

## 1.1 Profile of Odisha

Odisha, a state on the eastern coast of India, is divided into 30 administrative geographical districts. It is the eighth largest State of India in terms of geographical area (1,55,707 sq. km) having 4.87 *per cent* of the total area of the nation. According to the 2011 census of India, the total population of Odisha is 4.20 crore (11<sup>th</sup> largest State), of which 2.12 crore (50.48 *per cent*) are male and 2.08 crore (49.52 *per cent*) are female. The percentage of population below the poverty line is 32.59 *per cent*, which is higher than the national average of 21.92 *per cent*. The State's literacy rate is 72.90 *per cent*. A brief profile of the State is given in *Appendix 1.1*.

### 1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Changes in the sectoral contribution to the GSDP are important for understanding the changing structure of the economy. Economic activity is generally divided into the Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Services sectors.

Gross Value Added (GVA) is however, considered to be a more accurate indicator of economic growth as compared to GDP, as it ignores the impact of taxes and subsidies. From a policymaker's perspective, it is, therefore, vital to have a comparison of the GVA and Gross State Value Added (GSVA) data, for better analysis and focused policy interventions.

Trends of GSDP and GSVA compared to GDP and GVA, respectively, are shown in **Table 1.1**.

**Table 1.1: Trends in GSDP and GSVA, compared to the GDP and GVA  
(at current prices)**

Year	2019-20	2020-21	2021-22	2022-23	2023-24
<b>INDIA</b>					
GDP (2011-12 Series) (₹ in crore)	2,01,03,593	1,98,54,096	2,35,97,399	2,69,49,646	2,95,35,667
GVA (₹ in crore)	1,83,81,117	1,82,10,997	2,16,35,584	2,46,59,041	2,67,62,147
Growth rate of GDP over previous year (in <i>per cent</i> )	6.37	-1.24	18.85	14.21	9.60
Growth rate of GVA over previous year (in <i>per cent</i> )	7.02	-0.93	18.81	13.97	8.53
Per Capita GDP (in ₹)	1,49,915	1,46,480	1,72,422	1,94,879	2,11,725

Year	2019-20	2020-21	2021-22	2022-23	2023-24
<b>ODISHA</b>					
GSDP (2011-12 Series) (₹ in crore)	5,37,502	5,40,185	6,97,013	7,59,560	8,53,524
GSVA (₹ in crore)	4,74,482	4,80,842	6,18,522	6,76,899	7,59,729
Growth rate of GSDP over previous year (in per cent)	7.80	0.50	29.03	8.97	12.37
Growth rate of GSVA over previous year (in per cent)	5.94	1.34	28.63	9.44	12.24
Per Capita GSDP (in ₹)	1,18,903	1,18,586	1,51,971	1,64,564	1,83,767

Source: Ministry of Statistics and Programme Implementation, Government of India

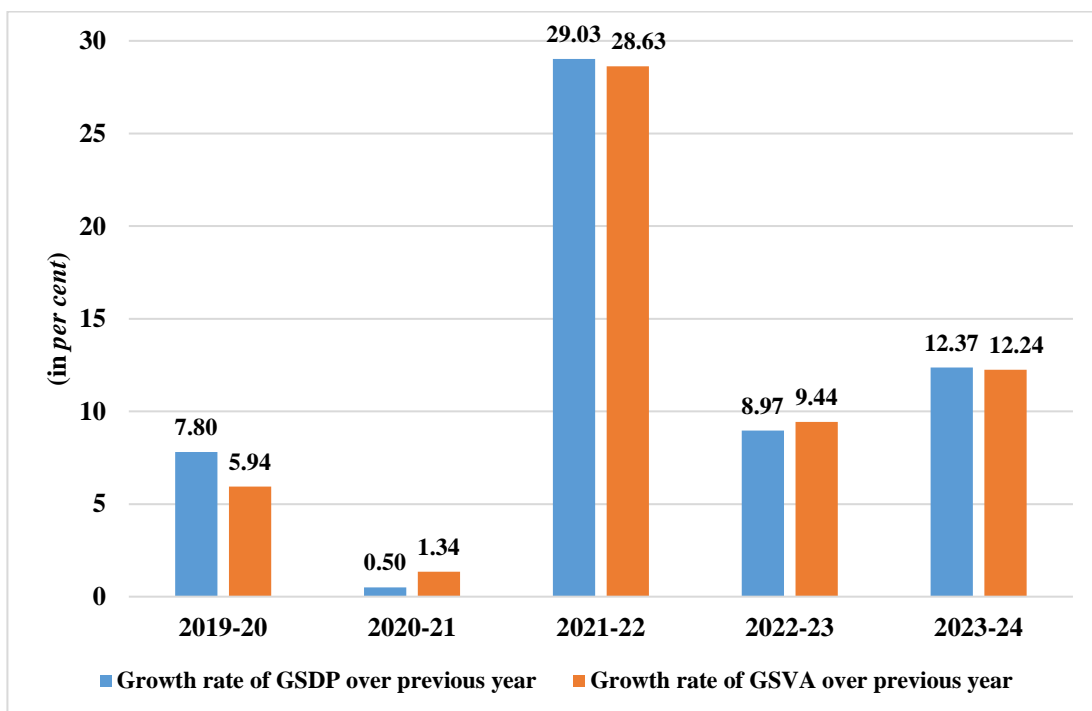
(For GSDP: 2021-22: Provisional Estimates, 2022-23: Quick Estimates, 2023-24: Advance Estimates)

(For GDP: 2022-23: First Revised, 2023-24: Provisional Estimates)

Thus, the GSDP in FY 2023-24, at current prices, was ₹8,53,524 crore and the GDP, in FY 2023-24, at current prices, was ₹ 2,95,35,667 crore. GSDP (at current prices) grew at a Compounded Annual Growth Rate<sup>1</sup> (CAGR) of 12.26 per cent from ₹5,37,502 crore in FY 2019-20 to ₹8,53,524 crore in FY 2023-24. Further, the per capita GSDP of the State, for FY 2023-24, was lower by ₹ 27,958 (13.20 per cent) as compared to the per capita GDP of the country.

