

## CHAPTER-I

### Finances of the State Government

#### SUMMARY

*Revenue deficit witnessed a continuous decline since 2001-02 and registered a surplus in 2005-06. The ratio of revenue deficit to fiscal deficit also decreased from 71 per cent in 2001-02 to a negative per cent in 2005-06. The trend would, however, need to be maintained if the State is to continue its journey in financial recovery path in tune with Twelfth Finance Commission's recommendations. The revenue expenditure as percentage of total expenditure however increased marginally from 91 per cent in 2004-05 to 92 per cent in 2005-06. Overall revenue receipts increased from Rs 7048 crore in 2001-02 to Rs 14085 crore in 2005-06 at an average rate of 16 per cent per annum. The growth rates did not maintain similar pattern over the years. During the current year, revenue receipts grew by 19 per cent as against 26 per cent during 2004-05. The State's own tax revenue increased by 20 per cent from Rs 4177 crore in 2004-05 to Rs 5002 crore in 2005-06 and the non-tax revenue grew by 14 per cent from Rs 1345 crore in 2004-05 to Rs 1532 crore in 2005-06.*

*On an average 46 per cent of revenue had come from State's own resources. The Central Tax transfers and grants-in-aids together contributed nearly 54 per cent of the total revenue during 2001-2006.*

*Overall expenditure of the State increased from Rs 11148 crore in 2001-02 to Rs 14709 crore in 2005-2006 at an average rate of 7.51 per cent per annum while the proportion of developmental expenditure in total expenditure remained static around 52 per cent during 2001-06.*

*Revenue expenditure, which constituted 92 per cent of total expenditure, grew at a trend rate of 9 per cent over the five year period while the capital expenditure hovered around seven to ten per cent during the same period. Interest payment increased by 30 per cent from Rs 2835 crore in 2001-02 to Rs 3697 crore in 2005-06 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 26 per cent of the revenue receipts.*

*Fiscal liabilities as ratio to GSDP decreased from 66.27 per cent in 2001-02 to 60.69 per cent in 2005-06 and stood at 2.73 times of its revenue receipts and 5.9 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 2005-06.

**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 2006.

**Statement No.9:** shows the revenue receipts and revenue expenditure under different heads for the year 2005-06 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 2005-06 and blockade of capital in incomplete projects as on 31st March 2006.

**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 2005-06.

**Statement No.15:** depicts the capital and other expenditure to the end of 2005-06 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 2006 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)

2004-05	Sl. No.	Major Aggregates	2005-06
<b>11850</b>	<b>1.</b>	<b>Revenue Receipts (2+3+4)</b>	<b>14085</b>
4177	2.	Tax Revenue	5002
1345	3.	Non-Tax Revenue	1532
6328	4.	Other Receipts	7551
<b>417</b>	<b>5.</b>	<b>Non-Debt Capital Receipts</b>	<b>348</b>
417	6.	Of which Recovery of Loans	348
<b>12267</b>	<b>7.</b>	<b>Total Receipts (1+5)</b>	<b>14433</b>
<b>10626</b>	<b>8.</b>	<b>Non-Plan Expenditure (9+11)</b>	<b>11615</b>
10416	9.	On Revenue Account	11491
3332	10.	Of which, Interest Payments	3697
210	11.	On Capital Account	124
156	12.	Of which, Loans disbursed	49
<b>3007</b>	<b>13.</b>	<b>Plan Expenditure (14+15)</b>	<b>3094</b>
1956	14.	On Revenue Account	2113
1051	15.	On Capital Account	981
49	16.	Of which, Loans disbursed	18
<b>13633</b>	<b>17.</b>	<b>Total Expenditure (8+13)</b>	<b>14709</b>
(-) <b>1366</b>	<b>18.</b>	<b>Fiscal Deficit (17-1-5)</b>	(-) <b>276</b>
(-) <b>522</b>	<b>19.</b>	<b>Revenue Deficit (-)/Surplus (+) (9+14-1)</b>	(+) <b>481</b>
(+) <b>1966</b>	<b>20.</b>	<b>Primary Surplus (18+10)</b>	(+) <b>3421</b>

## 1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Orissa for the year 2005-06 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 2005-06

(Rupees in crore)

Receipts			Disbursements				
2004-05		2005-06	2004-05		2005-06		
<b>SECTION-A: Revenue</b>							
					<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
<b>11850.19</b>	<b>I. Revenue receipts</b>	<b>14084.72</b>	<b>12372.49</b>	<b>I. Revenue expenditure</b>	<b>11490.77</b>	<b>2112.75</b>	<b>13603.52</b>
4176.60	Tax revenue	5002.28	6480.49	General services	6818.78	6.88	6825.66
1345.52	Non-tax revenue	1531.90	3980.40	Social Services	3341.77	1335.95	4677.72
3977.66	Share of Union Taxes/Duties	4876.75	1753.12	Economic Services	1183.36	769.92	1953.28
2350.41	Grants from Government of India	2673.79	158.48	Grants-in-aid / Contributions	146.86	Nil	146.86

Receipts			Disbursements				
2004-05		2005-06	2004-05		2005-06		
<b>SECTION-B: Capital</b>							
Nil	II. Misc. Capital Receipts	Nil	1055.55	II. Capital Outlay	74.94	963.12	1038.06
416.95	III. Recoveries of Loans and Advances	347.60	205.09	III. Loans and Advances disbursed	49.44	17.76	67.20
4111.80	IV. Public debt receipts	2094.96	2252.67	IV. Repayment of Public Debt*			# 1037.58
7372.89	V. Public account receipts	8506.47	6206.57	V. Public account disbursements			# 6003.01
54.44	Receipts to Contingency Fund	80.80	73.94	VI. Expenditure from contingency Fund			Nil
41.86	Opening Balance	1681.82	1681.82	Closing Balance			5047.00
23848.13	<b>Total</b>	<b>26796.37</b>	<b>23848.13</b>	<b>Total</b>			<b>26796.37</b>

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 from the statements of the Finance Accounts for the year 2005-06 and present them through time series data and periodic comparisons using statements on 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. 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-1.1*. The other statements of Liabilities and Assets, Receipts and Payments, Sources and Application of funds and Time Series Data are given in *Appendix-1.2 to 1.5*.

