

2.1 Major changes in key fiscal aggregates in FY 2023-24 vis-à-vis FY 2022-23

Major changes in key fiscal aggregates of the State, during the financial year 2023-24, compared to the previous year, are shown in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in FY 2023-24 compared to FY 2022-23

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 19.36 per cent ✓ Own Tax receipts of the State increased by 16.91 per cent ✓ State's Own Non-tax receipts increased by 24.09 per cent ✓ State's Share of Union Taxes and Duties increased by 18.97 per cent ✓ Grants-in-Aid from Government of India increased by 15.45 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 13.61 per cent ✓ Revenue expenditure on General Services decreased by 12.35 per cent ✓ Revenue expenditure on Social Services increased by 20.67 per cent ✓ Revenue expenditure on Economic Services increased by 43.41 per cent ✓ Expenditure on Grants-in-Aid decreased by 2.15 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital Expenditure increased by 29.76 per cent ✓ Capital Expenditure on General Services increased by 8.47 per cent ✓ Capital Expenditure on Social Services increased by 12.18 per cent ✓ Capital Expenditure on Economic Services increased by 38.16 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 29.29 per cent ✓ Recoveries of Loans and Advances decreased by 32.81 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 238.94 per cent ✓ Repayment of Public Debt decreased by 33.69 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 20.96 per cent ✓ Disbursement of Public Account increased by 29.38 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹9,365 crore (20.61 per cent) during 2023-24, as compared to the previous year

Source: Finance Accounts 2022-23 and 2023-24, Government of Odisha

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 2022-23 and 2023-24

(₹ in crore)

	Particulars	2022-23	2023-24	Increase (+) / Decrease (-) (percentage of variation)
Sources	Opening Cash Balance	51,231	45,440	(-) 5,791 (-11)
	Revenue Receipts	1,50,462	1,79,593	(+) 29,131 (19)
	Recoveries of Loans and Advances	832	559	(-) 273 (-33)
	Public Debt Receipts (Net)	(-) 8,580	8,888	(+) 17,468 (-204)
	Public Account Receipts (Net)	18,008	15,494	(-) 2,514 (-14)
	Total	2,11,953	2,49,974	(+) 38,021 (18)
Application	Revenue Expenditure	1,31,006	1,48,832	(+) 17,826 (14)
	Capital Expenditure	33,349	43,273	(+) 9,924 (30)
	Disbursement of Loans and Advances	2,158	2,790	(+) 632 (29)
	Contingency Fund (Net)	-	274	(+) 274 (100)
	Closing Cash Balance	45,440	54,805	(+) 9,365 (21)
	Total	2,11,953	2,49,974	(+) 38,021 (18)

Source: Finance Accounts of respective years, Government of Odisha
Percentages in the Table rounded off to zero decimal places.

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 2023-24, are given in Chart 2.1 and Chart 2.2.

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

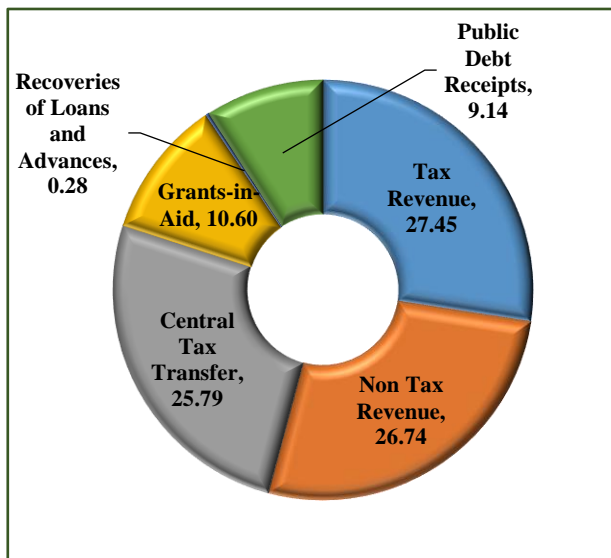
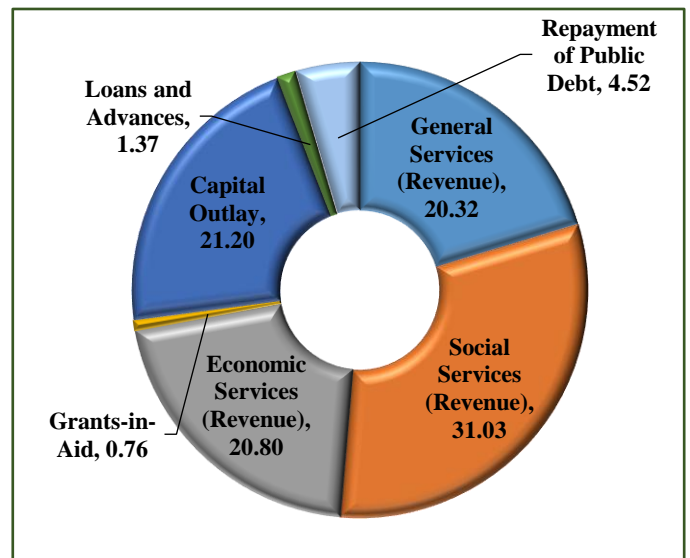


Chart 2.2: Application of Resources
(in per cent)
(₹ goes to)



Source: Finance Accounts for FY 2023-24, 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) consist 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.

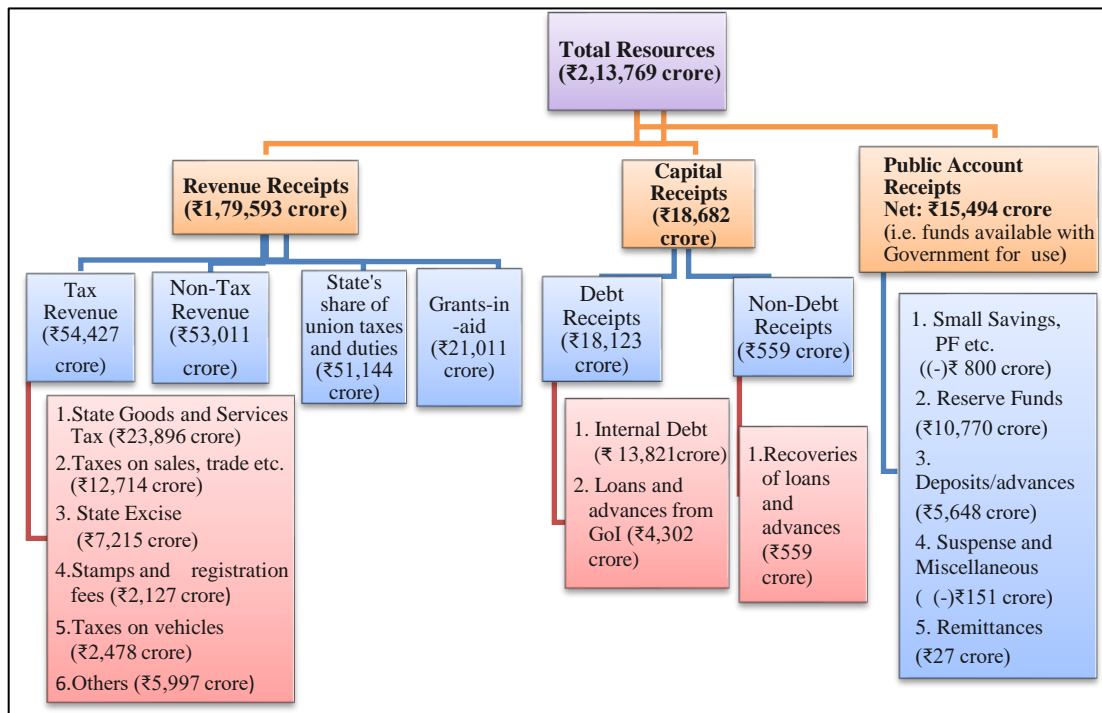
3. Net Public Account receipts: There are receipts and disbursements in respect of certain transactions, such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.*, which do not form part of the Consolidated Fund.

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, funds available in the Public Account (net of disbursements 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 2023-24



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

Out of the total resources of ₹ 2,13,769 crore of the State Government, during the year 2023-24, Revenue Receipts (₹1,79,593 crore) constituted 84.01 *per cent*. Public Account Receipts (net: ₹ 15,494 crore) and Capital Receipts (₹18,682 crore) constituted 7.25 *per cent* and 8.74 *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 2019-20 to 2023-24), 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)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
(1) Revenue Receipts (RR)	1,01,568	1,04,387	1,53,059	1,50,462	1,79,593
(2) Rate of growth of RR (<i>per cent</i>)	2.03	2.78	46.63	-1.69	19.36
(3) Tax Revenue (including central tax transfers)	62,769	61,801	78,892	89,543	1,05,571
(i) Own Tax Revenue	32,315	34,258	40,748	46,554	54,427
(ii) State's share in Union taxes and duties	30,454	27,543	38,144	42,989	51,144
(4) Non-Tax Revenue	14,647	19,518	54,257	42,720	53,011
(5) Grant-in aid from GoI	24,152	23,068	19,910	18,199	21,011
(6) Rate of growth of GIA (<i>per cent</i>)	23.24	-4.49	-13.69	-8.59	15.45
(7) State's Own Revenue (Own Tax and Non-tax Revenue)	46,962	53,776	95,005	89,274	1,07,438
(8) Rate of growth of Own Revenue (<i>per cent</i>)	5.31	14.51	76.69	-6.03	20.35
(9) GSDP (2011-12 Series)	5,37,502	5,40,185	6,97,013	7,59,560	8,53,524
(10) Rate of growth of GSDP (<i>per cent</i>)	7.80	0.50	29.03	8.97	12.37
(11) R R/GSDP (<i>per cent</i>)	18.90	19.32	21.96	19.81	21.04
Buoyancy Ratio¹⁰					
(12) Revenue Buoyancy w.r.t GSDP (Sl. No. 2/ Sl. No. 10)	0.26	5.56	1.61	-	1.57
(13) State's Own Revenue Buoyancy w.r.t GSDP (Sl. No. 8 / Sl. No. 10)	0.68	29.02	2.64	-	1.65

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

Table 2.3 shows that the revenue receipts increased by 76.82 *per cent* from ₹ 1,01,568 crore in 2019-20 to ₹1,79,593 crore in 2023-24. During the period of five years, they

¹⁰ 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 1.57 implies that Revenue Receipts tend to increase by 1.57 percentage points, if the GSDP increases by one per cent. (Negative buoyancy not calculated)

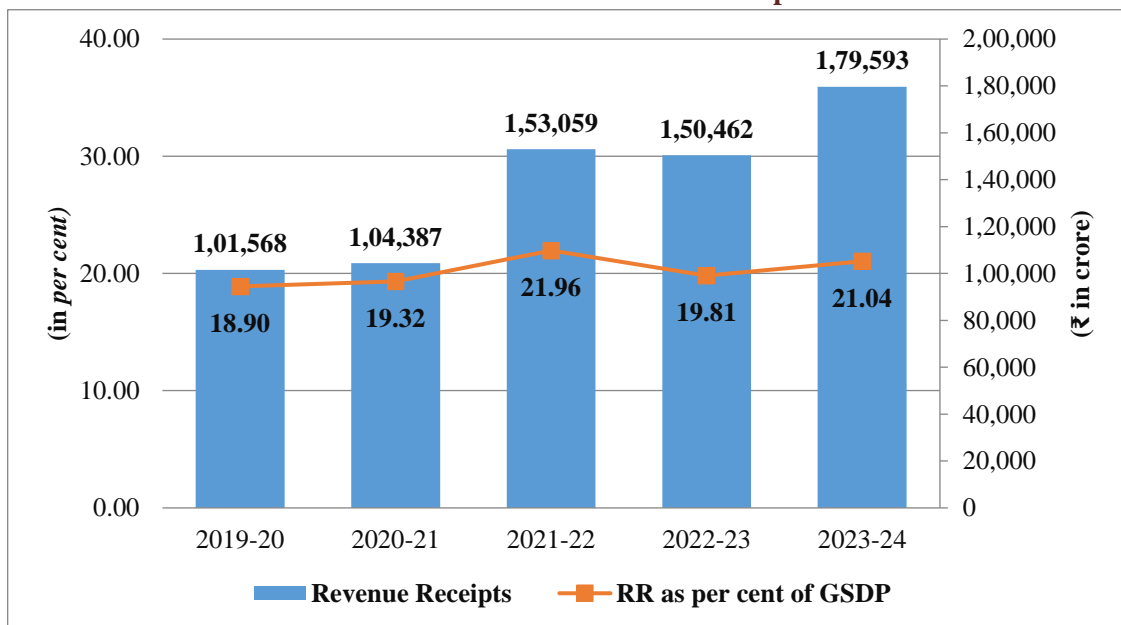
increased at annual average growth rate of 15.31 per cent. Tax revenue (including central tax transfers) increased by ₹42,802 crore (68.19 per cent), whereas non-tax revenue increased by ₹ 38,364 crore (261.92 per cent) in FY 2023-24 as compared to FY 2019-20. Grants-in-aid from GoI, on the other hand, decreased by 13.01 per cent, during the period from FYs 2019-20 to 2023-24. However, they increased by 15.45 per cent over the previous year.

Revenue buoyancy with reference to GSDP increased from 0.26 per cent in FY 2019-20 to 1.57 per cent in FY 2023-24, and State’s own revenue buoyancy in regard to GSDP also increased from 0.68 per cent in FY 2019-20 to 1.65 per cent in FY 2023-24. The tax revenue (including central tax transfers) as well as state’s own tax revenue showed growth of 17.90 per cent and 16.91 per cent respectively, during FY 2023-24 over the previous year, due to sharp increase in collection of State Goods and Services tax (₹5,296 crore), State Excise (₹760 crore), Taxes on sales, trade (₹691 crore) etc. Under State’s own revenue component, only Taxes on Goods and passengers showed negative growth of 2.61 per cent (₹3 crore) during FY 2023-24 over the previous year.

The non-tax revenue had increased sharply by 261.92 per cent from ₹ 14,647 crore in 2019-20 to ₹ 53,011 crore in 2023-24. During 2023-24, the non-tax revenue (₹53,011 crore) increased by 24.09 per cent over the previous year (₹42,720 crore), due to increase under Non-Ferrous Mining and Metallurgical Industries, coal and lignite, dividends from the State Public Sector Enterprises etc.

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

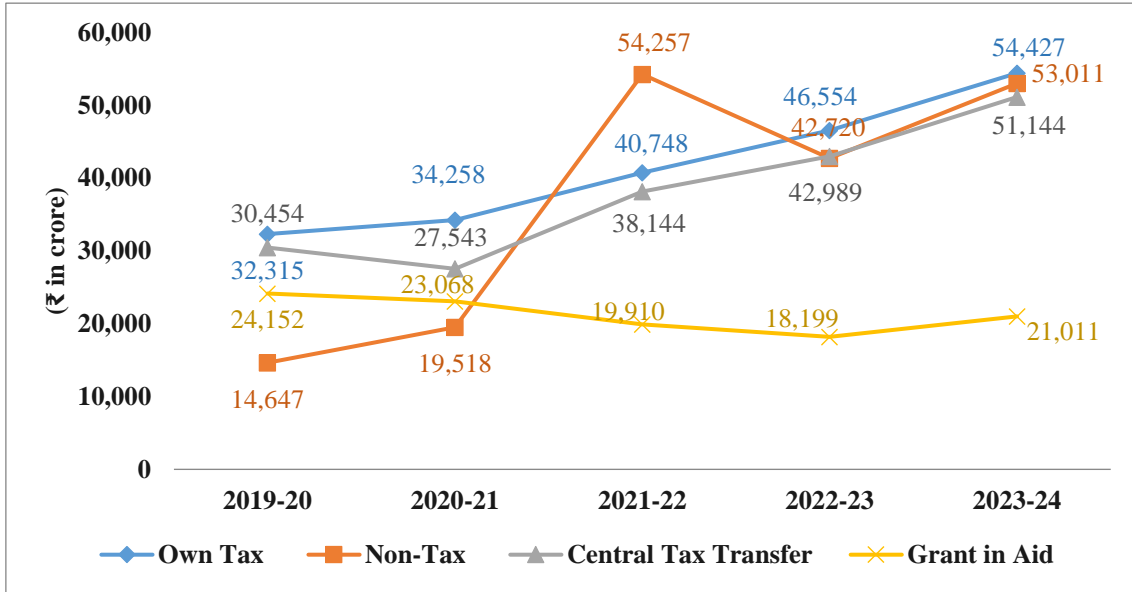
Chart 2.4: Trends of Revenue Receipts



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

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

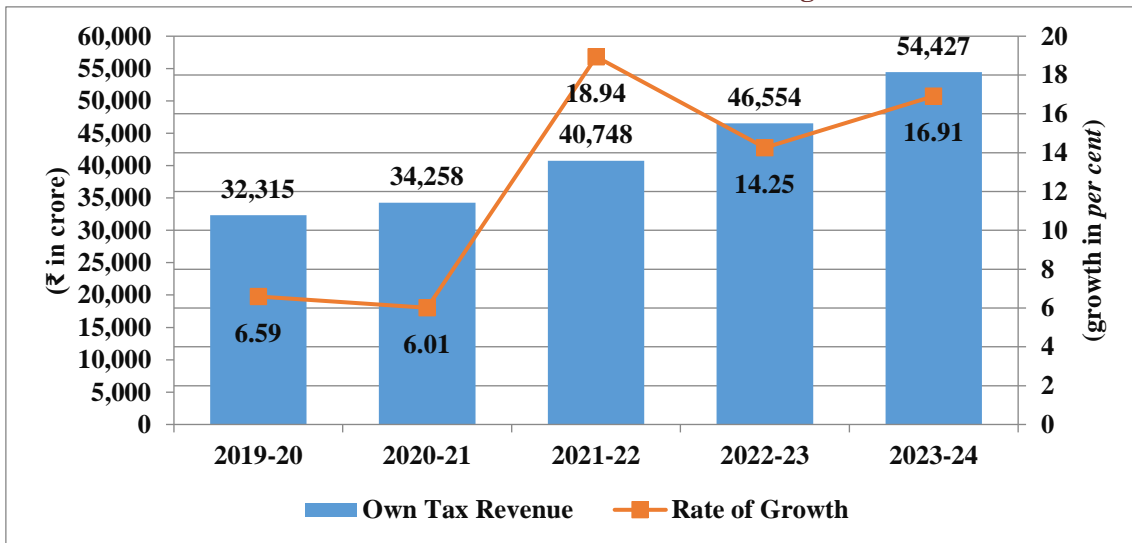
2.3.2.2 State's Own Resources

(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 2019-20 to 2023-24, are shown in **Chart 2.6** and **Table 2.4**, respectively.

Chart 2.6: Trends of Own Tax Revenue during 2019-24



Source: Finance Accounts of respective years, Government of Odisha

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	Spark Line
State Goods and Services Tax (SGST)	13,204	13,043	16,392	18,600	23,896	
Taxes on Sales, Trade, etc	7,455	7,777	10,000	12,023	12,714	
State Excise	4,495	4,053	5,528	6,455	7,215	
Taxes on Vehicles	1,836	1,526	1,663	2,133	2,478	
Stamps and Registration fees	1,435	2,942	2,419	1,997	2,127	
Land Revenue	721	603	664	739	1,123	
Taxes on Goods and Passengers	133	146	111	115	112	
Other Taxes	3,036	4,168	3,971	4,492	4,762	
Total	32,315	34,258	40,748	46,554	54,427	

Source: Finance Accounts of respective years, Government of Odisha

The total own tax revenue increased by ₹7,873 crore (16.91 per cent) during the current year over the previous year. The major increase was under (i) State GST receipts (₹5,296 crore), (ii) State Excise (₹760 crore), (iii) Taxes on Sales, Trade, etc. (₹691 crore), and (iv) Land revenue (₹384 crore).

