audit examined Sanction Orders and expenditure vouchers related to this amount, from the Office of the Accountant General (Accounts and Entitlements) and noticed that, out of the amount of ₹33,349.41 crore, ₹2,652.21 crore of expenditure of Revenue nature, had been booked under Capital Expenditure. Out of this amount, ₹199.03 crore was expenditure towards operation, maintenance, repair and renovation etc. As per Rule 31 (2)(b) of the Government Accounting Rules, 1990, the Revenue Account should bear all charges relating to such expenditure. The remaining amount of ₹2,453.18 crore had been transferred for creation of assets by entities other than the Government of Odisha. In accordance with Note below Rule 30(1) of GAR 1990,

this amount is required to be classified as Revenue Expenditure, instead of Capital Expenditure.

Thus, there was a misclassification of ₹2,652.21 crore, which resulted in overstatement of Revenue Surplus to that extent. The resulting Capital Expenditure, after Audit, for FY 2022-23, was ₹30,697.20 crore (**Chart 2.14**).

Chart 2.14: Changes in Capital Expenditure after Audit



Source: Audited Finance Accounts for FY 2022-23, Government of Odisha

2.4.2.2 Major changes in Capital Expenditure

Major changes in capital expenditure, during FY 2022-23, compared to FY 2021-22, are depicted in **Table 2.20**.

Table 2.20: Capital expenditure during FY 2022-23 compared to FY 2021-22

(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+) / Decrease (-)
5054- Capital Outlay on Roads and Bridges	6,100.72	9,860.61	(+)3,759.89
4202- Capital Outlay on Education, Sports, Arts and Culture	676.18	2,192.31	(+)1,516.13
4700- Capital Outlay on Major Irrigation	2,383.86	3,809.64	(+)1,425.78
4059- Capital Outlay on Public Works	867.78	1,938.35	(+)1,070.57
4701- Capital Outlay on Medium Irrigation	813.54	1,664.14	(+)850.60
4210- Capital Outlay on Medical and Public Health	1,689.72	2,148.69	(+)458.97
4217- Capital Outlay on Urban Development	123.13	516.90	(+)393.77
5055- Capital Outlay on Road Transport	0	239.93	(+)239.93
5465- Investments in General Financial and Trading Institutions	0	219.84	(+)219.84
4801- Capital Outlay on Power Projects	3,445.77	3,071.59	(-)374.18

Source: Finance Accounts of respective years, Government of Odisha

Capital expenditure increased by ₹10,623 crore (46.74 per cent) from ₹22,726 in FY 2021-22 to ₹33,349 crore in FY 2022-23.

An analysis of **Table 2.20** shows:

- Increase of ₹3,759.89 crore (61.63 per cent) under Capital Outlay on Roads and Bridges, was mainly due to increase of expenditure amounting to ₹3,166.05 crore under District Roads, ₹113.88 crore State Highway and Other Roads ₹295.82 crores.
- Increase of ₹1,516.13 crore (224.22 per cent) under Capital Outlay on Education, Sports, Arts and Culture, was mainly due to increase in expenditure for development of infrastructure under Samagra Shiksha (by ₹694.04 crore) and development of Sports Stadia infrastructure (by ₹734.60 crore).
- Increase of ₹1,425.78 crore (59.81 per cent) under Capital Outlay on Major Irrigation, was due to increase of expenditure in Anandapur Barrage- Commercial Project (₹235.15 crore), Kanupur Irrigation Commercial Project (₹220.02 crore) and Lower Suktel Irrigation Commercial Project (₹944.62 crore).
- Increase of ₹1,070.57 crore (123.36 per cent) under Capital Outlay on Public Works, was mainly due to increase of expenditure in construction of office buildings (₹1,024.56 crore) and other buildings (₹46.02 crore).
- Increase of ₹850.60 crore (104.55 per cent) under Capital Outlay on Medium Irrigation, was mainly due to increase of expenditure in various Medium Irrigation projects.
- Increase of ₹458.97 crore (27.16 per cent) under Capital Outlay on Medical and Public Health, was mainly due to increase of expenditure for creation of medical infrastructure in rural and urban areas under Mukhya Mantri Swasthya Seva Mission (₹609.28 crore), which was partly set off by decrease in expenditure under various other schemes.
- Increase of ₹393.77 crore (319.80 per cent) under Capital Outlay on Urban Development, was mainly due to increase of expenditure for New City Development and implementation of EAP assisted by KFW German for Odisha Urban Infrastructure Development Fund (OUIDF).
- Increase of ₹293.93 crore under Capital Outlay Road Transport, was mainly due to construction of Bus Stand (₹213.00 crore) and investment of share capital (₹26.93 crore).
- Increase of ₹219.84 crore under Investments in General Financial and Trading Institutes, owing to investment of share capital in PSUs and Other Undertakings.
- Decrease of ₹374.18 crore (10.86 per cent) under Capital Outlay in Power Sector, was mainly due to decrease in investment of share capital in power sector PSUs.

2.4.2.3 Quality of Capital Expenditure

If the State Government keeps on making investment in loss making Government companies, whose net worth has completely eroded, there is no chance of return on investment. Similarly, experience has shown the inevitability of write-off of the loans given to loss making corporations and other bodies, such as sugar mills, financial corporations *etc.* Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure, undertaken by the Government during the current year.

(i) Quality of investment in the companies, corporations and other bodies

Capital expenditure in the companies, corporations and other bodies, which are loss making or where net worth has completely eroded, is not sustainable.

Investment made and loans given to companies, corporations, and co-operatives, which are loss making and those where net worth has completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in Public Sector Undertakings (PSUs) and history of repayment of loans, given to various bodies, are important determinants of the quality of capital expenditure

As of 31 March 2023, the State Government's investment stood at ₹ 12,417.78 crore in Public Sector Undertakings (PSUs), comprising of Government Companies (₹ 9,944.61 crore), Co-operative Societies (₹ 1,239.74 crore), Statutory Corporations (₹ 699.99 crore), Other Joint Stock Companies and Partnerships (₹ 514.54 crore) and Rural Banks (₹ 18.90 crore).

Trends of return on investment in companies, corporations, and co-operative banks and societies, difference between the cost of Government borrowings and return on investments, are depicted in **Table 2.21**.

Table 2.21: Return on Investment

(₹ in crore)						
Sl. No.	Details	2018-19	2019-20	2020-21	2021-22	2022-23
1	Investment at the end of the year (₹ in crore)	5,353.76	5,698.65	7,288.29	10,642.65	12,417.78
2	Return in the form of Dividend (₹ in crore)	543.94	321.38	1,062.81	523.43	584.50
3	Rate of Return (RoR) (<i>per cent</i>)	10.16	5.64	14.58	4.92	4.71
4	Average rate of interest on Government borrowings (<i>per cent</i>)	7.74	7.09	7.04	7.09	6.95
5	Difference between RoR (<i>per cent</i>) and interest rate (3-4)	2.42	(-)1.45	7.54	(-)2.17	(-)2.24
6	Difference between interest on Government borrowings and return on investment (₹ in crore)[#]	129.56	(-) 82.63	549.71	(-)230.95	(-)278.16

Source: Finance Accounts of respective years, Government of Odisha

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

- During FY 2022-23, the return on investment was ₹584.50 crore (4.71 per cent) (based on historical cost and not on net present value basis). The rate of return was between 4.71 per cent and 14.58 per cent during FYs 2018-19 to 2022-23, while the average rate of interest paid by the State Government on its borrowings was between 6.95 per cent and 7.74 per cent during the same period. Over the past five years, the difference in the cost of Government borrowings and return on investments in PSUs, was to the tune of ₹87.53 crore.
- It was observed that, out of 150 entities, only 14 entities had paid dividend. These included one Statutory Corporation⁹, 11 Government Companies¹⁰ (which included one Power Sector Company), one Co-operative Society¹¹ and one Rural Bank¹².
- Out of the total investment of ₹ 12,417.78 crore, ₹ 8,210.01 crore (66.11 per cent) was invested in five¹³ Power Sector Companies. Out of these, only one¹⁴ company paid dividend of ₹ 45.59 crore (7.80 per cent).
- The return on investment was mainly dependent on the Odisha Mining Corporation (OMC), which had paid ₹500 crore dividend in 2022-23. OMC was the highest contributor of dividend in 2018-19: ₹500 crore, 2019-20: ₹250 crore, 2020-21: ₹1,000 crore, 2021-22: ₹500 crore and 2022-23: ₹500 crore.
- Out of total 150 entities, 72 were defunct and investment of ₹68.52 crore therein had remained un-recouped. Of the remaining active 78 entities, 64 had not paid any dividend in 2022-23.

(ii) Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, the State Government has also been providing loans and advances to many institutions/organisations. **Table 2.22** presents the position of outstanding loans and advances, as on 31 March 2023, and interest receipts *vis-à-vis* interest payments, by the State Government, on its borrowings during the last five financial years.

⁹ Statutory Corporation - Odisha State Warehousing Corporation: ₹ 3.07 crore

¹⁰ Government Companies – (1) Agricultural Promotion and Investment Corporation Limited : 0.04 crore (2) Odisha Agro Industries Corporation Limited: ₹ 5.63 crore (3) Odisha State Cashew Development Corporation Limited: ₹ 0.47 crore (4) Odisha Forest Development Corporation Limited: ₹ 3.01 crore (5) Odisha State Seeds Corporation Limited: 0.46 crore (6) Odisha Small Industries Corporation Limited: 1.40 crore (7) Odisha Construction Corporation Limited: 14.72 crore (8) Odisha Bridge and Construction Corporation Limited (OCC) ₹ 1.64 crore (9) Odisha Mining Corporation Limited (OMC) ₹ 500.00 crore (10) Odisha State Beverage Corporation Limited: ₹ 5.60 crore and (11) Odisha Hydro Power Corporation (OHPC): ₹ 45.59 crore .

¹¹ Co-operative Society – Credit Co-operative: ₹ 0.19 crore

¹² Rural Bank - Odisha State Cooperative Bank: ₹ 2.69 crore

¹³ OPGC: ₹2,119.52 crore, OPTCL: ₹2,217.16 crore, GRIDCO: ₹2,613.13 crore and OHPC: ₹1,034.34 crore, Odisha Coal and Power Limited: ₹ 225.86 crore

¹⁴ OHPC: ₹45.59 crore

Table 2.22: Quantum of loans disbursed and recovered during FYs 2018-19 to 2022-23

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding (₹ in crore)	6,326	7,191	8,163	9,066	9,185
Amount advanced during the year (₹ in crore)	1,170	1,259	1,597	1,685	2,158
Amount recovered during the year (₹ in crore)	305	287	684	1,566	832
Closing Balance of the loans outstanding (₹ in crore)	7,191	8,163	9,066[#]	9,185	10,511
Net addition (₹ in crore)	(+) 865	(+) 972	(+) 913	(+) 119	1,326
Interest Receipts (₹ in crore)	35	64	316	1,315	297
Interest Receipts as a percentage of outstanding loans and advances (in per cent)	0.49	0.78	3.48	14.30	2.83
Interest Payments (₹ in crore)	5,800	6,063	6,644	6,342	5,502
Outstanding Borrowings (₹ in crore)	1,08,258	1,26,084	1,22,774	1,20,140	1,11,952
Rate of interest paid on the outstanding borrowings of the Government (in per cent)	5.36	4.81	5.41	5.28	4.91
Difference between the rate of interest received and interest paid (per cent)	(-) 4.87	(-) 4.03	(-) 1.93	(+) 9.02	(-) 2.08

Source: Finance Accounts of respective years, Government of Odisha

[#] The difference of ₹10 crore was due to proforma transfer of ₹9.51 crore from the loan head to the capital expenditure head.

