

CHAPTER-I

Finances of the State Government

SUMMARY

Revenue deficit witnessed a continuous decline since 2001-02 and the ratio of revenue deficit to fiscal deficit also decreased from 58 per cent in 2000-01 to 38 per cent in 2004-05. The trend would, however, need to be maintained to achieve the zero revenue deficit on or before 2008-09 as envisaged by the Twelfth Finance Commission. Nevertheless, the revenue expenditure as percentage of total expenditure increased from 82 per cent in 2003-04 to 91 per cent in 2004-05. Overall revenue receipts increased from Rs.6902 crore in 2000-01 to Rs.11850 crore in 2004-05 at an average trend rate of 14 per cent per annum.

There were however, significant variations in the growth rates from year to year. During the current year, revenue receipts grew by 26 per cent as against 12 per cent during 2003-04. The State's own tax revenue increased by 26.5 per cent from Rs.3302 crore in 2003-04 to Rs.4177 crore in 2004-05 and the non-tax revenue grew by 23 per cent from 1094 crore in 2003-04 to Rs.1345 crore in 2004-05.

On an average 45 per cent of revenue had come from State's own resources. The Central Tax transfers and grants-in-aids together contributed nearly 55 per cent of the total revenue during 2000-2005.

Overall expenditure of the State increased from Rs.10,304 crore in 2000-01 to Rs.13,633 crore in 2004-2005 at an average trend rate of 8 per cent per annum while the proportion of developmental expenditure in total expenditure declined from 56 per cent in 2000-01 to 50 per cent in 2004-05.

Revenue expenditure, which constituted 91 per cent of total expenditure, grew at a trend rate of 7.5 per cent over the five year period while the capital expenditure hovered around six to nine per cent during the same period. Interest payment increased by 46 per cent from Rs.2287 crore in 2000-01 to Rs.3332 crore in 2004-05 primarily due to continued reliance on borrowings for financing fiscal deficit. The interest payment constituted 27 per cent of revenue expenditure during the year and consumed 28 per cent of the revenue receipts.

Fiscal liabilities as ratio to GSDP increased marginally from 61.74 per cent in 2000-01 to 62.62 per cent in 2004-05 and stood at 3.05 times of its revenue receipts and 6.54 times of its own resources comprising its own tax and non tax revenue.

1.1 Introduction

The Finance Accounts of the Government of Orissa are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State Government. The lay out of the Finance Accounts is depicted in Box 1.

Box 1

Layout of Finance Accounts

Statement No. 1: presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No. 2: contains the summarised statement of capital outlay showing progressive expenditure to the end of 2004-05.

Statement No.3: gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No.4: indicates the summary of debt position of the State, which includes borrowings from internal sources, Government of India, other obligations and servicing of debt.

Statement No. 5: gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6: gives the summary of guarantees given by the State Government for repayment of loans etc. raised by the statutory corporation, local bodies and other institutions.

Statement No. 7: gives the summary of cash balances and investments made out of such balances.

Statement No.8: depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No.9: shows the revenue receipts and revenue expenditure under different heads for the year 2004-05 as a percentage of total revenue/expenditure.

Statement No.10: indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11: indicates the detailed account of revenue receipts by minor heads.

Statement No.12: provides accounts of revenue expenditure by minor heads under Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan schemes separately and capital expenditure major head-wise.

Statement No.13: depicts the detailed capital expenditure incurred during and up to the end of 2004-05 and blockade of capital in incomplete projects as on 31st March 2005.

Statement No.14: shows the details of investment of the State Government in statutory corporations, Government companies, joint stock companies, co-operative banks and societies etc. up to the end of 2004-05.

Statement No.15: depicts the capital and other expenditure to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

Statement No.16: gives the detailed account of receipts, disbursements and balances under heads of account relating to debt, contingency fund and public account.

Statement No.17: presents detailed account of debt and other interest bearing obligations of the Government of Orissa.

Statement No.18: provides the detailed account of loans and advances given by the Government of Orissa, the amount of loan repaid during the year, the balance as on 31 March 2005 and the amount of interest received during the year.

Statement No.19: gives the details of earmarked balances of reserved funds.

1.2 Trend of Finances with reference to previous year at a glance

Finances of State Government during the current year compared to previous year was as under:

(Rupees in crore)

2003-04	Sl. No.	Major Aggregates	2004-05
9440	1.	Revenue Receipts (2+3+4)	11850
3302	2.	Tax Revenue	4177
1094	3.	Non-Tax Revenue	1345
5044	4.	Other Receipts	6328
273	5.	Non-Debt Capital Receipts	417
273	6.	Of which Recovery of Loans	417
9713	7.	Total Receipts (1+5)	12267
10588	8.	Non-Plan Expenditure (9+11)	10626
9218	9.	On Revenue Account	10416
2860	10.	Of which, Interest Payments	3332
1370	11.	On Capital Account	210
1322	12.	Of which, Loans disbursed	156
2698	13.	Plan Expenditure (14+15)	3007
1643	14.	On Revenue Account	1956
1055	15.	On Capital Account	1051
250	16.	Of which, Loans disbursed	49
13286	17.	Total Expenditure (8+13)	13633
(-) 3573	18.	Fiscal Deficit (17-1-5)	(-) 1366
(-) 1421	19.	Revenue Deficit (9+14-1)	(-) 522
(-) 713	20.	Primary Surplus (18-10)	(+) 1966

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Orissa for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and Public Accounts receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-05

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
SECTION-A: Revenue							
					Non-Plan	Plan	Total
9440.24	I. Revenue receipts	11850.19	10861.16	I. Revenue expenditure			12372.49
3301.73	Tax revenue	4176.60	5158.67	General services	6476.29	4.20	6480.49
1094.55	Non-tax revenue	1345.52	3709.61	Social Services	2817.04	1163.36	3980.40
3327.68	Share of Union Taxes/Duties	3977.66	1771.35	Economic Services	964.64	788.48	1753.12
1716.28	Grants from Government of India	2350.41	221.53	Grants-in-aid / Contributions	158.48	Nil	158.48