### **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 2005-06 was Rs 25034 crore of which, the revenue receipts was Rs 14085 crore, constituting 56 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)
<b>I. Revenue Receipts</b>		<b>14085</b>
<b>II. Capital Receipts</b>		<b>2443</b>
a	Miscellaneous Receipts	Nil
b	Recovery of Loans and Advances	348
c	Public Debt Receipts	2095
<b>III Public Account Receipts</b>		<b>8506</b>
a	Small Savings, Provident Fund, etc.	2742
b	Reserve Fund	1105
c	Deposits and Advances	2397
d	Suspense and Miscellaneous	(-) 74
e	Remittances	2336
<b>Total Receipts</b>		<b>25034</b>

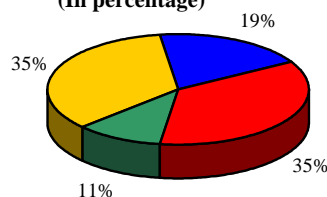
### 1.5.1 Revenue receipts

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)**

	2001-02	2002-03	2003-04	2004-05	2005-06
(Rupees in crore)					
Revenue Receipts	7048	8439	9440	11850	14085
Own taxes	2467	2872	3302	4177	5002
Non-Tax Revenue	692	961	1094	1345	1532
Central Tax Transfers	2649	2806	3328	3978	4877
Grants-in-aid	1240	1800	1716	2350	2674
(in per cent)					
Rate of Growth of Revenue Receipt	2.12	19.74	11.86	25.53	18.86
Rate of growth of own taxes	12.96	16.42	14.97	26.50	19.75
Revenue Receipts/GSDP	16.77	19.24	17.36	19.97	22.22
GSDP Growth	8.27	4.36	23.98	9.10	6.84
Revenue Buoyancy	0.26	4.53	0.50	2.81	2.76
Own tax buoyancy	1.56	3.77	0.62	2.91	2.89

**REVENUE RECEIPTS FOR 2005-06  
(In percentage)**



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

Revenue receipts of the State increased from Rs 7048 crore in 2001-2002 to Rs 14085 crore in 2005-06 at an average rate of 16.14 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 2003-06 the buoyancy of the overall revenue receipts was lagging behind the buoyancy of State's Own Taxes. The increase in the Tax revenue during 2005-06 over the previous year was mainly on Taxes on Sales, Trades etc. (Rs 540 crore), State Excise (Rs 83 crore), Taxes and Duties on Electricity (Rs 91 crore).

While on an average around 46 per cent of the revenue had come from the State's own resources during 2001-2006, central tax transfers and grants-in-aid together continued to contribute nearly 54 per cent of the total revenue. During 2005-06 Sales Tax was the major source of State's Tax Revenue having contributed 60 per cent of the tax revenue followed by State Excise (eight per cent), Taxes on Vehicles (eight per cent), Other Taxes (eleven per cent) etc. Of non-tax revenue sources, Non-Ferrous Mining and Metallurgical Industries (53 per cent), Dividends and Profits (eight per cent) and Interest Receipts (19 per cent) were principal contributors. The increases in grants-in-aid during 2004-05 and 2005-06 were mainly due to more receipts under plan and non-plan grants respectively.

The source of revenue receipts under different heads and GSDP during 2001-2006 are indicated in Table 4.

**Table 4 – Sources of Receipts: Trends**

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Receipts from Contingency Fund	Accruals in Public Account		
2001-02	7048	132	3273	Nil	6813	17266	42030
2002-03	8439	177	4819	Nil	7150	20585	43862
2003-04	9440	273	5879	Nil	7657	23249	(P) 54378
2004-05	11850	417	4112	54	7373	23806	(Q) 59327
2005-06	14085	348	2095	81	8506	25115	(A) 63382

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 presents the detailed revenue expenditure by minor heads and capital expenditure major head wise. The total expenditure of the State increased from Rs 11148 crore in 2001-02 to Rs 14709 crore in 2005-06 at an average trend rate of 7.51 per cent per annum. There were sharp inter-year variations in the rate of growth of total expenditure with lowest growth of 2.55 per cent during 2002-03.

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)**

	2001-02	2002-03	2003-04	2004-05	2005-06	Average
Total Expenditure (TE)	11148	11432	13286	13633	14709	12842
Rate of Growth	8.19	2.55	16.22	2.61	7.89	7.51
TE/GSDP	26.52	26.06	24.43	22.98	23.21	24.42
Revenue Receipts/TE	63.22	73.82	71.05	86.92	95.76	78.15
<b>Buoyancy of Total Expenditure with</b>						
GSDP	0.989	0.584	0.676	0.287	1.155	0.673
Revenue Receipts	3.872	0.129	1.367	0.102	0.418	0.465