The trends of GSDP and GSVA, for the period from FYs 2019-20 to 2023-24, are indicated in **Chart 1.1**.

**Chart 1.1: Growth rate of GSDP vs growth rate of GSVA (FYs 2019-20 to 2023-24)**

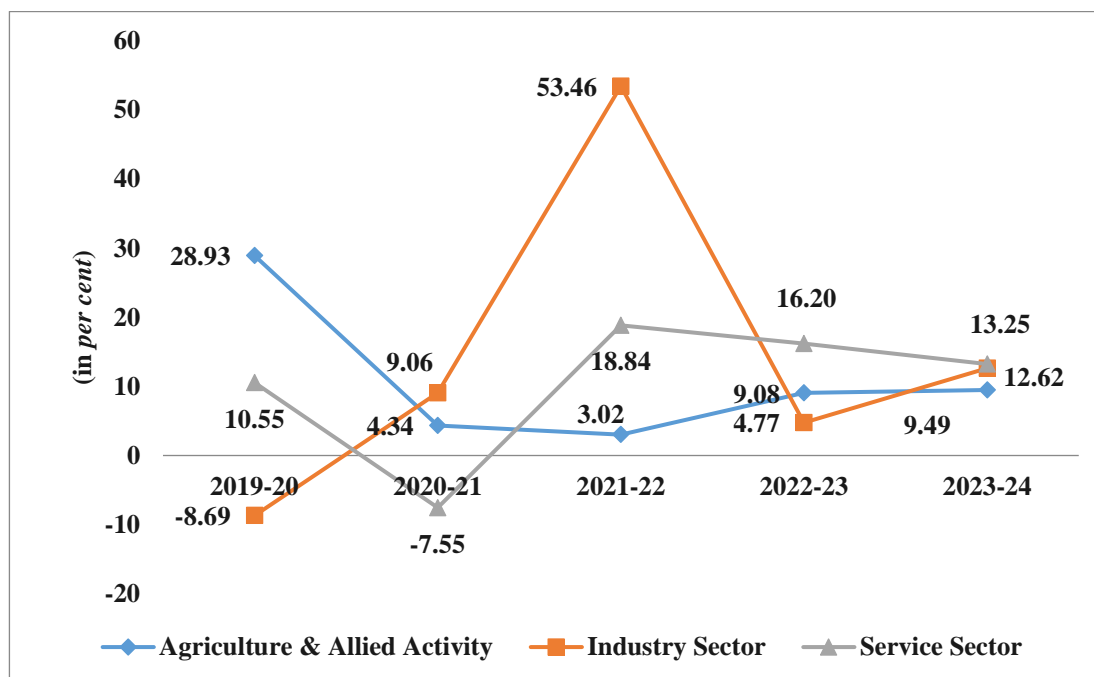


Source: Ministry of Statistics and Programme Implementation, GoI

<sup>1</sup> Compounded Annual Growth Rate =  $[(\text{Ending Value}/\text{Beginning Value})^{(1/\text{Number of Years})} - 1] \times 100 = [(\text{₹}8,53,524 \text{ crore} / \text{₹}5,37,502 \text{ crore})^{(1/4)} - 1] \times 100 = 12.26 \text{ per cent.}$

The sectoral growth in GSDP during the last five years is depicted in **Chart 1.2**.

**Chart 1.2: Sectoral growth in GSDP**



Source: Ministry of Statistics and Programme Implementation, GoI

**Chart 1.2** shows that, during FY 2023-24, the service sector grew at 13.25 per cent, followed by the Industry Sector at 12.62 per cent and the Agriculture sector at 9.49 per cent. The industry sector demonstrated a significant improvement, accelerating from 4.77 per cent in the previous year to 12.62 per cent in 2023-24, primarily driven by increased activities in manufacturing, mining and quarrying. However, the growth rate of the services sector at 13.25 per cent was lower than the previous year's robust growth of 16.20 per cent. This deceleration may be attributed to subdued performance in key economic activities such as transport and financial services.

## 1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG), relating to the Accounts of a State, are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article *ibid* of the Constitution of India.

Principal Accountant General (Accounts and Entitlements), Odisha, compiles and prepares the Finance Accounts and Appropriation Accounts of the State, annually, from the vouchers, challans and initial and subsidiary accounts, rendered by the treasuries, offices and departments, responsible for keeping of such accounts, functioning under the control of the State Government and the statements received from the Reserve Bank of India. These Accounts are audited independently, by the Office of the Principal Accountant General (Audit-I), Odisha.

The Finance Accounts and Appropriation Accounts of the State, constitute the core data for this Report. Other sources include the following:

- Budget of the State, for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures.
- Results of audit, carried out by the Office of the Principal Accountant General (Audit -I)
- Other data with the Departmental Authorities and Treasuries (accounting as well as MIS)
- GSDP data and other State related statistics and
- Various Audit Reports of the CAG of India.