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
SECTION-B: Capital							
Nil	II. Misc. Capital Receipts	Nil	852.95	II. Capital Outlay	54.04	1001.51	1055.55
273.07	III. Recoveries of Loans and Advances	416.95	1572.01	III. Loans and Advances disbursed	155.89	49.20	205.09
5879.14	IV. Public debt receipts	4111.80	2727.27	IV. Repayment of Public Debt*			# 2252.67
7656.70	V. Public account receipts	7372.89	7082.59	V. Public account disbursements			# 6206.57
0.27	Receipts to Contingency Fund	54.44	7.33	VI. Expenditure from contingency Fund			# 73.94
(-) 104.25	Opening Balance	41.86	41.86	Closing Balance			1681.82
23145.17	Total	23848.13	23145.17	Total			23848.13

Note: * Includes net ways and means advances and over draft also
Bifurcation of plan and non- plan not available

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and Finance Accounts for the year 2004-05 show these in the light of time series data and periodic comparisons based on the statements of the major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances etc. have been presented as percentages to the Gross State Domestic Product (GSDP) at current market prices. For tax revenues, non-tax revenues, revenue expenditure etc.; buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

In addition, the section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used here are explained in Appendix- I. The other statements of Liabilities and Assets, Receipts and Payments, Sources and Application of funds and Time Series Data are given in Appendix-II to V.

State Finances by key Indicators

1.5 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like

proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/ commercial banks etc. and loans and advances from Government of India (GOI) as well as accruals from Public Accounts.

Table 2 shows that the total receipts of the State Government for the year 2004-05 was Rs.23752 crore of which, the revenue receipts of the State Government was Rs.11850 crore only, constituting 50 per cent of the total receipts. The balance of receipts came from borrowings, Recovery of Loans and Advances and Public Account receipts.

Table 2 – Resources of Orissa

		(Rupees in crore)
I. Revenue Receipts		11850
II. Capital Receipts		4529
a	Miscellaneous Receipts	Nil
b	Recovery of Loans and Advances	417
c	Public Debt Receipts	4112
III Public Account Receipts		7373
a	Small Savings, Provident Fund, etc.	1938
b	Reserve Fund	1123
c	Deposits and Advances	2749
d	Suspense and Miscellaneous	(-)428
e	Remittances	1991
Total Receipts		23752

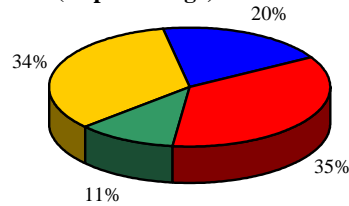
1.5.1 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancy is indicated in Table 3.

Table 3: Revenue Receipts – Basic Parameters (Values in Rupees crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
(Rupees in crore)					
Revenue Receipts	6902	7048	8439	9440	11850
Own taxes	2184	2467	2872	3302	4177
Non-Tax Revenue	685	692	961	1094	1345
Central Tax Transfers	2604	2647	2806	3328	3978
Grants-in-aid	1429	1240	1800	1716	2350
(in per cent)					
Rate of Growth of Revenue Receipt	17.28	2.12	19.74	11.86	25.53
Rate of growth of own taxes	28.17	12.96	16.42	14.97	26.50
Revenue Receipts/GSDP	17.82	16.74	19.02	17.54	20.56
GSDP Growth	0.26	8.69	5.41	21.32	7.07
Revenue Buoyancy	67.43	0.24	3.65	0.56	3.61
Own tax buoyancy	109.91	1.49	3.04	0.70	3.75

REVENUE RECEIPTS FOR 2004-05
(In percentage)



■ Own Taxes ■ Non-Tax Revenue ■ Central Tax Transfer ■ Grants-in-aid

Revenue receipts of the State increased from Rs.6902 crore in 2000-2001 to Rs.11850 crore in 2004-05 at an average trend rate of 14.11 *per cent* per annum. There were, however, significant inter-year variations in the growth rates with lowest growth of 2.12 *per cent* during 2001-02. During 2003-05 the buoyancy of the revenue receipts was lagging behind the buoyancy of State's Own Taxes. The increase in the Own Tax revenue during the year over 2003-04 was mainly on Taxes on Sales, Trades etc. (Rs.607 crore), State Excise (Rs.50 crore) and Taxes on Duties and Electricity (Rs.61 crore).

While on an average around 45 *per cent* of the revenue had come from the State's own resources during 2000-2005, central tax transfers and grants-in-aid together continued to contribute nearly 55 *per cent* of the total revenue. Sales Tax was the major source of State's Own Tax Revenue having contributed 59 *per cent* of the tax revenue followed by State Excise (eight *per cent*), Taxes on Vehicles (eight *per cent*), Other Taxes (11 *per cent*) etc. Of non-tax revenue sources, Non-Ferrous Mining and Metallurgical Industries (50 *per cent*), Forest and Wildlife (six *per cent*) and Interest Receipts (18 *per cent*) were principal contributors.

The arrears of revenues increased by 112 *per cent* from Rs.1063.84 crore in 2000-2001 to Rs.2259.05 crore at the end of 2004-05. Of these, Rs.593.96 crore (26 *per cent*) were outstanding for a period of more than five years and pertained to Industrial Water Rate (Rs.45.23 crore), State Excise (Rs.9.92 crore), Sales Tax (Rs.527.09 crore), Mines and Mineral (Rs.3.12 crore) and Police (Rs.8.60 crore).

The source of revenue receipts under different heads and GSDP during 2000-2005 are indicated in Table 4.

Table 4 – Sources of Receipts: Trends

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Receipts from Contingency Fund	Accruals in Public Account		
2000-01	6902	77	3589	1	6175	16744	38728
2001-02	7048	132	3273	Nil	6813	17266	42095
2002-03	8439	177	4760	Nil	7150	20585	(P) 44372
2003-04	9440	273	5879	Nil	7657	23249	(Q) 53830
2004-05	11850	417	4112	54	7373	23806	(A) 57638

P=Provisional Estimates

Q=Quick Estimates

A=Advance Estimates

1.6 Application of resources

1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major head wise. The total expenditure of the State increased from Rs.10304 crore in 2000-01 to Rs.13633 crore in 2004-05 at an average trend rate of 7.32 *per cent* per annum. There were sharp inter-year variations in the rate of growth of revenue expenditure.