State Goods and Services Tax (SGST)

As per the books of RBI and Finance Accounts for the FY 2023-24, the amount of SGST was ₹ 23,895.66 crore, as against the Budget Estimate of ₹ 22,004.00 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 2023-24 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 2023-24, the Government collected ₹54.85 crore (2022-23: ₹59.91 crore) being the collection of cess/fee/surcharge (other than Labour Cess). The entire collected amount of ₹54.85 crore, however, was not transferred to Urban Local Bodies and Rural Local Bodies by the State Government, in violation of Odisha Cess Act, 1962. This had an impact on overstatement of Revenue Surplus and understatement of Fiscal Deficit.

The State Government stated (October 2024) that steps would be taken for early transfer of the amount to concerned Authorities.

(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 2019-20 to 2023-24, are shown in **Table 2.5**.

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

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	(₹ in crore) Spark line
Non-Ferrous Mining and Metallurgical Industries	11,020	13,792	48,642	37,642	45,046	
Interest Receipts	1,487	1,262	1,823	1,657	921	
Dividends and Profits	321	1,063	523	584	1800	
Other Non-tax receipts	1,819	3,401	3,269	2,837	5,244	
a) Major and Medium Irrigation	669	796	790	909	936	
b) Road and Bridges	44	54	48	43	31	
c) Education	27	62	46	67	46	
d) Misc. General Services	411	1,729	438	571	1889	
e) Others or Miscellaneous	668	760	1,947	1,247	2,342	
Total	14,647	19,518	54,257	42,720	53,011	

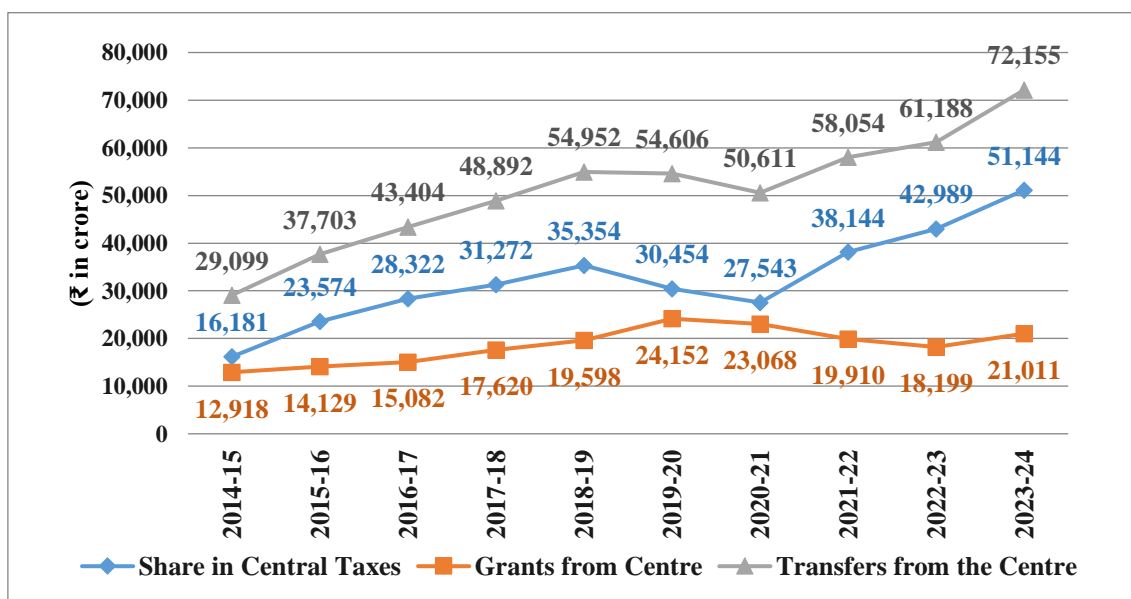
Source: Finance Account of respective years

During FY 2023-24 (₹ 53,011 crore), non-tax revenue had increased by ₹ 10,291 crore (24.09 per cent) over FY 2022-23 (₹ 42,720 crore). This increase was majorly due to increase in receipt of Non-ferrous mining and Metallurgical Industries by ₹7,404 crore and increase in receipt of dividend and profits from the companies/ corporation etc., by ₹ 1,216 crore.

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 Fourteenth Finance Commission (14th FC) and Fifteenth Finance Commission (15th FC), during the period from FYs 2019-20 to 2023-24, is shown in **Table 2.6**.

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

(₹ in crore)

Year	Finance Commission Projections	Projections in Finance Commission Reports (FCRs)	Actual Tax Devolution	Difference
1.	2.	3.	4.	5. (4-3)
2019-20	4.642 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 4.744 <i>per cent</i> of net proceeds of shareable service tax (As per the recommendations of the 14 th FC)	48,250	30,454	(-) 17,796
2020-21	4.629 <i>per cent</i> 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 <i>per cent</i> 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
2023-24		37,328	51,144	(+) 13,816
TOTAL		1,88,158	1,90,274	(+) 2,116

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

As can be seen from the table, the actual devolution of taxes during 2019-20 and 2020-21 was less than FCRs projections. However, State's share in Union taxes for the years 2021-22 to 2023-24, was more than FCR projection, leading to excess receipts of ₹ 2,116 crore to the State, during the period 2019-24.

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	2019-20	2020-21	2021-22	2022-23	2023-24
Central Goods and Services Tax (CGST)	8,642	8,160	11,434	12,150	15,522
Integrated Goods and Services Tax (IGST)	--	--	--	--	--
Corporation Tax	10,384	8,328	9,583	14,407	15,351
Taxes on Income other than Corporation Tax	8,136	8,540	11,743	14,074	17,728
Customs	1,930	1,447	3,031	1,690	1,792
Union Excise Duties	1,342	923	1,719	530	678
Service Tax	--	124	589	67	10

Finances of the State

Component of State's share of Union taxes	2019-20	2020-21	2021-22	2022-23	2023-24
Other ¹¹ Taxes	20	21	45	71	63
Grand total	30,454	27,543	38,144	42,989	51,144
Percentage of increase over previous year	-14	-10	38	13	19
Component of State's share as percentage of Revenue Receipts of the State	30	26	25	29	28

Source: Finance Accounts of respective years, Government of Odisha
Percentages in the table rounded off to zero decimal places.

As can be seen from the above table, during the FY 2023-24, the State's share of Union taxes had increased by 18.97 per cent over the previous year. However, as per cent of Revenue Receipt, it has been continuously fluctuating between 25 per cent and 30 per cent during 2019-24, with a decline of one percentage point during 2023-24.

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

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

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

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Grants for Centrally Sponsored Schemes	13,056	12,698	11,820	11,741	15,685
Finance Commission Grants	3,563	4,949	4,557	4,221	4,867
Other Transfers/Grants to States/Union Territories with Legislatures	7,533	5,421	3,533	2,238	459
Total	24,152	23,068	19,910	18,200	21,011
Percentage of increase over the previous year Receipts	23.24	-4.49	-13.69	-8.59	15.45
Total grants as a percentage of Revenue Receipts	23.78	22.10	13.01	12.10	11.70

Source: Finance Accounts of respective years, Government of Odisha

Table 2.8 shows that the GIA, as a percentage of the revenue receipts of the State, decreased continuously from FY 2019-20 to FY 2023-24. The increase in GIA, during the current year (15.45 per cent) over the previous year, was mainly due to increase in grants to Centrally Sponsored schemes by 33.59 per cent and Finance Commission grants by 15.30 per cent. Other major transfers to the State, during FY 2023-24, include Central Road Fund (₹423.41 crore).

(a) Grants for Centrally Sponsored Schemes

Out of the Grants of ₹15,685 crore for Centrally Sponsored Schemes (CSS), during 2023-24, the major amounts were given to:

¹¹ Include taxes on Wealth, Other Taxes on Income and Expenditure and Other taxes and Duties on Commodities and Services.

- **Pradhan Mantri Awas Yojana (PMAY) - Rural:** ₹4,310.71 crore; 150.15 per cent increase over the previous year (₹1,723.28 crore).
- **National Health Mission** including NRHM: ₹1,972.10 crore; 42.43 per cent increase over the previous year (₹1,384.61 crore).
- **Samagra Shiksha Abhiyan:** ₹1,379.13 crore; 29.63 per cent decrease over the previous year (₹1,959.89 crore).
- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** ₹1,262.55 crore; 2.16 per cent increase over the previous year (₹1,235.88)
- **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS):** ₹974.01 crore; 1.07 per cent increase over the previous year (₹963.66 crore).
- **Integrated Child Development Scheme (ICDS):** ₹968.81 crore; 4.86 per cent decrease over the previous year (₹923.92 crore).
- **National Rural Livelihood Mission (NRLM):** ₹763.08 crore; 14.88 per cent increase over the previous year (₹664.25 crore).
- **National Social Assistance Programme (NSAP):** ₹685.47 crore; 0.72 per cent increase over the previous year (₹680.58 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 a Single Nodal Agency (SNA) for each CSS, and monitoring their utilisation. For each CSS, a SNA is set up, with its own Bank Account in a Scheduled Commercial Bank, that is 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.

Audit analysed the VLC data and SNA PFMS report and found that there was discrepancy in data of Central and State share transfer to SNA accounts, as shown in **Table 2.9**.

Table 2.9: Discrepancies in Central and State share transfer

(₹ in crore)

Source of Data	Central share received	Central share transferred	State share transferred	Less amount released by State
VLC	14,851.42	14,561.02	12,110.52	290.40
SNA PFMS Report	14,851.42	13,696.81	11,779.06	1,154.61
Difference Amount	Nil	864.21	331.46	

Source: Notes to Finance Accounts for FY 2023-24

As can be seen from the above table, as per the VLC database, the State Government received ₹14,851.42 crore, being the Central share, during FY 2023-24, in its Treasury Accounts. As on 31 March 2024, it had transferred Central share of ₹14,561.02 crore, received in the Treasury Account, along with the State share of ₹12,110.52 crore, to the SNAs. Out of the total transfer of ₹26,671.54 crore, ₹24,179.11 crore was transferred through Miscellaneous Bills, ₹2,456.74 crore through GIA bills and ₹35.69 crore through

Other Contingent Bills. Detailed vouchers and supporting documents, in regard to the actual expenditure, were not received by the Office of the Principal Accountant General (A&E). The remaining balance of ₹ 290.40 crore remained un-transferred.

As per SNA PFMS report, the State Government had received ₹14,851.42 crore, being the Central share, during FY 2023-24, in its Treasury Accounts. As on 31 March 2024, the Government has transferred Central share of ₹13,696.81 crore, received in Treasury Accounts and State share of ₹11,779.06 crore to the SNAs. As per the SNA report on the PFMS portal, ₹10,016.50 crore was lying unspent in the bank accounts of SNAs, as on 31 March 2024. The difference needs reconciliation. The remaining balance of ₹ 1,154.61 crore remained un-transferred.

(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 2.10**.

Table 2.10: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers	Recommendation of 15 th FC for 2023-24	Actual release by GoI, during 2023-24	Release by State Government (Total percentage of the amount released by GoI)
(i) Grants to PRIs	1,747	1,746.91	1,748.39 (100)
(a) Performance/Tied Grants #	1,048.20	1,048.15	1,049.04 (100)
(b) Untied Grants	698.80	698.76	699.36 (100)
(ii) Grants to ULBs	900	846.66	846.66 (100)
(a) Non-Million Plus Cities (Performance/Tied Grant) #	540	508.00	508 (100)
(b) Non-Million Plus Cities (General Basic/Untied Grant)	360	338.66	338.66 (100)
(iii) Grant for Health Sector	485	336.15	336.15 (100)
Total for Local Bodies (i+ii+iii)	3,132.00	2,593.57	2,595.05 (100)
State Disaster Response Fund (SDRF)	Central Share	1,415.20	1,415.20(100)
	State Share	471.20	471.20 (100)
State Disaster Mitigation Fund (SDMF)	Central Share	353.80	522.30 ¹²
	State Share	117.80	173.90 ¹³
Total for SDRMF	2,358.00	2,582.60	2,582.60 (100)

Source: Finance Accounts for FY 2023-24 and Finance Commission Recommendations (FCRs)

#: For drinking water, rainwater harvesting, sanitation etc.

As against the amount of ₹1,747.00 crore, recommended by the 15th FC for release to PRIs, GoI had released ₹1,746.91 crore, during FY 2023-24. The entire amount released by GoI, was further released by Government of Odisha to PRIs, during the same period.

¹² Out of ₹ 522.30 crore, ₹ 168.50 crore was arrear amount of 2022-23 released by GoI during 2023-24

¹³ Out of ₹ 173.90 crore, ₹ 56.10 crore was the share of arrear amount of 2022-23 released by GoI during 2023-24

- Regarding ULBs, GoI had released the amount of ₹ 846.66 crore, against the recommended amount of ₹ 900 crore by the 15th FC and the same amount had been released by Government of Odisha to the ULBs, during the year 2023-24.
- During the year 2023-24, as per the recommendation of 15th FC, the GoI released ₹1,415.20 crore under State Disaster Response Fund (SDRF) to the State, Government of Odisha released ₹ 1,886.40 crore (Centre share of ₹ 1,415.20 crore and State share of ₹ 471.20 crore) to the fund.
- Regarding State Disaster Response Fund (SDMF), GoI released ₹522.30 crore including arrear amount of the previous year. The State released the entire fund without any short transfer.

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 2019-20 to 2023-24, are shown in **Table 2.11**.

Table 2.11: Trends in the Growth and Composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts (CR)	14,966	21,002	14,346	6,179	18,682
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	287	684	1,566	832	559
Public Debt Receipts	14,679	20,318	12,780	5,347	18,123
<i>Internal Debt</i>	13,721	15,191	5,174	4,328	13,821
<i>Growth rate (per cent)</i>	52.12	10.71	-65.94	-16.35	219.34
<i>Loans and Advances from GoI[#]</i>	958	5,127	7,606	1019	4,302
<i>Growth rate (per cent)</i>	-2.54	435.18	48.35	-86.6	322.18
Rate of growth of debt Capital Receipts (<i>per cent</i>)	46.75	38.42	-37.10	-58.16	238.94
Rate of growth of non-debt Capital Receipts (<i>per cent</i>)	-5.90	138.33	128.95	-46.87	-32.81
Rate of growth of GSDP (<i>per cent</i>)	7.80	0.50	29.03	8.97	12.37
Rate of growth of Capital Receipts (<i>per cent</i>)	45.19	40.33	-31.69	-56.93	202.35

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 loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.

During FY 2023-24, Capital Receipts (₹18,682 crore) constituted 8.74 per cent of the total receipts (₹2,13,769 crore) of the State. As can be seen from **Table 2.11**, there was a substantial increase (202.35 per cent) in Capital Receipts (₹18,682 crore) compared to the previous year (₹6,179 crore). This was due to 239 per cent increase in public debt receipts from ₹ 5,347 crore in FY 2022-23 to ₹18,123 crore in FY 2023-24.

During FY 2023-24, the State Government had borrowed ₹1.25 crore from the open market, ₹ 4,106.54 crore from the National Bank for Agricultural and Rural Development and ₹9,713.60 crore was borrowed from the other financial institutions. In addition to this, Government of Odisha borrowed ₹4,301.93 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 2023-24 *vis-a-vis* the assessment made by the Fifteenth Finance Commission (15th FC) and Budget Estimates, are given in **Table 2.12**.

Table 2.12: Tax and non-tax receipts *vis-à-vis* projections during FY 2023-24

(₹ 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	40,254	53,000	54,427	35.21 ↑	2.69 ↑
State own Non-Tax Revenue	19,275	52,500	53,011	175.02 ↑	0.97 ↑

Source: 15th FC Report, Finance Accounts for FY 2023-24 and Budget at a Glance of Government of Odisha

Thus, the Own tax revenue and Non-tax revenue of the State during 2023-24 were higher than the projections made by the 15th FC and Budget Estimates, respectively.

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.

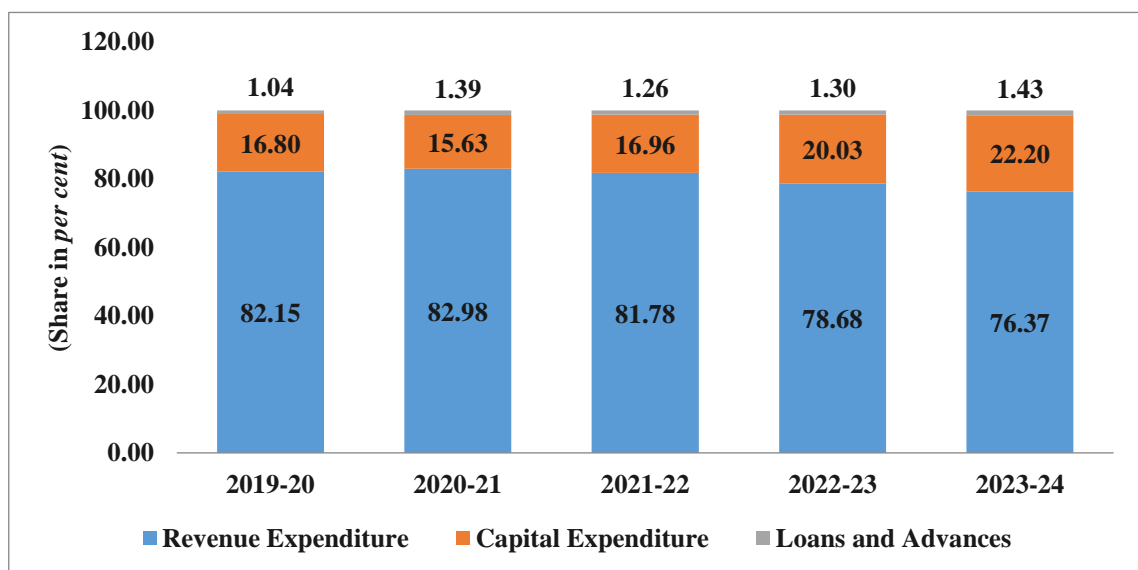
Trends of overall expenditure and its components are shown in *Appendix 2.2, Table 2.13* and *Chart 2.8*.

Table 2.13: Total Expenditure and its Composition

(₹ in crore)					
Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	1,20,673	1,14,857	1,34,000	1,66,513	1,94,895
Revenue Expenditure (RE)	99,137	95,311	1,09,588	1,31,006	1,48,832
Capital Expenditure (CE)	20,277	17,949	22,726	33,349	43,273
Loans and Advances	1,259	1,597	1,686	2,158	2,790
As a percentage of GSDP					
TE/GSDP	22.45	21.26	19.22	21.92	22.83
RE/GSDP	18.44	17.64	15.72	17.25	17.44
Capital Expenditure /GSDP	3.77	3.32	3.26	4.39	5.07

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 2.13 shows that the total expenditure increased by ₹74,222 crore (61.51 per cent) from ₹1,20,673 crore in FY 2019-20 to ₹1,94,895 crore in FY 2023-24 and ranged between 19.22 per cent to 22.83 per cent of GSDP, during the period of five years. **Chart 2.8** shows that revenue expenditure constituted the dominant proportion (76.37 to 82.98 per cent), during FYs 2019-20 to 2023-24, of the total expenditure. However, proportion of Revenue expenditure in total expenditure has been declining since 2019-20. Capital expenditure, on the other hand, constituted between 15.63 per cent to 22.20 per cent of the total expenditure. Capital expenditure, as a percentage of GSDP, during the COVID period, ranged between 3.26 per cent to 3.32 per cent, but picked up during FY 2022-23, reaching 5.07 per cent of GSDP during 2023-24.