The analysis has also been carried out in the context of the recommendations of the Fourteenth and Fifteenth Finance Commissions (14<sup>th</sup> and 15<sup>th</sup> FCs); the Odisha Fiscal Responsibility and Budget Management (FRBM) (Amendment) Act, 2022; and best practices and guidelines of the Government of India (GoI). An Entry Conference was held on 07 August 2024, with the Principal Secretary to Government of Odisha, Finance Department, wherein the audit approach followed in the preparation of SFAR was explained. Audit findings were discussed with the Principal Secretary, Finance Department on 15 October 2024 and the responses of the Government have been incorporated in the Report appropriately.

### 1.3 Overview of the Government Accounts Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

#### I. Consolidated Fund of the State (Article 266 (1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from Central Government, loans from financial institutions, special securities issued to National Small Savings Fund *etc.*), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund, except in accordance with the law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.* salaries of Constitutional authorities, loan repayments *etc.*) constitute a charge on the Consolidated Fund of the State (Charged Expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

#### II. Contingency Fund of the State (Article 267 (2) of the Constitution of India)

This Fund is in the nature of an Imprest, which is established by the State Legislature by law, and is placed at the disposal of the Governor, to enable advances to be made for meeting unforeseen expenditure, pending authorisation of such expenditure by the

State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head, relating to the Consolidated Fund of the State.

### III. Public Account of the State (Article 266 (2) of the Constitution of India)

Apart from the above, all other moneys, received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account.

The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to vote by the Legislature.

### Budget Document

Article 202 of the Constitution of India requires that a statement of the estimated receipts and expenditures of the Government, for every financial year, to be placed before the House of the Legislature of the State. This 'Annual Financial Statement' constitutes the main budget document. Further, Article 112(2) of the Constitution of India requires that the budget must distinguish expenditure on the revenue account from other expenditure.

**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.

**Revenue expenditure** consists of all expenditures of the Government, which do not result in the creation of physical or financial assets. It relates to expenses incurred for the normal functioning of government departments and various services, interest payments on debt incurred by the Government and Grants-in-Aid given to various institutions (even though some of the grants may be meant for creation of assets).

**Capital receipts** consist of:

- **Debt receipts:** Market loans, bonds, loans from financial institutions, loans and advances from Central Government *etc.*; and
- **Non-debt receipts:** Proceeds from disinvestment, recoveries of loans and advances *etc.*

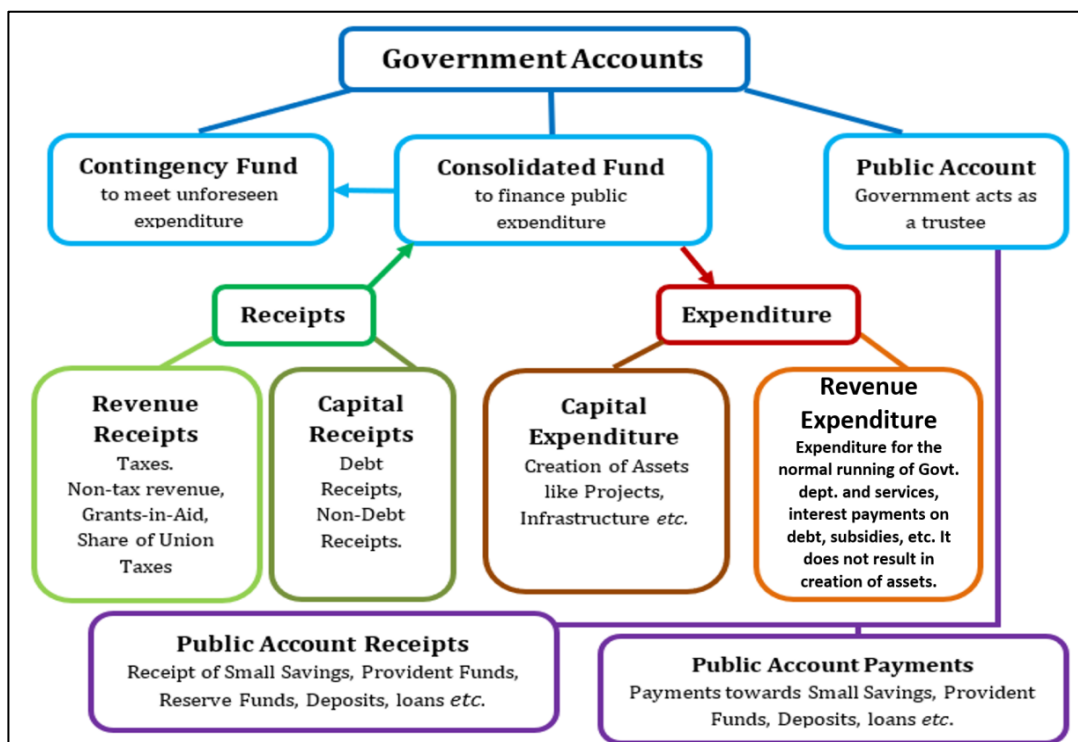
**Capital expenditure** includes expenditure on the acquisition of land, building, machinery, equipment and investment by Government in shares of Public Sector Undertakings (PSUs).

The extant accounting classification system in Government is based on both the functional, as well as economic characteristics of the expenditure.