During FY 2022-23, an amount of ₹2,158 crore was advanced as loan, as against ₹1,685 crore during the previous year. The loans advanced during the current year included ₹700 crore extended to Indian Oil Corporation Limited, as a part of an agreement with it, for providing a fiscal incentive of ₹10,500 crore interest free Viability Gap Funding (VGF)¹⁵ loan, over a period of 15 years, for the Paradeep Refinery Project. As a part of this, the State Government had disbursed ₹1,400 crore in FY 2017-18 and ₹700 crore each in FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23. Apart from this, loan amounting to ₹700 crore, was extended to GRIDCO, at the rate of interest 5 per cent per annum; ₹140 crore (interest free) was extended to MARKFED (interest free) and ₹100 crore (interest free) was extended to the Odisha State Seeds Corporation Limited.

The total outstanding loans and advances by the State Government increased by ₹1,326 crore from ₹9,185 crore in FY 2021-22 to ₹10,511 crore in FY 2022-23. Recovery of loans decreased by ₹734 crore (46.87 per cent) and interest receipts decreased by ₹1,018 crore (77.41 per cent) respectively in FY 2022-23, as compared to FY 2021-22. The

¹⁵ Viability Gap Funding means a grant to support projects that are economically justified but not financially viable.

interest received was only 2.83 *per cent* of the outstanding loans and advances during FY 2022-23.

2.4.3 Expenditure Priorities

Enhancing human development levels requires States to step up their expenditure on key social services like education, health *etc.* Low fiscal priority (ratio of expenditure under a category to total expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to the total expenditure, the quality of expenditure is considered to be better. Fiscal priority of the State Government, in regard to expenditure on social and economic sectors *etc.*, is shown in **Table 2.23**.

Table 2.23: Expenditure priority of the State, in regard to health, education and capital expenditure

	TE/GSDP	CE/TE	Education/TE	Health/TE
General Category States Average (2018-19)	16.13	15.58	14.76	5.07
Odisha (2018-19)	22.06	22.41	14.99	4.83
General Category States Average (2022-23)	15.79	15.22	14.85	5.68
Odisha (2022-23)	21.49	21.32	14.09	7.00

(₹ in crore)

Source: Finance Accounts, Government of Odisha

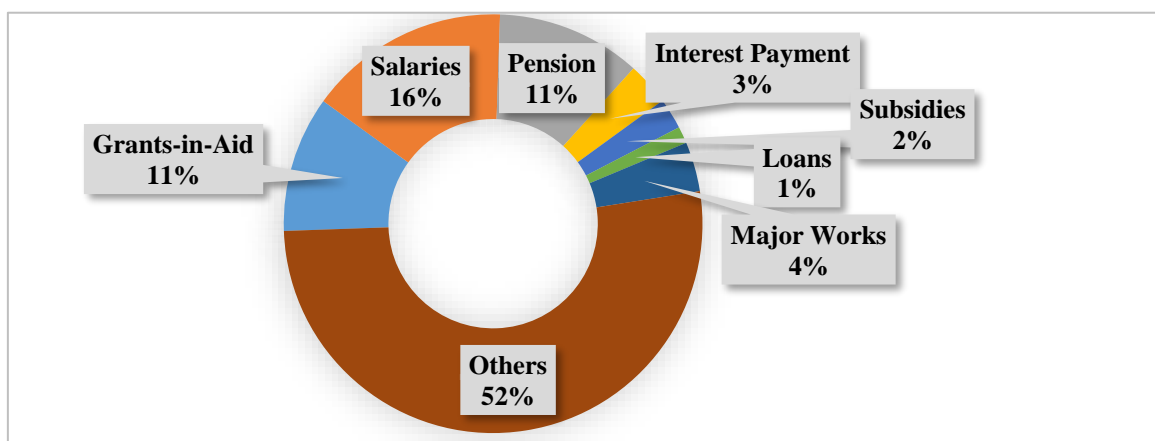
Table 2.23 shows that:

- The State Government's total expenditure, as a proportion of the GSDP, decreased from 22.06 *per cent* in 2018-19 to 21.49 *per cent* in 2022-23. Simultaneously, for General Category States (GCS), it decreased from 16.13 *per cent* to 15.79 *per cent*, during the same period. However, the total expenditure, as a percentage of GSDP, of Odisha, is much higher than that of General Category States.
- Capital expenditure facilitates asset creation, which generates opportunities for higher growth. The ratio of capital expenditure to total expenditure decreased from 22.41 *per cent* in 2018-19 to 21.32 *per cent* in 2022-23. This ratio for General Category States decreased from 15.58 *per cent* to 15.22 *per cent*, during the same period.
- The ratio of expenditure on education to the total expenditure in Odisha decreased from 14.99 *per cent* in 2018-19 to 14.09 *per cent* in 2022-23, whereas it increased from 14.76 *per cent* to 14.85 *per cent* in the case of GCS during the same period.
- The ratio of expenditure on health to total expenditure in Odisha increased from 4.83 *per cent* in 2018-19 to 7.00 *per cent* in 2022-23, whereas it increased from 5.07 *per cent* to 5.68 *per cent* in the case of GCS, during the same period.

2.4.4 Object head-wise expenditure

Object head-wise expenditure gives information about the object/ purpose of the expenditure. **Chart 2.15** shows the object head-wise expenditure.

Chart 2.15: Object Head-wise Expenditure during 2022-23 (in per cent)



Source: Finance Accounts, Government of Odisha

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

2.5.1 Net Public Account Balances

The component-wise net balances, in the Public Account of the State, are given in **Table 2.24**. Yearly changes in the composition of Public Account balances are depicted in **Chart 2.16**.

Table 2.24: Component-wise net balances in Public Accounts

		(₹ in crore)				
Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Fund <i>etc.</i>	Small Savings, Provident Fund <i>etc.</i>	1,748	915	612	308	-502
J. Reserve Funds	a) Reserve Funds bearing interest	-916	6,201	178	444	485
	b) Reserve Funds not bearing interest	7,828	1,053	-1,207	3,106	15,030
K. Deposits and Advances	a) Deposits bearing interest	-3	7	-19	2	21
	b) Deposit not bearing interest	4,206	3,422	-13,013	751	2,783
	c) Advances	0	1	-5	-1	-1
L. Suspense and Miscellaneous	b) Suspense	-54	-80	26	188	177
	c) Other Accounts	0	0	0	0	0
	d) Accounts with Governments of Foreign Countries	0	0	0	0	0
	e) Miscellaneous	0	0	2,500	0	-6
M. Remittances	a) Money Orders and other Remittances	10	-21	24	18	16
	b) Inter Governmental Adjustment Account	4	0	-6	-1	5
TOTAL		12,821	11,497	-10,910	4,815	18,008

Source: Finance Accounts of respective years, Government of Odisha

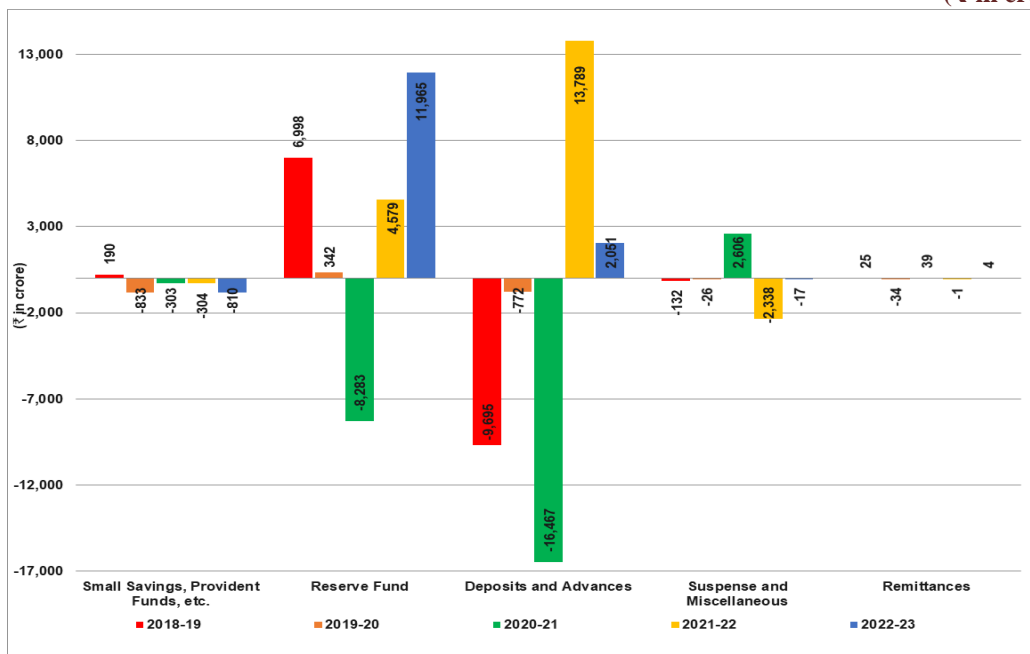
Note: +ve denotes debit balances and -ve denotes credit balances

From **Table 2.24**, it can be seen that, during FY 2022-23, the net Public Account receipts (₹18,008 crore) contributed 10.31 *per cent* of the total resources (₹ 1,74,649 crore) of the State. The major source of Public Account receipts was Reserve Funds not bearing interest (₹15,030 crore), due to creation of the Budget Stabilisation Fund under the Major Head 8228- Revenue Reserve Fund (₹13,633 crore) and accumulation of interest amounting to ₹1,233 crore in the Consolidated Sinking Fund.

Government is liable to pay/adjust interest in respect of interest-bearing Reserve Funds and Deposits. During FY 2022-23, the interest amounts payable on the State Disaster Response Fund and State Disaster Mitigation Fund (₹106.33 crore) State Compensatory Afforestation Fund (₹124.42 crore), Deposits on Government Companies, Corporation *etc.* (₹0.99 crore) and Miscellaneous Deposits (₹0.02 crore), totalling ₹231.76 crore, were not credited to the Public Account, which impacted favourably on the revenue and fiscal position of the State.

Chart 2.16: Yearly changes in the composition of Public Accounts balances

(₹ in crore)



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 contributions or grants from the Consolidated Fund or from outside agencies. It comprises interest bearing reserve fund non-interest bearing reserve fund.

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were three interest bearing funds and eight Reserve Funds not bearing interest, as

on 31 March 2023. The fund balances lying in these Reserve Funds, as on 31 March 2023, are given in **Table 2.25**.