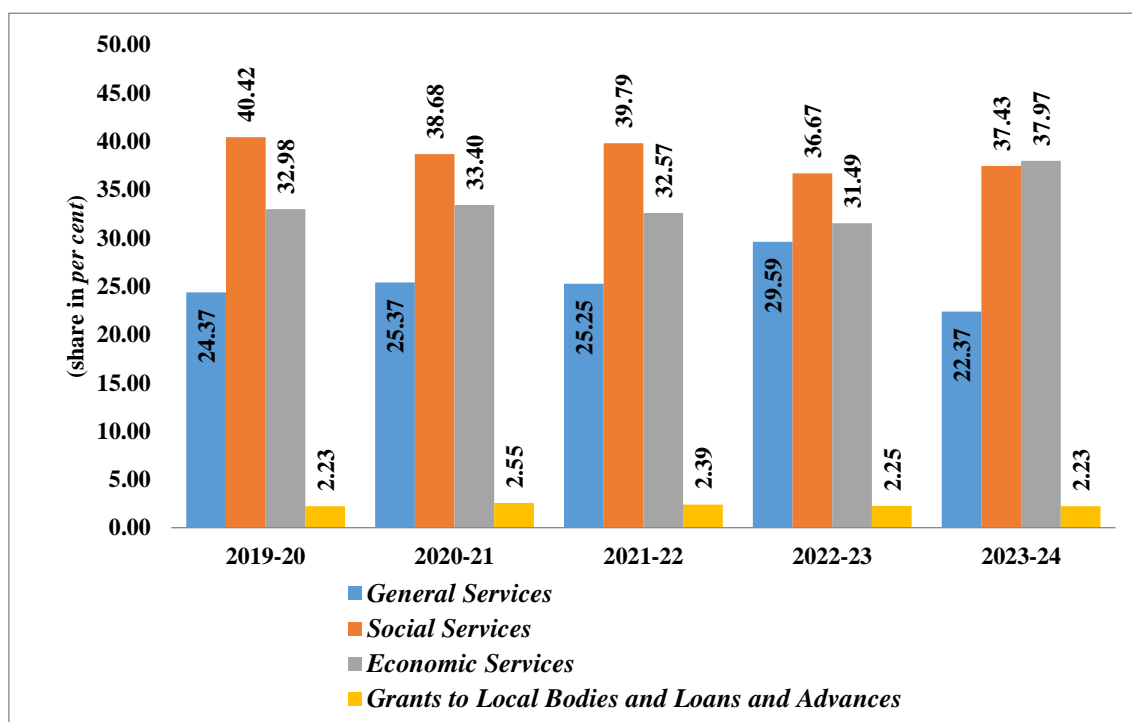
The relative share of various sectors of expenditure, during FYs 2019-20 to 2023-24, is shown in **Table 2.14** and **Chart 2.9**.

Table 2.14: Relative share of various sectors of expenditure

Parameters	₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	29,406	29,139	33,838	49,268	43,591
Social Services	48,781	44,424	53,315	61,061	72,954
Economic Services	39,793	38,367	43,647	52,442	74,010
Others (Grants to Local Bodies and Loans and Advances)	2,693	2,927	3,200	3,742	4,340

Source: Finance Accounts of respective years, Government of Odisha

Chart 2.9: Total expenditure - Expenditure by activities



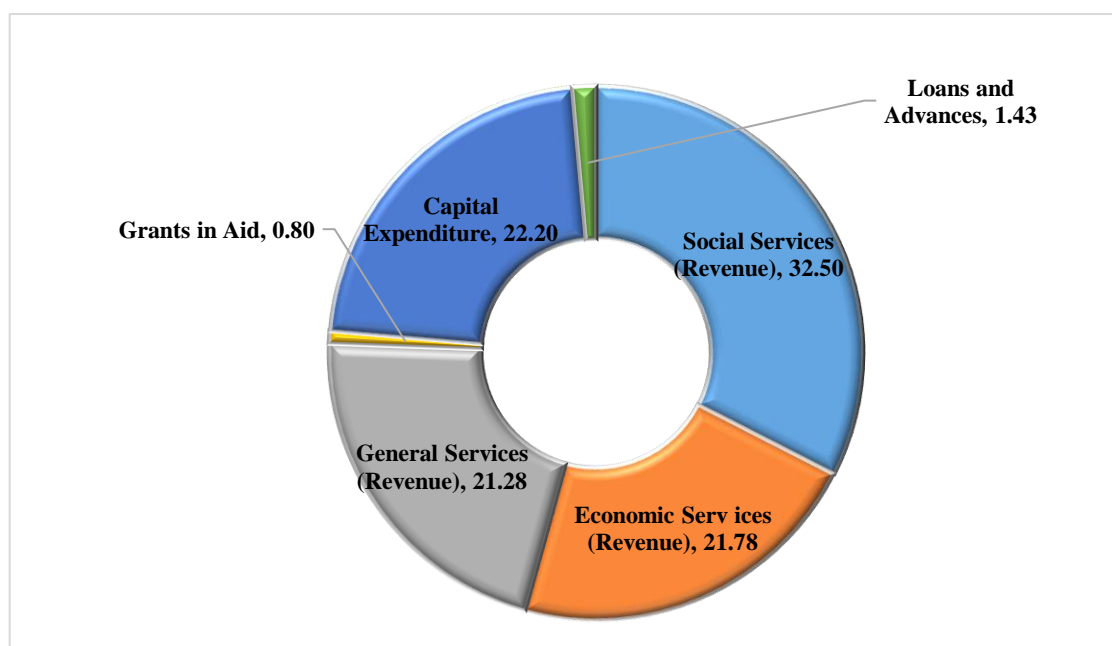
Source: Finance Accounts of respective years, Government of Odisha

Chart 2.9 shows that the relative share of General Services remained relatively stable over the last five years, fluctuating slightly between 22.37 per cent and 29.59 per cent. There was a noticeable increase in FY 2022-23 to 29.59 per cent, followed by a significant decrease to 22.37 per cent in 2023-24. The decrease was attributed to less transfer of ₹8,700 crore to the Budget Stabilisation Fund as compared to FY 2022-23, under Miscellaneous General Services. 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 37.97 per cent). However, during FY 2023-24, Economic Services with significant increase (₹21,568 crore) in the share, slightly surpassed Social Services for the first time in the period, with a difference of 0.54 per cent.

Grants to Local Bodies and Loans and Advances consistently had the smallest share of expenditure, ranging from 2.23 per cent to 2.55 per cent. There were minor fluctuations, but the share remained fairly constant over the years. **Chart 2.10** shows the composition of expenditure by function.

Chart 2.10: Composition of Expenditure by function during FY 2023-24

(in per cent)



Source: Finance Accounts for FY 2023-24

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 2.15** and the sectoral distribution of revenue expenditure is shown in **Chart 2.11**.

Table 2.15: Revenue Expenditure - Basic Parameters

(₹ in crore)

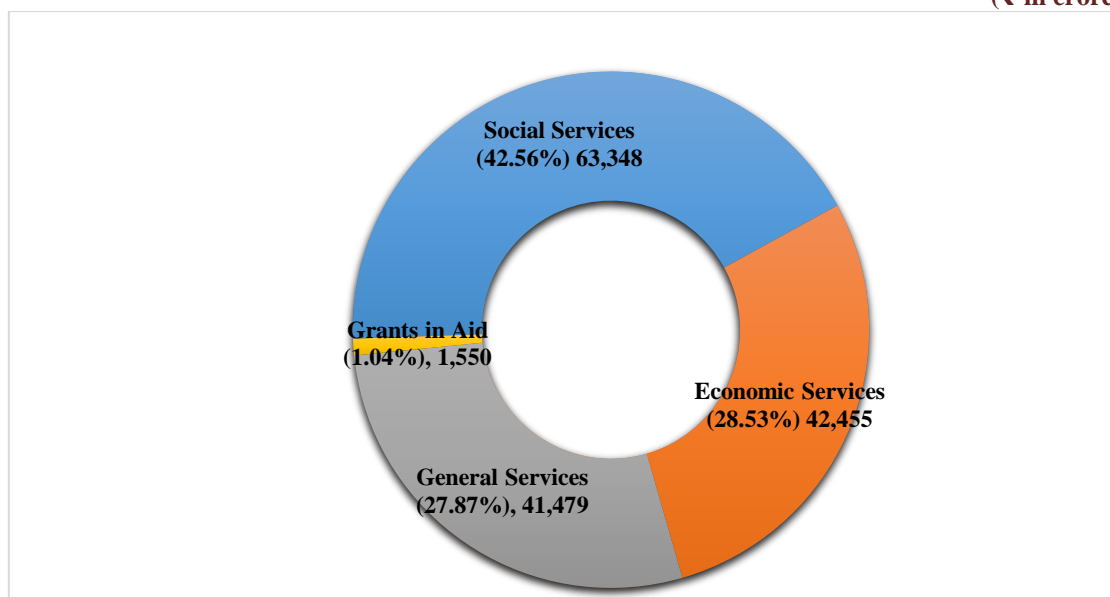
Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	1,20,673	1,14,857	1,34,000	1,66,513	1,94,895
Revenue Expenditure (RE)	99,137	95,311	1,09,588	1,31,006	1,48,832
RE as percentage of TE	82.15	82.98	81.78	78.68	76.37
RE/GSDP (per cent)	18.44	17.64	15.72	17.25	17.44
Revenue Receipts	1,01,568	1,04,387	1,53,059	1,50,462	1,79,593
Rate of Growth of RR (per cent)	2.03	2.78	46.63	-1.70	19.36
RE as percentage of RR	97.61	91.31	71.60	87.07	82.87
Rate of Growth of GSDP (per cent)	7.80	0.50	29.03	8.97	12.37
Rate of Growth of RE (per cent)	16.15	-3.86	14.98	19.54	13.61

Source: Finance Accounts of respective years, Government of Odisha

The revenue expenditure increased by ₹49,695 crore (50.13 per cent) from ₹99,137 crore in FY 2019-20 to ₹1,48,832 crore in FY 2023-24. It increased at annual average growth rate of 10.69 per cent, whereas, as percentage of GSDP, it ranged between 15.72 per cent to 18.44 per cent, during this period.

Chart 2.11: Sector-wise distribution of revenue expenditure during FY 2023-24

(₹ in crore)



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

2.4.1.1 Major changes in revenue expenditure

The revenue expenditure increased substantially by ₹17,826 crore (13.61 per cent) from ₹1,31,006 crore in FY 2022-23 to ₹1,48,832 crore in FY 2023-24. Significant variations under various Major Heads of Accounts, in regard to the revenue expenditure of the State,

during the current year, as compared to the previous year, are depicted in Table 2.16.

Table 2.16: Variation in revenue expenditure during FY 2023-24 compared to FY 2022-23

(₹ in crore)			
Major Heads of Account	2022-23	2023-24	Increase (+) / Decrease (-)
2515-Other Rural Development Programmes	6,999.53	11,980.86	4,981.33
2202-General Education	22,135.54	24,861.71	2,726.17
2210-Medical and Public Health	9,504.81	11,856.18	2,351.37
3451-Secretariat-Economic Services	1,184.46	3,396.86	2,212.40
2235-Social Security and Welfare	6,237.29	8,387.41	2,150.12
2071-Pensions and Other Retirement Benefits	18,595.66	20,107.54	1,511.88
2401-Crop Husbandry	5,787.90	7,046.58	1,258.68
2075-Miscellaneous General Services	13,750.75	5,050.35	-8,700.40
2505-Rural Employment	1,861.98	1,351.51	-510.47
2049-Interest Payments	5,502.32	5,181.14	-321.18

Source: Finance Accounts of respective years, Government of Odisha

Table 2.16 shows:

- Increase of ₹4,981 crore (71.17 per cent) under Other Rural Development Programmes was mainly due to increase in expenditure under Panchayati Raj (by ₹1,539 crore), Tribal Area Sub-Plan (by ₹2,412 crore) and Special Component plan for Scheduled Caste (by ₹732 crore).
- Increase of ₹2,726 crore (12.32 per cent) in General Education was mainly due to increase in expenditure under Government Secondary Schools (by ₹498 crore), assistance to Non-government secondary schools (by ₹577 crore) and Assistance to Non-government colleges (by ₹260 crore) etc.
- Increase of ₹2,351 crore (24.74 per cent) in Medical and Public Health was mainly due to increase in expenditure under Urban Health Services – Allopathy (₹5,209 crore) by ₹1,374 crore.
- Increase of ₹2,212 crore (186.79 per cent) in Secretariat-Economic Services was mainly due to increase in expenditure by 227.02 per cent under District Planning Machinery (₹3,018 crore).
- Increase of ₹2,150 crore (34.47 per cent) in Social Security and Welfare was mainly due to increase in expenditure on Women welfare (₹1,334 crore), Tribal Area sub-plan (₹727 crore) etc. under Social welfare, which were partly set off due to decrease under National Social Assistance Programme (NSAP) by ₹89.34 crore.
- Increase of ₹1,512 crore (8.13 per cent) in Pension and Other retirement benefits was mainly due to increase under Pensions to Employees of State Aided

Educational Institutions (by ₹565 crore), Government Contribution for Defined Contribution Pension Scheme (by ₹505 crore), Family Pensions (₹141 crore), which were partly set off by decrease under Gratuities (₹111 crore).

- Increase of ₹1,258.68 crore (21.75 per cent) in Crop Husbandry was mainly due to increase in expenditure under Tribal Area Sub Plan (by ₹414 crore), commercial crops (by ₹283 crore), crop insurance (₹140 crore) and Special component plan for Scheduled Castes (by ₹191 crore), and other expenditure (₹175 crore).
- Decrease of ₹8,700 crore (63.27 per cent) in Miscellaneous General Services was mainly due to decrease in transfer of fund to the Budget Stabilisation Fund (by ₹8,700 crore), which was created during FY 2022-23, *vide* Government of Odisha notification of March 2023, under the Reserve Fund in Public Accounts, to ensure financial stability during periods of unexpected revenue shortfall or budget deficit.
- Decrease of ₹510 crore (27.42 per cent) in Rural Employment was due to decrease in expenditure under Rural Employment Guarantee Scheme (by ₹340 crore) and no expenditure under other schemes, as compared to ₹170 crore spent during 2022-23.
- Decrease of ₹321 crore (5.84 per cent) in Interest Payments was due to repayment of market borrowings (₹4,658 crore) and funds borrowed from special securities issued to NSSF of Central Government (₹883 crore).

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. 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 Central Sector Schemes 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 2.17** and the share of committed expenditure in revenue expenditure, is shown in **Chart 2.12**.

Table 2.17: Components of Committed Expenditure

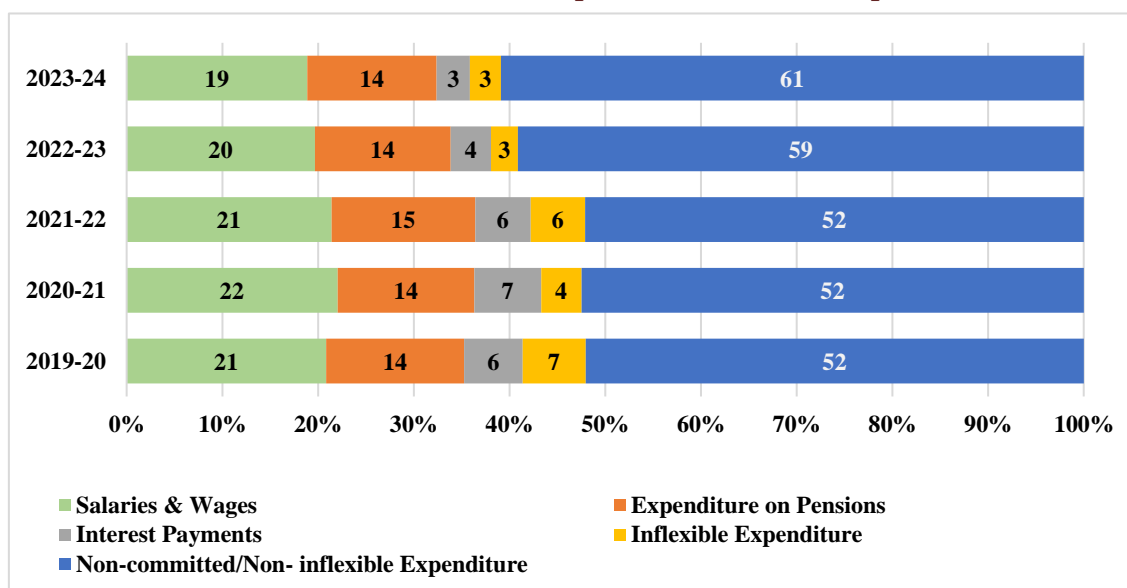
(₹ in crore)					
Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries and Wages	20,683	21,003	23,456	25,770	28,121
Expenditure on Pensions	14,273	13,629	16,459	18,596	20,108
Interest Payments	6,063	6,644	6,342	5,502	5,181
Total	41,019	41,276	46,257	49,868	53,410
Components of Inflexible Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Statutory Devolution to local bodies	658.37	1,213.72	1,225.96	1,220.14	1,220.06
Contribution to Reserve Funds	4,203.10	2,639.00	4,639.00	1,796.80	3,217.29
Recoupment of Contingency Fund	1,440	0	171	0	0
Non transfer of cess to reserve fund/other body	41.2	78.07	55.37	63.23	57.11
Non transfer of fund to State Disaster Mitigation Fund	--	--	--	224.60	0.00
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	179.22	93.83	131.88	231.76	305.83
Less Government contribution to National Payment System.	-	-	-	172.53	23.49
Total	6,521.89	4,024.62	6,223.21	3,709.06	4,823.78
Grand Total	47,541	45,301	52,480	53,577.06	58,233.78
As a percentage of Revenue Receipts (RR)					
Committed expenditure					
Salaries & Wages	20.36	20.12	15.32	17.13	15.66
Expenditure on Pensions	14.05	13.06	10.75	12.36	11.20
Interest Payments	5.97	6.36	4.14	3.66	2.88
Total	40.38	39.54	30.22	33.14	29.74
Inflexible expenditure					
Total	6.42	3.86	4.07	2.46	2.69
Total	46.8	43.4	34.29	35.61	32.43
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	20.86	22.04	21.40	19.67	18.89
Expenditure on Pensions	14.40	14.30	15.02	14.19	13.51
Interest Payments	6.12	6.97	5.79	4.20	3.48
Total	41.38	43.31	42.21	38.06	35.89
Inflexible expenditure					
Total	6.58	4.22	5.68	2.83	3.24
Total	47.96	47.53	47.89	40.77	39.13
Non-committed RE	58,118	54,035	63,331	81,138	95,422
Percentage of RE	58.62	56.69	57.79	61.93	64.11

Percentage of TE	48.16	47.05	47.26	48.73	48.96
Subsidies	3,366	4,288	4,695	3,979	4,123
Subsidies as <i>percentage</i> of non-committed expenditure	5.79	7.94	7.41	4.90	4.32

Source: Finance Accounts of respective years, Government of Odisha

Table 2.17 shows that the committed expenditure as a percentage of revenue expenditure decreased from 41.38 *per cent* in FY 2019-20 to 35.89 *per cent* in FY 2023-24. On the other hand, the percentage of non-committed expenditure to revenue expenditure increased from 58.62 *per cent* in FY 2019-20 to 64.11 *per cent* in FY 2023-24, in which subsidies ranged between 4.32 *per cent* and 7.94 *per cent*.