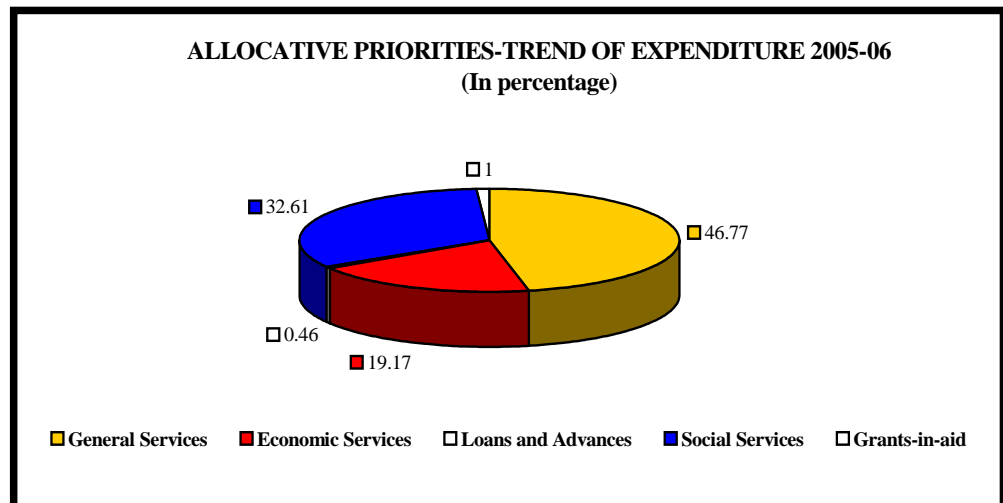
There was upward trend in the ratio of revenue receipts to total expenditure from 63.22 *per cent* in 2001-02 to 95.76 *per cent* in 2005-06, indicating that approximately 96 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings. Average buoyancy of the total expenditure with GSDP during 2001-06 was 0.673 indicating that for every one-percentage point increase in GSDP, expenditure increased by 0.673 *per cent*. Higher growth in revenue receipts in 2005-06 kept the overall buoyancy of expenditure with revenue receipt at 0.465 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*)**

	2001-02	2002-03	2003-04	2004-05	2005-06
General Services including interest payment	44.92	42.21	39.12	47.75	46.77
Social Services	30.56	31.67	28.88	29.75	32.61
Economic Services	19.77	21.83	18.51	19.84	19.16
Grants-in-aid	1.35	1.29	1.66	1.16	1.00
Loans and advances	3.40	3.00	11.83	1.50	0.46
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The movement of relative share of these components of expenditure indicated that while the share of economic services in total expenditure declined from 19.77 *per cent* in 2001-02 to 19.16 *per cent* in 2005-06, the relative share of general services increased from 44.92 *per cent* in 2001-02 to 46.77 *per cent* in 2005-06. Despite the increase in interest payments during 2005-06 over the previous years, the share of general services declined during 2005-06 due to less expenditure under Appropriation for reduction or avoidance of debt and miscellaneous general services. It is only in case of social services, the relative share increased from 29.75 *per cent* in 2004-05 to 32.61 *per cent* in 2005-06 mainly due to an increase in expenditure on general education during the year 2005-06 over the previous year. The disbursement of loans and advances declined steadily during 2001-06 except in 2003-04 when loans to power sector reached the peak of Rs 1465 crore.

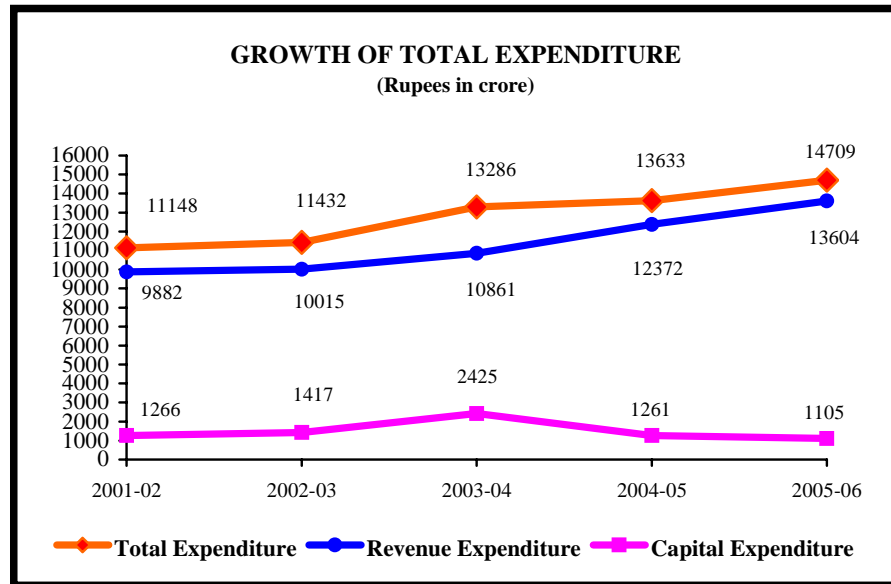


### 1.6.2 Incidence of Revenue expenditure

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)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE)	9882	10015	10861	12372	13604
Rate of Growth	11.86	1.35	8.45	13.91	9.96
RE/ GSDP	23.51	22.83	19.97	20.85	21.46
RE as per cent of TE	88.64	87.60	81.75	90.75	92.49
RE as per cent to Revenue Receipts	140.21	118.68	115.05	104.41	96.59
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP	1.432	0.309	0.352	1.529	1.457
Revenue Receipts	5.608	0.068	0.712	0.545	0.528



Revenue expenditure of the State increased from Rs 9882 crore in 2001-02 to Rs 13604 crore in 2005-06 at an average rate of 8.68 per cent per annum excepting for the year 2002-03 when it fell sharply to 1.35 per cent over the previous year. The increase in the revenue expenditure during the year was mainly due to more expenditure on Interest Payment (Rs 365 crore increase occasioned due to interest on State Provident Fund), General Education (Rs 307 crore), Nutrition (Rs 120 crore) and Welfare of Scheduled Caste and Scheduled Tribes (Rs 118 crore).

Revenue expenditure accounted for 92 per cent of the total expenditure during 2005-06. Though the ratio of revenue expenditure to revenue receipts declined from 140.21 per cent in 2001-02 to 96.59 per cent in 2005-06, yet dependence of the State on borrowings, for meeting its fiscal deficit continued primarily due to the fact that salaries (Rs 4002 crore), interest payments (Rs 3697 crore) and Pensions (Rs 1339 crore) alone consumed 64 per cent of total revenue receipts of the State during the year.



Average buoyancy of revenue expenditure to GSDP during 2001-06 was 0.778 indicating that for each one percentage increase in GSDP, revenue expenditure increased by 0.778 *per cent*. Similarly, for each one percentage increase in the State's receipts, the revenue expenditure increased by 0.538 *per cent*.