	Attribute of transaction	Classification
Standardised in the List of Major and Minor Heads of Account by CGA	Function (Education, Health, <i>etc.</i> / Department)	Major Head under Grants (4-digit)
	Sub-Function	Sub-Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature / Activity	Object Head (salary, minor works <i>etc.</i> ) (2-digit)

The functional classification indicates the department, function, scheme or programme and object of the expenditure. The economic classification helps organise these payments as revenue, capital, debt *etc.*, and is achieved by the numbering logic, embedded in the first digit of the 4-digit Major Heads. For instance, 0 and 1 are for revenue receipts, 2 and 3 for revenue expenditure *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while the “salary” object head is revenue expenditure, the “construction” object head is capital expenditure. The Object head is the primary unit of appropriation in the budget documents. The structure of Government Accounts is indicated in **Appendix 1.2** and **Chart 1.3**.

**Chart 1.3: Structure of Government Accounts**



Source: Finance Accounts

**Public Debt and Public Liability:**

In this Report, ‘Public Debt’ has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loans given by Central Government *etc.* For this purpose, the major heads 6003 and 6004 – Public Debt, have been taken into consideration.

Further, transactions relating to ‘Small Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposit and Advances’, under the Public Account, are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. Transactions relating to ‘Remittances’ and ‘Suspense’, under the Public Account, relate to adjusting heads, and include transactions, such as remittances of cash between treasuries and currency chests, as well as transfers between different accounting circles.

In this Report, ‘Public Liability’ has been taken to include transactions under the major heads 8001 to 8554, relating to ‘Small Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposit and Advances’ along with transactions under the major heads 6003 and 6004.

### Budgetary Process

In terms of Article 202 of the Constitution of India, the Governor of the State, causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and, after approval of these, the Appropriation Bill is passed by the Legislature, under Article 204, to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Child Budget, Agriculture Budget, Weaker sections (SC/ST) Budget, Disability Budget *etc.*

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of the audit scrutiny of the budget and implementation of other budgetary initiatives of the State Government, are detailed in **Chapter III** of this Report.

### 1.3.1 Snapshot of Finances

**Table 1.2** shows the details of actual financial results for the years 2022-23 and 2023-24, *vis-à-vis* the Budget Estimates (BE) and GSDP for the year 2023-24.

**Table 1.2: Snapshot of Finances**

Sl. No.	Components	2022-23 Actual	2023-24		Percentage of Actual to	
			B.E.	Actual	B.E.	GSDP
1	Tax Revenue (including central tax transfers)	89,543	99,251	1,05,571	106.37	12.37
i.	Own Tax Revenue	46,554	53,000	54,427	102.69	6.38
ii.	Share of Union taxes / duties	42,989	46,251	51,144	110.58	5.99
2	Non-Tax Revenue	42,720	52,500	53,011	100.97	6.21
3	Grants-in-Aid and Contributions	18,199	32,749	21,011	64.16	2.46
<b>4</b>	<b>Revenue Receipts (1+2+3)</b>	<b>1,50,462</b>	<b>1,84,500</b>	<b>1,79,593</b>	97.34	21.04
5	Recovery of Loans and Advances	832	870	559	64.25	0.07
6	Other Receipts	0.00	0.00	0.00	0.00	0.00
7	Borrowings and other Liabilities*	15,219	25,844	14,743	57.05	1.73

Sl. No.	Components	2022-23	2023-24	2023-24	Percentage of Actual to B.E.	Percentage of Actual to GSDP
		Actual	B.E.	Actual		
8	Capital Receipts (5+6+7)	16,051	26,714	15,302	57.28	1.79
9	Total Receipts (4+8)	1,66,513	2,11,214	1,94,895	92.27	22.83
10	Revenue Expenditure	1,31,006	1,57,761	1,48,832	94.34	17.44
11	Interest payments	5,502	7,241	5,181	71.55	0.61
12	Capital Expenditure	33,349	50,813	43,273	85.16	5.07
13	Loan and Advances	2,158	2,640	2,790	105.68	0.33
14	Total Expenditure (10+12+13)	1,66,513	2,11,214	1,94,895	92.27	22.83
15	Revenue Surplus/Deficit (4-10)	19,456	26,739	30,761	115.04	3.60
16	Fiscal Deficit (-)/Surplus (+) {(4+5+6)-14}	(-) 15,219	(-) 25,844	(-) 14,743	57.05	(-)1.73
17	Primary Deficit (-)/ Surplus (+) (16+11)	(-) 9,717	(-) 18,603	(-) 9,562	51.40	(-)1.12

Source: Finance Accounts & Budget at a Glance

\* Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

Thus, during the year 2023-24, the revenue receipts of the State increased by 19.36 per cent over the previous year but fell short of ₹4,907 crore (2.66 per cent) as compared to the budget estimates. The recovery of loans and advances was ₹273 crore less than the previous year (₹832 crore) and fell short of ₹311 crore as compared to the budget estimates. The Revenue Expenditure and Capital Expenditure, during 2023-24, increased by 13.61 per cent and 29.76 per cent respectively, over the previous year. However, the total expenditure was 7.73 per cent (₹16,319 crore) less than the budget estimate.

### 1.3.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and assets, as on 31 March 2024, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the Public Account and reserve funds. Assets comprise mainly of the Capital Expenditure, and loans and advances, given by the State Government and cash balances. A summarised position of assets and liabilities, for the financial years 2022-23 and 2023-24, is given in **Table 1.3**.