Chart 2.12: Share of committed expenditure in revenue expenditure



Source: Finance Accounts of respective years, Government of Odisha
Percentages in the Chart rounded off to zero decimal places.

Salaries and wages

Expenditure on salaries and wages (₹28,121 crore) increased by 9.12 *per cent* during FY 2023-24 over the previous year (₹25,770 crore) and constituted 18.89 *per cent* of revenue expenditure.

Interest payment

Interest payments (₹ 5,181 crore) as a percentage of Revenue Expenditure constituted 3.48 *per cent* in 2023-24, which was less than the previous year's ratio (4.20 *per cent*). In absolute terms, while interest payments had increased during FYs 2019-20 and 2020-21, they had started decreasing from FY 2021-22, 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 (₹ 1,79,593 crore), was 2.88 *per cent*, which was well below the fiscal target of 15 *per cent*, set out in the Odisha FRBM (Amendment) Act, 2016.

Pensions

During the year the expenditure on pension and other retirement benefits to State Government pensioners was ₹20,108 crore and constituted 13.51 *per cent* of the revenue expenditure. During the year, expenditure under pension and other retirement benefits increased by ₹1,512 crore (8.13 *per cent*) over the previous year. The increase was mainly due to increase in Superannuation and Retirement Allowances (₹6,202 crore) by ₹431 crore, Pensions to Employees of State Aided Educational Institutions (₹5,690 crore) by ₹565 crore and Family Pensions (₹2,183 crore) by ₹141 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 2019-20 to 2023-24. As a percentage of revenue expenditure, the inflexible expenditure ranged between 2.83 *per cent* to 6.58 *per cent*. The inflexible expenditure during FY 2023-24 substantially increased by 30 *per cent* over the previous year, majorly due to increase in contribution towards State Disaster Response Fund and State Disaster Mitigation Fund under Reserve funds.

(i) Undischarged liabilities to 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 Contributory 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, issued by GoI.

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.

During FY 2023-24, ₹4,028.11 crore (employees' contribution of ₹1,635.50 crore and Government contribution of ₹2,266.21 crore) was deposited under Major Head '8342-Other Deposits 117- Defined Contributory Pension Scheme' in Public Account. This transferred amount also included an amount of ₹126.39 crore deposited in the Public Account on account of contribution of employees on foreign service. Since the

Government was required to contribute 14 *per cent* to NPS, the Government contribution for the year 2023-24 would be ₹2,289.70 crore ((₹1,635.50*14)/10 = ₹2,289.70 crore), against which the Government contributed only ₹2,266.21 crore. As such, the Government's contribution to the NPS was less by ₹23.49 crore. This had resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit, to that extent.

During FY 2023-24, against the balance of ₹4,056.75 crore (including opening balance of ₹28.64 crore) lying in the Public Account, the State Government had transferred ₹4,025.14 crore to NSDL, leaving a balance of ₹31.61 crore, as on 31 March 2024.

Details of the receipts from the employees' share, Government's contribution and investment in pension fund, are given in **Table 2.18**.

Table 2.18: Details of contribution and investment under Defined Contributory Pension Scheme

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
2023-24	28.64	1,761.90	2,266.21	4,056.75	4,025.14	(-) 31.61
TOTAL		7,272.93	8,935.54	16,208.47	16,176.86	31.61

Source: Finance Account of respective years

During the period from FYs 2006-07 to 2023-24, against the total receipts of ₹16,208.47 crore (employees' share: ₹7,272.93 crore and State Government contribution: ₹8,935.54 crore), an amount of ₹16,176 crore was transferred to the pension fund. Thus, there was short transfer of ₹31.61 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.

2.4.1.3 Subsidies

Table 2.19 shows the expenditure on subsidies, during the period from FYs 2019-20 to 2023-24. The subsidies during the current year increased marginally by ₹144 crore (3.62 *per cent*) from the previous year. The increase was mainly due to increase of Pradhan Mantri Fasal Bima Yojana (PMFBY) subsidy (under Co-operation Department) by ₹ 400 crore. The increase was partly set off by decrease of subsidy under Agriculture and Farmers' Empowerment department.

Department-wise major subsidies for FYs 2019-20 to 2023-24, are shown in **Table 2.19**:

Table 2.19: Department-wise Subsidies during FYs 2019-20 to 2023-24

(₹ in crore)						
Sl. No.	Departments	2019-20	2020-21	2021-22	2022-23	2023-24
1	Food Supplies & Consumer Welfare	1,088	2,085	2,058	1,170	1,185
2	Co-operation	1,344	1,269	1,451	1,388	1,791
3	Agriculture & Farmers' Empowerment	307	301	329	679	218
4	Revenue & Disaster Management	312	224	470	274	36
5	Other Departments ¹⁴	315	409	387	468	893
Total Subsidy		3,366	4,288	4,695	3,979	4,123
Subsidies as a percentage of Revenue Receipts		3.31	4.11	3.07	2.64	2.30
Subsidies as a percentage of Revenue Expenditure		3.39	4.50	4.28	3.04	2.77
Subsidies as a percentage of Total Expenditure		2.79	3.73	3.50	2.39	2.12

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. As can be seen from the table, there has been a decrease in subsidy as *per cent* of Revenue expenditure, from 3.39 *per cent* in FY 2019-20 to 2.77 *per cent* in FY 2023-24. However, the absolute value of subsidies did not consistently decrease each year, as they increased from ₹3,366 crore in 2019-20 to ₹4,123 crore in 2023-24.

¹⁴ 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) Mission Shakti

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 2019-20 to 2023-24, is shown in **Table 2.20**.

Table 2.20: Financial assistance to Local Bodies and other institutions

(₹ in crore)					
Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
(A) Local Bodies					
Municipal Corporations and Municipalities	1,886.04	2,661.52	1,992.35	1,811.96	3,419.27
Zilla Parishads and other Panchayati Raj Institutions	4,415.45	2,508.08	1,906.85	1,809.56	5,638.61
Total (A)	6,301.49	5,169.60	3,899.20	3,621.52	9,057.88
(B) Others					
Educational institutions (Aided Schools, Colleges, Universities, etc.)	6,862.60	6,632.48	6,028.73	5,903.00	8,859.77
Development Authorities	2,153.92	1,483.12	1,612.69	1,085.73	2,933.11
Hospitals and Other Charitable Institutions	1,789.38	21,027.82	1,561.05	800.07	2,537.35
Other institutions	11,358.07	11,856.37	12,829.30	7,673.97	4,466.20
Total (B)	22,163.97	22,099.79	22,031.77	15,462.77	18,796.43
TOTAL (A+B)	28,465.46	27,269.36	25,930.97	19,084.29	27,854.31
GIA for creation of Capital assets	7,487.48	8,567.39	5,387.86	4,229.43	8,276.12
Revenue Expenditure	99,137	95,311	1,09,588	1,31,006	1,48,832
Assistance as a percentage of Revenue Expenditure	28.71	28.61	23.66	14.57	18.72

Source: Finance Accounts of respective years, Government of Odisha

During the year 2023-24, financial assistance to the local bodies and other institutions increased by ₹8,770.02 crore (45.95 per cent) over the previous year. The increase was mainly due to increase in assistance to Urban Local Bodies by ₹1,607.31 crore, Rural Local Bodies by ₹3,829.05 crore, Educational Institutions by ₹2,956.77 crore, Development Authorities by ₹1,847.38 crore, Hospitals and other charitable institutions by ₹1,737.28 crore, which was partially set off by decrease in assistance to other institutions like Co-operatives, Odisha Renewable Energy Development Agency (OREDA), NGOs etc. by ₹3,207.77 crore. The overall quantum of financial assistance to the local bodies and other institutions, as a percentage of revenue expenditure had persistently decreased from FY 2019-20 (28.71 per cent) to FY 2022-23 (14.57 per cent). However, it increased to 18.72 per cent in FY 2023-24.

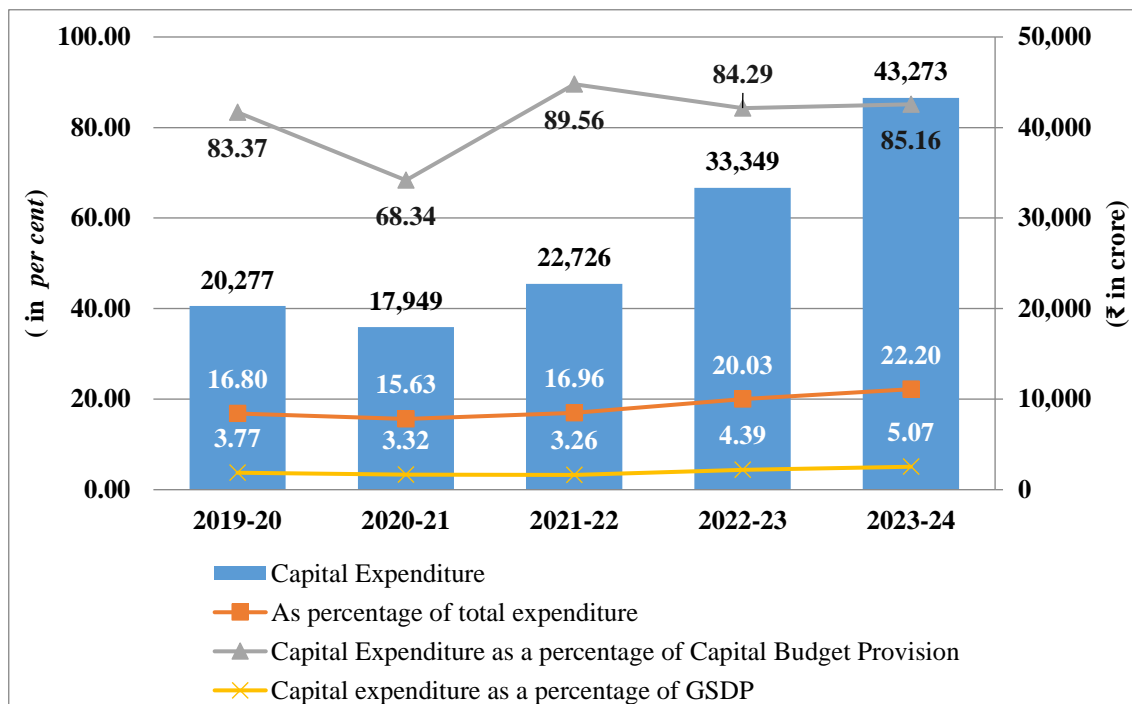
It was also observed that the assistance given for creation of capital assets, had substantially decreased by ₹3,258 crore (43.51 per cent) from ₹ 7,487.48 crore in

2019-20 to ₹ 4,229.43 crore in 2022-23. However, it increased to ₹ 8,276.12 crore (95.68 per cent) in FY 2023-24.

2.4.2 Capital Expenditure (CE)

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets, such as roads, buildings etc. Capital expenditure, at both the Centre and the State, is being met from budgetary support and extra budgetary resources/ off-budget borrowings. 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 2019-24, 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 ₹22,996 crore (113.41 per cent) from ₹20,277 crore in FY 2019-20 to ₹43,273 crore in FY 2023-24. It also increased, as a percentage of total expenditure, from 16.80 per cent in FY 2019-20 to 22.20 per cent in FY 2023-24. As compared to the previous year, the capital expenditure of Government of Odisha has substantially increased by ₹9,924 crore (29.76 per cent), but fell short of ₹7,540 crore from the estimated capital expenditure (₹50,813 crore). The Capital Expenditure as percentage of GSDP, during FY 2023-24 was 5.07 per cent, which was higher than that of FY 2022-23 (4.39 per cent), growing at an average annual rate of 20.87 per cent.

Besides, the State Government also gave Grants-in-aid of ₹8,276 crore to PRIs/ULBs/PSUs and Autonomous Bodies etc., during FY 2023-24 for creation of capital assets. Against the total capital budget provision of ₹50,813 crore during 2023-24, the State could spend only ₹43,273 crore (85.16 per cent). Capital Expenditure as a

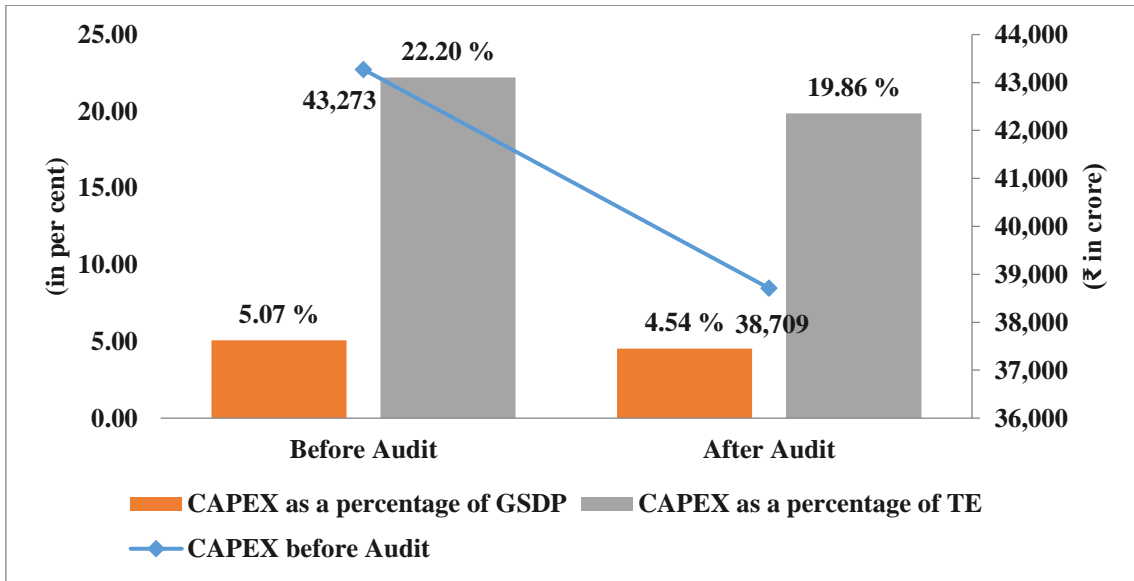
percentage of Capital Budget ranged between 68.34 per cent to 89.56 per cent during the period from 2019-20 to 2023-24.

2.4.2.1 Misclassification of Revenue Expenditure as Capital Expenditure

During the financial year 2023-24, the State Government had booked ₹43,273.38 crore as Capital Expenditure. Audit examined Sanction Orders and expenditure vouchers related to this amount, from the Office of the Accountant General (A&E) and noticed that out of the amount of ₹43,273.38 crore, ₹4,564.63 crore (**Appendix 2.3**) of expenditure of Revenue nature had been booked under Capital Expenditure. Out of this amount, ₹ 170.55 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 ₹ 4,394.08 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 to be classified as Revenue Expenditure, instead of Capital Expenditure.

Thus, there was a misclassification of ₹ 4,564.63 crore, which resulted in overstatement of Revenue Surplus to that extent. The resulting Capital Expenditure, after Audit, for FY 2023-24, was ₹38,708.75 crore (**Chart 2.14**).

Chart 2.14: Changes in Capital Expenditure after Audit



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

The Government stated (October 2024) that issues related to clarity on ownership of assets would be taken up with the respective line Departments to prevent such misclassification. The reply is not tenable as the misclassification affects financial accuracy and resource allocation. In absence of clarity on ownership, proper guidelines and trainings, proper classification of expenditure could not be ensured.

2.4.2.2 Major changes in Capital Expenditure

Capital expenditure increased by ₹9,924 crore (29.76 per cent) from ₹33,349 in FY 2022-23 to ₹43,273 crore in FY 2023-24. Major changes in Capital expenditure, during FY 2023-24, as compared to FY 2022-23, are depicted in **Table 2.21**.

Table 2.21: Capital expenditure during FY 2023-24 compared to FY 2022-23

Major Heads of Account	(₹ in crore)		
	2022-23	2023-24	Increase (+) / Decrease (-)
4515- Capital Outlay on other Rural Development Programmes	0.00	3,302.24	(+)3,302.24
5054-Capital Outlay on Roads and Bridges	9,860.61	13,027.77	(+)3,167.16
4700-Capital Outlay on Major Irrigation	3,809.65	5,593.40	(+) 1,783.75
4210- Capital Outlay on Medical and Public Health	2,148.69	3,444.61	(+) 1,295.92
4217- Capital Outlay on Urban Development	516.90	977.50	(+) 460.60
4225- Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	414.39	875.21	(+) 460.82
4202-Capital Outlay on Education, Sports, Arts and Culture	2,192.32	1,242.28	(-) 950.04
4801-Capital Outlay on Power Projects	3,071.59	2,125.73	(-) 945.86

Source: Finance Accounts of respective years, Government of Odisha

An analysis of **Table 2.21** shows:

- Increase of ₹3,302.24 crore (100 per cent) under Capital Outlay on other Rural Development Programmes was mainly due to expenditure under Ama Odisha Nabin Odisha programme (₹3,300 crore).
- Increase of ₹3,167.16 crore (32.12 per cent) under Capital Outlay on Roads and Bridges was mainly due to increase of expenditure amounting to ₹3,029.10 crore under General category including Tribal Area Sub-plan (₹223.43 crore), which was partly set off by decrease in expenditure under State Highways by ₹88.56 crore.
- Increase of ₹1,783.75 crore (46.82 per cent) under Capital Outlay on Major Irrigation was due to increase of expenditure in Upper Indravati Irrigation Commercial Project (₹1551.83 crore), Lower Suktel Irrigation Commercial Project (₹749.94 crore) and Subarnarekha Irrigation Commercial Project (₹195.87 crore) which was partly set off by decrease in expenditure under Rengali Irrigation Commercial Project (₹ 157.46 crore), Lower Indra Irrigation Commercial Project (₹ 45.86 crore) and other projects.
- Increase of ₹1,295.92 crore (60.31 per cent) under Capital Outlay on Medical and Public Health was mainly due to increase of expenditure on Medical Education, Training and Research (₹1,093.25 crore) and Rural health services (₹253.95 crore).

- Increase of ₹460.60 crore (89.11 *per cent*) under Capital Outlay on Urban Development was mainly due to increase of expenditure on Scheme for Special Central Assistance to States for Capital Expenditure (₹460.06 crore) and Odisha Metro Rail Transport (₹210.00 crore), which was partly set off by decrease in expenditure under other schemes/ programmes.
- Increase of ₹460.82 crore (111.20 *per cent*) under Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes was mainly due to increase in expenditure on Welfare of Scheduled Castes (₹85.09 crore), Welfare of Scheduled Tribes (₹285.64 crore), Welfare of Backward Classes (₹ 32.24 crore) and Welfare of Minorities (₹ 57.55 crore).
- Decrease of ₹950.04 crore (43.33 *per cent*) under Capital Outlay on Education, Sports, Arts and Culture was mainly due to decrease in expenditure for development of Sports Stadia infrastructure (by ₹550.98 crore), development of infrastructure under Samagra Shiksha (by ₹148.77 crore) and Sarva Shiksha Abhiyan for Universalisation of Education (by ₹95.35 crore).
- Decrease of ₹945.86 crore (30.79 *per cent*) under Capital Outlay in Power Sector, was mainly due to acquisition stake of Odisha Hydra Power Corporation (OHPC) Limited in Odisha Power Generation Corporation (OPGC) Limited.