***High salary expenditure***

Salaries alone accounted for nearly 28 *per cent* of the revenue receipts of the State during 2005-06. The expenditure on salaries increased from Rs 3736 crore in 2001-02 to Rs 4002 crore in 2005-06 as indicated in Table 8 below:

**Table 8**

<b>(Rupees in crore)</b>					
<b>Heads</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Salary expenditure	3736	3929	4002	4074	4002
As percentage of GSDP	9	9	7	7	6
As percentage of Revenue Receipts	53	46	42	36	28

***Huge expenditure on pension and other retirement benefits***

Pension payments have increased by 33 *per cent* from Rs 1003 crore in 2001-02 to Rs 1339 crore in 2005-06. Year-wise break up of expenditure incurred on pension payments during the years 2001-02 to 2005-06 was as under:

**Table 9:**

<b>Year</b>	<b>Expenditure</b>	<b>Percentage to total revenue</b>
	<b>(Rupees in crore)</b>	
2001-02	1003	14
2002-03	1030	12
2003-04	1143	12
2004-05	1260	11
2005-06	1339	10

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. However, the Government of Orissa introduced a contributory pension scheme in line with Union Government effective from 1 January 2005 by which the employees joining in Government service became liable to contribute 10 *per cent* of their salary towards the pension scheme. There is, however, no impact of the new pension scheme on the pension liabilities of the State in the short to medium run.

The Medium Term Fiscal Policy of the State projected the ratio of salary costs, net interest payments and pension to revenue expenditure as 50.8 *per cent* although these payments during 2005-06 constituted 64 *per cent* of revenue expenditure.

***Subsidy***

The State Government paid subsidy of Rs 82.70 crore during 2005-06 which is inclusive of Rs 45.03 crore paid towards food subsidy.

***Interest payments***

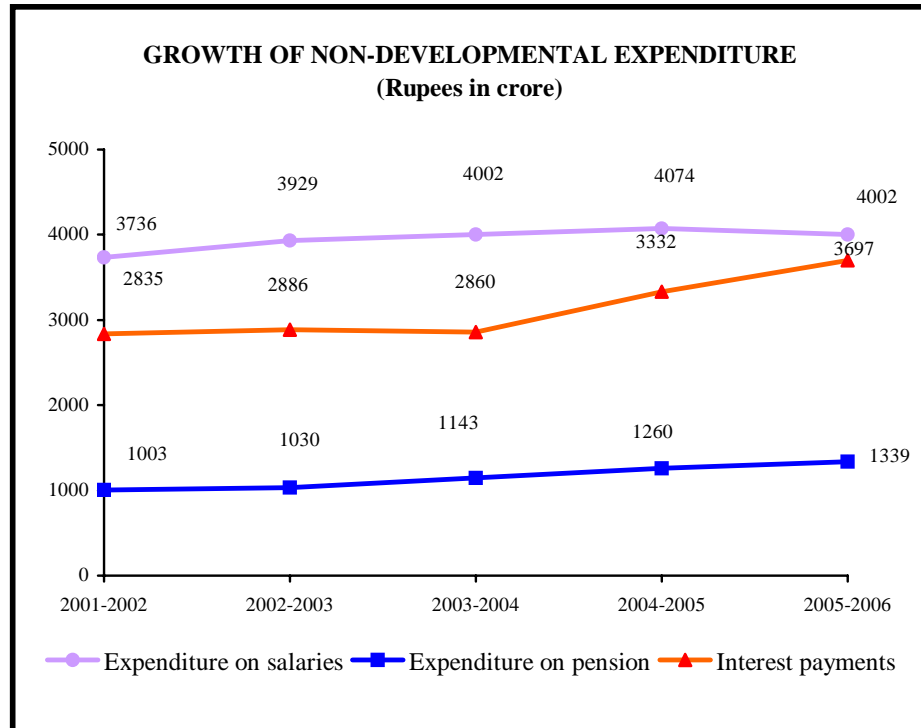
The Eleventh Finance Commission recommended (August 2000) that as a medium term objective, States should endeavour to keep interest payment as a ratio to revenue receipts at 18 *per cent*.

The Twelfth Finance Commission has also recommended to maintain the ratio of interest payments to revenue receipts at 15 per cent for all the states taken together. As per the Orissa Fiscal Responsibility and Budget Management Act, 2005, the ratio of interest payments to revenue receipt is to be restricted within 18 to 25 per cent. It was however observed that Interest payments as percentage of revenue receipts in case of Orissa ranged between 26 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
2001-02	2835	40	29
2002-03	2886	34	29
2003-04	2860	30	26
2004-05	3332	28	27
2005-06	3697	26	27

In absolute terms, Interest payments increased by 30 per cent from Rs 2835 crore in 2001-02 to Rs 3697 crore in 2005-06 primarily due to continued reliance on borrowings for financing the fiscal deficit. The increase in interest payments during 2005-06 was mainly due to abnormal increase in interest on State Provident Fund Rs 646 crore (Rs 1359 crore during 2005-06 against Rs 713 crore during 2004-05). The interest liability on other accounts, however, declined due to debt consolidation.



**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)\***

	2001-02	2002-03	2003-04	2004-05	2005-06	Average
Plan Expenditure	24.41	23.12	20.97	22.03	21.01	22.31
Capital Expenditure	8.24	9.69	7.28	7.86	7.09	8.03
Developmental Expenditure	52.10	55.16	53.75	50.34	52.01	52.67

\*Total expenditure exclude expenditure on loans and advances.

All the three components of expenditure showed a relative decline during 2001-06. Plan expenditure declined from 24.41 per cent of total expenditure in 2001-02 to 21.01 per cent in 2005-06. Similarly capital expenditure declined from 8.24 per cent in 2001-2002 to 7.09 per cent in 2005-06. The decline was mainly under economic services. There was also a marginal decline in the share of development expenditure. The average share of expenditure on plan and capital expenditure was significantly below the level achieved in 2001-02.