Table 2.25: Details of Reserve Funds

(₹ in crore)		
Sr. No.	Name of Reserve Fund	Balance as on 31 March 2023
A	Reserve Funds bearing Interest	7,754.20
1.	State Disaster Response Fund	3,208.24
2.	State Disaster Mitigation Fund	557.50
3.	State Compensatory Afforestation Fund	3,988.46
B.	Reserve Funds not bearing Interest	31,643.92
1.	Consolidated Sinking Fund	15,914.19
2.	Odisha Famine Relief Fund	3.94
3.	Budget Stabilisation Fund (Revenue Reserve Funds)	13,632.52
4.	Development Funds for Educational Purposes	9.77
5.	Development Funds for Agricultural Purposes	0.01
6.	Consumer Welfare Fund	0.28
7.	Other Development and Welfare Fund	0.05
8.	Guarantee Redemption Fund	1,788.60
9.	Other Funds- Fund for Protection of Interest of Depositors	294.56
	Grand Total	39,398.12

Source: Finance Accounts, Government of Odisha

Out of the gross accumulated balance of ₹39,398.12 crore lying in these Funds, as on 31 March 2023, ₹35,889.02 crore had been invested in Government Stocks, by the Reserve Bank of India, leaving the total net accumulated balance of ₹3,509.10 crore remaining un-invested, as on 31 March 2023.

2.5.2.1 Consolidated Sinking Fund (CSF)

As per the recommendations of the 12th Finance Commission, GoO set up a Consolidated Sinking Fund 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 a provision to the effect that the State Government was at liberty to not contribute to the fund, if the balance in the fund was maintained at a level higher than 5 per cent of the total liability of the State Government at the end of the previous year.

There was an opening balance of ₹14,681.68 crore in the Fund, at the beginning of the current year. As on 31 March 2022, the outstanding liabilities of the Government of

Odisha were ₹1,09,887.46¹⁶ crore, which were 13.36 *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. Accordingly, the State Government did not contribute to the fund in 2022-23. However, interest amounting to ₹1,232.51 crore was earned. Resultantly, there was a balance of ₹15,914.19 crore, at the end of the current year.

2.5.2.2 State Disaster Risk Management Fund (erstwhile SDRF)

The Government of India (GoI) replaced the erstwhile Calamity Relief Fund, with the State Disaster Response Fund (SDRF), with effect from 1 April 2010. In terms of the guidelines of the SDRF (September 2010 and July 2015), the Centre and the State Governments contributed to the Fund in the proportion of 75:25. The contributions were to be transferred under the Public Account, to the Major Head – 8121. Expenditure during the year was to be incurred by operating the Major Head – 2245. Further, GoI, vide Notification dated 12 January 2022, revised the guidelines as per the recommendations of the Fifteenth Finance Commission. As per the guidelines, SDRF was renamed as the State Disaster Risk Management Fund (SDRMF). The total allocation for SDRMF was divided into the State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF), to address the full cycle of disaster management needs *i.e.* response and relief; recovery and reconstruction; preparedness and capacity building; and mitigation. As per the guidelines, the share of SDRF and SDMF, in the SDRMF would be 80 *per cent* and 20 *per cent*, respectively.

State Governments are required to pay interest to the SDRMF, at the rate applicable to overdrafts under the Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half-yearly basis. Accretions to the SDRMF, together with the income earned on the investment of SDRMF, are to be invested in Central Government Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

(i) State Disaster Response Fund (SDRF)

Eighty *per cent* of the SDRMF share was allocated for the SDRF. The State Disaster Response Fund is to be used for meeting the expenditure for providing immediate response and relief to the victims of a disaster (40 *per cent*), recovery and reconstruction (30 *per cent*) and preparedness and capacity building (10 *per cent*). The Funding for SDRF and SDMF is not to be interchanged.

As per the Finance Accounts, as on 1 April 2022, an amount of ₹1,554.86 crore was lying in the SDRF. During FY 2022-23, ₹1,841.19 crore (₹1,348.00 crore as Central share, ₹448.80 crore as State share and ₹44.39 crore interest receipts out of

¹⁶ Outstanding Liabilities as on 31.03.2022 was ₹1,20,139.66 crore. Outstanding liabilities as on 31.03.2022 excluding ₹10,252.20 crore as back-to-back loans from GoI in lieu of GST compensation shortfall, which were not to be repaid by the State from its sources is equal to ₹1,09,887.46 crore.

investment) were transferred to the Fund. An amount of ₹187.81 crore was spent from the Fund, during the current year, leaving a balance of ₹3,208.24 crore. Out of this, an amount of ₹883.02 crore was invested, leaving a balance of ₹2,325.22 crore, lying un-invested, as on 31 March 2023, in violation of GoI guidelines *ibid*. GoO has to bear interest liability, amounting to ₹42.25 crore (average interest on overdraft), on the un-invested Fund. However, GoO had not transferred interest amounting to ₹42.25 crore, which had overstated the revenue surplus and understated the fiscal deficit, to that extent.

(ii) State Disaster Mitigation Fund (SDMF)

The State Disaster Mitigation Fund (SDMF) was constituted under Section 48(1) (c) of the Disaster Mitigation Act, 2005. This Fund is meant exclusively for the purpose of mitigation projects, in regard to disasters, covered under the State Disaster Response Fund/ National Disaster Response Fund guidelines and the State specific local disasters, notified by the State Government, from time to time. The State Government created the SDMF vide Notification No. 5643 dated 29.09.2021, under Major Head 8121-130 - State Disaster Mitigation Fund. Twenty *per cent* allocation out of SDRMF, was meant for SDMF.

The opening balance of SDMF, as on 1 April 2022, was ₹855.60 crore. During FY 2022-23, the State Government received ₹168.50 crore from the Central Government and ₹11.19 crore from interest receipts. The State Government's share, during the year, was ₹56.10 crore. However, the State Government had transferred only ₹11.19 crore and had not transferred ₹224.60 crore to the fund. This had an impact on overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent. Further, during FY 2022-23, an amount of ₹308.29 crore had been spent from the Fund, leaving a balance of ₹557.50 crore. The entire amount remained un-invested, as on 31 March 2023, in violation of GoI guidelines *ibid*. GoO has to bear interest liability amounting to ₹64.08 crore (average rate of interest on overdraft) on the un-invested Fund. However, GoO had not transferred interest, amounting to ₹64.08 crore, which had overstated the revenue surplus and understated the fiscal deficit to that extent.

2.5.2.3 Guarantee Redemption Fund (GRF)

The State Government constituted a 'Guarantee Redemption Fund', for meeting the payment obligations, arising out of the guarantees, issued by the Government, for bonds issued and other borrowings by State Public Sector Undertakings or other Bodies, invoked by the beneficiaries. Accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions, on whose behalf the guarantees were issued.

In terms of the recommendations of the Twelfth Finance Commission, the State Government had constituted the Guarantee Redemption Fund in FY 2002-03, with the objective of meeting the payment obligations, arising out of default in debt servicing of

loans guaranteed by the Government. The latest amendment to the Fund, vide notification No. 13912-FIN-CI-SG-0001/2022-F dated 08.05.2023, stipulates that the minimum corpus of the State Government shall be maintained at 5 per cent of total outstanding guarantee at the end of previous financial year, provided that the State Government, at its discretion, may contribute to the Fund beyond 5 per cent of the total outstanding guarantees. During FY 2022-23, Government did not contribute to the Fund. However, interest, amounting to ₹142.19 crore, was credited to the fund, out of investment. The total accumulation of the Fund was ₹1,788.60 crore, as on March 2023 (₹1,646.41 crore, as on 31 March 2022), which constituted 29.04 per cent of the total outstanding guarantees at the end of the previous year, i.e. 31 March 2022. The entire fund had been invested in Government of India securities, by the Reserve Bank of India.

2.5.2.4 State Compensatory Afforestation Fund (SCAF)

In terms of the Compensatory Afforestation Fund Act, 2016, the Government of Odisha established the State Compensatory Afforestation Fund in the Public Account of the State, under Reserve Funds bearing Interest. The fund is meant for crediting all monies received from user agencies towards compensatory afforestation, additional compensatory afforestation fund, penal compensatory afforestation fund, net present value and all other amounts recovered from such agencies under the Forest (Conservation) Act, 1980. The funds collected under this Act are required to be utilised for undertaking artificial regeneration (plantations), assisted natural regeneration, protection of forests, forest related infrastructure development, Green India Programme, wildlife protection and other related activities and for matters connected therewith or incidental thereto.

The opening Balance of SCAF, as on 01 April 2022, was ₹4,859.28 crore (Cash: ₹3,714.05 crore and Investment: ₹1,145.23 crore). During FY 2022-23, the State Government: (i) did not receive any amount from user agencies (ii) received ₹2.88 crore from the National Compensatory Afforestation Fund (NCAF) and (iii) received ₹56.67 crore, as interest from investment of the fund. The expenditure incurred out of the fund, during the year, was ₹930.38 crore and the balance in the SCAF as on March 2023, stood at ₹3,988.46 crore. Out of ₹3,988.46 crore, ₹3,670.68 crore was invested in RBI Treasury Bills, leaving an amount of ₹317.78 crore, un-invested.

As per Clauses 4(5) and (6) of the Compensatory Afforestation Fund Act, 2016, the monies received in the state fund shall be an interest bearing fund under the public account and should receive interest as per the rates declared by the Central Government, on year-to-year basis. The interest rate fixed by the Government of India, for FY 2022-23, for the State Compensatory Afforestation Fund, was 3.35 per cent per annum. During FY 2022-23, GoO had to bear interest liabilities of ₹124.42 crore on the un-invested part of the State Compensatory Afforestation Fund, due to non-investment of the fund. However, the State Government did not contribute the interest amount to the fund, which had an impact of overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

2.5.2.5 Odisha Budget Stabilisation Fund

Odisha is a Natural Resource rich State. Mining activity generates approximately 10 per cent of the State Gross Value Added (GVA). About 90 per cent of the State's Own Non-Tax Revenue and 45 per cent of the State's Own Revenue receipts stem from the mining sector. Mining revenue is quite sensitive to demand and the price of metals in national and international markets keeps on fluctuating. Accordingly, substantial risk is associated with mining revenue, due to which, it became inevitable to recognize the fiscal risk stemming from the mining sector, in terms of revenue volatility. Government of Odisha, vide Notification dated 24.03.2023, constituted the "Budget Stabilisation Fund (BSF)", which would enable the State to set aside surplus revenue as Budget Reserve, for times of unexpected revenue shortfall or budget deficit. The fund was created in the Public Account of the State, under 'Reserve Fund – Reserve Funds not bearing interest' under the Account Head "8228- Revenue Reserve Fund". The accretions to the Fund are to be invested in Government of India Securities, Auction Treasury Bills and State Government Securities of other states, by the Central Accounts Section of the Reserve Bank of India.

During the financial year 2022-23, an amount of ₹13,700 crore was credited through appropriation from the Head 05-2075-Miscellaneous General Services. Out of this, an amount of ₹13,632.52 crore was invested in Government of India Treasury Bills, after paying premium of ₹67.48 crore.

2.5.2.6 Fund outside Consolidated Fund/Public Account of the State and dedicated Funds

Article 266(1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by Government in repayment of loans, shall form one consolidated fund, entitled "the Consolidated Fund of the State". Article 266(2) provides that all other public moneys received by or on behalf of the Government of a State, shall be credited to the public account of the State, as the case may be.