Table 1.3: Summarised position of assets and liabilities

(₹ in crore)

Liabilities					Assets				
		2022-23	2023-24	Per cent increase/decrease			2022-23	2023-24	Per cent increase/decrease
<b>Consolidated Fund</b>									
A	Internal Debt	45,531.68	50,985.33	11.98	A	Gross Capital Expenditure on Fixed Assets	2,35,759.68	2,79,033.06	18.35
B	Loans and Advances from GoI*	18,373.34	21,808.04	18.69	B	Loans and Advances	10,511.25	12,742.11	21.22



Liabilities					Assets				
		2022-23	2023-24	Per cent increase/decrease			2022-23	2023-24	Per cent increase/decrease
<b>Contingency Fund</b>		400	400	--			0	274.34	
A	Small Savings, Provident Funds etc.	24,755.72	23,955.45	(-) 3.23	A	Advances with Departmental officers	18.18	18.23	0.28
B	Deposits	19,781.94	25,430.26	28.55	B	Remittances	44.63	18.05	(-) 59.56
C	Reserve Funds	39,398.13	50,168.01	27.34	C	Suspense and Miscellaneous	--	--	--
D	Suspense and Miscellaneous balances	482.60	332.05	(-) 31.20	D	Cash Balance (including investment of Earmarked Fund)	45,440.22	54,805.37	20.61
E	Miscellaneous Capital Receipts	698.15	698.15	0.00					
F	Cumulative excess of receipts over expenditure	1,42,352.40	1,73,113.87	21.61					
<b>Total</b>		<b>2,91,773.96</b>	<b>3,46,891.16</b>	<b>18.89</b>	<b>Total</b>		<b>2,91,773.96</b>	<b>3,46,891.16</b>	<b>18.89</b>

Source: Finance Accounts of respective years

\* Includes back-to-back loan of ₹10,252 crore (FY 2020-21: ₹ 3,822 crore and FY 2021-22: ₹ 6,430 crore)

## 1.4 Fiscal Balance: Achievement of deficit and total debt targets

When Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures to capture Government deficit.

Deficit is financed by borrowings, giving rise to Government debt. The concepts of deficit and debt are closely related. Deficit can be thought of as a flow, which adds to the stock of debt. If the Government continues to borrow year after year, it leads to accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

Government borrowing entails the burden of reduced consumption on future generations, because Government borrows by issuing bonds to the people living at present, but may decide to pay off the bonds in future by raising taxes or reducing expenditure. Moreover, Government's borrowing from people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if Government deficits succeed in their goal of raising production, there will be more income and, therefore, more savings. In this case, both Government and industry can borrow more. Also, if Government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt can be paid off by the growth in output. The debt should not then be considered as burdensome. The growth in debt will, therefore, have to be judged by the growth of the economy (GSDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in Government expenditure. This can be achieved by making Government activities more efficient, through better planning of programmes and better administration.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management (FRBM) Acts, with the objective of ensuring prudence in fiscal management, by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to an acceptable level, establishing improved debt management and improving transparency in a medium-term framework. In this context, the State FRBM Acts provide quantitative targets to be adhered to, by the States, in regard to deficit measures and debt levels.

In May 2005, the Odisha Government enacted the Odisha FRBM Act, 2005, to ensure prudence in fiscal management and fiscal stability, by progressive elimination of Revenue Deficit and sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a Medium-Term Fiscal Framework. Subsequently, in February 2012, the State Government amended the OFRBM Act, on the recommendations of the Thirteenth Finance Commission (13<sup>th</sup> FC) and enacted the OFRBM (Amendment) Act, 2012, on the basis of which the fiscal targets for the financial years 2010-11 to 2014-15 were fixed.

The Fourteenth Finance Commission (14<sup>th</sup> FC) recommended that the State Government may amend its FRBM Act, to provide for statutory flexible limits on fiscal deficit and also to provide a statutory ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision, so as to ensure that liabilities on account of incomplete and ongoing capital projects do not accumulate.

The 14<sup>th</sup> FC also recommended that the State Government adopt a template for collating, analysing and annually reporting the total extended public debt in the budget, as a supplement to the budget, to assess the debt position of the State, in the context of risks arising from guarantees, off-budget borrowings and accumulated losses from financially weak public sector enterprises. In order to accord greater sanctity and legitimacy to fiscal management legislation, it recommended replacing the existing FRBM Act, with a Debt Ceiling and Fiscal Responsibility Legislation, specifically invoking Article 293(1) of the Constitution of India.

The State Government amended its FRBM Act, as per recommendations of the 14<sup>th</sup> FC, in November 2016. The statutory flexible limit on fiscal deficit was fixed at three *per cent* of the GSDP for the financial years 2015-16 to 2019-20. Besides, an additional 0.50 *per cent* of the projected GSDP was to be allowed, if the debt to GSDP ratio in the preceding financial year was less than or equal to 25 *per cent* and the ratio of interest payments to revenue receipts in the preceding financial year was less than or equal to 10 *per cent*.

As per the Fifteenth Finance Commission (15<sup>th</sup> FC), the State Government further amended its FRBM Act in May 2021. The statutory flexible limit on fiscal deficit was

fixed at three *per cent* of GSDP and an additional two *per cent* in the financial year 2020-21, out of which one *per cent* was unconditional and another one *per cent* was subject to reforms, as laid out therein, and was to be maintained, thereafter, at three *per cent* or as allowed by the Government of India from time to time. The additional one *per cent*, in the financial year 2020-21, was conditional on the following reforms:

- (i) Implementation of One Nation One Ration Card System
- (ii) Ease of doing business reforms
- (iii) Urban Local body/utility reforms and
- (iv) Power Sector reforms.