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:

Table 5: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Total Expenditure (TE)	10304	11148	11432	13286	13633	11961
Rate of Growth	5.86	8.19	2.55	16.22	2.61	7.32
TE/GSDP	26.61	26.29	25.58	25.77	23.65	25.27
Revenue Receipts/TE	66.98	63.22	73.82	71.05	86.92	72.40
Buoyancy of Total Expenditure with						
GSDP	22.85	0.94	0.471	0.761	0.369	0.806
Revenue Receipts	0.339	3.872	0.129	1.367	0.102	0.519

There was upward trend in the ratio of revenue receipts to total expenditure from 66.98 *per cent* in 2000-01 to 86.92 *per cent* in 2004-05, indicating that approximately 87 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings. Average buoyancy of the total expenditure with GSDP during 2000-2005 was 0.806 indicating that for every one-percentage point increase in GSDP, expenditure increased by 0.806 *per cent*. Higher growth in revenue receipts in 2004-05 kept the overall buoyancy of expenditure with revenue receipt at 0.519 only.

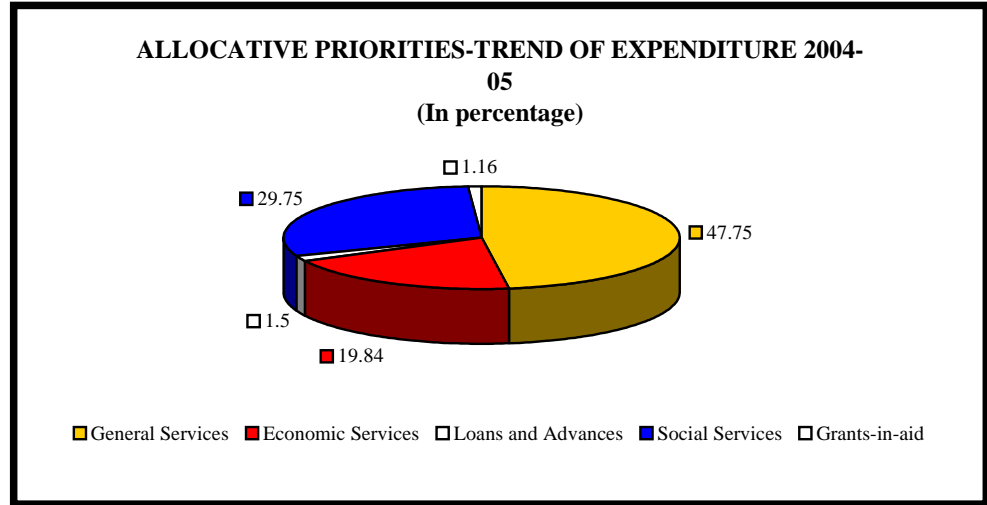
In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

Table 6: Components of expenditure – Relative Share (in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
General Services including interest payment	39.42	44.92	42.21	39.12	47.75	42.68
Social Services	31.43	30.56	31.67	28.88	29.75	30.46
Economic Services	21.53	19.77	21.83	18.51	19.84	20.30
Grants-in-aid	1.45	1.35	1.29	1.66	1.16	1.38
Loans and advances	6.17	3.40	3.00	11.83	1.50	5.18
Total	100	100	100	100	100	100

The movement of relative share of these components of expenditure indicated that while the share of economic services in total expenditure declined from

21.53 per cent in 2000-01 to 19.84 per cent in 2004-05, the relative share of general services increased from 39.42 per cent in 2000-01 to 47.75 per cent in 2004-05. In case of Social Services, the relative share declined from 31.43 per cent in 2000-01 to 29.75 per cent in 2004-05.

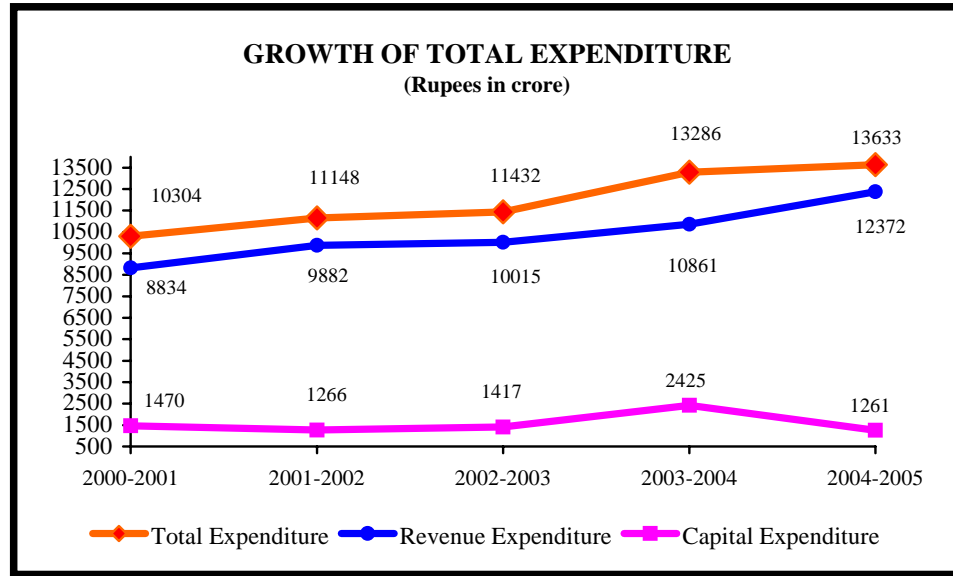


1.6.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State’s GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Average
Revenue Expenditure (RE)	8834	9882	10015	10861	12372	10393
Rate of Growth	4.43	11.86	1.35	8.45	13.91	7.51
RE/ GSDP	22.81	23.30	22.41	21.07	21.47	21.96
RE as per cent of TE	85.73	88.64	87.60	81.75	90.75	86.89
RE as per cent to Revenue Receipts	127.99	140.21	118.68	115.05	104.41	118.97
Buoyancy of Revenue Expenditure with						
GSDP	17.298	1.365	0.249	0.396	1.967	0.827
Revenue Receipts	0.257	5.608	0.068	0.712	0.545	0.532



Revenue expenditure of the State increased from Rs.8834 crore in 2000-01 to Rs.12372 crore in 2004-05 at an average trend rate of 7.51 *per cent* per annum. Rate of growth of revenue expenditure went up to 11.86 *per cent* in 2001-02 against 4.43 *per cent* in 2000-01 and then it had declined sharply to the lowest 1.35 *per cent* in 2002-03 and then went up to 8.45 *per cent* in 2003-04 and during 2004-05, the growth rate reached to the maximum of 13.91 *per cent*. The increase in the revenue expenditure during the year was mainly due to more expenditure on Appropriation for reduction or Avoidance of Debt (Rs.635 crore: Transfer of Rs.785 crore to Consolidated Sinking Fund in 2004-05 against Rs.150 crore in 2003-04), Interest Payment (Rs.472 crore mainly due to adjustment of Rs.336.70 crore towards interest on Provident Fund of employees of aided Educational Institutions against Rs.10 crore in 2003-04), Medical and Public Health (Rs.148 crore) and General Education (Rs.121 crore) in comparison to the previous year.