The State Government imposed various Cesses for meeting expenditure for specific purposes. Audit collected information/data regarding the cesses being levied by the Departments concerned, which are discussed below:

2.5.2.7 Building and Other Construction Workers Welfare Cess (Labour Cess)

The Government of India enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act), to levy and collect cess for providing benefits to the workers. The Act, *inter alia*, mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by every State Government, to exercise the powers conferred under the Act. Accordingly, the Government of Odisha framed the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002, under the Act and constituted the Odisha Building and Other Construction

Workers Welfare Board. The Board is responsible for the operation and maintenance of the amount credited by Government as Labour Cess Deposits.

In accordance with the provisions under Section 3(1) of the Building and Other Construction Workers Welfare Cess Act, 1996, Government of Odisha, vide Resolution dated 15 December 2008, ordered for collection of Cess at the rate on *per cent* of the cost of construction incurred by an employer / builder, which was to exclude the cost of land and any other compensation paid or payable to a worker or his kin under the Workmen Compensation Act, 1923. Further, all the heads of the Departments/ Boards/ Autonomous Bodies/ Local Authorities were instructed to collect cess at the rate one *per cent* of cost of all construction, as also from individuals, who had got approved building plans for own residences having a cost of ₹10 lakh or more, as notified (September 1996) by the Central Government, and deposit the same with the Odisha Building and Other Construction Workers' Welfare Board. The cess so collected, was required to be spent for the social security schemes and welfare measures adopted by the Board, for the benefit of the building and other construction workers in the State.

However, it was noticed that, during FY 2022-23, an amount of ₹3.32 crore had been collected under the Major Head 0230-Labour and Employment, which had remained un-transferred to the Building and other Construction Workers Welfare Board. This had resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹3.32 crore. Similarly, during FY 2018-19: ₹2.38 crore, FY 2019-20: ₹4.60 crore, FY 2020-21: ₹4.49 crore and FY 2021-22: ₹1.61 crore, had been collected under the Major Head 0230-Labour and Employment and not transferred to the Building and other Construction Workers Welfare Board. Thus, the un-transferred amount from Major Head 0230- Labour and Employment was ₹16.40 crore, as on 31 March 2023.

Apart from cess collected through Major Head 0230-Labour and Employment, Labour Cess, collected by various agencies, was sent, through cheques/ drafts, to the Odisha Building and Other Construction Workers' Welfare Board (OB & OCWWB) or deposited in the Savings Bank Account of the Board, opened for this purpose, through District Labour Offices. The collection, *vis-à-vis* utilisation, of the fund, is shown in **Table 2.26**.

Table 2.26: Amounts collected and utilised by the OB & OCWWB in Odisha

(₹ in crore)

Financial Year	Opening Balance	Receipts during the year			Total	Expenditure	Closing Balance	Utilisation of funds (<i>per cent</i>)
		Cess	Regd. Fees and Annual Contribution	Interest				
2020-21	727.45	361.95	9.7	34.84	1,133.94	473.52	660.42	41.76
2021-22	660.42	454.23	12.35	29.72	1,156.72	526.92	629.80	45.55
2022-23	629.80	553.50	4.82	52.82	1,240.95	276.69	964.26	22.30
Total		1,369.68	26.87	117.38	3,531.61	1,277.13		

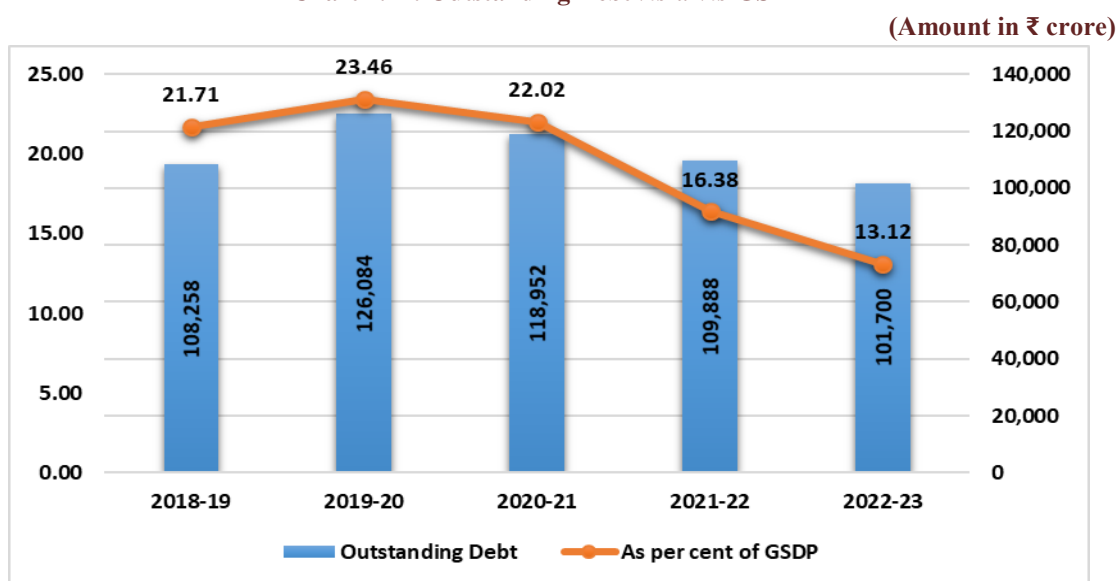
Source: Information collected from OB&OCWWB

2.6 Debt Management

Debt Management is the process of establishing and executing a strategy for managing the Government's liabilities, 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.

The total outstanding debt of the State, along with their percentage to GSDP, for FYs 2018-19 to 2022-23, are shown in **Chart 2.17**.

Chart 2.17: Outstanding Debt vis-à-vis GSDP



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

2.6.1 Debt profile: Components

Total liabilities of the State Government typically constitute the Internal Debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from Central Government, and Public Account Liabilities. The components-wise liability trends of the State for the period of five years beginning from 2018-19 are presented in **Table 2.27**.

Table 2.27: Debt Sustainability Indicators during FYs 2018-19 to 2022-23

(₹ in crore)

Components of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Debt*	<i>1,08,258</i>	<i>1,26,084</i>	<i>1,18,952</i>	<i>1,09,888</i>	<i>1,01,700</i>
Public Debt*	58,253	68,438	75,681	62,233	53,653
<i>Internal Debt</i>	50,421	60,595	67,521	53,977	45,532
<i>Loans from GoI*</i>	7,832	7,843	8,160	8,256	8,121
Public Accounts Liabilities	50,005	57,646	43,270	47,655	48,047
<i>Small Savings, Provident Funds, etc.</i>	23,423	24,338	24,949	25,258	24,756

Components of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
<i>Reserve Fund bearing Interest</i>	448	3,753	1,805	5,134	3,200
<i>Reserve Fund not bearing Interest</i>	307	299	291	285	309
<i>Deposits bearing Interest</i>	36	42	24	26	47
<i>Deposits not bearing Interest</i>	25,791	29,214	16,201	16,952	19,735
Rate of growth of Outstanding Total Debt (in per cent)	11.42	16.47	(-) 5.66	(-) 7.62	(-) 7.45
Gross State Domestic Product (GSDP)	4,98,611	5,37,502	5,40,150	6,70,881	7,74,869
Debt/GSDP (per cent)	21.71	23.46	22.02	16.38	13.12
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)					
<i>Total Receipts</i>	48,103	60,314	60,649	65,043	66,466
<i>Total Repayment</i>	37,009	42,487	63,960	67,677	74,654
<i>Net funds available</i>	5,294	11,764	(-) 3,311	(-) 2,634	(-) 8,188
<i>Repayment/Receipts (per cent)</i>	76.94	70.44	105.46	104.05	112.32

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

* During the year 2020-21 it excludes ₹3,822 crore and during 2021-22 and 2022-23, it excludes ₹10,252 crore (₹3,822 crore + ₹6,430 crore) as back-to-back loan from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its resources.

The total debt of the State Government had increased, during FY 2019-20, over the previous year by 16.47 per cent from ₹1,08,258 crore in FY 2018-19 to ₹1,26,084 crore in FY 2019-20. However, since FY 2019-20, they have been decreasing. Over the last four years, they have decreased by 19.34 per cent, from ₹1,26,084 crore in FY 2019-20 to ₹1,01,700 crore in FY 2022-23. The decrease has been mainly due to repayment of Market Loans, loans from Special Securities issued to NSSF of Central Government and loans from financial institutions. During FY 2022-23, GoO did not resort to any market borrowing, but had repaid market loans amounting to ₹7,500 crore and loans from NSSF amounting to ₹ 882.54 crore.

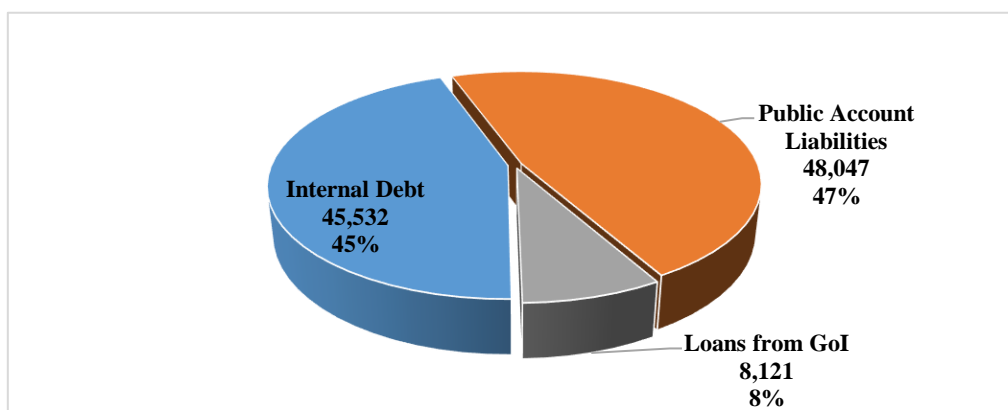
Public Debt decreased by ₹4,600 crore (7.90 per cent) during the period from FYs 2018-19 to 2022-23, while Internal Debt decreased by ₹4,889 crore (9.70 per cent) and Loans from GoI increased by ₹289 crore (3.69 per cent). Public Account liabilities decreased by ₹1,958 crore (3.92 per cent) during the same period.

The outstanding liabilities, as a percentage of GSDP, during the last five years, ranged between 13.12 per cent to 23.46 per cent, which were below the fiscal target of 25 per cent, set out in the FRBM Act.

The break-up of outstanding liabilities, at the end of FY 2022-23, is shown in **Chart 2.18**.

Chart 2.18: Break up of Outstanding total liabilities at the end of FY 2022-23

(Amount in ₹ crore)

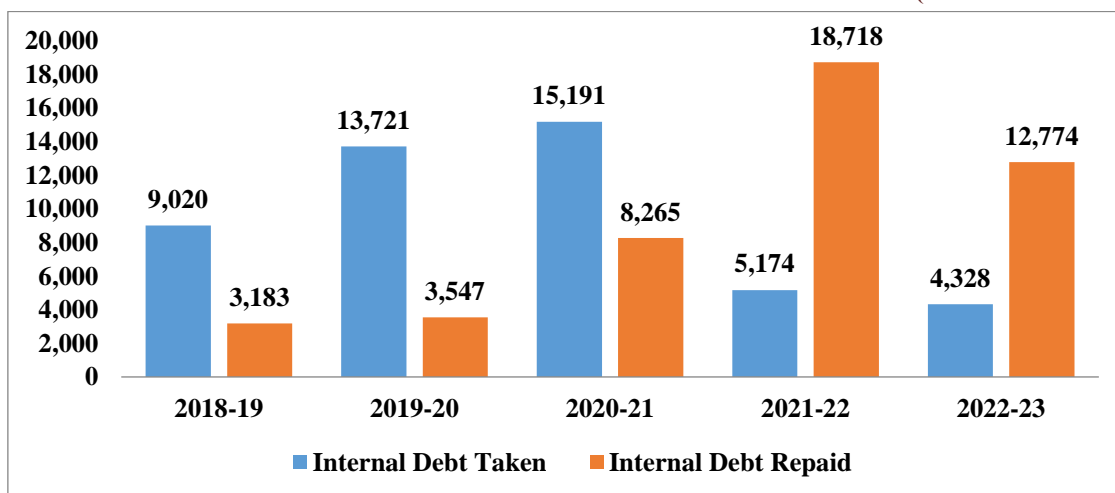


Source: Finance Accounts for FY 2022-23, Government of Odisha.