2.4.2.3 Quality of Capital Expenditure

If the State Government continues to make investment in loss making Government companies, whose net worth has completely eroded, there is minimal chance of any gains through return on investment. Similarly, loans provided to financially distressed entities are at a risk of inevitable write-offs. This section presents an analysis of investments and other Capital expenditure undertaken by the State Government during the year 2023-24.

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

Capital expenditure in the companies, corporations and other bodies, which are loss making or whose net worth has completely eroded, is not sustainable. Investments made and loans given to such companies, corporations and co-operatives 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 2024, the State Government's investment in companies, corporations and other bodies stood at ₹ 12,998.29 crore, comprising Government Companies (₹ 10,286.15 crore), Co-operative Societies (₹ 1,404.74 crore), Statutory Corporations (₹ 749.99 crore), Other Joint Stock Companies and Partnerships (₹ 538.51 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 2.22**.

Table 2.22: Return on Investment

(₹ in crore)

Sl. No.	Details	2019-20	2020-21	2021-22	2022-23	2023-24
1	Investment at the end of the year (₹ in crore)	5,698.65	7,288.29	10,642.65	12,417.78	12,998.29
2	Return in the form of Dividend (₹ in crore)	321.38	1,062.81	523.43	584.50	1,800.36
3	Rate of Return (RoR) (<i>per cent</i>)	5.64	14.58	4.92	4.71	13.85
4	Average rate of interest on Government borrowings (<i>per cent</i>)	7.09	7.04	7.09	6.95	6.53
5	Difference between RoR (<i>per cent</i>) and interest rate (3-4)	-1.45	7.54	-2.17	-2.24	7.32
6	Difference between interest on Government borrowings and return on investment #	-82.63	549.71	-230.95	-278.16	951.47

Source: Finance Accounts of respective years, Government of Odisha

Investment at the end of the year X Difference between interest rate and return /100

- During FY 2023-24, the return on investment was ₹1,800.36 crore (13.85 *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 2019-20 to 2023-24, while the average rate of interest paid by the State Government on its borrowings was between 6.53 *per cent* and 7.09 *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 ₹909.44 crore.
- It was observed that out of 151 entities, only 16 entities had paid dividend. These included 15 Government Companies¹⁵ (which included three Power Sector Companies) and one Co-operative Society¹⁶.
- Out of the total investment of ₹ 12,998.29 crore, ₹ 8,433.63 crore (64.88 *per cent*) was invested in five¹⁷ Power Sector Companies. Out of these, only three¹⁸ companies paid dividend of ₹ 284.77 crore (15.82 *per cent*).

¹⁵ Government Companies – (1) Agricultural Promotion and Investment Corporation Limited : ₹ 0.07 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: ₹ 6.08 crore (5) Odisha Small Industries Corporation Limited: ₹ 5.03 crore (6) Odisha Construction Corporation Limited: ₹10.27 crore (7) Odisha Bridge and Construction Corporation Limited: ₹ 3.41 crore (8) Odisha State Police Housing and Welfare Corporation: ₹ 16 crore (9) Regional Rural Banks: ₹ 0.20 crore (10) Odisha Mining Corporation Limited: ₹ 1420 crore (11) Odisha State Beverages Corporation Limited: ₹ 9.42 crore (12) Odisha State Co-operative Handicrafts Corporation Limited: ₹ 27.40 crore (13) Odisha Hydro Power Corporation: ₹139.40 crore (14) Odisha Power Generation Corporation Limited: ₹ 103.37 crore (15) Odisha Power Transmission Corporation Limited: ₹ 42 crore

¹⁶ Co-operative Society – Credit Co-operative: ₹ 11.60 crore

¹⁷ OPGC: ₹2,157.52 crore, OPTCL: ₹2,402.78 crore, GRIDCO: ₹2,613.13 crore and OHPC: ₹1,034.34 crore, Odisha Coal and Power Limited: ₹ 225.86 crore

¹⁸ OHPC: ₹139.40 crore; OPGC: ₹103.37 crore; OPTCL: ₹42 crore

- The return on investment was mainly dependent on the Odisha Mining Corporation (OMC), which had paid ₹1,420 crore dividend in 2023-24. OMC was also the highest contributor of dividend in 2019-20: ₹250 crore, 2020-21: ₹1,000 crore, 2021-22: ₹500 crore and 2022-23: ₹500 crore.
- Out of total 151 entities, 72 were defunct and investment of ₹68.52 crore therein had remained un-recouped. Of the remaining active 79 entities, 63 had not paid any dividend in 2023-24.

(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 2.23** presents the position of outstanding loans and advances, as on 31 March 2024, and interest receipts *vis-à-vis* interest payments, by the State Government, on its borrowings during the last five financial years.

Table 2.23: Quantum of loans disbursed and recovered during FYs 2019-20 to 2023-24
(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance of loans outstanding (₹ in crore)	7,191	8,163	9,066	9,185	10,511
Amount advanced during the year (₹ in crore)	1,259	1,597	1,685	2,158	2,790
Amount recovered during the year (₹ in crore)	287	684	1,566	832	559
Closing Balance of the loans outstanding (₹ in crore)	8,163	9,066[#]	9,185	10,511	12,742
Net addition (₹ in crore)	(+) 972	(+) 913	(+) 119	1,326	2,231
Interest Receipts (₹ in crore)	64	316	1,315	297	300
Interest Receipts as a percentage of outstanding loans and advances (in per cent)	0.78	3.48	14.30	2.83	2.35
Interest Payments (₹ in crore)	6,063	6,644	6,342	5,502	5,181
Outstanding Borrowings (₹ in crore)	1,26,084	1,22,774	1,20,140	1,11,952	1,33,089
Rate of interest paid on the outstanding borrowings of the Government (in per cent)	4.81	5.41	5.28	4.91	3.89
Difference between the rate of interest received and interest paid (per cent)	(-) 4.03	(-) 1.93	(+) 9.02	(-) 2.08	(-) 1.54

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 2023-24, an amount of ₹2,790 crore was advanced as loan by the State, as against ₹2,158 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 (VGF¹⁹) 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 FYs 2018-19 to FY 2023-24. In addition, GRIDCO received a loan of ₹1,000 crore from the Government as soft loan to meet its financial requirements. Out of this amount, ₹500 crore was offered at an annual interest rate of five *per cent*, while the remaining ₹500 crore was provided at an annual interest rate of 5.25 *per cent*. ₹130 crore (interest free) was extended to Odisha State Cooperative Marketing Federation Limited and ₹100 crore (at the rate of 2.5 *per cent per annum*) was extended to the Odisha State Seeds Corporation Limited.

The total outstanding loans and advances by the State Government showed an increasing trend during the period 2019-20 to 2023-24. They increased by ₹2,231 crore from ₹10,511 crore in FY 2022-23 to ₹12,742 crore in FY 2023-24. Recovery of loans decreased by ₹273 crore (32.81 *per cent*) and interest receipts decreased by ₹3 crore (1.01 *per cent*) respectively in FY 2023-24, as compared to FY 2022-23. The interest received was only 2.35 *per cent* of the outstanding loans and advances during FY 2023-24.

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 2.24**.

Table 2.24: Expenditure priority of the State, in regard to health, education and Capital expenditure

	(in per cent)			
	TE/GSDP	CE/TE	Education/TE	Health/TE
General Category States Average (2019-20)	15.88	12.72	15.79	5.25
Odisha (2019-20)	22.45	16.80	14.58	5.13
General Category States Average (2023-24)	15.66	15.38	14.36	5.71
Odisha (2023-24)	22.83	22.20	13.24	8.17

Source: Finance Accounts, Government of Odisha

Table 2.24 shows that:

- The State Government's total expenditure, as a proportion of the GSDP, increased slightly from 22.45 *per cent* in 2019-20 to 22.83 *per cent* in 2023-24. Simultaneously, for General Category States, it decreased from 15.88 *per cent* to 15.66 *per cent*. However, the total expenditure as a percentage of GSDP, of Odisha, was much higher than that of General Category States.

¹⁹ Viability Gap Funding means a grant to support projects that are economically justified but not financially viable.

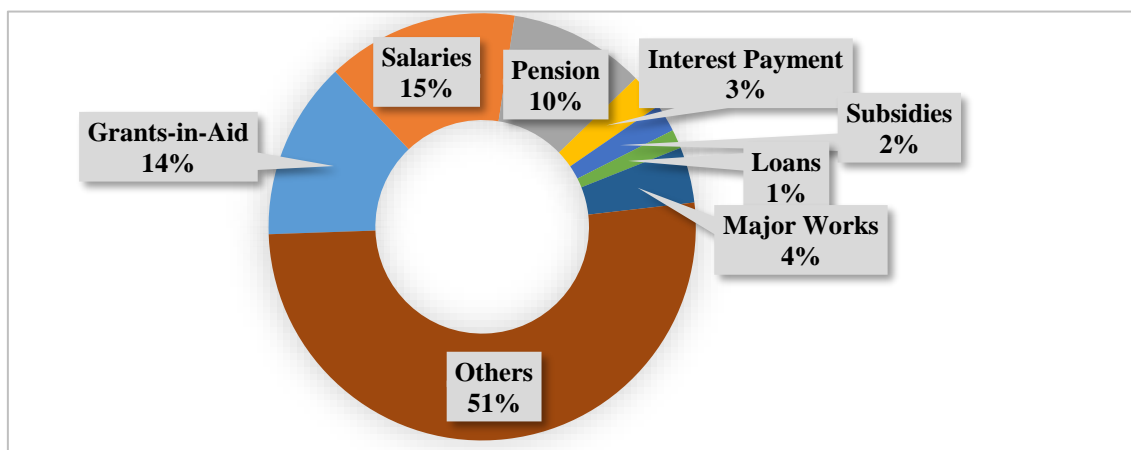
- Capital expenditure facilitates asset creation, which generates opportunities for higher growth. The ratio of capital expenditure to total expenditure increased from 16.80 per cent in 2019-20 to 22.20 per cent in 2023-24. The General Category States also saw an increase, but it was less pronounced, from 12.72 per cent in 2019-20 to 15.38 per cent in 2023-24.
- Odisha's spending on education as a proportion of total expenditure declined from 14.58 per cent in 2019-20 to 13.24 per cent in 2023-24, falling below the General Category States' average, which also saw a decline from 15.79 per cent to 14.36 per cent.
- The ratio of expenditure on health to total expenditure in Odisha increased from 5.13 per cent in 2019-20 to 8.17 per cent in 2023-24, whereas it increased from 5.25 per cent to 5.71 per cent in the case of General Category States, during the same period.

Thus, Odisha demonstrates higher fiscal activism compared to the General Category States, particularly in terms of its overall expenditure (TE/GSDP) and focus on capital investment (CE/TE). However, there is a relative decline in the prioritization of education expenditure, contrasted by a notable increase in health spending, indicating a shift in Odisha's expenditure priorities towards infrastructure and health sectors.

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 2023-24 (in per cent)



Source: Finance Accounts, Government of Odisha

2.5 Contingency Fund

The Contingency Fund of Government of Odisha was established under the Odisha Contingency Fund Act 1967. The State Government made the Odisha Contingency Fund Rules, 1967 for regulating all matters connected with or ancillary to the custody of, payment of monies into and the withdrawal of monies from the Contingency Fund of the State of Odisha for meeting unforeseen expenditure. The fund is recouped when the State Legislature authorises the additional expenditure. The corpus of the Fund is ₹ 400 crore.

During 2023-24, ₹274.34 crore had been withdrawn from the fund under various budgetary heads (2202-General Education: ₹117.73 crore, 2425-Co-operation: ₹0.14 crore, 4059-Capital Outlay on Public Works: ₹93.56 crore, 4216-Capital Outlay on Housing: ₹62.91 crore). However, the total amount of ₹ 274.34 crore had not been replenished by the end of the FY 2023-24. As on 31st March 2024, Contingency Fund had a balance of ₹125.66 crore only.

Due to non-recoupment of the advance amount by the end of 2023-24, there was overstatement of Revenue Surplus by ₹117.87 crore and understatement of Fiscal Deficit by ₹274.34 crore for the year 2023-24.

Details of expenditure made out of the Contingency Fund are discussed in paragraph 3.5.3 of Chapter III of this Report.

2.6 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.

2.6.1 Net Public Account Balances

The component-wise net balances in the Public Account of the State, are given in **Table 2.25**. Yearly changes in the composition of Public Account balances are depicted in **Chart 2.16**.

Table 2.25: Component-wise net balances in Public Accounts

		(₹ in crore)				
Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
I. Small Savings, Provident Fund <i>etc.</i>	Small Savings, Provident Fund <i>etc.</i>	915	612	308	-502	-800
J. Reserve Funds	a) Reserve Funds bearing interest	6,201	178	444	485	3,457
	b) Reserve Funds not bearing interest	1,053	-1,207	3,106	15,030	7,313
K. Deposits and Advances	a) Deposits bearing interest	7	-19	2	21	3
	b) Deposit not bearing interest	3,422	-13,013	751	2,783	5,645
	c) Advances	1	-5	-1	-1	0
L. Suspense and Miscellaneous	b) Suspense	-80	26	188	177	-151
	c) Other Accounts	0	0	0	0	0
	d) Accounts with Governments of Foreign Countries	0	0	0	0	0
	e) Miscellaneous	0	2,500	0	-6	0
M. Remittances	a) Money Orders and other Remittances	-21	24	18	16	25
	b) Inter Governmental Adjustment Account	0	-6	-1	5	2
TOTAL		11,497	-10,910	4,815	18,008	15,494

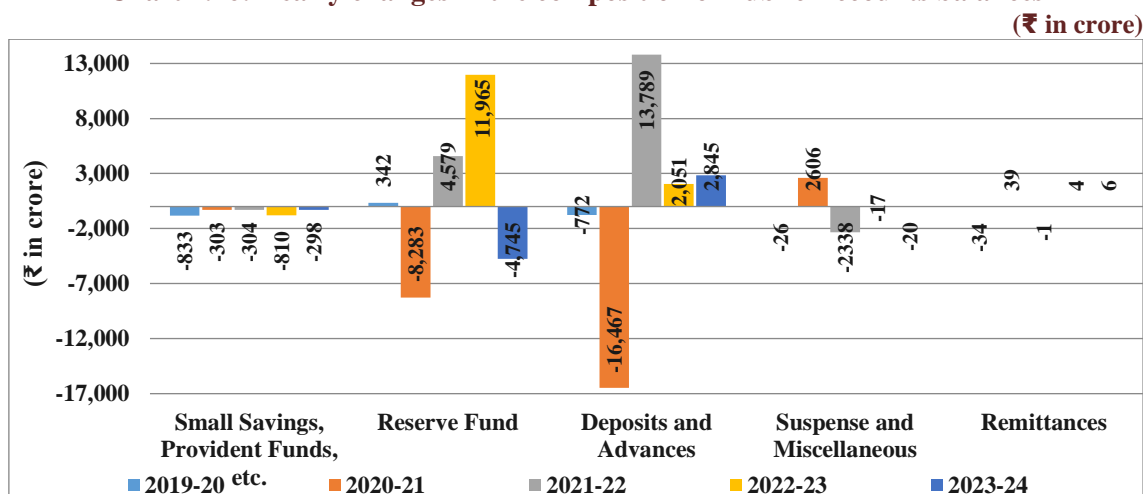
Source: Finance Accounts of respective years, Government of Odisha

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

From **Table 2.25**, it can be seen that, during FY 2023-24, the net Public Account receipts (₹15,494 crore) contributed 7.25 per cent of the total resources (₹ 2,13,769 crore) of the State. The major source of Public Account receipts was Reserve Funds not bearing interest (₹7,313 crore), due to transfer of ₹5,000 crore for the Budget Stabilisation Fund under the Major Head 8228 - Revenue Reserve Fund.

Government is liable to pay/adjust interest in respect of interest-bearing Reserve Funds and Deposits. During FY 2023-24, the interest amounts payable on the State Disaster Response Fund (₹235.82 crore), State Disaster Mitigation Fund (₹44.80 crore) State Compensatory Afforestation Fund (₹24.01 crore), Deposits on Government Companies, Corporation etc. (₹1.18 crore) and Miscellaneous Deposits (₹0.02 crore), totalling ₹305.83 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



Source: Finance Accounts of respective years, Government of Odisha

The State Government agreed (October 2024) for early transfer of the interest amount of ₹305.83 crore to the Public Account.

2.6.2 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. These comprise interest bearing Reserve funds and non-interest bearing Reserve funds.

There were three interest bearing Reserve funds and eight non-interest bearing Reserve Funds, as on 31 March 2024. The balances lying in these Reserve Funds, as on 31 March 2024, are given in **Table 2.26**.

Table 2.26: Details of Reserve Funds

		(₹ in crore)
Sr. No.	Name of Reserve Fund	Balance as on 31 March 2024
A	Reserve Funds bearing Interest	11,211.08
1	State Disaster Response Fund	5,214.71
2	State Disaster Mitigation Fund	1,286.91
3	State Compensatory Afforestation Fund	4,709.46
B.	Reserve Funds not bearing Interest	38,956.93
1	Consolidated Sinking Fund	17,135.66
2	Odisha Famine Relief Fund	3.94
3	Budget Stabilisation Fund (Revenue Reserve Funds)	19,574.87
4	Development Funds for Educational Purposes	12.48
5	Development Funds for Agricultural Purposes	0.01
6	Consumer Welfare Fund	0.28
7	Other Development and Welfare Fund	0.22
8	Guarantee Redemption Fund	1,926.82
9	Other Funds- Fund for Protection of Interest of Depositors	302.65
	Grand Total	50,168.01

Source: Finance Accounts, Government of Odisha

Out of the gross accumulated balance of ₹50,168.01 crore lying in these Funds, as on 31 March 2024, ₹39,258.12 crore had been invested in Government Stocks by the Reserve Bank of India, leaving a total net accumulated balance of ₹10,909.89 crore remaining un-invested, as on 31 March 2024.

2.6.2.1 Consolidated Sinking Fund (CSF)

As per the recommendations of the 12th Finance Commission, Government of Odisha 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 five per cent of the total liability of the State Government at the end of the previous year.

There was an opening balance of ₹15,914.19 crore in the Fund, at the beginning of the current year. As on 31 March 2023, the outstanding liabilities of the Government of

Odisha were ₹1,01,700²⁰ crore, which were 15.65 *per cent* (more than the mandated level of five *per cent*) of the total liabilities of the State Government at the end of the previous year. Accordingly, the State Government did not contribute to the fund in 2023-24. However, interest amounting to ₹1,221.47 crore was earned. Resultantly, there was a balance of ₹17,135.66 crore, at the end of the FY 2023-24.

2.6.2.2 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, 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 to be 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 2023, an amount of ₹3,208.24 crore was lying in the SDRF. During FY 2023-24, ₹2,381.42 crore (₹1,415.20 as Central share, ₹471.20 crore as State share, ₹ 410.09 crore as Refund of unspent balance to SDRF and ₹84.93 crore interest receipts out of investment) were transferred to the Fund. An amount of ₹374.96 crore was spent from the Fund, during the current year, leaving a balance of

²⁰ Outstanding Liabilities as on 31.03.2023 was ₹1,01,700 crore (excluding back-to-back loans from GoI in lieu of GST compensation shortfall, amounting to ₹10,252.20 crore, which was not to be repaid by the State).