Revenue expenditure accounted for 91 *per cent* of total expenditure during 2004-05. Though the ratio of revenue expenditure to revenue receipts declined from 127.99 *per cent* in 2000-01 to 104.41 *per cent* in 2004-05, yet dependence of the State on borrowings, for meeting its current expenditure continues primarily due to the fact that salaries (Rs.4294 crore), Interest payments (Rs.3332 crore) and Pensions (Rs.1260 crore) alone consumed 74 *per cent* of total revenue receipts of the State during the year.

Average buoyancy of revenue expenditure to GSDP during 2000-05 was 0.827 indicating that for each one percentage increase in GSDP, revenue expenditure increased by 0.827 *per cent*. Similarly, for each one percentage increase in the State's receipts, the revenue expenditure increased by 0.532 *per cent*.

High salary expenditure

Salaries alone accounted for nearly 36 *per cent* of the revenue receipts of the State during 2004-05. The expenditure on salaries increased from Rs.3803

crore in 2000-01 to Rs.4294 crore in 2004-05 as indicated in Table 8 below:

Table 8

(Rupees in crore)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05
Salary expenditure	3803	3736	3929	4002	* 4294
As percentage of GSDP	10	9	9	7	7
As percentage of Revenue Receipts	55	53	46	42	36

* Revised Estimate 2004-05

Huge expenditure on pension and other retirement benefits

Pension payments have increased by 51 *per cent* from Rs.832 crore in 2000-01 to Rs.1260 crore in 2004-05. Year-wise break up of expenditure incurred on pension payments during the years 2000-01 to 2004-05 was as under:

Table 9

Year	Expenditure	Percentage to total revenue
	(Rupees in crore)	
2000-01	832	12
2001-02	1003	14
2002-03	1030	12
2003-04	1143	12
2004-05	1260	11

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the fast rising liabilities towards pension etc. of the retired State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

Interest payments

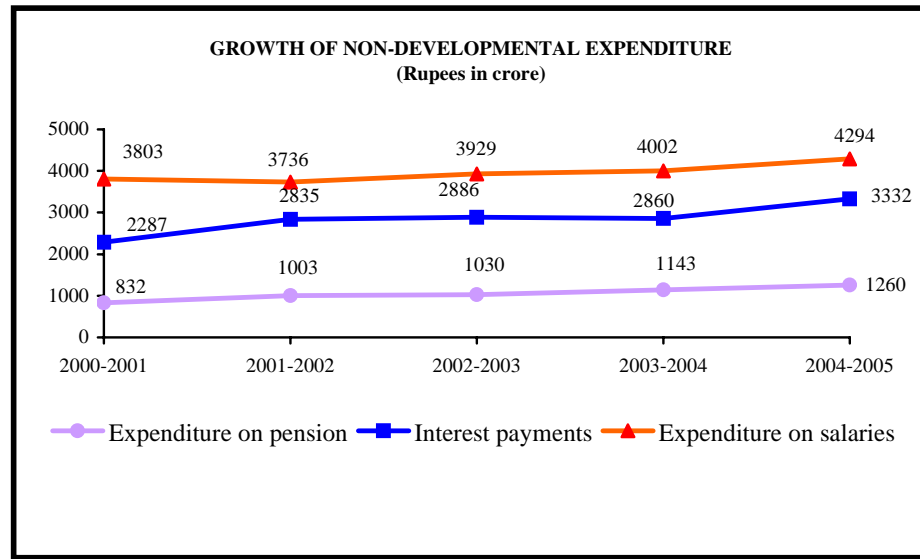
The Eleventh Finance Commission recommended (August 2000) that as a medium term objective, States should endeavour to keep interest payment as a ratio to revenue receipts at 18 *per cent*. It was however observed that Interest payments as percentage of revenue receipts ranged between 28 and 40 during the last five years as below.

Table 10

Year	Interest Payment	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
2000-01	2287	33	26
2001-02	2835	40	29
2002-03	2886	34	29
2003-04	2860	30	26
2004-05	3332	28	27

In absolute terms, Interest payments increased by 46 *per cent* from Rs.2287 crore in 2000-01 to Rs.3332 crore in 2004-05 primarily due to continued reliance on borrowings for financing the fiscal deficit. The increase in interest

payments during 2004-05 was mainly due to increase in interest on Internal Debt (Rs.236 crore).



1.7 Expenditure by Allocative Priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflect the allocative priorities of the State. Higher the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table 11 below gives the percentage share of these components of expenditure in State's total expenditure*.

Table 11: Quality of expenditure (per cent to total expenditure*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Plan Expenditure	27.16	24.41	23.12	20.97	22.03	23.54
Capital Expenditure	8.63	8.24	9.69	7.28	7.86	8.34
Developmental Expenditure	56.44	52.10	55.16	53.75	50.34	53.56

*Total expenditure exclude expenditure on loans and advances.

All the three components of expenditure show a relative decline during 2000-05. Plan expenditure declined from 27.16 per cent of total expenditure in 2000-01 to 22.03 per cent in 2004-05. Similarly capital expenditure declined from 8.63 per cent in 2000-2001 to 7.86 per cent in 2004-05. There was also a decline in the share of development expenditure. The average share of expenditure on these components was significantly below the level achieved in 2000-01.

Out of the developmental expenditure (Rs.6760 crore), social services (Rs.4056 crore) accounted for 60 per cent of the developmental expenditure during the year. General Education, Medical and Public Health and Water Supply and Sanitation consumed 68 per cent of the expenditure on social sector.

Table 12

Social Sector Expenditure	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
General Education	1715	1717	1857	1852	1957
Medical and Public Health	383	387	425	429	540
Water Supply and Sanitation	221	251	249	258	276
Total	2319	2355	2531	2539	2773

Similarly, the expenditure on Economic Services (Rs.2704 crore) accounted for 40 *per cent* of the developmental expenditure of which, Agriculture and Allied activities (Rs.590 crore), Irrigation and Flood Control (Rs.694 crore) and Rural Development (Rs.468 crore) accounted for 65 *per cent* of the expenditure on Economic sector.