The weightage of each reform was 0.25 *per cent* of the GSDP, totalling one *per cent*. The State Government further amended the FRBM Act in September 2022. The statutory flexible limit on fiscal target was fixed at three *per cent* of the GSDP and an additional 0.50 *per cent* of GSDP, for the financial years 2021-22 to 2024-25, subject to fulfilment of conditions linked to power sector reforms in Distribution Companies (DISCOMS), prescribed by the Government of India, from time to time.

Achievements, *vis-à-vis* the fiscal targets, prescribed in the State FRBM Act for the FYs 2019-20 to 2023-24, are detailed in **Table 1.4**.

**Table 1.4: Compliance with provisions of State FRBM Act**

Fiscal Parameters	Fiscal targets set in the Act	Achievement <i>vis-à-vis</i> target (₹ in crore)				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	2,430	9,076	43,471	19,456	30,761 <sup>2</sup>
		✓	✓	✓	✓	✓
Fiscal Deficit (-) (as percentage of GSDP)	3 <i>per cent</i>	-3.50	-1.81	2.96	-2.00	-1.73 <sup>3</sup>
	(5 <i>per cent</i> for 2020-21)	×	✓	✓	✓	✓
Ratio of total outstanding liabilities <sup>4</sup> to GSDP (in <i>per cent</i> )	25 <i>per cent</i>	23.46	22.02 <sup>5</sup>	15.77	13.39	14.39
		✓	✓	✓	✓	✓
Interest payment as percentage of Revenue Receipts	15 <i>per cent</i>	5.97	6.36	4.14	3.66	2.88
		✓	✓	✓	✓	✓
Ratio of Salary to State's Own Revenue	80 <i>per cent</i>	44.39	39.34	24.86	27.36	26.17
		✓	✓	✓	✓	✓
Primary Surplus as a <i>per cent</i> of GSDP	2 <i>per cent</i>	-2.37	-0.58	3.87	-1.28	-1.12
		×	×	✓	×	×

Source: FRBM Act and Finance Accounts of respective years, Government of Odisha

<sup>2</sup> Post audit adjusted Revenue Surplus is ₹25,692 crore

<sup>3</sup> Post audit adjusted Fiscal Deficit, as percentage of GSDP is 1.80 *per cent*.

<sup>4</sup> Total Outstanding liabilities = ₹ 1,22,837 crore (Internal Debt: ₹ 50,985 crore + Other liabilities: ₹82,104 crore - back to back loan: ₹ 10,252 crore) which are not to be repaid by the State from its sources

<sup>5</sup> Excluding back-to-back loans of ₹ 3,822 crore in 2020-21, received from GoI, in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources

The State was able to achieve all the fiscal parameters during the last two fiscal years 2022-24, except Primary Surplus as a *per cent* of GSDP, set out in the FRBM Act.

Comparison of targets for fiscal parameters, projected in the Medium-Term Fiscal Plan (MTFP), 2024, presented to the State Legislature, with actuals for the current year, the targets set by the 15<sup>th</sup> FC and those projected in the State Budget *vis-à-vis* achievements, in regard to major fiscal aggregates with reference to GSDP, during FY 2023-24, are given in **Table 1.5**.

**Table 1.5: Targets *vis-à-vis* achievements in regard to major fiscal aggregates for FY 2023-24**

Fiscal Variables	Targets as prescribed by 15 <sup>th</sup> FC	Targets in the Budget / MTFP	Actuals	Percentage variation of actuals over	
				Targets of 15 <sup>th</sup> FC	Targets in Budget
Revenue Surplus/ GSDP ( <i>per cent</i> )	2.78	3.10	3.60 <sup>6</sup>	(+) 0.82	(+) 0.50
Fiscal Deficit/ GSDP ( <i>per cent</i> )	3.00	3.00	1.73 <sup>7</sup>	(+) 1.27	(+) 1.27
Total outstanding liability/GSDP ( <i>per cent</i> )	31.80	13.10	14.39 <sup>8</sup>	(+) 17.41	(-) 1.29

Source: Recommendations of 15<sup>th</sup> FC, Medium Term Fiscal Plan 2023-24 of GoO and Finance Accounts

Note (+) Denotes achievement and (-) denotes non-achievement or short-achievement. Surplus figures have been shown in plus

As per the Odisha FRBM Act, 2005, the MTFP statement is to set forth a three-year rolling target for prescribed fiscal indicators, with specification of underlying assumptions. Actuals, *vis-à-vis* projections made in the MTFP, are shown in **Table 1.6**.

**Table 1.6: Actuals *vis-à-vis* projection in MTFP for FY 2023-24**

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2023-24)	Variation (in <i>per cent</i> )
1	Tax Revenue (including central tax transfers)	99,251	1,05,571	6.37
i.	Own Tax Revenue	53,000	54,427	2.69
ii.	Share of Central Taxes	46,251	51,144	10.58
2	State's Own Non Tax Revenue	52,500	53,011	0.97
3	Grants-in-Aid from GoI	32,749	21,011	-35.84
<b>4</b>	<b>Revenue Receipts (1+2+3)</b>	<b>1,84,500</b>	<b>1,79,593</b>	-2.66
<b>5</b>	<b>Revenue Expenditure</b>	<b>1,57,761</b>	<b>1,48,832</b>	-5.66
<b>6</b>	<b>Revenue Deficit (-) / Surplus (+) (4-5)</b>	<b>26,739</b>	<b>30,761</b>	15.04
<b>7</b>	<b>Fiscal Deficit (-) / Surplus (+)</b>	<b>(-)25,844</b>	<b>(-)14,743</b>	-42.95
8	Debt-GSDP ratio ( <i>per cent</i> )	13.10	14.39 <sup>9</sup>	9.85
9	GSDP growth rate at current prices ( <i>per cent</i> )	12.50	12.37	-1.04

Source: Medium Term Fiscal Plan, 2023 and Finance Accounts of FY 2023-24, Government of Odisha

<sup>6</sup> Post audit adjusted Revenue Surplus as percentage of GSDP is 3 *per cent*.