Out of the developmental expenditure (Rs 7616 crore), social services (Rs 4797 crore) accounted for 63 per cent during the year. General Education, Medical and Public Health and Water Supply and Sanitation consumed 63 per cent of the expenditure on social sector as detailed below:

**Table 12**

Social Sector Expenditure		(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06	
General Education	1717	1857	1852	1957	2264	
Medical and Public Health	387	425	429	540	393	
Water Supply and Sanitation	251	249	258	276	383	
<b>Total</b>	<b>2355</b>	<b>2531</b>	<b>2539</b>	<b>2773</b>	<b>3040</b>	

Similarly, the expenditure on Economic Services (Rs 2819 crore) accounted for 37 per cent of the developmental expenditure of which, Agriculture and Allied activities (Rs 615 crore), Irrigation and Flood Control (Rs 719 crore) and Rural Development (Rs 514 crore) accounted for 66 per cent of the expenditure on Economic sector as detailed below:

**Table 13**

Economic Sector Expenditure		(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06	
Agriculture and Allied activities	506	559	699	590	615	
Irrigation and flood control	645	698	579	694	719	
Rural Development	448	469	459	468	514	
<b>Total</b>	<b>1599</b>	<b>1726</b>	<b>1737</b>	<b>1752</b>	<b>1848</b>	

**1.8 Financial assistance to local bodies and other institutions**

During 2005-06, Government provided financial assistance of Rs 1782.98 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)				
		2001-02	2002-03	2003-04	2004-05	2005-06
1.	Educational Institutions (aided schools, private colleges, universities)	251.06	300.59	278.41	384.26	537.98
2.	District Rural Development Agency (DRDA)	302.67	309.45	154.16	247.28	255.19
3.	Municipalities, Corporations, District Council, Development Authorities etc.	40.96	46.44	65.72	44.47	94.61
4.	Panchayati Raj Institutions viz., Panchayat Samitis, Zilla Parishads and Gram Panchayats	119.80	130.11	142.95	134.21	230.79
5.	Co-operative Societies and Institutions	2.78	4.03	1.47	0.15	0.24
6.	Integrated Tribal Development Agencies (ITDAs)	106.21	87.35	62.43	51.77	149.65
7.	Non-Government Organisations	19.72	2.85	3.80	6.22	3.75
8.	Other Institutions	101.25	91.31	203.15	141.60	456.30
9.	Western Orissa Development Council (WODC)	50.00	50.00	50.00	50.00	50.00
10.	Command Area Development Authority (CADA)			2.73	3.58	4.47
	<b>Total</b>	<b>994.45</b>	<b>1022.13</b>	<b>964.82</b>	<b>1063.54</b>	<b>1782.98</b>
1.	Percentage increase(+)/ decrease(-) over previous year	(-)19	(+)3	(-)6	(+)10	(+)68
2.	Assistance as a percentage of revenue receipts	14	12	10	9	13
3.	Percentage of assistance to revenue expenditure	10	10	9	9	13

The financial assistance of Rs 1782.98 crore provided during the year 2005-06 formed 13.10 *per cent* of total revenue expenditure (Rs 13604 crore) of Government. The increase of Rs 719.44 crore during 2005-06 was mainly under grants to educational institutions, panchayati raj and other institutions.

**1.8.1 Outstanding Utilisation Certificates (UCs)**

Audit of 103 institutions/autonomous bodies conducted during the year 2005-06 revealed that Utilisation Certificates (UCs) for an amount of Rs 681 crore relating to 80 units of Panchayat Samitis (Rs 301.63 crore), 9 DRDAs (Rs 143.22 crore), 2 ITDAs (Rs14.05 crore) and 12 others (Rs 222.10 crore) were outstanding as detailed in **Appendix-1.6**. This included Rs 569.30 crore for which year-wise 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 2006, Audit of accounts of 103 autonomous bodies (Departments of Panchayati Raj: 89, School and Mass Education: 4, Scheduled Tribe and Scheduled Caste Development: 2, Co-operation: 1, Planning and Coordination:1, Science and Technology: 1, Labour and Employment: 1, Agriculture: 1, Health & Family Welfare: 2 and Higher Education: 1) were 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 1926.39 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 419.48 crore at the end of the year in respect of 103 bodies for which audit was conducted as detailed in **Appendix-1.7**. However, the position of unspent balance was not available in respect of eight 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 62.85 crore were outstanding in the accounts audited (80 Panchayat Samities: Rs 25.87 crore and 23 other bodies/ authorities: Rs 36.98 crore). The position of outstanding advances in respect of 10 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 2006 and on which final action was pending at the end of June 2006 were as follows

		(Rupees in lakh)	
		Number of cases	Amount
i)	Cases reported up to the end of March 2005 but outstanding at the end of June 2005	2099	1604.30*
ii)	Cases reported during April 2005 to March 2006	23	45.42
iii)	Cases disposed of till June 2006	8	1.01
iv)	Cases reported up to March 2006 but outstanding as of June 2006	2114	1648.71

\* The outstanding balance at the end of June 2005 was 1596.07 lakh. However, this was enhanced to 1604.30 lakh after revaluation of 18 cases of 8 Departments.

Department-wise analysis of the outstanding cases is given in the

**Appendix-1.8.** The period for which these were pending are given below:

		(Rupees in lakh)	
		Number of Cases	Amount
i)	Over five years (1948-49 to 2000-2001)	2014	1335.66
ii)	Exceeding three years but within five years (2001-2002 to 2002-2003)	46	131.73
iii)	Upto three years (2003-04 to 2005-06)	54	181.32
Total		2114	1648.71

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

		(Rupees in lakh)	
		Number of Cases	Amount
i)	Awaiting departmental and criminal investigation	547	464.95
ii)	Departmental action initiated but not finalised	831	756.85
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	39	22.60
iv)	Awaiting orders for recovery or write off	548	142.50
v)	Pending in the courts of law	149	261.81
Total		2114	1648.71

## **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 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-1.2** presents an abstract of such liabilities and the assets as on 31 March 2006, compared with the corresponding position on 31 March 2005. 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 Miscellaneous Capital Receipts, 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.