Table 13

Economic Sector Expenditure	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Agriculture and Allied activities	574	506	559	699	590
Irrigation and flood control	647	645	698	579	694
Rural Development	412	448	469	459	468
Total	1633	1599	1726	1737	1752

1.8 Financial assistance to local bodies and other institutions

In 2004-05, Government provided financial assistance of Rs.1063.54 crore by way of grants and loans to various non-government bodies/Institutions. Category-wise details are given below:

Table 14

Sl. No.	Category of bodies/Institutions	Amount of assistance paid (Rupees in crore)
1.	Educational Institutions (aided schools, private colleges, universities)	384.26
2.	District Rural Development Agency (DRDA)	247.28
3.	Municipalities, Corporations, District Council, Development Authorities etc.	44.47
4.	Panchayati Raj Institutions viz., Panchayat Samitis, Zilla Parishads and Gram Panchayats	134.21
5.	Co-operative Societies and Institutions	0.15
6.	Integrated Tribal Development Agencies (ITDAs)	51.77
7.	Non-Government Organisations	6.22
8.	Other Institutions	141.60
9.	Western Orissa Development Council (WODC)	50.00
10.	Command Area Development Authority (CADA)	3.58
	Total	1063.54

The financial assistance of Rs.1063.54 crore provided during the year 2004-05 formed 8.60 *per cent* of total revenue expenditure (Rs.12372.49 crore) of Government.

1.8.1 Outstanding Utilisation Certificates (UCs)

Audit of 153 institutions/autonomous bodies conducted during the year 2004-05 revealed that Utilisation Certificates (UCs) for an amount of Rs.665.57 crore relating to 112 units of Panchayat Samitis (Rs.371.26 crore), 11 DRDAs (Rs.242.28 crore), 7 ITDAs (Rs.21.13 crore) and 23 others (Rs.30.90 crore) were outstanding as detailed in Appendix-VI-A. This included Rs.412.20 crore for which yearwise details were not available. It was also seen that the pendency of the UCs was mainly due to release of grants as a matter of routine without insisting on furnishing of UCs for the grants given earlier as stipulated in the sanction orders.

1.8.2 Audit of Autonomous Bodies

During the year ended 31 March 2005, Audit of accounts of 153 autonomous bodies (Departments of Panchayati Raj: 124, School and Mass Education: 9, Scheduled Tribe and Scheduled Caste Development: 9, Co-operation: 1, Planning and Coordination:1, Housing and Urban Development: 5, Women and Child Development: 1, Science and Technology: 2 and Industries: 1) was conducted under Section-14 of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. During the period covered by audit, the bodies received financial assistance of Rs.2763.91 crore. Important points noticed during audit are brought out in the following paragraphs.

1.8.3 Unspent balance of grants

The financial rules of Government required that the grants should be utilised within the financial year during which they were sanctioned or within one year from the date of sanction. The unspent balances were to be refunded to Government immediately thereafter unless permitted by Government for utilisation in subsequent years. These provisions were not followed by the bodies or the authorities and the unspent balances were being carried over to subsequent years as a matter of routine. There was unspent balance of Rs.564.26 crore at the end of the year in respect of 153 bodies for which audit was conducted as detailed in Appendix-VI-B. However, the position of unspent balance was not available in respect of 11 bodies for want of analysis in the cash book. It was also noticed that the above institutions were not maintaining the prescribed register of Grants-in-aid to record the expenditure incurred sanction-wise and scheme-wise for each year against funds received. As a result, the periods to which the unspent balances related and reasons for non-utilisation were not available.

1.8.4 Outstanding Advances

According to Orissa Zilla Parishad and Panchayat Samiti Accounting Procedure Rules, 1961, payment of advances was generally prohibited except in case of works expenditure and amount so advanced were to be regularly and promptly adjusted. However, advances aggregating to Rs.203.95 crore were

outstanding in the accounts audited (112 Panchayat Samities: Rs.53.62 crore¹ and 41 other bodies/ authorities: Rs.150.33 crore). The position of outstanding advances in respect of 15 bodies could not be ascertained for want of relevant records. Stringent measures were called for either to adjust or recover these amounts in order to avert possible loss with lapse of time.

1.9 Misappropriations, defalcations etc.

Cases of misappropriation, losses etc. of Government money reported to audit up to the end of March 2005 and on which final action was pending at the end of June 2005, were as follows

		Number of cases	Amount (Rupees in lakh)
i)	Cases reported up to the end of March 2004 but outstanding at the end of June 2004	2093	1475.61*
ii)	Cases reported during April 2004 to March 2005	14	122.24
iii)	Cases disposed of till June 2005	8	1.78
iv)	Cases reported up to March 2005 but outstanding as of June 2005	2099	1596.07

* The outstanding balance at the end of June 2004 was 1475.40 lakh. However, this was enhanced to Rs.1475.61 lakh after revaluation of 20 cases of six departments.

Department-wise analysis of the outstanding cases is given in the Appendix-VII. The period for which these were pending are given below:

		Number of Cases	Amount (Rupees in lakh)
i)	Over five years (1948-49 to 1999-2000)	1998	1314.36
ii)	Exceeding three years but within five years (2000-01 to 2001-02))	47	93.22
iii)	Upto three years (2002-03 to 2004-05)	54	188.49
	Total	2099	1596.07

The reasons for which the cases were outstanding are as follows:

		Number of Cases	Amount (Rupees in lakh)
i)	Awaiting departmental and criminal investigation	546	439.64
ii)	Departmental action initiated but not finalised	833	760.05
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	41	22.36
iv)	Awaiting orders for recovery or write off	539	139.71
v)	Pending in the courts of law	140	234.31
	Total	2099	1596.07

1.10 Assets and Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., of the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read

¹ Up to 2002-03 (14): Rs.3.79 crore and for 2003-04 (98): Rs.49.83 crore.

with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. Appendix-II presents an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. The liabilities of Government of Orissa depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government. Appendix-II depicts the liability and assets of the State Government at the end of March 2005.

1.10.1 Financial results of irrigation works

The financial results of 11 major and 41 medium irrigation projects with a capital expenditure of Rs.2439.97 crore at the end of March 2005 showed that the revenue realised from these projects during 2004-05 was only Rs.0.04 crore as against the direct working expenses of Rs.57.98 crore. After meeting the working and maintenance expenditure (Rs.58.25 crore) and interest charges (Rs.164.72 crore), the schemes suffered a net loss of Rs.222.92 crore. The loss was substantial (Rs.143.27 crore) in all the major irrigation projects.