<sup>7</sup> Post audit adjusted Fiscal Deficit as percentage of GSDP is 1.80 *per cent*.

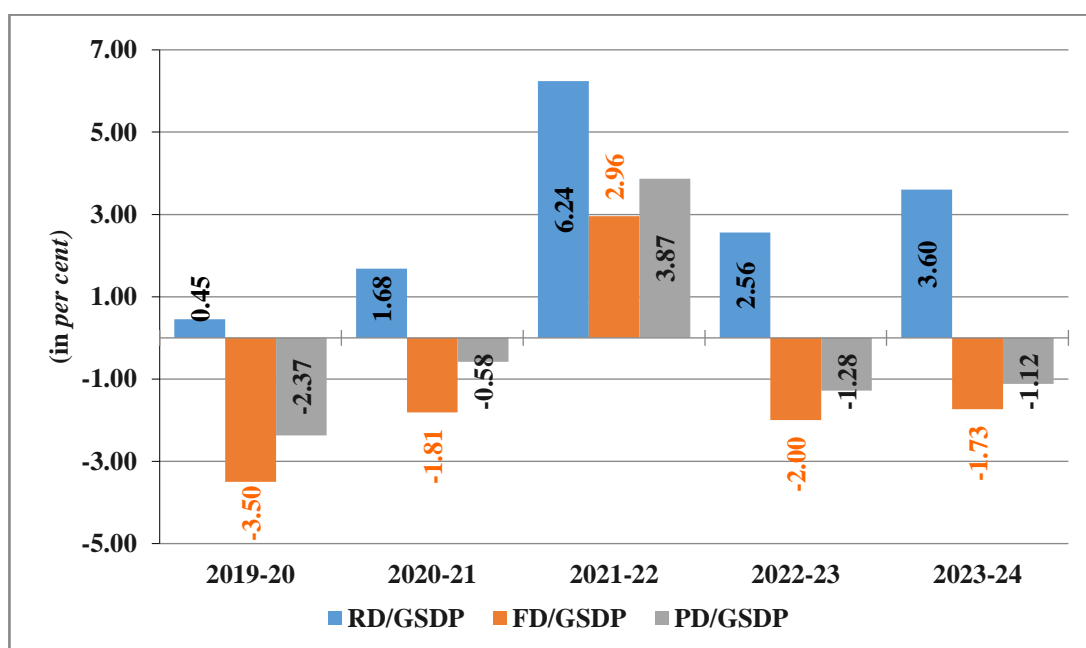
<sup>8</sup> Excluding back-to-back loans of ₹ 10,252 crore, received from GoI, in lieu of GST Compensation shortfall (₹ 3,822 crore in 2020-21 and ₹ 6,340 crore in 2021-22), which are not to be repaid by the State from its sources

<sup>9</sup> Excluding back-to-back loans of ₹10,252 crore, received from GoI, in lieu of GST Compensation shortfall, during FYs 2020-21 to 2022-23, which are not to be repaid by the State from its sources

During the financial year 2023-24, Government was unable to achieve the level of Revenue Receipts, as projected in the MTFP, due to short receipt of 35.84 *per cent* in Grants-in-aid from Government of India (GoI). The actual tax revenue exceeded the projection by 6.37 *per cent*, which was mainly due to an increase in the share of central taxes (by 10.58 *per cent*) than anticipated. Further, Revenue Expenditure also fell short by 5.66 *per cent*, as projected in MTFP. The Government was able to contain the Fiscal Deficit-GSDP target within the level projected in the MTFP, but could not contain Debt-GSDP ratio within the stipulated target.

**Chart 1.4** presents the trends in deficit parameters and trends relative to GSDP, respectively over the period of FYs 2019-20 to 2023-24.

**Chart 1.4: Trends in Deficit/Surplus relative to GSDP, during FYs 2019-20 to 2023-24**



Source: Finance Accounts, Government of Odisha

- Revenue Surplus** indicates the excess of revenue receipts over revenue expenditure. Government of Odisha had prescribed in the FRBM Act, 2005, to bring down Revenue Deficit to zero, by 2008-09. However, in 2005-06, the State was able to attain a Revenue surplus of ₹ 481 crore and has continued to be a Revenue Surplus State since then. Revenue Surplus (₹30,761 crore) of the State during 2023-24 has increased (by 58.11 *per cent*) as compared to FY 2022-23 (₹19,456 crore). After adjustment of misclassification between Revenue and Capital expenditure and deferment of clear-cut liabilities, such as non-credit of interest to Reserve funds and Deposits, short contribution to the National Pension System (NPS), non-transfer of Labour Welfare Cess to the Board's account, non-transfer of Land Revenue cess to Local Bodies *etc.*, the Revenue Surplus would work out to be ₹ 25,692 crore (3 *per cent* of GSDP) *i.e.*, a reduction of ₹5,069 crore.