Chart 2.19 depicts the quantum of internal debt taken *vis-a-vis* repaid during the period of five years *i.e.* from FYs 2018-19 to 2022-23.

Chart 2.19: Internal debt taken *vis-à-vis* internal debt repaid

(Amount in ₹ crore)



Source: Finance Accounts of respective years

The internal Debt of the State Government decreased by ₹4,889 crore (9.70 per cent) from ₹50,421 crore in FY 2018-19 to ₹45,532 crore in FY 2022-23 (**Table 2.27**). An amount of ₹3,461 crore was paid towards interest on internal debt during FY 2022-23.

It can be seen from **Chart 2.19** that, during FYs 2021-22 and 2022-23, the repayment of Internal Debt was much higher than the Internal Debt receipts, which resulted in decrease of outstanding liabilities.

Table 2.28 depicts the financing pattern of the fiscal deficit, during FYs 2018-19 to 2022-23. The financing of fiscal deficit, during FY 2022-23, is shown in **Chart 2.20**.

Table 2.28: Components of Fiscal Deficit and their financing pattern

Particulars		(₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
		Net	Net	Net	Net	Net
Composition of Fiscal Deficit		(-) 10,157	(-) 18,819	(-)9,786	20,627	(-)15,219
1	Revenue Surplus	14,190	2,430	9,076	43,471	19,456
2	Capital Expenditure	(-) 23,482	(-) 20,277	(-) 17,949	(-) 22,726	(-) 33,349
3	Net Loans and Advances	(-) 865	(-)971	(-)913	(-)120	(-)1,326
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	4,500	6,500	500	-6,473	-7,500
2	Loans from GoI	226	11	4,139	6,526	-134
3	Special Securities issued to NSSF	-849	-883	-883	-883	-883
4	Loans from Financial Institutions and Others	2,186	4,557	7,310	-6,188	-63
5	Small Savings, Provident Fund etc.	1,748	914	611	308	-502
6	Reserve Funds	6,912	7,254	(-)1,029	3,550	15,515
7	Deposits and Advances	4,202	3,430	(-)13,037	752	2803
8	Suspense and Miscellaneous	(-) 54	-80	2,526	188	171
9	Remittances	13	-22	18	17	21
10	Contingency Fund	(-) 1,440	1,440	(-)171	171	--
11	Overall Deficit (Total 1 to 10)	17,444	23,121	(-)16	(-)2,032	9,428
12	(-) Increase / (+) Decrease in Cash Balance	(-) 7,287	(-) 4,303	9,802	(-)18,595	5,791
13	Gross Fiscal Deficit (+)/ Surplus (-) (11 + 12)	10,157	18,819[@]	9,786	(-)20,627	15,219

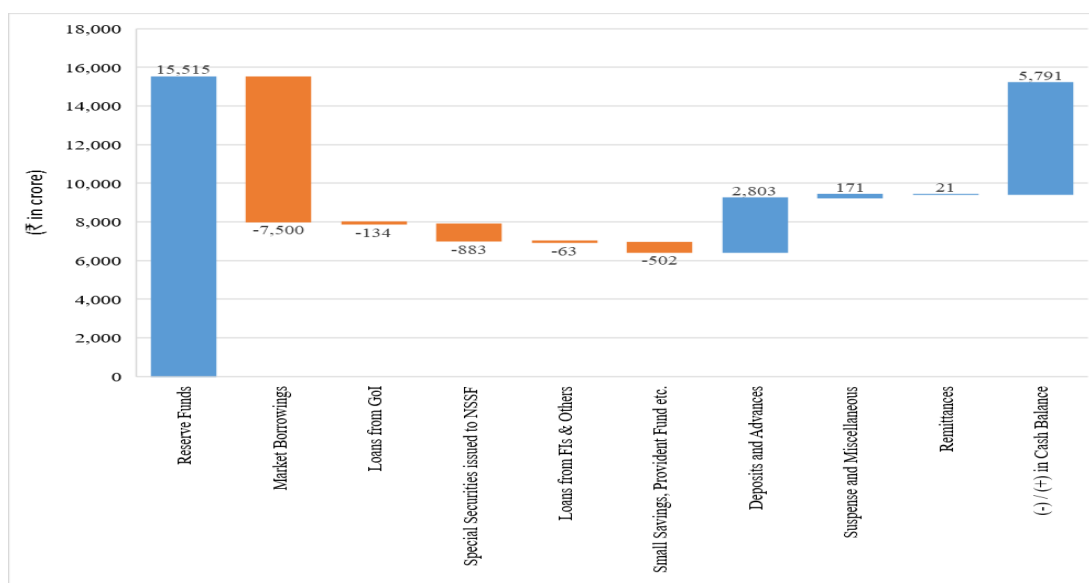
Source: Finance Accounts of respective years, Government of Odisha.

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

Chart 2.20: Financing of fiscal deficit during FY 2022-23



Source: Finance Accounts for FY 2022-23

The components of receipts and disbursements financing the fiscal deficit, during FY 2022-23, are shown in **Table 2.29**.

Table 2.29: Receipts and Disbursements under various components financing the fiscal deficit during FY 2022-23

(₹ in crore)				
Sr. No.	Particulars	Receipts	Disbursement	Net
1	Market Borrowings	Nil	7500	-7,500
2	Loans from GoI	1,019	1,153	-134
3	Special Securities issued to NSSF	Nil	883	-883
4	Loans from Financial Institutions and Others	4,328	4,391	-63
5	Small Savings, PF, etc.	4,693	5,195	-502
6	Reserve Funds	16,949	1,434	15,515
7	Deposits and Advances	34,784	31,981	2,803
8	Suspense and Miscellaneous	141	(-30)	171
9	Remittances	36,088	36,067	21
10	Overall Deficit			9,428
11	Increase (-)/ Decrease (+) in cash balance	51,231	45,440	5,791
12	Gross Fiscal Deficit			15,219

Source: Finance Accounts for FY 2022-23

2.6.2 Debt profile, Maturity and Repayment

Debt maturity and repayment profile indicates the commitments on the part of the Government, in regard to debt repayment or debt servicing. The debt maturity profile of the State is shown in **Table 2.30** and **Chart 2.21**.

Table 2.30: Debt Maturity Profile of repayment of the Public Debt of the State

Period of repayment (Years)	Principal Amount	Interest Amount [#]	Public Debt (including interest)	Percentage (w.r.t. total public debt)
	(₹ in crore)			
0-1	8,809	3,275	12,084	16.23
1-3	13,849	5,012	18,861	25.33
3-5	9,468	3,426	12,894	17.32
5-7	6,538	2,438	8,976	12.05
7-10	6,405	2,403	8,808	11.83
Above 10	7,518	4,253	11,771	15.81
Others	1,066*	0	1,066	1.43
Total	53,653	20,807	74,460	100.00

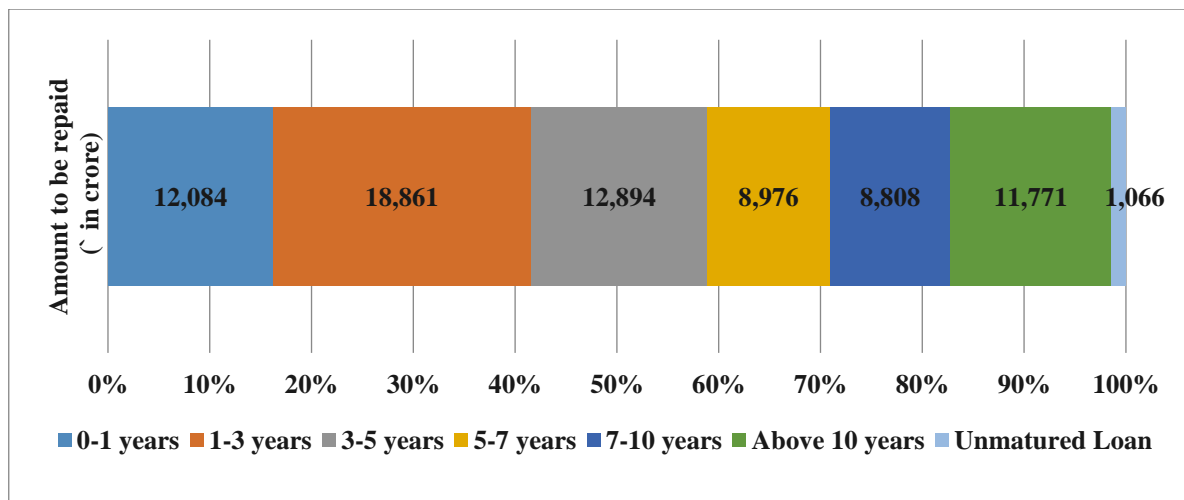
Source: Calculated on the basis of Finance Accounts

Approximate interest calculated at the average interest rate of 6.65 per cent (average of interest rates for the last five years).

* Excluding 10,252.20 crore, as back-to-back loans from GoI, in lieu of GST Compensation shortfall, received during FYs 2020-21 and 2021-22, which are not to be repaid by the State from its sources.

Table 2.30 indicates that the State Government has to repay 41.56 per cent (₹30,945 crore) of its public debt (including approximate interest) within the next three years, 17.32 per cent (₹12,894 crore) between 3-5 years, 12.05 per cent (₹8,976 crore) between 5-7 years and 11.83 per cent (₹8,808 crore) between 7-10 years. Thus, the State has to repay 82.76 per cent of its debt (₹61,624 crore) in the next ten years.

Chart 2.21: Maturity Profile of Public Debt



Source: Calculated on the basis of Finance Accounts

* Excluding ₹10,252.20 crore, as back-to-back loans from GoI, in lieu of GST Compensation shortfall received during FY 2020-22, which are not to be repaid by the State from its sources.

Table 2.31 and Chart 2.22 show the year-wise repayment schedule, during the next ten years of the Public Debt outstanding, as on 31 March 2023.