₹5,214.71 crore. Out of this, net amount of ₹927.19 crore was invested during the year, leaving a balance of ₹4,287.51 crore, lying un-invested, as on 31 March 2024, in violation of GoI guidelines *ibid*.

Due to the above, the Government of Odisha has to bear interest liability, amounting to ₹235.82 crore²¹, on the un-invested Fund during the year. However, the Government of Odisha had not transferred interest amounting to ₹235.82 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 2023, was ₹557.50 crore. During FY 2023-24, ₹945.15 crore (₹522.30²² as Central share, ₹230²³ crore as State share, ₹168.50 crore of Central share not invested during the FY 2023-24 and ₹24.35 crore interest receipts out of investment) were transferred to the Fund. Out of this, an amount of ₹215.74 crore had been spent from the Fund, leaving a balance of ₹1,286.91 crore. Out of this, net amount of ₹231.80 crore was invested, leaving a balance of ₹1,055.11 crore, lying un-invested, as on 31 March 2024, in violation of GoI guidelines *ibid*.

The Government of Odisha has to bear interest liability, amounting to ₹44.80 crore²¹ during the FY 2023-24, on the un-invested Fund. However, the Government of Odisha had not transferred interest amounting to ₹44.80 crore, which had overstated the revenue surplus and understated the fiscal deficit, to that extent.

2.6.2.3 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.

²¹ Interest computed on the progressive balances at the end of each month at 8.50 per cent average rate paid on overdraft notified by RBI.

²² Including arrears (₹ 168.50 crore) for the FY 2022-23

²³ Including arrears of State share (₹56.10 crore) for the FY 2022-23 and ₹ 56.10 crore of State share not invested during 2022-23

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 the total outstanding guarantee at the end of the 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 2023-24, Government did not contribute to the Fund. However, interest, amounting to ₹138.22 crore, was credited to the fund, out of investment of ₹1,788.60 crore. The total accumulation in the Fund was ₹1,926.82 crore, as of 31 March 2024 (₹1,788.60 crore, as of 31 March 2023), which constituted 37.70 per cent of the total outstanding guarantees (₹5,111.31 crore) at the end of the previous year, i.e. 31 March 2023. The entire fund had been invested in Government of India securities, by the Reserve Bank of India.

2.6.2.4 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 2023, was ₹3,988.46 crore (Cash: ₹317.78 crore and Investment: ₹3,670.68 crore). During FY 2023-24, the State Government: (i) did not receive any amount from user agencies (ii) received ₹1,258.49 crore from the National Compensatory Afforestation Deposit and (iii) received ₹104.49 crore, as interest from investment of the fund. The expenditure incurred out of the fund, during the year, was ₹834.07 crore and the balance in the SCAF as on March 2024, stood at ₹4,709.46 crore. Out of ₹4,709.46 crore, ₹4,461.77 crore was invested in RBI Treasury Bills, leaving an amount of ₹247.69 crore, as un-invested.

As per Clauses 4(5) and (6) of the Compensatory Afforestation Fund Act, 2016, the State fund shall be an interest bearing fund under the public account and the monies received 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 2023-24, for the State Compensatory Afforestation Fund, was 3.35 per cent per annum. Thus, during FY 2023-24, Government of Odisha had to bear interest liabilities of ₹24.01 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 led to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

2.6.2.5 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.

The opening Balance of Budget Stabilisation Fund, as on 01 April 2023, was ₹13,632.52 crore. During the financial year 2023-24, an amount of ₹5,000 crore was credited through appropriation from the Head 05-2075-Miscellaneous General Services. Further, an interest of ₹942.35 crore was received due to investment, leaving a closing balance of ₹19,574.87 crore. Out of total aggregated amount of ₹5,942.35 crore received during 2023-24 in the Fund, an amount of ₹942.35 crore was invested in Government of India Securities and Government Securities of other states.

2.6.2.6 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:

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 of one *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 of 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 thus collected was required to be spent on 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 2023-24, an amount of ₹2.26 crore was collected under the Major Head 0230-Labour and Employment, but had remained un-transferred to the Odisha Building and other Construction Workers Welfare Board. This had resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹2.26 crore. It was noted that with regard to a similar observation in C&AG's State Finances Audit Report for the year ended March 2023, the Government transferred (June 2024) ₹ 17.70²⁴ crore, collected under the Major Head 0230-Labour and Employment during 2013-23, to the Odisha Building and Other Construction Workers' Welfare Board.

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 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 2.27**.

²⁴ 2013-18: ₹ 1.30 crore; 2018-23: ₹ 16.40 crore

Table 2.27: 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 (per cent)
		Cess	Regd. Fees and Annual Contribution	Interest				
2020-21	727.45	361.95	9.70	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	292.76	948.19	23.59
2023-24	948.19	693.83	9.57	78.45	1,730.05	638.21	1,091.83	36.89
TOTAL		2,063.51	36.44	195.83	5,261.66	1,931.41		

Source: Information collected from Odisha Building and Other Construction Workers' Welfare Board

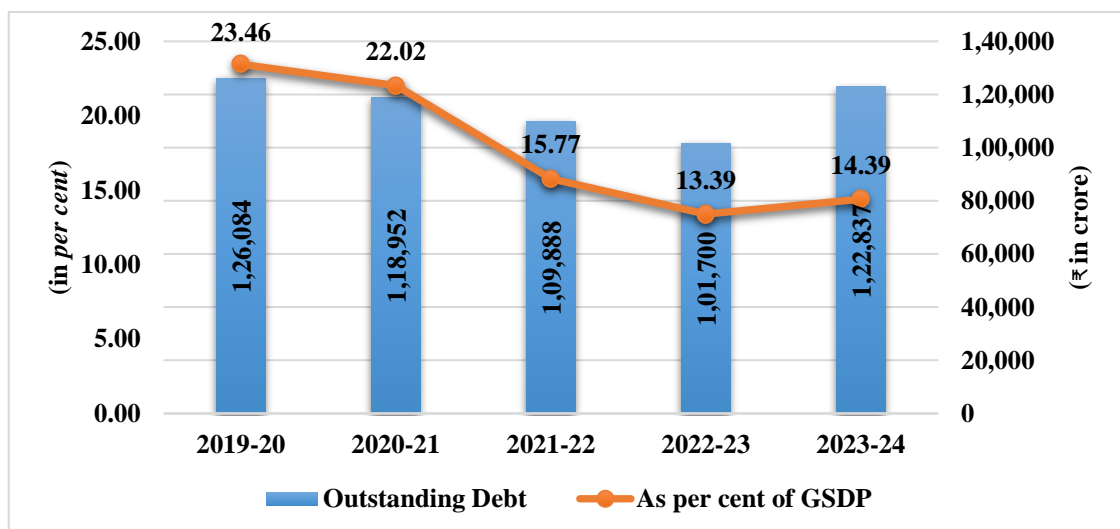
The State Government stated (October 2024) that steps would be taken for early transfer of the amount to concerned authorities.

2.7 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 its percentage to GSDP, for FYs 2019-20 to 2023-24, is shown in **Chart 2.17**.

Chart 2.17: Outstanding Debt vis-à-vis GSDP



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

(During the year 2020-21, debt excludes ₹3,822 crore and during 2021-22, 2022-23 and 2023-24, it excludes ₹10,252 crore (₹3,822 crore + ₹6,430 crore) which was back-to-back loan received from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its resources).

2.7.1 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 2019-20, are presented in **Table 2.28**.

Table 2.28: Debt Sustainability Indicators during FYs 2019-20 to 2023-24

(₹ in crore)					
Components of fiscal liability	2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Total Debt*	1,26,084	1,18,952[#]	1,09,888	1,01,700	1,22,837
Public Debt*	68,438	75,681	62,233	53,653	62,541
<i>Internal Debt</i>	60,595	67,521	53,977	45,532	50,985
<i>Loans from GoI*</i>	7,843	8,160	8,256	8,121	11,556
Public Accounts Liabilities	57,646	43,270	47,655	48,047	60,296
<i>Small Savings, Provident Funds, etc.</i>	24,338	24,949	25,258	24,756	23,956
<i>Reserve Fund bearing Interest</i>	3,753	1,805	5,134	3,200	5,590
<i>Reserve Fund not bearing Interest</i>	299	291	285	309	5,320
<i>Deposits bearing Interest</i>	42	24	26	47	50
<i>Deposits not bearing Interest</i>	29,214	16,201	16,952	19,735	25,380
Rate of growth of Outstanding Total Debt (in per cent)	16.47	(-) 5.66	(-) 7.62	(-) 7.45	20.78
Gross State Domestic Product (GSDP)	5,37,502	5,40,185	6,97,013	7,59,560	8,53,524
Debt/GSDP (per cent)	23.46	22.02	15.77	13.39	14.39
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)					
<i>Total Receipts</i>	60,314	56,827	58,613	66,466	91,995
<i>Total Repayment</i>	42,487	63,960	67,677	74,654	70,858
<i>Net funds available</i>	17,827	(-) 7,133	(-) 9,064	(-) 8,188	21,137
<i>Repayment/Receipts (per cent)</i>	70.44	112.55	115.46	112.32	77.02

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

[#] Difference of 1 crore is due to rounding off.

* During the year 2020-21, debt excludes ₹3,822 crore and during 2021-22, 2022-23 and 2023-24, it excludes ₹10,252 crore (₹3,822 crore + ₹6,430 crore) which was back-to-back loan received 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 decreased, during FY 2019-23, by 19.34 per cent from ₹1,26,084 crore in FY 2019-20 to ₹1,01,700 crore in FY 2022-23. However, it had increased by ₹21,137 crore (20.78 per cent) to ₹ 1,22,837 crore during FY 2023-24. The increase was mainly due to borrowing of funds from SIDBI Cluster Development

Fund (₹108.60 crore), CAMPA Fund (₹ 4,145 crore), OMBADC (₹ 5,460 crore) and National Bank for Agricultural and Rural Development (₹4,106.54 crore).

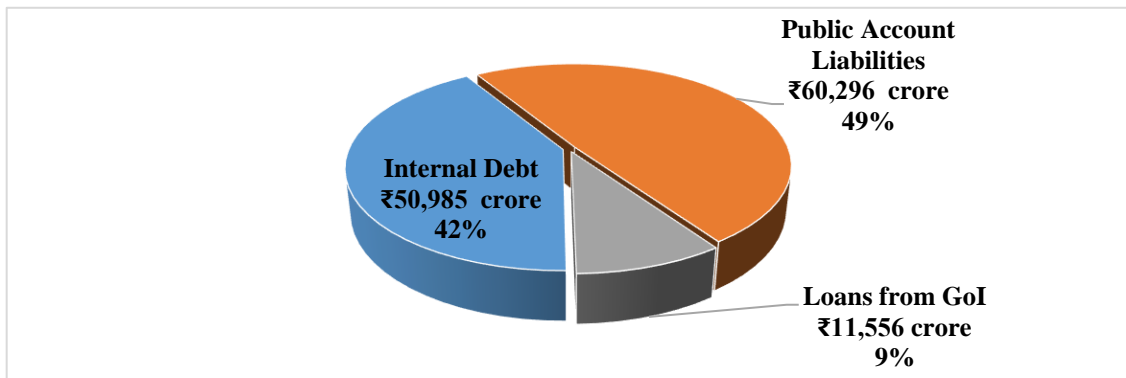
As of 1st April 2023, the outstanding market loan was ₹21,058.07 crore. In the fiscal years 2021-22 and 2022-23, the Government of Odisha did not take on any new market borrowings. However, in FY 2023-24, the government secured a loan of ₹1.25 crore from the market. Additionally, the government repaid market loans totalling ₹4,658 crore, resulting in remaining outstanding market loan balance of ₹16,401.31 crore.

Public Debt decreased by ₹5,897 crore (8.62 per cent) during the period from FYs 2019-20 to 2023-24, while Internal Debt decreased by ₹9,610 crore (15.86 per cent) and Loans from GoI increased by ₹3,713 crore (47.34 per cent). Public Account liabilities increased by ₹2,650 crore (4.60 per cent) during the same period.

The outstanding liabilities as percentage of GSDP during the last five years, ranged between 13.39 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 2023-24, is shown in **Chart 2.18**.

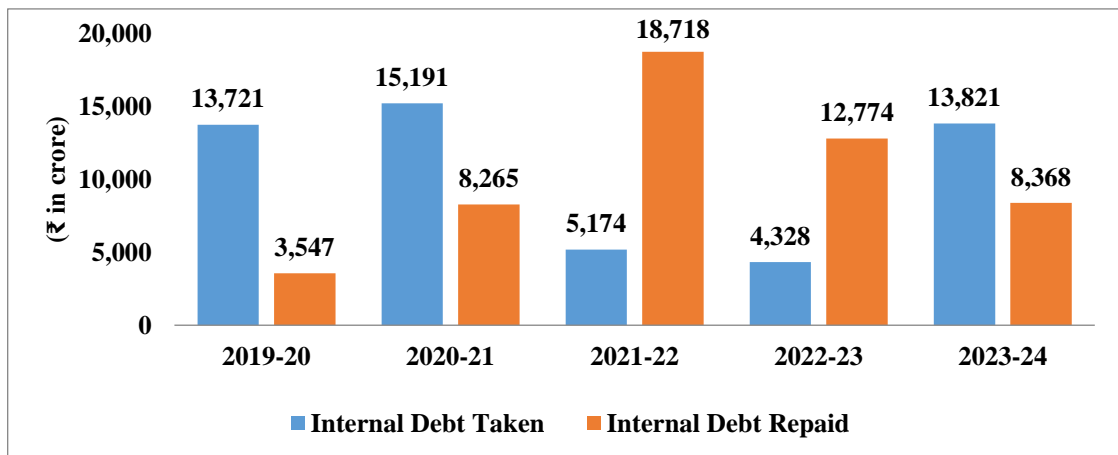
Chart 2.18: Break up of Outstanding total liabilities at the end of FY 2023-24



Source: Finance Accounts for FY 2023-24, 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 2019-20 to 2023-24.

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



Source: Finance Accounts of respective year

Over the past five fiscal years, the internal debt component of fiscal liability exhibited a fluctuating trend. Starting at ₹60,595 crore in 2019-20, internal debt increased to ₹67,521 crore in 2020-21. Subsequently, it decreased to ₹53,977 crore in 2021-22, followed by a further decline to ₹45,532 crore in 2022-23. However, in the FY 2023-24, internal debt rose again to ₹50,985 crore, (11.98 per cent compared to FY 2022-23), as shown in **Table 2.28**. An amount of ₹ 3,153.45 crore was paid towards interest on internal debt during FY 2023-24.

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 in outstanding liabilities. However, during FY 2023-24, repayment was less than the borrowed fund, leading to increase in the outstanding debt liabilities.

Table 2.29 depicts the financing pattern of the fiscal deficit, during FYs 2019-20 to 2023-24. The financing of fiscal deficit, during FY 2023-24, is shown in **Chart 2.20**.

Table 2.29: Components of Fiscal Deficit and their financing pattern

(₹ in crore)

Particulars		2019-20	2020-21	2021-22	2022-23	2023-24
		Net	Net	Net	Net	Net
Composition of Fiscal Deficit		(-)18,819	(-) 9,786	20,627	(-)15,219	(-)14,743
1	Revenue Surplus	2,430	9,076	43,471	19,456	30,761
2	Capital Expenditure	(-) 20,277	(-) 17,949	(-) 22,726	(-) 33,349	(-) 43,273
3	Net Loans and Advances	(-) 971	(-) 913	(-) 120	(-) 1,326	(-) 2,231
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	6,500	500	-6,473	-7,500	-4,657
2	Loans from GoI	11	4,139	6,526	-134	3,435
3	Special Securities issued to NSSF	-883	-883	-883	-883	-883
4	Loans from Financial Institutions and Others	4,557	7,310	-6,188	-63	10,993
5	Small Savings, Provident Fund etc.	914	611	308	-502	-800
6	Reserve Funds	7,254	(-) 1,029	3,550	15,515	10,770
7	Deposits and Advances	3,430	(-) 13,037	752	2,803	5,648
8	Suspense and Miscellaneous	-80	2,526	188	171	-151
9	Remittances	-22	18	17	21	27
10	Contingency Fund	1,440	(-) 171	171	--	(-) 274
11	Overall Deficit (Total 1 to 10)	23,121	(-) 16	(-) 2,032	9,428	24,108
12	(-) Increase / (+) Decrease in Cash Balance	(-) 4,303	9,802	(-) 18,595	5,791	(-) 9,365
13	Gross Fiscal Deficit (+)/ Surplus (-) (11 + 12)	18,819[@]	9,786	(-) 20,627	15,219	14,743

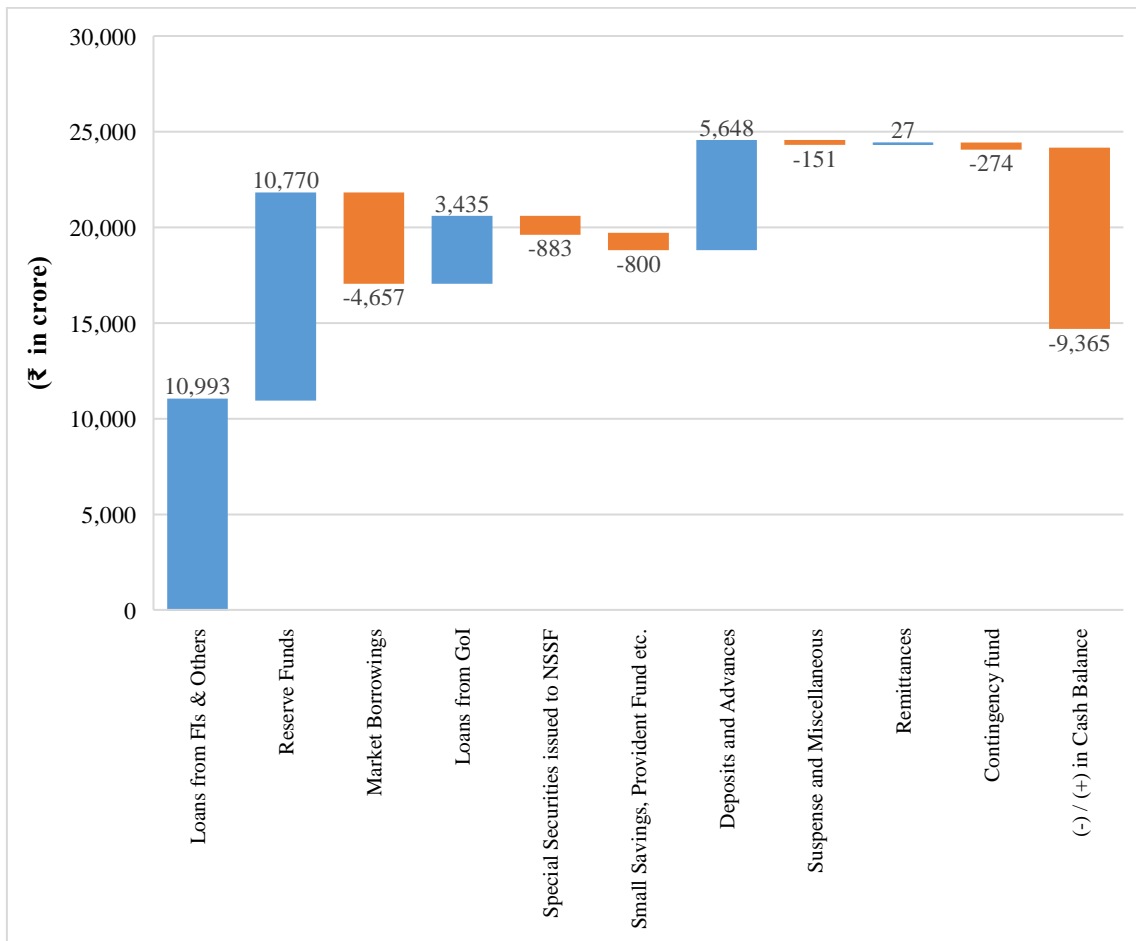
Source: Finance Accounts of respective years, Government of Odisha.