1.10.2 Incomplete projects

As of 31 March 2005, there were 31 (major 14 and medium 17) incomplete projects in which Rs.5107.79 crore were blocked. These projects were incomplete for periods ranging from five to 10 years (6: Rs.371.02 crore), 10 to 15 years (8: Rs.496.76 crore), 15 to 20 years (2: Rs.211.12 crore) and more than 20 years (15: Rs.4028.89 crore). This showed that the Government was spreading its resources thinly, which failed to yield any return. Reasons for incomplete projects were paucity of funds, works left incomplete by contractors, change in site/design of the project(s), defective planning etc.

1.10.3 Investments and returns

As on 31 March 2005, Government had invested Rs.1610.41 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. Government’s return on this investment was meagre (less than one per cent) during 2001-02 as indicated in Table 15 below.

Table 15: Return on Investment (Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Weighted rate of interest on Government borrowing (per cent)
2000-01	1408.82	37.91	2.69	10.35
2001-02	1473.20	8.77	0.60	10.95
2002-03	1519.39	152.22	10.02	9.85
2003-04	1556.63	138.06	8.87	8.83
2004-05	1610.41	69.15	4.29	9.51

1.10.4 Loans and advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs.3619 crore as on 31 March 2005 (Table 16). Overall, interest received against these advances stood at 5.13 *per cent* during 2004-05. The difference between interest paid and received is negative during last five years. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

An amount of Rs.4005.15 lakh (Principal Rs.3223.60 lakh and interest Rs.781.55 lakh) was due for recovery at the end of 2004-05 in respect of loans and advances to Municipalities, Local Bodies, Corporations and Loans under State Aid to Industries Act for which detailed accounts are maintained in Accounts office.

Table 16: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	1560	2119	2366	2532	3831
Amount advanced during the year	636	379	343	1572	205
Amount repaid during the year	77	132	177	273	417
Closing Balance	2119	2366	2532	3831	3619
Net Addition (+) / Reduction (-)	559	247	166	1299	(-)212
Interest Received (Rupees in crore)	10	18	68	161	191
Interest received as <i>per cent</i> to outstanding Loans and advances	0.54	0.80	2.78	5.06	5.13
Average weighted rate of interest paid by the State	10.35	10.95	9.85	8.83	9.51
Difference between interest paid and received	(-) 9.80	(-) 10.15	(-) 7.07	(-) 3.77	(-)4.38

1.10.5 Failure to prepare accounts and lack of accountability in the use of public funds by departments/commercial undertakings

Activities of quasi commercial nature are performed by certain Government departments through undertakings/schemes which are to prepare Proforma Accounts in the prescribed format annually showing the results of financial operations so that the Heads of Departments in Government can assess the results of their working. The Heads of Departments in Government are to ensure that these undertakings/schemes, which are funded by budgetary release, prepare the accounts on timely basis and submit the same to the Accountant General for audit.

As of March 2005, out of 15 undertakings/schemes, four were inoperative/closed. The Department-wise positions of arrears in preparation of proforma accounts and investment as per last accounts of the remaining undertakings/schemes are given in Appendix-VIII.

In respect of the four undertakings/schemes, which remained inoperative or were closed, the assets and liabilities were not fully disposed of or liquidated by Government. The details as well as reasons for non-operation or closure were not available.

In respect of two schemes for which Government had not prescribed the preparation of Proforma Accounts, only Personal Ledger accounts were opened and maintained by the concerned departments of Government. The position of these Personal Ledger accounts at the end of 2004-05 was as follows:

(Rupees in Lakh)

Name of the Undertaking/ Unit/Scheme	Year in which the Personal Ledger accounts were opened	Accounts for 2004-05			
		Opening Balance	Credit	Debit	Closing Balance
Purchase and distribution of quality seeds to cultivators	1977-78 (Revenue accounts)	1615.72	281.27	1162.37	734.62
Poultry Development	1979-80 (Revenue accounts)	3.02	--	--	3.02

The Comptroller and Auditor General had commented in the Audit Reports of the State about the failure of the Heads of Departments and the management of the undertakings/schemes to prepare their proforma accounts in time. The Public Accounts Committee in their 14th Report (10th Assembly) had expressed (November 1992) concern at the state of affairs in preparation of Proforma Accounts and had desired that responsibility be fixed for failure to prepare the accounts. Despite that, the Government neither initiated action against the defaulting management for their failure to prepare the accounts nor took any effective initiative to set right the position.

1.10.6 Management of Cash Balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Orissa had the WMA limit of Rs.215 crore from 3 March 2003 and Rs.250 crore from 1 April 2004. During the year, the State used this mechanism for 99 days only as against 150 days last year although it raised borrowings of Rs.1198.97 crore from the market on six occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State did not use the overdraft facilities during the year as against using 171 days last year.

Table 17: Ways and Means and Overdrafts of the State and Interest paid thereon

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Ways and Means Advance					
Taken in the Year	2137	1355	2000	3204	1450
Outstanding	179	179	239	Nil	Nil
Interest Paid	11.71	11.59	10.88	12.19	1.85
Overdraft					
Taken in the Year	3828	5393	4723	3809	Nil
Outstanding	833	1064	210	Nil	Nil
Interest Paid	4.13	8.32	8.75	8.42	Nil
Number of Days State was in Overdraft	203	252	188	171	Nil

1.10.7 Undischarged Liabilities

Fiscal liabilities – public debt and guarantees

The Constitution of India provides that State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an act of Legislature. However, no such law was passed in the State to lay down any such limit. Statement 4 read with Statements 16 and 17 of Finance Accounts show the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

It would be observed that the over all fiscal liabilities of the State increased from Rs.23911 crore in 2000-01 to Rs.36093 crore in 2004-05 at an average growth rate of 12.22 *per cent*. These liabilities as ratio to GSDP increased marginally from 61.74 *per cent* in 2000-01 to 62.62 *per cent* in 2004-05 and stood at 3.05 times of its revenue receipts and 6.54 times of its own resources comprising its own tax and non-tax revenue. Table 18 below gives the fiscal liabilities of the State, its rate of growth and ratio of these liabilities to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

Table 18: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Fiscal Liabilities	23911	27853	30735	34014	36093	30521
Rate of growth	17.85	16.49	10.35	10.67	6.11	12.22
Ratio of fiscal liabilities to						
GSDP	61.74	66.17	69.27	63.19	62.62	64.48
Revenue Receipts	346.44	395.19	364.20	360.32	304.58	351.59
Own Resources	833.43	881.70	801.85	773.75	653.62	780.82
Buoyancy of fiscal liabilities to						
GSDP	69.657	1.896	1.913	0.501	0.864	1.346
Revenue Receipts	1.033	7.794	0.524	0.899	0.239	0.866
Own Resources	0.965	1.631	0.485	0.726	0.239	1.157

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2004-05 stood at Rs.9296.86 crore out of which Rs.3823.25 crore is outstanding. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments.