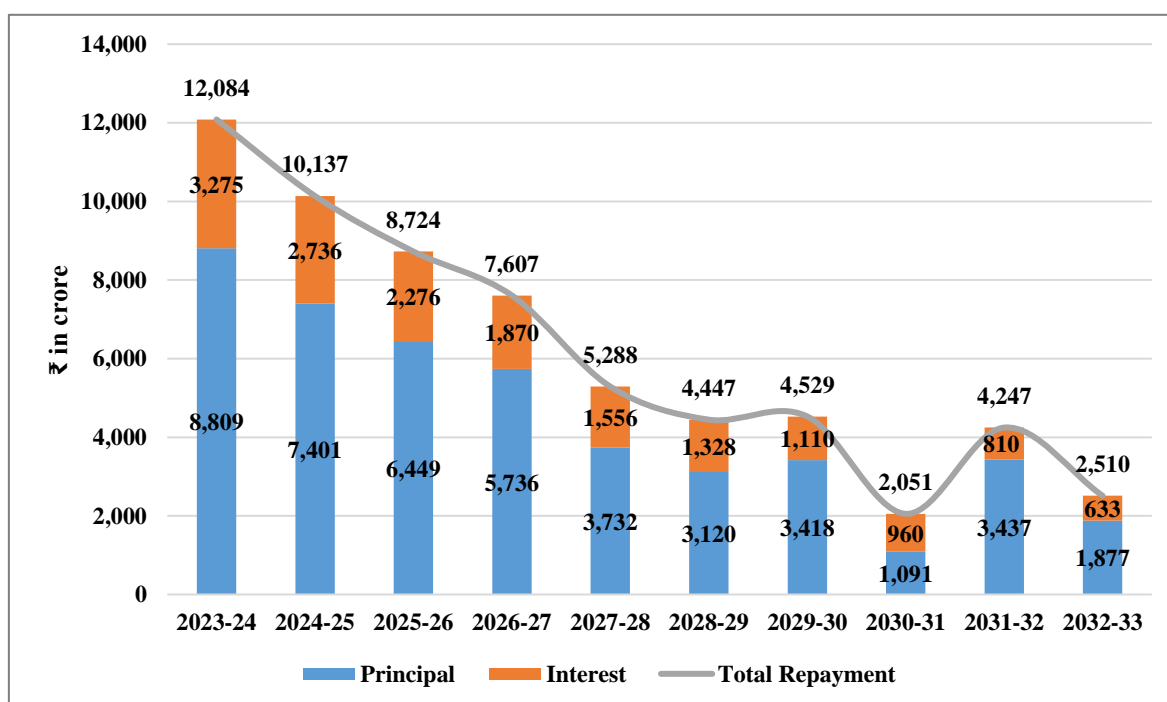
Table 2.31: Repayment Schedule of Public Debt (including interest) during the next 10 years i.e. up to FY 2032-33

Year	Repayment of		
	Public Debt	Interest [#]	Total
2023-24	8,809.41	3,275.01	12,084.42
2024-25	7,400.61	2,736.03	10,136.64
2025-26	6,448.66	2,275.54	8,724.20
2026-27	5,736.41	1,870.39	7,606.79
2027-28	3,732.02	1,555.56	5,287.59
2028-29	3,119.70	1,327.74	4,447.44
2029-30	3,418.47	1,110.35	4,528.82
2030-31	1,090.96	960.41	2,051.37
2031-32	3,436.85	809.86	4,246.71
2032-33	1,877.20	633.17	2,510.37
Total	45,070.28	16,554.06	61,624.34

Source: Calculated on the basis of Finance Accounts

Approximate interest calculated at the average interest rate of 6.65 per cent (average of interest rates for the last five years).

Chart 2.22: Repayment Schedule of Public Debt (including interest) during the next 10 years, i.e. up to FY 2032-33



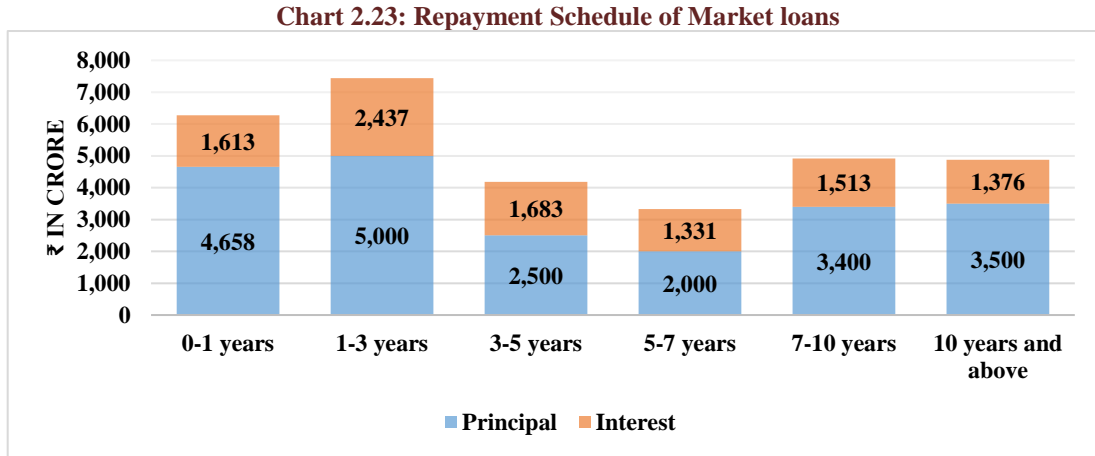
Source: For public Debt - Finance Accounts of Government of Odisha

Approximate interest calculated at average interest rate of 6.65 per cent (average of interest rates for the last five years).

It can be seen from **Table 2.31** and **Chart 2.22**, that the State Government has to bear a financial burden of ₹12,084 crore, ₹10,137 crore and ₹8,724 crore, towards servicing of debt, during FYs 2023-24, 2024-25 and 2025-26, respectively. Considering the future

financial constraints, owing to repayment of principal of ₹45,070 crore and repayment of interest of ₹16,554 crore in coming ten years, the State Government is required to maintain its Revenue Surplus, so that the Revenue Surplus is sufficient to service the debt.

The repayment schedule of market loans, along with interest, is given in **Chart 2.23**.



Source: Finance Accounts of Government of Odisha

Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2023 and interest has been calculated upto the financial year in which the loans are going to retire.

As on March 2023, market loans, amounting to ₹31,011 crore (Principal: ₹21,058 crore and Interest: ₹9,953 crore) along with interest, were due for repayment. The State will have to repay market loans of ₹17,891 crore (58 per cent) (₹12,158 crore as principal and ₹5,733 crore as interest), during the next five years, *i.e.* up to FY 2027-28. Market loans of ₹8,244 crore (27 per cent) (₹5,400 crore as principal and ₹2,844 crore as interest) will have to be repaid in the subsequent five years period, up to FY 2032-33.

2.7 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

- (A) Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in **Table 2.32** and **Chart 2.24**.

Table 2.32: Trends in Public Debt Sustainability Indicators

(₹ in crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt¹⁷	58,253	68,438	75,681	62,233	53,653
Rate of Growth of Outstanding Public Debt	11.62	17.48	10.58	-17.76	-13.79
GSDP	4,98,611	5,37,502	5,40,150	6,70,881	7,74,869
Rate of Growth of GSDP	13.22	7.80	0.49	24.20	15.50
Public Debt/GSDP	11.68	12.73	14.01	9.28	6.92
Public Debt Receipt	10,003	14,679	20,318	12,780	5,347
Debt Maturity for repayment of State Public Debt	3,940	4,494	9,252	19,798	13,927
Interest paid on Public Debt	3,986	4,226	4,748	4,479	3,641
Average interest Rate of Outstanding Public Debt ¹⁸ (per cent)	7.22	6.67	6.59	6.50	6.28
Revenue Surplus without interest payment	18,176	6,656	13,824	47,950	23,097
Revenue Surplus to interest payments	355.99	57.50	191.15	970.55	534.36
Revenue Receipts	99,546	1,01,568	1,04,387	1,53,059	1,50,462
Percentage of Interest payment to Revenue Receipts	4.00	4.16	4.55	2.93	2.42
Percentage of Debt Repayment to Debt Receipts	39.39	30.62	45.54	154.91	260.46
Net Debt available to the State ¹⁹	2,077	5,959	6,318	-11,497	-12,221
Net Debt available as per cent of Debt Receipts	20.76	40.60	31.10	-89.96	-228.56
Interest Spread ²⁰	6.00	1.13	-6.10	17.70	9.22
Quantum Spread ²¹	3,495	773	-4,616	11,015	4,947
Primary Deficit (-)/Surplus (+)	-4,357	-12,756	-3,142	26,967	-9,717
Debt Stabilisation (Quantum spread + Primary Deficit)	-862	-11,983	-7,758	37,982	-4,770

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

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. During FYs 2020-21, 2021-22 and 2022-23, it excluded ₹3,822 crore, ₹10,252 crore and ₹10,252 crore, respectively, as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

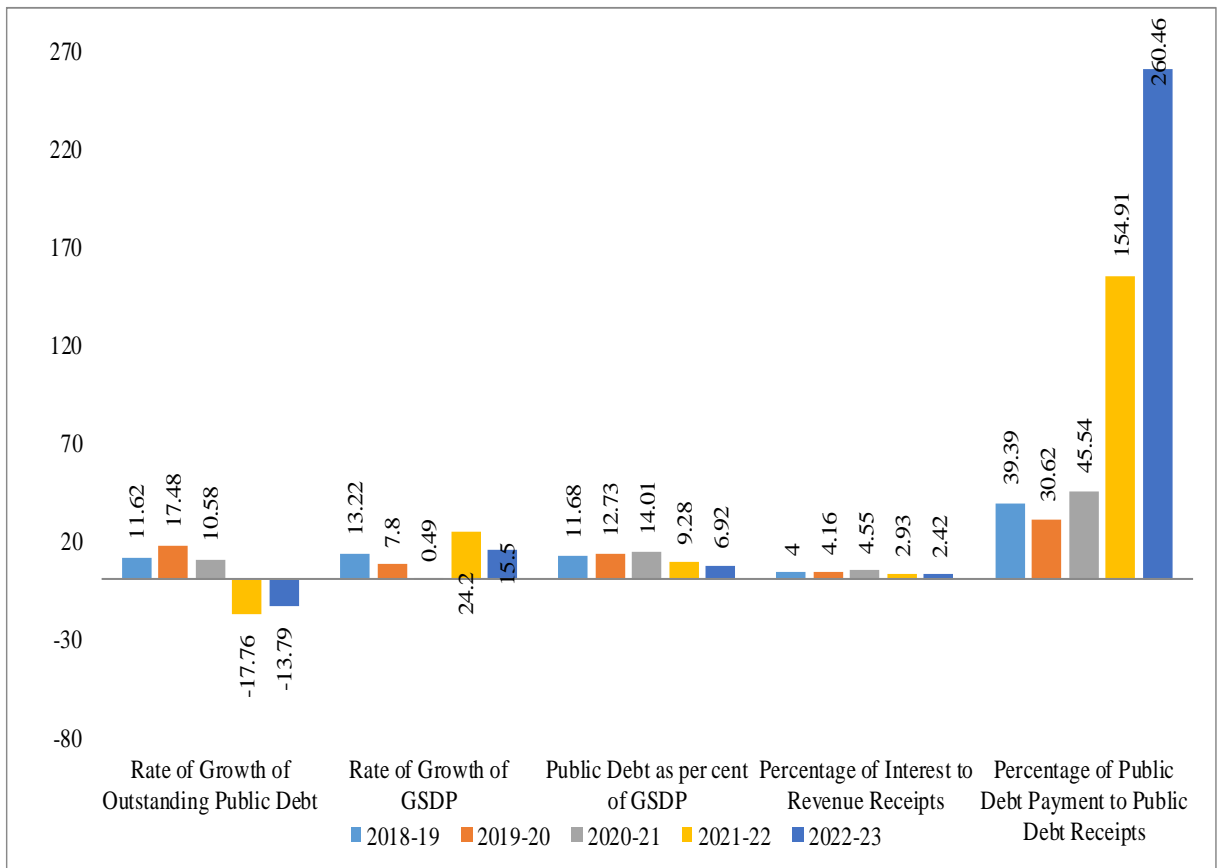
¹⁸ Average interest rate = Interest paid / (OB of Public Debt + CB of Public Debt)/2