### **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 2496.49 crore at the end of March 2006 showed that no revenue was realised from these projects during 2005-06 against the direct working expenses of Rs 65.17 crore. After meeting the working and maintenance expenditure (Rs 65.48 crore) and interest charges (Rs 169.78 crore), the schemes suffered a net loss of Rs 235.27 crore.

### 1.10.2 Incomplete projects

As of 31 March 2006, there were 31 incomplete projects (major: 14 and medium: 17) in which Rs 5458 crore was blocked. These projects were incomplete for periods ranging from five to 10 years (5 projects: Rs 418.28 crore), 10 to 15 years (7 projects: Rs 496.32 crore), 15 to 20 years (4 projects: Rs 304.32 crore) and more than 20 years (15 projects: Rs 4238.87 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 2006, Government had invested Rs 1637.09 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. The return on these investments was between less than one to 10 per cent during 2001-06 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)
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
2005-06	1637.09	120.59	7.39	9.92

The sharp increase in return for the year 2005-06 over the previous year was due to receipt of dividends of Rs 60 crore each from Orissa Mining Corporation and Orissa State Power Generation Corporation.

### 1.10.4 Loans and advances by State Government

In addition to its investment, Government had also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs 3339 crore as on 31 March 2006 (Table 16). Overall, interest received against these advances stood at 4.80 per cent during 2005-06. The difference between interest paid and received was negative during last five years.

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

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Opening Balance	2119	2366	2532	3831	3619
Amount advanced during the year	379	343	1572	205	67
Amount repaid during the year	132	177	273	417	347
<b>Closing Balance</b>	<b>2366</b>	<b>2532</b>	<b>3831</b>	<b>3619</b>	<b>3339</b>
Net Addition (+) / Reduction (-)	247	166	1299	(-)212	(-) 280
Interest Received (Rupees in crore)	18	68	161	298	167
Interest received as per cent to outstanding Loans and advances	0.80	2.78	5.06	5.13	4.80
Average weighted rate of interest paid by the State	10.95	9.85	8.83	9.51	9.92
Difference between rate of interest paid and received	(-) 10.15	(-) 7.08	(-) 3.77	(-)4.38	(-) 5.12

**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 2006, 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-1.9**.

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 2005-06 was as follows:

		(Rupees in Lakh)			
		Accounts for 2005-06			
Name of the Undertaking/ Unit/Scheme	Year in which the Personal Ledger accounts were opened	Opening Balance	Credit	Debit	Closing Balance
Purchase and distribution of quality seeds to cultivators	1977-78 (Revenue accounts)	734.62	710.85	314.03	1131.44
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 Fourteenth Report (Tenth 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 did not use this mechanism as against availing Rs 1450 crore for 99 days in the previous year.



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 last two years, which appears to be a good sign and needs to sustain on a continuous basis.

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

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Ways and Means Advance</b>					
Taken in the Year	1355	2000	3204	1450	Nil
Outstanding	179	239	Nil	Nil	Nil
Interest Paid	11.59	10.88	12.19	1.85	Nil
<b>Overdraft</b>					
Taken in the Year	5393	4723	3809	Nil	Nil
Outstanding	1064	210	Nil	Nil	Nil
Interest Paid	8.32	8.75	8.42	Nil	Nil
Number of Days State was in Overdraft	252	188	171	Nil	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 27853 crore in 2001-02 to Rs 38468 crore in 2005-06 at an average growth rate of 9.75 per cent. These liabilities as ratio to GSDP decreased from 66.27 per cent in 2001-02 to 60.69 per cent in 2005-06 and stood at 2.73 times of its revenue receipts and 5.89 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)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities	27853	30735	34014	36093	38468
Rate of growth	16.49*	10.35	10.67	6.11	6.58
<b>Ratio of fiscal liabilities to</b>					
GSDP	66.27	70.07	62.55	60.84	60.69
Revenue Receipts	395.19	364.20	360.32	304.58	273.11
Own Resources	881.70	801.85	773.75	653.62	588.74
<b>Buoyancy of fiscal liabilities to</b>					
GSDP	1.990	2.374	0.445	0.672	0.963
Revenue Receipts	7.794	0.524	0.899	0.239	0.349
Own Resources	1.631	0.485	0.726	0.239	0.359

\* Rate of growth is arrived with reference to 2000-01

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2005-06 stood at Rs 9251.75 crore out of which Rs 3496.19 crore were 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.

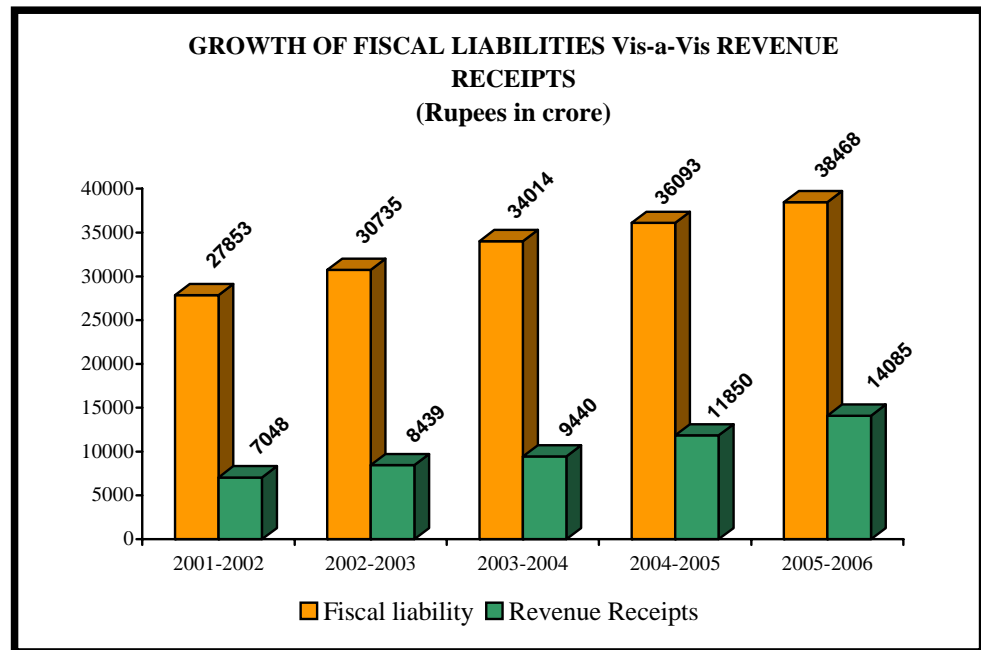
On test check it was revealed that an amount of Rs 138.09 crore was due to be realised towards guarantee commission of which Rs 85.50 crore had been realised leaving a balance of Rs 52.59 crore as on 31 March 2006.