- **Fiscal Deficit**, which represents the total borrowings of the State, *i.e.* its total resource gap, was ₹14,743 crore (1.73 *per cent* of GSDP) in FY 2023-24, as against Fiscal deficit of ₹15,219 crore in FY 2022-23. The fiscal target set out in its FRBM (Amendment) Act, 2022 and MTFP projection of maintaining the Fiscal Deficit within 3 *per cent* of the GSDP, was achieved during the year 2023-24. After adjustment of deferment of clear-cut liabilities, such as non-credit of interest to Reserve funds and Deposits, short contribution to the NPS, non-transfer of Labour Welfare Cess to the Board's account, non-transfer of Land Revenue cess to Local Bodies *etc.*, the Fiscal Deficit would increase to ₹ 15,404 crore (1.80 *per cent* of GSDP). However this was still within the targets set.
- **Primary Deficit** indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipts. The Primary Deficit during 2023-24 was ₹9,562 crore (1.12 *per cent* of GSDP) as against ₹9,717 crore (1.28 *per cent* of GSDP) in 2022-23 and the State was unable to achieve the fiscal target set out in FRBM (Amendment) Act, 2021, of maintaining Primary Surplus over two *per cent* of the GSDP. However, during 2021-22, there had been a primary surplus of ₹26,969 crore (3.87 *per cent* of GSDP).

## 1.5 Deficits post examination by Audit

As per the FRBM Act, the State Government must ensure compliance with the targets for fiscal indicators, such as deficits, ceiling on debt and on guarantees, *etc.* The Revenue Surplus and Fiscal deficit as worked out for the State get impacted, due to various circumstances, such as misclassification of revenue expenditure as capital expenditure and off-budget fiscal operations. Besides, deferment of clear-cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to the New Pension System, Sinking Fund and Guarantee Redemption Fund *etc.*, also impact the revenue and fiscal deficit figures. In order to arrive at the actual deficit figures, the effect of misclassification of revenue expenditure/capital outlay and/or any such misclassification, needs to be included and the impact of such irregularities needs to be reversed. Analysis of deficits, after examination in audit, is given in **Table 1.7**.

**Table 1.7: Revenue Surplus and Fiscal Deficit, post examination by Audit**

(₹ in crore)

Particulars	Impact on Revenue Surplus (Understated (-) / overstated (+))	Impact on Fiscal Deficit (Understated (+) / overstated (-))	Paragraph Reference
Misclassifications between Revenue and Capital Expenditure	(+) 4,564.63	--	2.4.2.1
Non-Credit of Interest to Reserve Funds and Deposits (bearing interest)	(+) 305.83	(+) 305.83	2.6.1
Less Government contribution to National Pension System	(+) 23.49	(+) 23.49	2.4.1.2
Non-recoupment of contingency fund	(+) 117.87	(+) 274.34	2.5
Labour Welfare Cess collected, but not transferred to Board's Account	(+) 2.26	(+) 2.26	2.6.2.6
Non-transfer of Land Revenue Cess to Local Bodies	(+) 54.85	(+) 54.85	2.3.2.2
<b>Total Impact</b>	<b>(+) 5,068.93</b>	<b>(+) 660.77</b>	

Source: Audited Finance Accounts for FY 2023-24, Government of Odisha

During FY 2023-24, the revenue surplus and fiscal deficit was ₹30,761 crore (3.60 per cent of GSDP) and ₹14,743 crore (1.73 per cent of GSDP) respectively, as shown in **Chart 1.4**. If the above transactions are taken into account, the actual revenue surplus and fiscal deficit would work out to ₹25,692 crore (3 per cent of GSDP) and ₹15,404 crore (1.80 per cent of GSDP), respectively. However, these fiscal targets are still within the ceiling fixed by the FRBM Act.

## 1.6 Post Audit – Total Outstanding Debt

As per the Odisha Fiscal Responsibility and Budget Management Act, 2005, 'total liabilities' means the liabilities under Consolidated Fund and the Public Account of the State, referred to in Article 266 of the Constitution of India. The outstanding debt/liabilities can be split into various components, as given in **Table 1.8**.

**Table 1.8: Components of outstanding debt/liabilities, as on 31 March 2024**

Borrowings and other liabilities, as per Finance Accounts	Amount (₹ in crore)
<b>Internal Debt (A)</b>	<b>50,985.33</b>
Market Loans bearing interest	16,401.31
Compensation and other Bonds	0.28
Loans from other Institutions <i>etc.</i>	29,823.43
Special Securities issued to the National Small Savings Fund of the Central Government	4,760.31
<b>Loans and Advances from Central Government (B)</b>	<b>11,556.04</b>
Non-Plan Loans	6.10
Loans for State Plan Schemes	2,165.01
Others	19,636.93
Less back-to-back loans received from GoI, in lieu of GST Compensation shortfall	(-)10,252

## Overview

Borrowings and other liabilities, as per Finance Accounts	Amount (₹ in crore)
<b>Liabilities upon Public Accounts (C)</b>	<b>60,295.60</b>
Small Savings, Provident Funds <i>etc.</i>	23,955.45
Deposits	25,430.26
Reserve Funds	10,909.89
<b>Total (A+B+C)</b>	<b>1,22,836.97</b>

*Source: Finance Accounts for FY 2023-24, Government of Odisha.*

Thus, at the end of the FY 2023-24, the overall outstanding debt/ liabilities of the State, were ₹1,22,836.97 crore, *i.e.* 14.39 *per cent* of the GSDP (₹8,53,524 crore), which is well within the FRBM target (25 *per cent*).