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 2023-24



Source: Finance Accounts for FY 2023-24

Financing of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. The components of fiscal deficit are revenue deficit, net capital outlay and Net loans and advances.

Analysis of **Table 2.29** revealed that the share of market borrowings in financing of fiscal deficit decreased from 49.28 per cent in FY 2022-23 to 31.59 per cent in FY 2023-24. The fiscal deficit decreased by ₹ 476 crore over the previous year mainly due to increase in Revenue Surplus from ₹ 19,456 crore in 2022-23 to ₹30,761 crore in 2023-24. However, the loans from financial institutions (National Bank for Agricultural and Rural Development, SIDBI Cluster Development Fund, CAMPA and OMBADC) increased by ₹10,993 crore. There was overall increase in cash balance by ₹9,365 crore.

The components of receipts and disbursements financing the fiscal deficit, during FY 2023-24, are shown in **Table 2.30**.

Table 2.30: Receipts and Disbursements under various components financing the fiscal deficit during FY 2023-24

(₹ in crore)

Sl. No.	Particulars	Receipts	Disbursement	Net
1	Market Borrowings	1	4,658	-4,657
2	Loans from GoI	4,302	867	3,435
3	Special Securities issued to NSSF	0	883	-883
4	Loans from Financial Institutions and Others	13,820	2,827	10,993
5	Small Savings, PF etc.	4,405	5,205	-800
6	Reserve Funds	12,211	1,441	10,770
7	Deposits and Advances	47,659	42,011	5,648
8	Suspense and Miscellaneous	-158	-7	-151
9	Remittances	47,958	47,931	27
10	Contingency Fund	0	274	-274
11	Overall Deficit			24,108
12	Increase (-)/ Decrease (+) in cash balance	45,440	54,805	-9,365
13	Gross Fiscal Deficit			14,743

Source: Finance Accounts for FY 2023-24

The State Government stated (October 2024) that steps would be taken to reduce borrowings from the market at higher rates.

2.7.2 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 2.31** and **Chart 2.21**.

Table 2.31: Debt Maturity Profile of repayment of the Public Debt of the State

Period of repayment (Years)	Principal* Amount	Interest	Public Debt (including interest)	Percentage (w.r.t. total public debt)
		Amount#		
(₹ in crore)				
0-1	16,856	3,452	20,308	22.91
1-3	12,994	5,001	17,995	20.30
3-5	8,514	3,608	12,122	13.68
5-7	6,162	2,618	8,780	9.91
7-10	6,757	2,660	9,417	10.62
Above 10	6,660	8,752	15,412	17.39
Others	4598	0	4,598	5.19
TOTAL	62,541	26,091	88,632	100

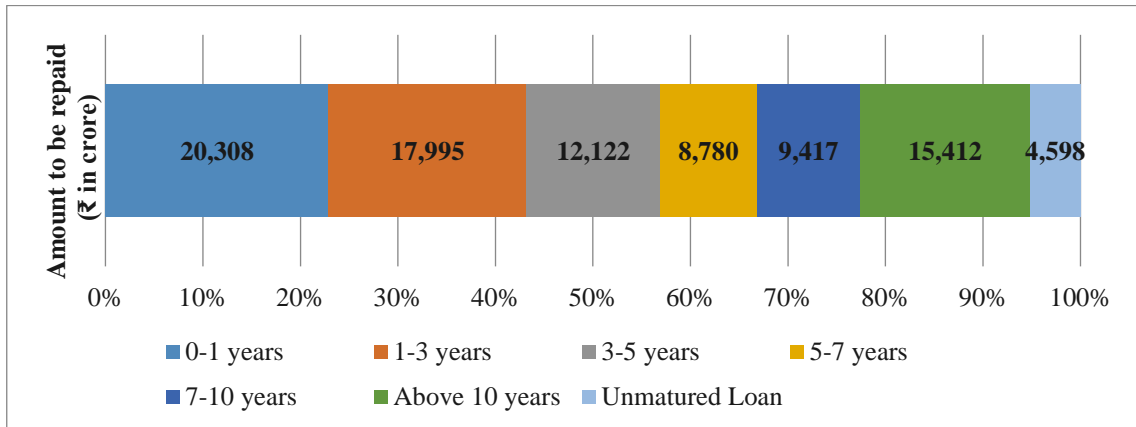
Source: Calculated on the basis of Finance Accounts for the year 2023-24

* 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.

Approximate interest calculated at the average interest rate of 6.38 per cent (average of interest rates for the last five years and calculated excluding ₹ 10,252.20 crore, 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.

Table 2.31 indicates that the State Government has to repay 43.21 per cent (₹38,303 crore) of its public debt (including approximate interest) within the next three years, 13.68 per cent (₹12,122 crore) between 3-5 years, 9.91 per cent (₹8,780 crore) between 5-7 years and 10.62 per cent (₹9,417 crore) between 7-10 years. Thus, the State has to repay 77.42 per cent of its debt (₹68,622 crore) in the next ten years.

Chart 2.21: Maturity Profile of Public Debt



Source: Calculated on the basis of Finance Accounts for FY 2023-24

* 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 2.32 and **Chart 2.22** show the year-wise repayment schedule, during the next ten years of the Public Debt outstanding, as on 31 March 2024.

Table 2.32: Repayment Schedule of Public Debt (including interest) during the next 10 years i.e. up to FY 2033-34

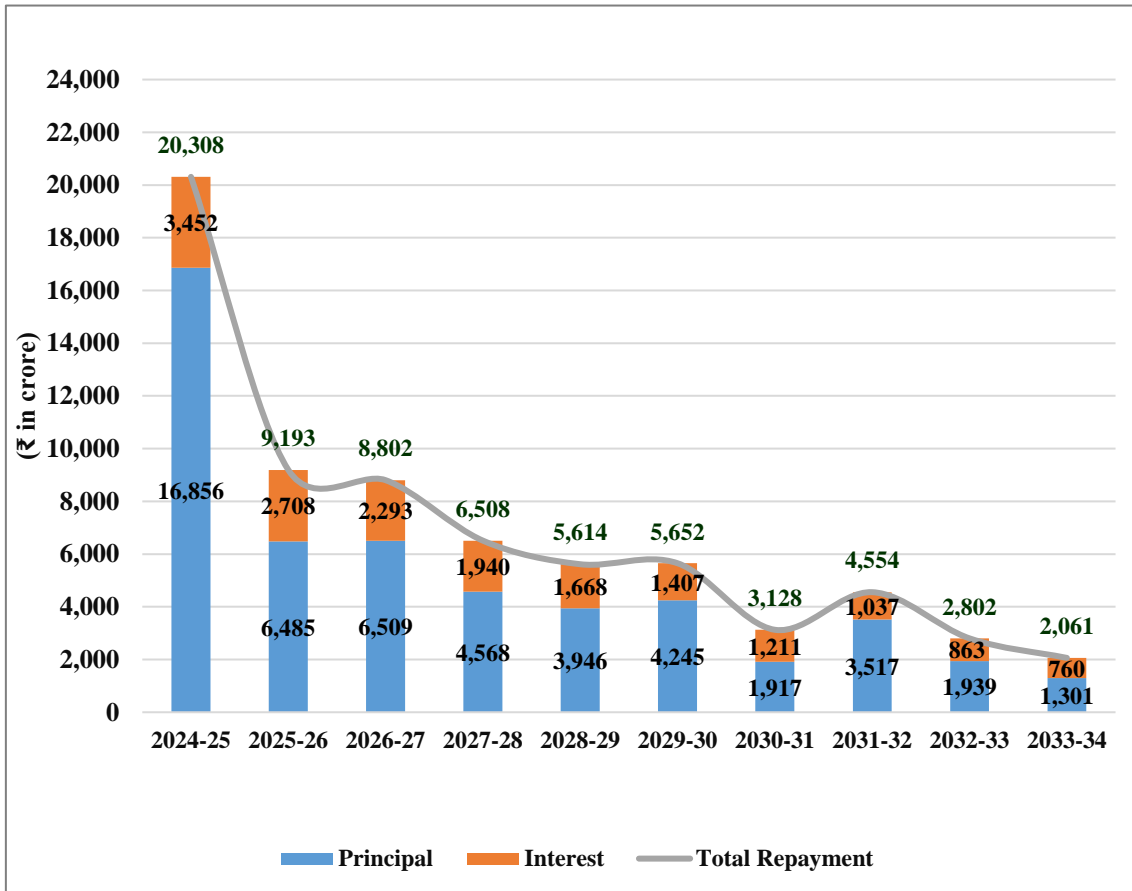
Year	Repayment of		
	Public Debt	Interest [#]	Total
2024-25	16,856	3,452	20,308
2025-26	6,485	2,708	9,193
2026-27	6,509	2,293	8,802
2027-28	4,568	1,940	6,508
2028-29	3,946	1,668	5,614
2029-30	4,245	1,407	5,652
2030-31	1,917	1,211	3,128
2031-32	3,517	1,037	4,554
2032-33	1,939	863	2,802
2033-34	1,301	760	2,061
Total	51,283	17,339	68,622²⁵

Source: Calculated on the basis of Finance Account 2023-24

[#] Approximate interest calculated at the average interest rate of 6.38 per cent (average of interest rates for the last five years).

²⁵ Amount to be paid is rounded off to zero decimal places

Chart 2.22: Repayment schedule of Public Debt (including interest) during the next 10 years, i.e. up to FY 2033-34

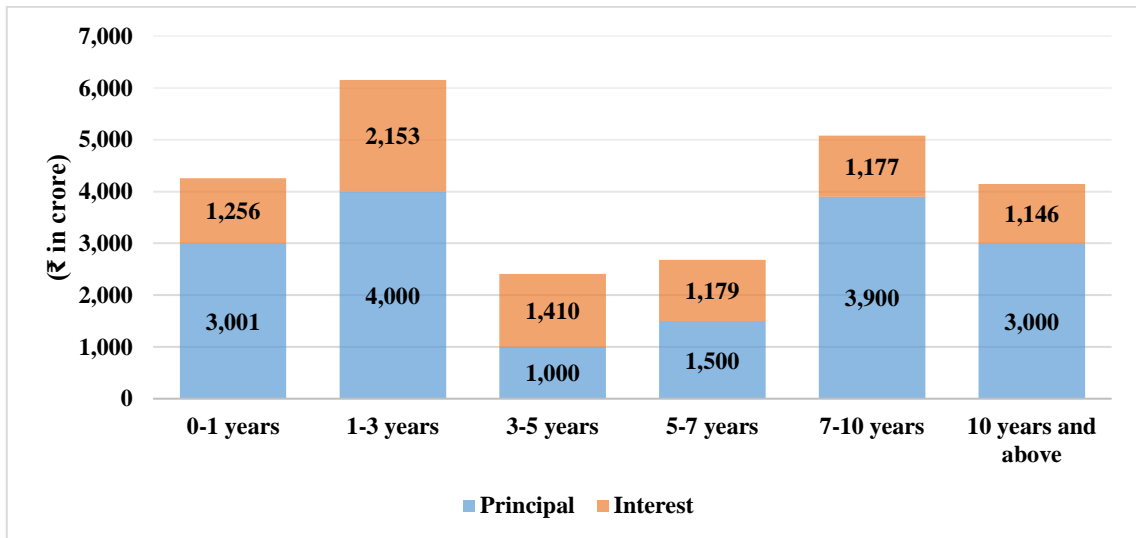


Source: For public Debt - Finance Account of Government of Odisha
 For Interest - Approximate interest calculated at average interest rate of 6.38 per cent (average of interest rates for the last five years).

It can be seen from **Table 2.32** and **Chart 2.22** that the State Government has to bear a financial burden of ₹20,308 crore, ₹9,193 crore and ₹8,802 crore towards servicing of debt during FYs 2024-25, 2025-26 and 2026-27 respectively. Considering the future financial constraints, owing to repayment of principal of ₹51,283 crore and repayment of interest of ₹17,339 crore in coming ten years, the State Government is required to maintain its Revenue Surplus at a level that is sufficient to service the debt.

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

Chart 2.23: Repayment Schedule of Market loans



Source: Finance Accounts of Government of Odisha

Note: The maturity profile has been evolved for outstanding market loans as on 31 March 2024 and interest has been calculated up to the financial year in which the loans are going to retire.

As of March 2024, market loans, amounting to ₹24,723 crore (Principal: ₹16,401 crore and Interest: ₹8,321 crore), were due for repayment. The State will have to repay market loans of ₹12,820 crore (51.85 per cent) (₹8,001 crore as principal and ₹4,819 crore as interest), during the next five years, i.e. up to FY 2028-29. Market loans of ₹7,756 crore (31.37 per cent) (₹5,400 crore as principal and ₹2,356 crore as interest) will have to be repaid in the subsequent five years period, up to FY 2033-34.

2.8 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 2.33** and **Chart 2.24**.

Table 2.33: Trends in Public Debt Sustainability Indicators

		(₹ in crore)				
Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1	Overall Liabilities or Overall Debt	1,26,084	1,18,952	1,09,888	1,01,700	1,22,837
2	Rate of Growth of Overall Debt (per cent)	16.47	-5.66	-7.62	-7.45	20.78
3	GSDP (in nominal terms)	5,37,502	5,40,185	6,97,013	7,59,560	8,53,524
4	Nominal GSDP growth (per cent)	7.80	0.50	29.03	8.97	12.37
5	Overall Debt/GSDP (per cent)	23.46	22.02	15.77	13.39	14.39

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
6	Maturity profile of all kinds of borrowings (including liabilities under Public Accounts, if any)					
6 a	0-2 years	25.37	41.36	36.38	30.21	37.32
6 b	2-5 years	35.85	27.29	28.64	29.67	24.02
6 c	5-10 years	21.83	15.14	19.23	24.12	20.66
6 d	Over 10 years	16.95	15.59	14.16	14.01	10.65
6 e	Others	0	0.62	1.59	1.99	7.35
7	Repayment to Gross Borrowings (<i>per cent</i>)	70.44	112.55	115.46	112.32	77.02
8	Net borrowings available as a percentage of Gross Borrowings	29.56	-12.55	-15.46	-12.32	22.98
9	Interest payments on Overall Debt	6,063	6,644	6,342	5,502	5,181
10	Effective rate of interest on Overall Debt ²⁶ (<i>per cent</i>)	6.78	6.69	6.55	6.39	6.16
11	Interest payment to Revenue Receipts (<i>per cent</i>)	5.97	6.36	4.14	3.66	2.88
12	Revenue Deficit/Surplus	2,431	9,076	43,471	19,456	30,761
13	Primary Revenue Balance (PRB)	8,494	15,720	49,813	24,958	35,942
14	Primary Balance (PB)	-12,756	-3,142	26,969	-9,717	-9,562
15	PB/GSDP (<i>per cent</i>)	-2.37	-0.58	3.87	-1.28	-1.12
16	Difference between RoI ²⁷ and effective rate of interest on Overall Debt	12.58	7.96	13.43	10.43	1.76
17	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	Nil	Nil	Nil	Nil	Nil
18	Debt Stabilisation (Quantum spread ²⁸ + Primary balance)	-11,771	-9,455	47,575	-7,638	-4,126
19	Domar Criteria					
a	GSDP (in constant terms)	3,97,530	3,89,079	4,52,947	4,80,402	5,20,911
b	Real Growth (in constant terms)	2.79	-2.13	16.42	6.06	8.43
c	Inflation based on CPI (<i>per cent</i>)	4.57	7.10	3.72	6.00	6.55
d	Effective Rate of interest	6.78	6.69	6.55	6.39	6.16
e	Real effective rate of interest (Effective rate of interest-Inflation)	2.21	-0.41	2.83	0.39	-0.39
f	Growth Interest Differential (Real growth-Real effective rate of interest)	0.58	-1.72	13.59	5.67	8.82
g	Primary Balance (PB)	-12,756	-3,142	26,969	-9,717	-9,562

Source: Finance Accounts of respective years, Government of Odisha; Inflation based on Consumer Price Index, Ministry of Statistics and Programme Implementation, GoI

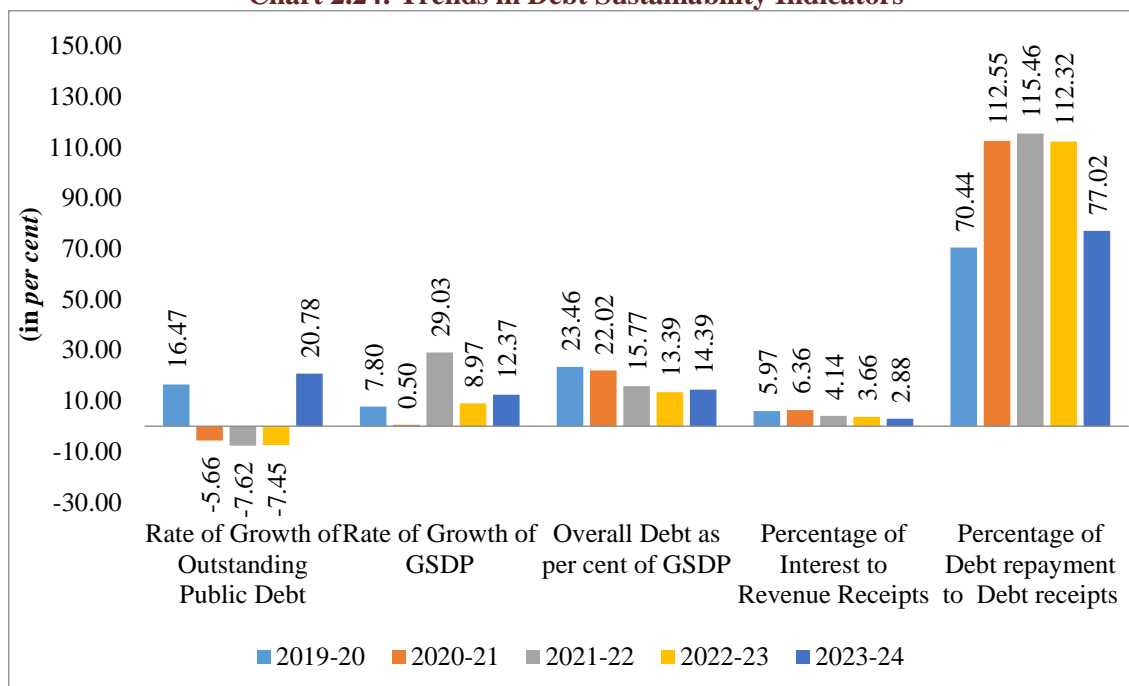
Note: During the year 2020-21, overall liabilities exclude ₹3,822 crore and during 2021-22, 2022-23 and 2023-24, it excludes ₹10,252 crore which was back-to-back loan received from GoI in lieu of GST Compensation shortfall. Further, it includes debt stock of 50 years' interest free central assistance to State for Capital Expenditure received during last four years i.e. 2020-21: ₹471.50 crore; 2021-22: ₹517.12 crore; 2022-23: ₹ 75 crore and 2023-24: ₹3,532.14 crore.