Increasing liabilities had raised the issue of sustainability of State Government. Fiscal liabilities are considered sustainable if the rate in growth of interest payment kept below 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)**

	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	10.95	9.85	8.83	9.51	9.92
GSDP Growth	8.29	4.36	23.98	9.10	6.83
Interest spread	(-) 2.66	(-) 5.49	15.15	(-) 0.41	(-) 3.09



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 augmentation of State finances on account of net funds available from the Government of India through internal loans and advances declined from 20.73 per cent to a figure of (-) 58.62 per cent in the year 2005-06 over the last five year cycle. This indicates the State Government's ability towards discharge of accumulated liabilities without

resorting to further help from GOI.

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

	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Internal Debt</b>					
Receipts*	1687	2296	4338	2689	2105
Repayments (Principal+ Interest)	987	1298	1834	2344	2043
Net Funds Available	700	998	2504	345	62
Net Funds Available ( <i>per cent</i> )	41.49	43.47	57.72	12.83	2.95
<b>Loans and Advances from Government of India</b>					
Receipts*	973	1769	1141	1423	** (-) 10
Repayments (Principal+ Interest)	1632	2062	2509	2426	1280
Net Funds Available	(-) 659	(-) 293	(-) 1368	(-) 1003	(-) 1290
Net Funds Available ( <i>per cent</i> )	(-) 67.73	(-) 16.56	(-) 119.89	(-) 70.48	12900
<b>Total Public Debt</b>					
Receipts*	2660	4065	5479	4112	2095
Repayments (Principal+ Interest)	2619	3360	4343	4770	3323
Net Funds Available	41	705	1136	(-) 658	(-) 1228
Net Funds Available ( <i>per cent</i> )	1.54	17.34	20.73	(-) 16.00	(-) 58.62

\* Internal debt excluding ways and means advances and overdraft

\*\* Minus receipt is due to recovery of Additional Central Assistance for External Aided Projects.

The repayment of loans and advances from Government of India reduced substantially during 2005-06 over the previous years due to debt consolidation. As a part of fiscal strategy to bring down debt GSDP ratio in accordance with the Mid-Term Fiscal Plan of the State, incurring loan from GOI had been reduced during 2001-06. Further, although there was decline in receipt of public debt, the liability on other components had gone up affecting the fiscal liability of the State. However, the ratio of fiscal liability to GSDP, Revenue Receipts and own resources declined after 2003-04.

### 1.11 Huge Cash balances with the Drawing and Disbursing Officers (DDOs)

Scrutiny of Cash Books of 100 DDOs in 14 Departments revealed that an amount of Rs 35.35 crore has been kept as cash balances at the end of March 2006. Holding of large cash was fraught with risk of misappropriation and misuse of Government cash. Had the unspent balances been refunded to Government accounts, Government could have reduced its borrowing to the extent of idle holding of cash.

### 1.12 Management of deficits

#### 1.12.1 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 and applied, are important pointers to the fiscal health.

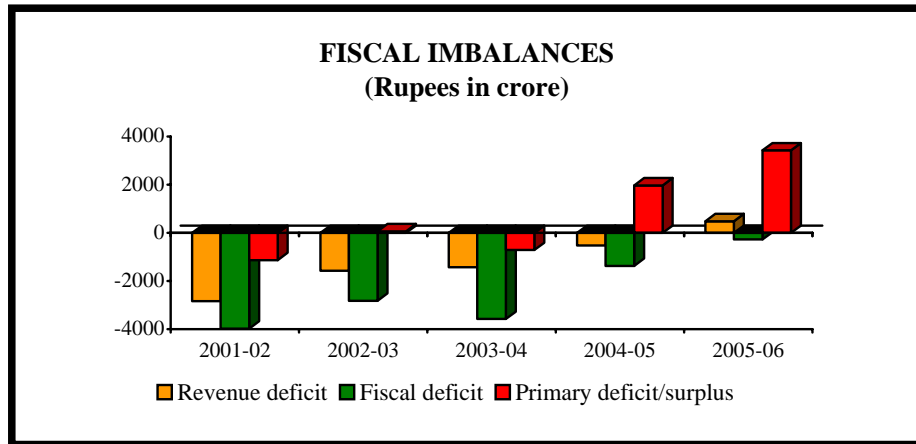
The revenue deficit (Statement 1 of Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from

Rs 2834 crore in 2001-02 to Revenue surplus of Rs 481 crore in 2005-06. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 3968 crore in 2001-02 to Rs 276 crore in 2005-06. The State also had a primary deficit decreasing from Rs 1133 crore in 2001-02 to primary surplus Rs 3421 crore in 2005-06 as indicated in Table 21.