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 Interest spread with reference to Debt Sustainability Analysis of the State is the difference between the rate of growth of GSDP and average interest rate of outstanding Public Debt. It is a key determinant of an institution's profitability. The greater the spread, the more profitable the Government is likely to be

²¹ Quantum Spread = Outstanding Public Debt X Interest Spread/100

Chart 2.24: Trends in Debt Sustainability Indicators



Source: Finance Accounts for FY 2022-23

Note: During FYs 2020-21, 2021-22 and 2022-23, debt excluded ₹3,822 crore, ₹10,252 crore and ₹10,252 crore respectively, as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

- A falling debt-GSDP ratio can be considered as leading towards stability. The Debt-GSDP ratio rose from 11.68 per cent in FY 2018-19 to 14.01 per cent in FY 2020-21. In FY 2021-22, however, it went down marginally to 9.28 per cent, further it went down to 7 per cent in FY 2022-23, which is considered as leading towards stability.
- The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 2.42 per cent and 4.55 per cent during the period from FYs 2018-19 to 2022-23, which indicates that the debt was stable.
- Net debt available as a percentage of debt receipts during FYs 2018-19 to 2020-21 ranged between 20.76 per cent and 40.60 per cent, which indicates that the borrowed funds had been utilised productively. Further, during FYs 2021-22 and 2022-23, public debt repayments to public debt receipts were negative, this, coupled with higher revenue surplus during these years, indicated that GoO was clearing its debt.

(B) An analysis on debt sustainability was carried out based on a study by E.D. Domar²² [Domar, 1944]. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GSDP.

The dynamics of public debt, depending on the interest rate, growth rate of GSDP and the primary budget balance, are as follows;

PB	PB (Primary Balance) <0	PB (Primary Balance) >=0
g-r		
If g-r>0 (strong economic growth)	Real economic growth exceeds real interest rate provided that the PD registered is stable and consistent with debt/GSDP then the debt is sustainable.	Real economic growth exceeds real interest rate and records PS then debt/GSDP ratio shall decrease and debt tends towards stable level therefore sustainable.
If g-r<0 (slow economic growth)	Real economic growth is lower than real interest rate and records PD. Then debt tends to increase without limitations and becomes unsustainable.	Real economic growth is lower than real interest rate and records PS. Then debt is no longer sustainable provided that it is not decreased in the medium or long run.

g: Real Economic growth rate
r: Real Interest rate
PB: Primary Balance
PB<0: Primary Deficit, PB>0: Primary Surplus

The results of applying the above parameters, in the case of Odisha, are shown in Table 2.33.

Table 2.33: Debt sustainability analysis based on Domar Model

Year	Real growth (g)	Real Interest (r)	g-r (Domar gap)	Primary Deficit (-) / Surplus (+) (in crore) (PB)	Remarks
2018-19	7.09	5.99	1.1	-4,357	As g-r > 0 and PB<0; Real economic growth exceeds real interest rate and Public debt is decreasing and within debt/GSDP ratio. The debt is sustainable.
2019-20	2.79	0.44	2.35	-12,756	
2020-21	-2.11	0.62	-2.73	-3,142	As g-r <0 and PB<0; Real economic growth is lower than real interest rate and records Primary Deficit. The debt tends to increase without limitations and become unsustainable.
2021-22	11.26	-0.87	12.13	26,967	As g-r > 0 and PB>0; Real economic growth exceeds real interest rate and records Primary Surplus. The debt/GSDP ratio shall decrease and debt tends

²² Domar model does not take into account the maturity profile, composition, cost and risk characteristics of debt stock.

Year	Real growth (g)	Real Interest (r)	g-r (Domar gap)	Primary Deficit (-) / Surplus (+) (in crore) (PB)	Remarks
					towards stable level, therefore sustainable.
2022-23	7.14	2.16	4.98	-9,717	As $g-r > 0$ and $PB < 0$; Real economic growth exceeds real interest rate and Public debt is decreasing and within debt/GSDP ratio. The debt is sustainable.

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

Note: Real growth rate calculated for GSDP at constant prices.
Real interest rate is the nominal interest rate adjusted for inflation.

In the last five financial years (*i.e.* FYs 2018-19 to 2022-23), the State had a primary deficit, except for the year 2021-22. However, the Domar gap remained positive, except in FY 2020-21, showing that the Public Debt as percentage of GSDP is sustainable. However, during FY 2020-21, the Domar gap had turned negative, due to negative growth of GSDP, owing to COVID-19. During 2021-22, real growth was highest (11.26 per cent) due to low base of 2020-21 (COVID year), resulting in significant positive Domar Gap (12.13 per cent).

(C) Details of the achievements (A) *vis-à-vis* targets (T) set in the FCR, are shown below:

Table 2.34: Achievements *vis-à-vis* targets set in the FCR

Fiscal Parameters		Achievement <i>vis-à-vis</i> targets set in the FCR				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Surplus (+) (₹ in crore)	T	≥0	≥0	≥0	≥0	≥0
	A	14,190	2,430	9,076	43,471	19,456
Ratio of Fiscal Deficit (-)/ Surplus (+) to GSDP (in per cent)	T	(-)3.00	(-)3.00	(-)5.00	(-)3.00	(-)3.00
	A	-2.04	-3.50	-1.81	3.07	-1.96
Ratio of total outstanding liability to GSDP (in per cent)	T	25.00	25.00	25.00	25.00	25.00
	A	21.71	23.46	22.02	16.37	13.12
Interest as percentage of Revenue Receipts	T	15.00	15.00	15.00	15.00	15.00
	A	5.83	5.97	6.36	4.14	3.66

(T- Target and A- Actuals)

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

During the last five years (FYs 2018-19 to 2022-23), Government of Odisha achieved all the fiscal targets set by the Finance Commission and FRBM Act. The outstanding liability-GSDP ratio had gradually decreased since FY 2019-20 (23.46 per cent) to 2022-23 (13.12 per cent). Further, the State had consistently maintained a Revenue Surplus, as set out in the FRBM Act and the Fiscal Deficit had been within the targets.

2.7.1 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. The Finance Department, Government of Odisha, instructed (November 2002) that the total outstanding guarantee, as on 1st April of 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 FYs 2018-19 to 2022-23, are shown in **Table 2.35**.

The outstanding guarantees (₹ 6,160 crore), at the beginning of FY 2022-23, stood at 7.57 *per cent* of the total Revenue Receipts, less grants-in-aid of the second preceding year²³ (₹81,319 crore) and were within the ceiling (100 *per cent*) laid down in the said resolution.

Table 2.35: Guarantees given by the Government

Guarantees	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	59,217	67,584	79,948	77,416	81,319
Outstanding guarantees at the beginning of the year	1,711	4,170	3,532	7,086	6,160
Outstanding guarantees at the end of the year	4,170	3,532	7,086	6,160	5,111

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 2022-23, GoO had extended guarantee of ₹6.40 crore to Co-operative Sugar Mills. On the other hand, guarantees amounting to ₹1,054.98 crore (GRIDCO: ₹991.00 crore, Marketing Co-operatives: ₹30.00 crore, Co-operative Sugar Mills: ₹15.00 crore, Mahila Vikash Nigam: ₹1.84 crore, OBC Finance & Development Corporation Limited: ₹8.77 crore and Odisha State Finance Development Corporation (SC): ₹8.37 crore) had been withdrawn and no guarantees were invoked during the year. Out of the total outstanding loans guaranteed by the Government (₹5,111 crore), 99.23 *per cent* (₹5,071.58 crore) pertained to the 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 the Finance Accounts, the State received Guarantee Commission of ₹48.31 crore, during 2022-23. The cumulative guarantee commission, received as on 31 March 2023, was ₹421.71 crore, as against the receivable amount of ₹467.94 crore. The

²³ Second preceding year is FY 2020-21: Revenue Receipts (₹1,04,387 crore) of FY 2020-21 minus Grants-in-aid (₹23,068 crore) equals ₹81,319 crore.

balance guarantee commission of ₹46.23 crore was yet to be received.

2.7.2 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/ Special Drawing Facility (SDF)/ Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

State Governments invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The cash balances in the earmarked reserve funds, such as State Disaster Response Fund, Consolidated Sinking Fund, Guarantee Redemption Fund, State Compensatory Afforestation Fund, *etc.* are also invested in these instruments. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

It is not desirable that the State Government takes recourse to market loans, despite having large cash balance, leading to further accretion to cash balance, without putting the available cash balance to productive use. Details of cash balances, and their investment during FYs 2021-22 and 2022-23, are given in **Table 2.36**.

Table 2.36: Cash Balance and Investment of Cash Balance

	(₹ in crore)	
	Closing balance on 31/3/2022	Closing balance on 31/3/2023
(a) General Cash Balance -		
Cash in Treasuries	--	--
Deposits with Reserve Bank	44.64	(-)1.09
Deposits with other Banks	--	--
Remittances in transit - Local	--	--
Investments held in Cash Balance investment account	32,701.46	9,529.43
Total (a)	32,746.10	9,528.34
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	20.40	22.52
Permanent advances for contingent expenditure with departmental officers	0.34	0.34
Investment in earmarked funds (Consolidated Sinking Fund- ₹15,914.20 crore, Guarantee Redemption Fund- ₹1,788.60 crore, Odisha Budget Stabilisation Fund- ₹13,632.52 crore, State Compensatory Afforestation Fund ₹ 3,670.68 crore and State Disaster Response Fund ₹883.02 crore, as on 31 March 2023)	18,464.21	35,889.02

	Closing balance on 31/3/2022	Closing balance on 31/3/2023
Total (b)	18,484.95	35,911.88
Grand total (a)+ (b)	51,231.05	45,440.22
Interest realised	2,069.52	2,845.29

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

The closing cash balance, at the end of the current year (₹45,440.22 crore), decreased by ₹5,790.83 crore over the previous year (₹51,231.05 crore). The cash balance included investment of ₹35,889.02 crore from earmarked funds. During FY 2022-23, the State Government maintained the minimum cash balance of ₹1.28 crore throughout the year.

Balances in Reserve funds are either held in cash or are required to be invested in various securities stipulated in the respective fund guidelines. Investments of Consolidated Sinking Fund of ₹15,914.20 crore, Guarantee Redemption Fund of ₹1,788.60 crore, Odisha Budget Stabilisation Fund of ₹13,632.52 crore, State Compensatory Afforestation Fund of ₹3,670.68 crore and State Disaster Response Fund of ₹883.02 crore, were made as on 31 March 2023. On investment of Earmarked Funds, interest amounting to ₹1,485.95 crore (CSF: ₹1,232.51 crore, GRF: ₹142.19 crore, SCAF: ₹56.67 crore, SDRF: ₹44.39 crore and SDMF: ₹10.19 crore), was credited in the respective funds.