On test check it was revealed that an amount of Rs.145.75 crore was due to be realised towards guarantee commission of which Rs.74.69 crore had been realised leaving a balance of Rs.71.06 crore as on 31 March 2005. Guarantee fee amounting to Rs.46.19 lakh in respect of 4 Co-operative institution had not been realised as of 31 March 2005 although the loan sanctioned against them has been liquidated by end of 2003-04.

Further one of the Co-operative Institution viz. Nayagarh-co-operative sugar Industry was sold on 20 June 2004 to a private sector but the guarantee fee of Rs.4.13 lakh was not realised by 31 March 2005. Currently, the fiscal

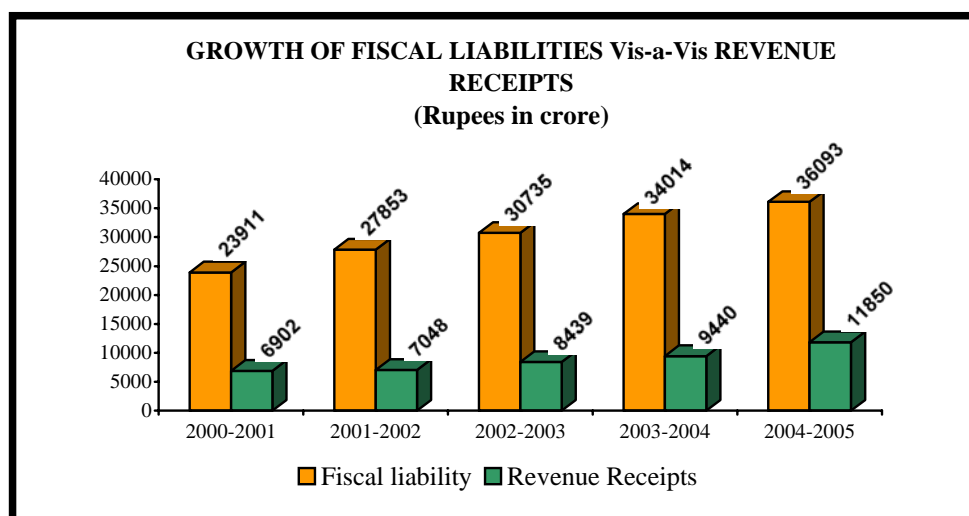
liabilities including the contingent liabilities exceeded three times the revenue receipts of the State.

Increasing liabilities had raised the issue of sustainability of State Government. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP.

Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table 19.

Table 19: Debt Sustainability – Interest Rate and GSDP Growth (in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Weighted Interest Rate	10.35	10.95	9.85	8.83	9.51	9.90
GSDP Growth	0.26	8.69	5.41	21.32	7.07	9.08
Interest spread	(-) 10.09	(-) 2.26	(-) 4.44	12.48	(-) 2.43	(-) 0.82



Another important indication of debt sustainability is net availability of the funds after repayment of the principal of earlier loans and payment of interest. Table-20 below gives the position of the receipts and repayments of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from GOI after providing for the interest and repayments varied from (-) 16 per cent to 20.73 per cent during 2000-05. The net funds available declined to the lowest level of (-) 16 per cent of total fresh loans during 2004-05.

Table 20: Net Availability of Borrowed Funds (Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal Debt					
Receipts*	1044	1687	2296	4338	2689
Repayments (Principal+ Interest)	867	987	1298	1834	2344
Net Funds Available	177	700	998	2504	345
Net Funds Available (per cent)	16.95	41.49	43.47	57.72	12.83
Loans and Advances from Government of India					
Receipts*	1489	973	1769	1141	1423
Repayments (Principal+ Interest)	1405	1632	2062	2509	2426
Net Funds Available	84	(-) 659	(-) 293	(-) 1368	(-) 1003
Net Funds Available (per cent)	5.64	(-) 67.73	(-) 16.56	(-) 119.89	(-) 70.48
Total Public Debt					

	2000-01	2001-02	2002-03	2003-04	2004-05
Receipts*	2533	2660	4065	5479	4112
Repayments (Principal+ Interest)	2272	2619	3360	4343	4770
Net Funds Available	261	41	705	1136	(-) 658
Net Funds Available (<i>per cent</i>)	10.30	1.54	17.34	20.73	(-) 16.00

* Internal debt excluding ways and means advances and overdraft

1.11 Management of deficits

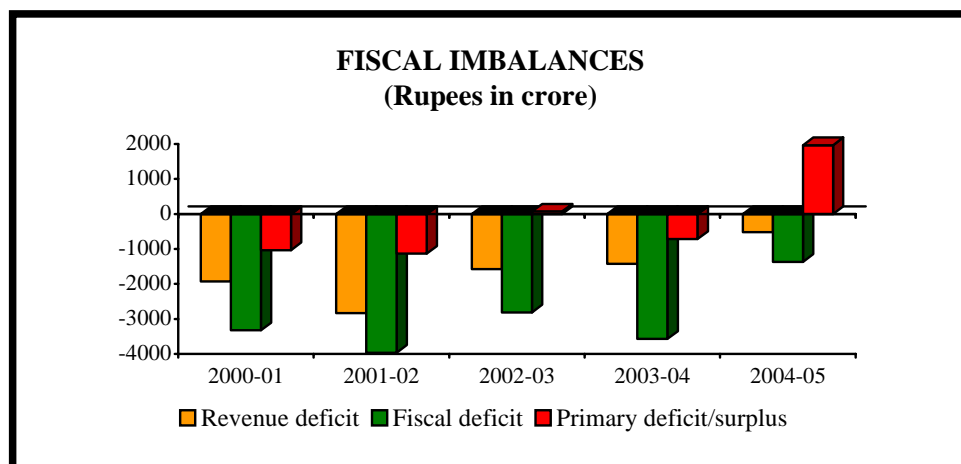
1.11.1 Fiscal imbalances

The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied, are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs.1932 crore in 2000-01 to Rs.522 crore in 2004-05. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs.3325 crore in 2000-01 to Rs.1366 crore in 2004-05. The State also had a primary deficit decreasing from Rs.1038 crore in 2000-01 to primary surplus Rs.1966 crore in 2004-05 as indicated in Table 21.