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

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit/Surplus	(-) 2834	(-) 1576	(-) 1421	(-) 522	(+) 481
Fiscal deficit	(-) 3968	(-) 2816	(-) 3573	(-) 1366	(-) 276
Deficit (-)/ Surplus (+)	(-) 1133	(+) 70	(-) 713	1966	3421
RD/GSDP	(-)7	(-)4	(-)3	(-)1	(+) 1
FD/GSDP	(-)9	(-)6	(-)7	(-)2	(-) 0.44
PD/GSDP	(-) 2.70	0.16	(-)1.31	3.31	5.40
RD/FD	71	56	40	38	(-)*

Note: \* The surplus in revenue account enabled to reduce the fiscal deficit to some extent.



Revenue deficit witnessed a continuous decline since 2001-02 from Rs 2834 crore to surplus Rs 481 crore in 2005-06. The ratio of revenue deficit to fiscal deficit declined from 71 per cent in 2001-02 to 38 per cent in 2004-05 and in 2005-06, revenue account reflected the surplus position which to some extent enabled to reduce fiscal deficit during the year. As proportion of GSDP, fiscal deficit decreased to 0.44 per cent and the ratio of revenue deficit to GSDP decreased continuously and the ratio became positive during 2005-06 as revenue account reflected the surplus position during the year. This trend would, however, need to be maintained as envisaged by the Twelfth Finance Commission.

### 1.13 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 2001-2006, with reference to certain key indicators that help to 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 89 per cent in 2001-2002 to 92 per cent in 2005-06. But its capital expenditure and developmental expenditure as percentage to total expenditure had declined during 2001-2006. Its revenue expenditure when compared to its revenue receipts had shown comparatively lower buoyancy. All these indicated State's increasing dependence on borrowings for meeting its fiscal deficit and inadequate expansion of its developmental activities.

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

Fiscal Ratios	2001-02	2002-03	2003-04	2004-05	2005-06	Average
Revenue Receipts/GSDP	16.77	19.24	17.36	19.97	22.22	19.34
Revenue Buoyancy	0.26	4.53	0.50	2.81	2.76	1.45
Own Tax/GSDP	5.87	6.55	6.07	7.04	7.89	6.78
Total Expenditure/GSDP	26.52	26.06	24.43	22.98	23.21	24.42
Revenue Receipts/ Total Expenditure	63.22	73.82	71.05	86.92	95.76	78.15
Revenue Expenditure/Total Expenditure	88.64	87.60	81.75	90.75	92.49	88.36
Capital Expenditure/Total expenditure.	8.24	9.69	7.28	7.86	7.09	8.03
Development Expenditure/ Total Expenditure (RE+CE)	52.10	55.16	53.75	50.34	52.01	52.67
Buoyancy of TE with RR	3.872	0.129	1.367	0.102	0.418	0.465
Buoyancy of RE with RR	5.608	0.068	0.712	0.545	0.528	0.538
<b>Deficits/Surplus (Rupees in crore)</b>						
Revenue Deficit(-)/ Revenue Surplus (+)	(-) 2834	(-) 1576	(-) 1421	(-) 522	(+) 481	(-) 1174
Fiscal Deficit	(-) 3968	(-) 2816	(-) 3573	(-) 1366	(-) 276	(-) 2400
Primary Deficit(-)/ Surplus (+)	(-) 1133	70	(-) 713	1966	3421	722
Revenue Deficit/Fiscal Deficit	0.71	0.56	0.40	0.38	(-) 1.74	(-) 0.49
<b>Management of Fiscal Liabilities</b>						
Fiscal Liabilities (FL)/GSDP	66.27	70.07	62.55	60.84	60.69	63.57
Fiscal Liabilities/Revenue Receipts	395.19	364.20	360.32	304.58	273.11	333.42
Buoyancy of FL with Revenue Receipt.	7.794	0.524	0.899	0.239	0.349	0.604
Buoyancy of FL with Own Resources	1.631	0.485	0.726	0.239	0.359	0.923
Interest Spread	(-) 2.66	(-) 5.49	15.15	(-) 0.41	(-) 3.09	1.34
Net Fund Available	10.30	1.54	17.34	20.73	(-) 16.00	6.78
<b>Other Fiscal Health Indicators</b>						
Return on Investment	0.60	10.02	8.87	4.29	7.39	6.23
BCR (Rupees in crore)	(-) 1945	(-) 1410	(-) 1228	(-) 1517	(-) 5342	(-) 2288
Financial Assets/Liabilities	0.52	0.52	0.52	0.55	0.59	0.54

## 1.14 Conclusion

The State experienced a surplus in its revenue account for the first time in 2005-06 during the last five years, mainly on account of the fact that revenue receipts augmented by Rs 2235 crore as compared to an increase of Rs 1232 crore in revenue expenditure during 2005-06 over the previous year. However,

little more than half of incremental revenue receipts during 2005-06 were contributed by transfer of resources from the Centre in the form of augmented central tax transfers and grants-in-aid in pursuance to recommendation of Twelfth Finance Commission. The surplus in revenue account also compressed the fiscal deficit to the level of Rs 276 crore which in fact was the lowest during the last five years. The State although improved the indicators of fiscal health but expenditure pattern depicted the lopsided position as revenue expenditure still accounted for 92 *per cent* of total expenditure. The more disturbing trend was that not only the share of capital expenditure in total expenditure had consistently declined from 8.2 *per cent* in 2001-02 to seven *per cent* in 2005-06 but the capital expenditure in 2005-06 was even less than the level already attained in 2001-02. The committed expenditure in the form of salary, pensions and interest payments continued to share 64 *per cent* of revenue expenditure, thus squeezing the availability of fund for meeting further obligations. As the revenue expenditure exceeded the revenue receipts during 2001-06 except in 2005-06 when revenue account showed a surplus, the State's dependence on borrowed funds continuously increased during the last five years resulting in ever increasing fiscal liabilities which were increased at an average rate of 9.75 *per cent* during 2001-06. The huge surplus balances in primary account during 2004-05 and 2005-06 accompanied with interest rate relief and restructuring of State's debt under Debt Consolidation and Relief Facility had to some extent in firm the debt sustainability of the State especially during the last two years.