Other than the Earmarked Funds, the Government invested surplus general cash balances throughout the year, in GoI Stock and GoI Treasury Bills. As of 31 March 2023, an amount of ₹9,529.43 crore remained invested in GoI Treasury Bills (TB) and GoI Stocks (GoI Stocks: ₹103.02 crore, 14 days TB: ₹7,644.13 crore and 364 days TB: ₹1,782.28 crore). On these investments, the Government earned an interest of ₹1,359.34 crore, during FY 2022-23.

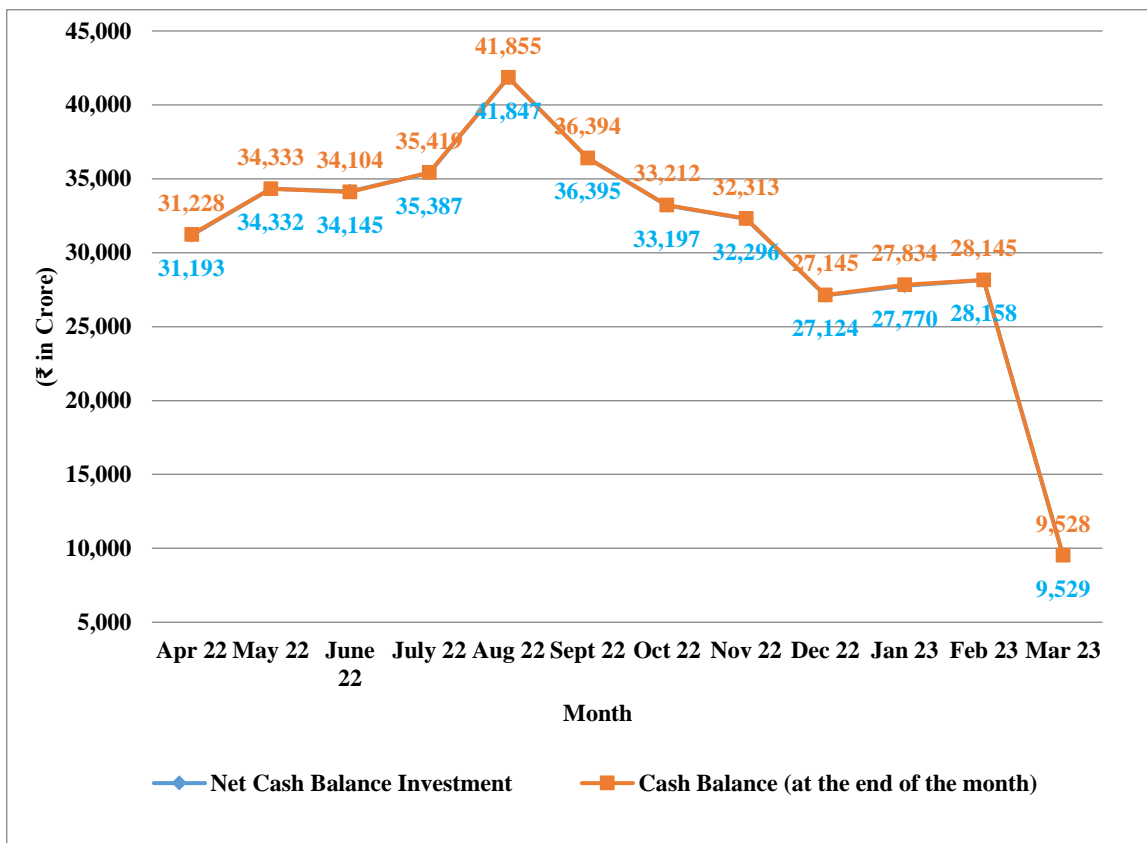
Details of Cash Balance Investment Account during the last five years, and month-wise movement of cash balance and net cash balance investments at the end of the month, during FY 2022-23, are depicted in **Table 2.37** and **Chart 2.25**, respectively.

Table 2.37: Cash Balance Investment Account (Major Head 8673)

Year	Opening Balance	Closing Balance	(₹ in crore)	
			Increase (+) / Decrease (-)	Interest earned
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
2021-22	14,351.36	32,701.46	(+)18,350.10	508.08
2022-23	32,701.46	9,529.43	(-)23,172.03	1,359.34

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

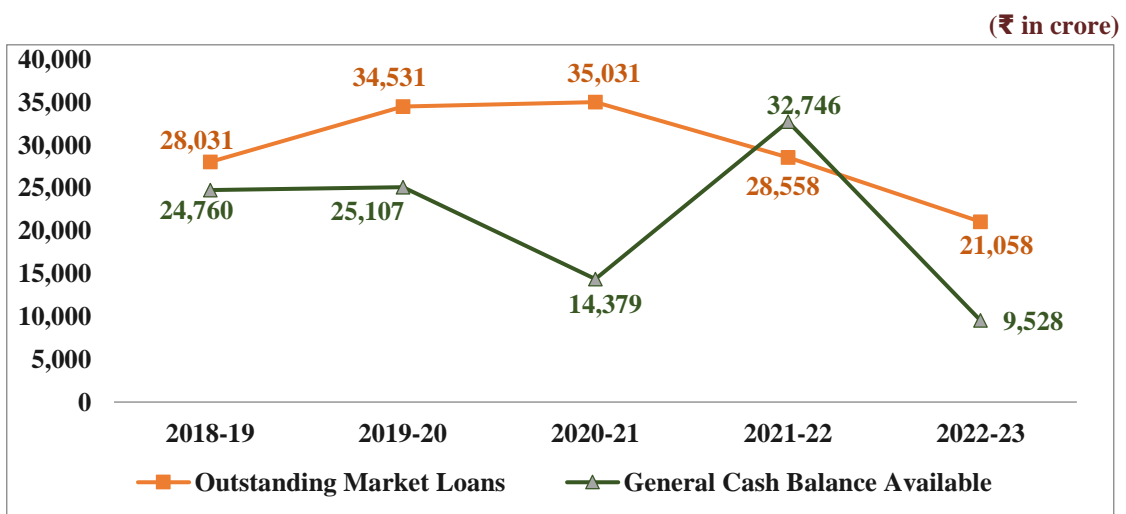
Chart 2.25: Month wise movement of Cash Balances and net cash balance investments during the year



Source: Monthly Civil Accounts, Government of Odisha

Details of market loans vis-à-vis cash balances, during the last five years, are depicted in Chart 2.26.

Chart 2.26: Market Loans vis-à-vis Cash



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

During FY 2022-23, the State Government maintained huge cash balance (minimum ₹9,528 crore) throughout the year. On investment of general cash balance of ₹9,528 crore, interest of ₹1,359.34 crore (4.39²⁴ per cent) was earned, whereas the State Government paid average rate of interest of 8.21²⁵ per cent on market borrowings, during FY 2022-23.

2.8 Salient features

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. Comparison of key parameters of State Finances, during FY 2022-23, with that of the previous year *i.e.* FY 2021-22, is summarised in **Table 2.38**.

Table 2.38: Cash Balance Investment Account (Major Head 8673)

(₹ in crore)

Positive Indicators	Parameters requiring close watch
↑ Increase in Revenue Expenditure on Social Services by 10.96 per cent.	↓ Decrease in Non-Tax Revenue 21.26 per cent.
↑ Increase in Capital Expenditure by 46.75 per cent.	↑ Increase in Revenue Expenditure 19.54 per cent.
↑ Decrease in outstanding Public Debt 13.79 per cent.	
↑ Fiscal Parameters (except Primary Deficit) within the ceiling fixed in the FRBM Act.	
↑ Committed Expenditure as percentage of Revenue Receipts 33.25 per cent.	

2.9 Conclusions

The State passed the FRBM Act, 2005, to ensure prudence in fiscal management and fiscal stability by reducing revenue deficit to nil, within a period of five financial years beginning from FY 2004-05. GoO achieved revenue surplus during FY 2004-05, and has been persistently maintaining revenue surplus, since then. The revenue surplus during FY 2022-23 was ₹19,456 crore.

Fiscal deficit of the State was ₹15,219 crore, during FY 2022-23, which was 1.96 per cent of the GSDP and within the target fixed by State FRBM Act.

The primary deficit of the State was ₹ 9,717 crore during FY 2022-23, which was 1.25 per cent of the GSDP, that exceeded the target (Primary Surplus: 2 per cent of GSDP) fixed in State FRBM Act.

The State incurred 38.06 per cent of the total revenue expenditure on committed liabilities, like salaries and wages, pensions, interest payments, leaving 61.94 per cent for priority sector expenditure, which was a good indicator.

²⁴ Interest receipts (₹1,359.34 crore) on cash balance investment as a percentage of the monthly average (sum of 12 months closing cash investment divided by 12) of cash balance investment in MH 8673.

²⁵ Interest paid on market loan as percentage of average ((O.B + C.B.)/2) market loan during the year.

Revenue receipts decreased by ₹ 2,597 crore (1.70 *per cent*) during the current year over the previous year, whereas, Revenue Expenditure grew by ₹21,418.60 crore (19.54 *per cent*). Further, State's non tax revenue decreased by ₹11,537.27 crore (21.26 *per cent*) over the previous year.

GoO constituted "Budget Stabilisation Fund (BSF)" to set aside surplus revenue as Budget Reserve, for times of unexpected revenue shortfall or budget deficit. The fund was created in the Public Account of the State under Reserve Fund not bearing interest, with an amount of ₹13,700 crore. Amount invested in GoI Treasury Bills, as on 31 March 2023, after paying premium of ₹67.48 crore, was ₹13,632.52 crore.

During FY 2022-23, the State Government had booked ₹33,349.41 crore as Capital Expenditure, which was 20.03 *per cent* of total expenditure. Audit noticed that, out of the amount of ₹33,349.41 crore, expenditure of ₹2,652.21 crore of revenue nature, had been booked as Capital Expenditure.

Total outstanding liabilities including public debt and public account liabilities, were 13.12 *per cent* of GSDP. The total liabilities decreased by 7.45 *per cent* over the previous year. During the year, outgo in lieu of interest payment was equal to 4.20 *per cent* of revenue expenditure and 3.66 *per cent* of revenue receipts.

Due to non-investment of Reserve Fund, GoO had to bear interest liabilities of ₹300.12 crore during FY 2022-23, which have not been transferred to concerned Reserve Funds.

During FY 2022-23, GoO received ₹168.50 crore as grants from GoI towards SDMF and the State Government share was ₹56.10 crore. However, GoO did not transfer ₹224.60 crore to the SDMF during the year.

The closing cash balance of GoO at the end of FY 2022-23 was ₹45,440.22 crore (General cash balance: ₹9,528.34 crore, earmarked funds: ₹35,889.02 crore and cash with departmental officers: ₹22.86 crore) decreased by ₹5,790.83 crore over the previous year (₹51,231.05 crore).

2.10 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 and fiscal surplus reflect the correct position of its finances.
- 2) Government should focus to achieve Primary Surplus of 2 *per cent* of GSDP, as laid down in the FRBM Act.
- 3) Government should take necessary steps to transfer the untransferred amount of Labour Cess, from the Major Head 0230 - Labour and Employment, amounting to ₹16.40 crore, to Board's account.