Table 21: Fiscal Imbalances – Basic Parameters (Value: Rupees in crore and Ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue deficit	(-) 1932	(-) 2834	(-) 1576	(-) 1421	(-) 522	(-) 1657
Fiscal deficit	(-) 3325	(-) 3968	(-) 2816	(-) 3573	(-) 1366	(-) 3010
Primary Deficit (-)/ Surplus (+)	(-) 1038	(-) 1133	(+) 70	(-) 713	1966	(-) 170
RD/GSDP	(-)5	(-)7	(-)4	(-)3	(-)1	(-)4
FD/GSDP	(-)9	(-)9	(-)6	(-)7	(-)2	(-)6
PD/GSDP	(-)3	(-)3	0.16	(-)1.32	3.41	(-)0.36
RD/FD	58	71	56	40	38	55



Revenue deficit witnessed a continuous decline since 2001-02 from Rs.2834 crore in that year to Rs.522 crore in 2004-05. The ratio of

revenue deficit to fiscal deficit also decreased from 58 *per cent* in 2000-01 to 38 *per cent* in 2004-05. As proportion of GSDP, revenue deficit decreased to one *per cent* and fiscal deficit to two *per cent* in 2004-05. This trend would, however, need to be maintained to achieve zero revenue deficit on or before 2008-09 as envisaged by the Twelfth Finance Commission.

1.12 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 22 below presents a summarised position of Government Finances over 2000-2005, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation. The ratio of revenue expenditure to total expenditure increased from 86 *per cent* in 2000-2001 to 91 *per cent* in 2004-05. But its capital expenditure and developmental expenditure as percentage to total expenditure had declined during 2000-2005. Its revenue expenditure when compared to its revenue receipts had shown comparatively higher buoyancy. All these indicated State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities.

Table 22: Ratios of Fiscal Efficiency (in *per cent*)

Fiscal Ratios	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue Receipts/GSDP	17.82	16.74	19.02	17.54	20.56	18.46
Revenue Buoyancy	67.43	0.24	3.65	0.56	3.61	1.55
Own Tax/GSDP	5.64	5.86	6.47	6.13	7.25	6.34
Total Expenditure/GSDP	26.61	26.48	25.76	24.68	23.65	25.27
Revenue Receipts/ Total Expenditure	66.98	63.22	73.82	71.05	86.92	72.40
Revenue Expenditure/Total Expenditure	85.73	88.64	87.60	81.75	90.75	86.89
Capital Expenditure/Total expenditure.	8.63	8.24	9.69	7.28	7.86	8.34
Development Expenditure/ Total Expenditure (RE+CE)	56.44	52.10	55.16	53.75	50.34	53.56
Buoyancy of TE with RR	0.339	3.872	0.129	1.367	0.102	0.519
Buoyancy of RE with RR	0.257	5.608	0.068	0.712	0.545	0.532
Deficits/Surplus						
Revenue Deficit (<i>Rupees in crore</i>)	(-) 1932	(-) 2834	(-) 1576	(-) 1421	(-) 522	(-) 1657
Fiscal Deficit (<i>Rupees in crore</i>)	(-) 3325	(-) 3968	(-) 2816	(-) 3573	(-) 1366	(-) 3010
Primary Deficit/Surplus (<i>Rupees in crore</i>)	(-) 1038	(-) 1138	70	(-) 713	1966	(-) 170

Fiscal Ratios	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue Deficit/Fiscal Deficit	0.58	0.71	0.55	0.39	0.38	0.55
Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/GSDP	61.74	66.17	69.27	63.19	62.62	64.48
Fiscal Liabilities/Revenue Receipts	346.44	395.19	364.20	360.32	304.58	351.59
Buoyancy of FL with Revenue Receipt.	1.033	7.794	0.524	0.899	0.239	0.866
Buoyancy of FL with Own Resources	0.965	1.631	0.485	0.726	0.239	1.157
Interest Spread	(-)10.09	(-) 2.26	(-) 4.44	12.48	(-) 2.43	(-) 0.82
Net Fund Available	48.45	10.30	1.54	17.34	20.73	19.67
Other Fiscal Health Indicators						
Return on Investment	2.69	0.60	10.02	8.87	4.29	5.29
BCR (<i>Rupees in crore</i>)	(-) 1069	(-) 1945	(-) 1410	(-) 1228	(-) 1517	(-) 1433.80
Financial Assets/Liabilities	0.56	0.52	0.52	0.52	0.55	0.53

1.13 Conclusion

Revenue deficit witnessed a continuous decline since 2001-02 and the ratio of revenue deficit to fiscal deficit also decreased from 58 *per cent* in 2000-01 to 38 *per cent* in 2004-05. The trend would, however, need to be maintained to achieve the zero revenue deficit on or before 2008-09 as envisaged by the Twelfth Finance Commission. Nevertheless, the revenue expenditure as percentage of total expenditure increased from 82 *per cent* in 2003-04 to 91 *per cent* in 2004-05.

During the current year, revenue receipts grew by 26 *per cent* as against 12 *per cent* during 2003-04 due to 26.5 *per cent* increase in own tax revenue and 23 *per cent* in non-tax revenue. On an average 45 *per cent* of revenue had come from State's own resources. The Central Tax transfers and grants-in-aids together contributed nearly 55 *per cent* of the total revenue during 2000-2005.

Overall expenditure of the State increased from Rs.10304 crore in 2000-01 to Rs.13633 crore in 2004-2005 at an average trend rate of eight *per cent* per annum while the proportion of developmental expenditure in total expenditure declined from 56 *per cent* in 2000-01 to 50 *per cent* in 2004-05. The capital expenditure hovered around six to nine *per cent* during the same period.

Interest payment increased by 46 *per cent* from Rs.2287 crore in 2000-01 to Rs.3332 crore in 2004-05 primarily due to continued reliance on borrowings for financing fiscal deficit.

Fiscal liabilities as ratio to GSDP increased marginally from 61.74 *per cent* in 2000-01 to 62.62 *per cent* in 2004-05 and stood at 3.05 times of its revenue receipts and 6.54 times of its own resources comprising its own tax and non-tax revenue.