²⁶ Effective rate of interest on Overall Debt has been calculated adjusting the Reserve Funds, Deposits not bearing interest and 50 years' interest free Central assistance to State for Capital Expenditure.
Effective Rate of Interest = Interest Payment/Average of Opening and Closing Stock of Debt (excluding non-interest bearing liabilities) * 100

²⁷ Return on Investment (RoI) as measured by effective rate of interest receipts.
RoI = Interest Receipts/Average of Opening & Closing Stock of Loans and Advances Disbursed *100

²⁸ Quantum Spread = Interest Spread x Debt (excluding non-interest bearing liabilities).

Chart 2.24: Trends in Debt Sustainability Indicators



Source: Finance Accounts for respective years

Note: Debt excluded ₹3,822 crore in 2020-21, ₹10,252 crore in 2021-22 to 2023-24, 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.

Analysis of **Table 2.33** revealed that:

- Debt-GSDP ratio declined from 23.46 *per cent* in FY 2019-20 to 13.39 *per cent* in FY 2022-23. However, the ratio slightly increased to 14.39 *per cent* in FY 2023-24, due to increased liability growth.

The decreasing Debt/GSDP ratio over the five-year period from FYs 2019-20 to 2023-24 indicates that the growth of economy is outpacing debt accumulation, thereby improving the Government's ability to manage and service its debt obligations effectively.

- The ratio of interest payments to Revenue Receipts is also another measure of debt sustainability. Interest payments as a percentage of revenue receipts have declined from 5.97 *per cent* in FY 2019-20 to 2.88 *per cent* in FY 2023-24. This decrease indicates an improvement in fiscal health, as a lower percentage of revenue is being consumed by interest obligations, thereby possibly freeing up resources for other essential and productive expenditures.
- From the point of view of the revenue account, the primary deficit should be declining and sufficient surplus must be generated to repay current debt stock. Debt sustainability improved from FYs 2019-20 to 2021-22 with declining overall liability and a primary surplus in FY 2021-22, but deteriorated in FY 2022-23 and FY 2023-24, with increasing overall liability and persistent primary deficits.
- The structure of debt shows that over 60 *per cent* of the debt stock during 2019-24 was with short-term and medium-term residual maturities. This led to a

sharp contraction in the availability of borrowings for productive and growth-boosting effects, which were used for debt servicing during 2020-23. This indicates that there is need for more cost-effective financing strategies to manage debt sustainably.

- (B) An analysis on debt sustainability was carried out based on a study by E.D. Domar²⁹. 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.

During the period 2019-24, the Domar gap has generally remained positive. This indicates that the economy's real growth has generally outpaced the real interest burden, contributing to manageable debt levels. However, FY 2020-21 marked an exception, as the gap turned negative due to the adverse economic impact of the COVID-19 pandemic. On an average, the real interest rate remained below inflation rate during the period, and the average nominal interest rate of 6.51 per cent during 2019-24 was largely sustainable. On an average, growth in debt compared to nominal growth supported by consistent improvement in primary balance largely contributed to keeping the debt-GSDP ratio within the indicative debt path³⁰ given by the Fifteenth FC during 2020- 2024.

Thus, maintaining a balanced approach to fiscal policy will be crucial for the State to ensure debt sustainability. The State needs to allow the debt to grow in tandem with nominal growth in order to keep the debt-GSDP ratio stable.

- (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 vis-à-vis targets set in the FCR				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Surplus (+) / Revenue Deficit (-) (in per cent)	T	2.81	3.39	1.66	2.22	2.78
	A	0.45	1.68	6.24	2.56	3.60
Ratio of Fiscal Deficit (-)/ Surplus (+) to GSDP (in per cent)	T	(-) 3.00	(-) 5.00	(-) 3.00	(-) 3.00	(-) 3.00
	A	(-) 3.50	(-) 1.81	2.96	(-) 2.00	(-) 1.73
Ratio of total outstanding liability to GSDP (in per cent)	T	25.00	29.40	30.00	31.30	31.80
	A	23.46	22.02	15.77	13.39	14.39
Interest as percentage of Revenue Receipts	T	15.00	15.00	15.00	15.00	15.00
	A	5.97	6.36	4.14	3.66	2.88

(T- Target and A- Actuals)

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

²⁹ Domar model does not take into account the maturity profile, composition, cost and risk characteristics of debt stock.

³⁰ Debt as percentage of GSDP (2020-21: 29.40 per cent; 2021-22: 30 per cent; 2022-23: 31.30 per cent; 2023-24: 31.80 per cent)

During the last five years (FYs 2019-20 to 2023-24), 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 (13.39 *per cent*), but it increased to 14.39 *per cent* in 2023-24. 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.

2.8.1 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 2019-20 to 2023-24, are shown in **Table 2.35**.

The outstanding guarantees (₹ 5,111 crore), at the beginning of FY 2023-24, stood at 3.84 *per cent* of the total Revenue Receipts, less grants-in-aid of the second preceding year³¹ (₹1,33,149 crore) and were within the ceiling (100 *per cent*) laid down in the said resolution.

Table 2.35: Guarantees given by the Government

	(₹ in crore)				
Guarantees	2019-20	2020-21	2021-22	2022-23	2023-24
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	67,584	79,948	77,416	81,319	1,33,149
Outstanding guarantees at the beginning of the year	4,170	3,532	7,086	6,160	5,111
Outstanding guarantees at the end of the year	3,532	7,086	6,160	5,111	3,435

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 2023-24, Government of Odisha had not extended any guarantee to Statutory Corporations, Government Companies and Local Bodies *etc.* On the other hand, guarantees amounting to ₹1,675.89 crore to Grid Corporation of Odisha Limited (GRIDCO) had been withdrawn and no guarantees were invoked during the year. Out of the total outstanding loans guaranteed by the Government at the end of the year (₹3,435.42 crore), 98.84 *per cent* (₹ 3395.69 crore) pertained to the 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 ₹40.43 crore, during 2023-24. The cumulative guarantee commission, received as on 31 March 2024, was ₹462.14 crore, as against the receivable amount of ₹491.29 crore. The balance guarantee commission of ₹29.15 crore was yet to be received majorly from

³¹ Second preceding year is FY 2021-22: Revenue Receipts (₹ 1,53,059 crore) of FY 2021-22 minus Grants-in-aid (₹19,910 crore) equals ₹1,33,149 crore.

GRIDCO (₹12.20 crore), Odisha Rural Housing Development Corporation Limited (₹8.56 crore), Odisha State Housing Board (₹3.77 crore), Co-operative spinning mills (₹1.16 crore), etc.

2.8.2 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 invest their 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 2022-23 and 2023-24, are given in **Table 2.36**.

Table 2.36: Cash Balance and Investment of Cash Balance

Particulars	(₹ in crore)	
	Closing balance on 31/3/2023	Closing balance on 31/3/2024
(a) General Cash Balance -		
Cash in Treasuries	--	--
Deposits with Reserve Bank	(-)1.09	(-)1.07
Deposits with other Banks	--	--
Remittances in transit - Local	--	--
Investments held in Cash Balance investment account	9,529.43	15,525.93
Total (a)	9,528.34	15,524.86
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	22.52	22.05
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 2024)	35,889.02	39,258.12
Total (b)	35,911.88	39,280.51
Grand total (a)+ (b)	45,440.22	54,805.37
Interest realised	2,845.29	3,329.02

Source: Finance Accounts of respective years, Government of Odisha

The closing cash balance, at the end of the current year (₹54,805.37 crore), increased by ₹9,365.15 crore over the previous year (₹45,440.22 crore). The cash balance included investment of ₹39,258.12 crore from earmarked funds. During FY 2023-24, 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 (CSF) of ₹17,135.66 crore, Guarantee Redemption Fund (GRF) of ₹1,926.82 crore, Odisha Budget Stabilisation Fund (BSF) of ₹14,574.87 crore, State Compensatory Afforestation Fund (SCAF) of ₹4,461.77 crore, State Disaster Response Fund (SDRF) of ₹927.19 crore and State Disaster Mitigation Fund (SDMF) of ₹231.80 crore were made, as on 31 March 2024. On investment of Earmarked Funds, interest amounts of ₹2,707.91 crore (CSF: ₹1,221.47 crore, GRF: ₹138.22 crore, SCAF: ₹296.59 crore, SDRF: ₹84.93 crore, SDMF: ₹24.35 crore and BSF: ₹942.35 crore), were 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 2024, an amount of ₹15,525.93 crore remained invested in GoI Treasury Bills (TB) and GoI Stocks (GoI Stocks: ₹110.23 crore and 14 days TB: ₹15,415.70 crore). On these investments, the Government earned an interest of ₹621.11 crore, which included ₹ 129.48 crore, being interest on 14 days Treasury Bills during 2023-24.

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 2023-24, are depicted in **Table 2.37** and **Chart 2.25**, respectively.

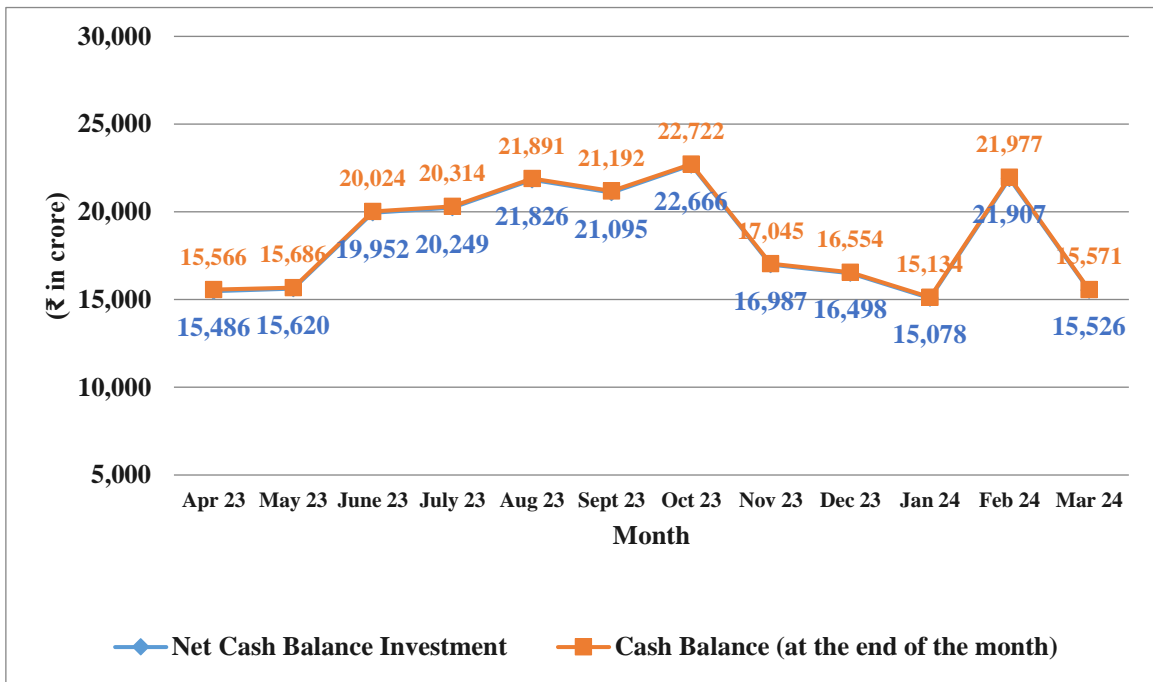
Table 2.37: Cash Balance Investment Account (Major Head 8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
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
2023-24	9,529.43	15,525.93	(+) 5,996.50	621.11

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

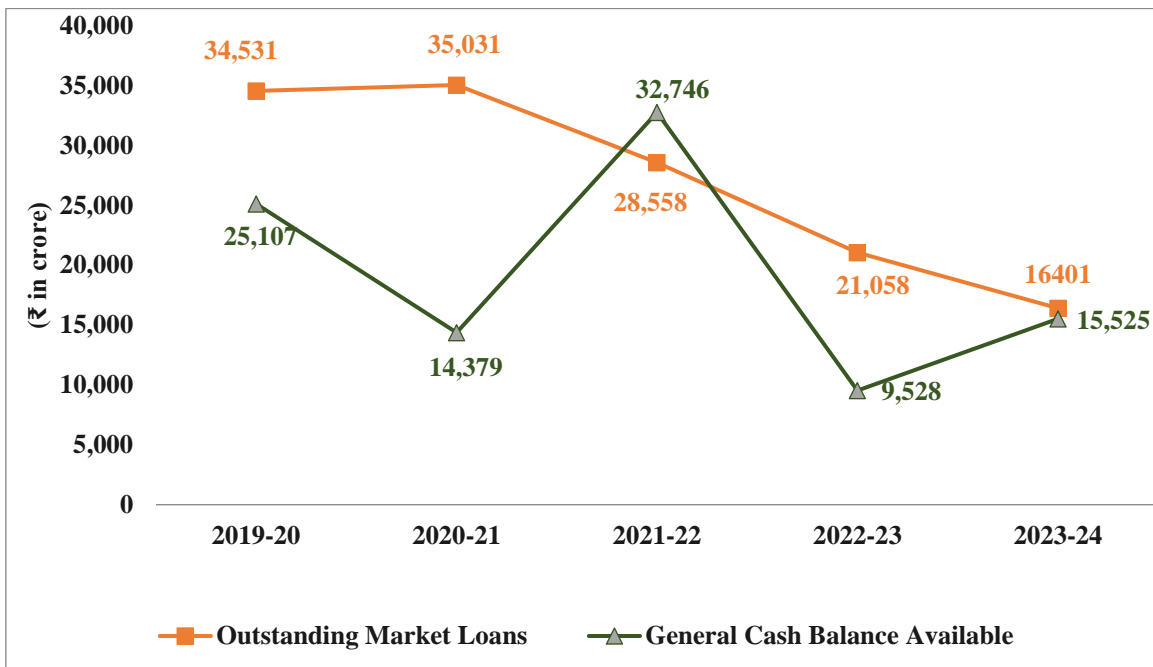
Chart 2.25: Month wise movement of Cash Balances and net cash balance investments during the year



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 2023-24, the State Government maintained huge cash balance (minimum ₹15,134 crore) throughout the year. On investment of general cash balance of

₹15,134 crore, interest of ₹621.11 crore (3.34³² per cent) was earned, whereas the State Government paid average rate of interest of 8.27³³ per cent on market borrowings, during FY 2023-24.

2.9 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 2023-24, with that of the previous year *i.e.* FY 2022-23, is summarised in **Table 2.38**.

Table 2.38: Comparison of key parameters of State Finances

Positive Indicators	Parameters requiring close watch
↑ Increase in Revenue Expenditure on Social Services and Economic Services by 20.67 per cent and 43.41 per cent respectively.	↓ Decrease in Recovery of Loans ³⁴ and advances by 32.81 per cent.
↑ Increase in Capital Expenditure by 29.76 per cent.	↑ Increase in Revenue Expenditure by 13.61 per cent.
↑ Fiscal Parameters (except Primary Deficit) within the ceiling fixed in the FRBM Act.	↑ Increase in outstanding overall Debt by 20.78 per cent.
↓ Committed Expenditure as percentage of Revenue Receipts reduced to 29.74 per cent.	↓ Decrease in Repayment of Public Debt by 33.69 per cent.

2.10 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. Government of Odisha achieved revenue surplus during FY 2004-05, and has been persistently maintaining revenue surplus since then. The revenue surplus during FY 2023-24 was ₹30,761 crore.

Fiscal Deficit of the State was ₹14,743 crore during FY 2023-24, which was 1.73 per cent of the GSDP and within the target fixed by State FRBM Act.

The Primary Deficit of the State was ₹ 9,562 crore during FY 2023-24, which was 1.12 per cent of the GSDP, that exceeded the target (Primary Surplus: over 2 per cent of GSDP) fixed in the State FRBM Act.

The State incurred 35.89 per cent of the total revenue expenditure on committed liabilities, like salaries and wages, pensions, interest payments, leaving 64.11 per cent for priority sector expenditure, which was a good indicator.

³² 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.

³³ Interest paid on market loan as percentage of average ((O.B + C.B.)/2) market loan during the year.

³⁴ Recovery of loans and advances and decrease in repayment of Public Debt depends upon the maturity profile unless there is a pre-payment.

Revenue Receipts increased by ₹ 29,131 crore (19.36 *per cent*) during the current year over the previous year whereas, Revenue Expenditure grew by ₹17,826 crore (13.61 *per cent*). Further, State's non tax revenue increased by ₹10,291 crore (24.09 *per cent*) over the previous year. There was decrease in Recoveries of loans and advances by ₹ 273 crore (32.81 *per cent*)

During FY 2023-24, the State Government had booked ₹43,273.38 crore as Capital Expenditure, which was 22.20 *per cent* of total expenditure. Audit noticed that out of the amount of ₹43,273.38 crore, expenditure of ₹4,564.63 crore of revenue nature had been booked as Capital Expenditure.

Total outstanding liabilities including public debt and public account liabilities were 14.39 *per cent* of GSDP. The total liabilities increased by 20.78 *per cent* over the previous year. The net Public Debt Receipts have increased from ₹5,347 crore in 2022-23 to ₹18,123 crore in 2023-24. This marks an increase of 238.94 *per cent*, indicating a significant rise in the government's borrowing activity. However, there was decrease in Repayment of Public Debt by ₹ 4,692 crore (33.69 *per cent*) over the previous year. The Outstanding Public Debt has grown from ₹63,905 crore in 2022-23 to ₹72,793 crore in 2023-24. This represents an increase of about 13.91 *per cent*, reflecting the cumulative effect of new borrowings and possibly the servicing of existing debt. During the year, outgo, in lieu of interest payment was equal to 3.48 *per cent* of revenue expenditure and 2.88 *per cent* of revenue receipts.

Due to non-investment of Reserve Fund, Government of Odisha had to bear interest liabilities of ₹305.83 crore during FY 2023-24, which have not been transferred to concerned Reserve Funds.

In compliance with the mandatory requirement of contributing 14 *per cent* (₹2,289.70 crore) to the National Pension System (NPS), ₹23.49 crore less was contributed by the Government of Odisha.

The closing cash balance of Government of Odisha at the end of FY 2023-24 was ₹54,805.37 crore (General cash balance: ₹15,524.86 crore, earmarked funds: ₹39,258.12 crore and cash with departmental officers: ₹22.39 crore) increased by ₹9,365.15 crore over the previous year (₹45,440.22 crore).

2.11 Recommendations

- 1) The State Government should reassess the classification of expenditure covered by grants-in-aid and take appropriate corrective measures in budget formulation and expenditure recording. This will ensure that fiscal parameters, such as revenue surplus and fiscal deficit, accurately reflect the State's financial status.
- 2) The State should focus on adhering to the targets set by the FRBM Act, especially the target for primary deficit. Efforts should focus on moving from a primary deficit of 1.12 *per cent* of GSDP to achieving the target of a primary surplus of 2 *per cent* of GSDP by optimizing expenditure and enhancing revenue mobilization.

- 3) To avoid incurring interest liabilities, the State should ensure that Reserve funds are fully invested in interest-bearing instruments. This will not only preserve the fund's value but also generate additional income to support future fiscal needs.
- 4) The shortfall in the mandatory contribution to the National Pension System indicates need for better financial discipline. The State should ensure full compliance with the required contributions to avoid future liabilities and ensure the financial security of its employees.
- 5) Government should take necessary steps to transfer the un-transferred amount of Labour Cess from the Major Head 0230 - Labour and Employment, amounting to ₹2.26 crore to Odisha Building and Other Construction Workers' Welfare Board's account. Also, a well-defined system may be put in place to guarantee timely transfer of such funds.

