

**Profile of Odisha**

Odisha is located on the east coast of the country. It is the ninth largest State in terms of geographical area (155707 sq. km) and the 11th largest by population as per 2011 census. The State's population increased from 3.68 crore in 2001 to 4.20 crore in 2011, recording a decadal growth of 14 *per cent* as indicated in **Appendix-1.1**. Population below the poverty line at 45.9 *per cent* was higher than the national average of 29.5 *per cent*. Odisha has a lower literacy rate, lower life expectancy at birth and higher infant mortality rate when compared to the all India average. The State has shown a lower economic growth in the past decade as the compound annual growth rate of its Gross State Domestic Product (GSDP) for the period 2006-07 to 2015-16 has been 14.04 *per cent* as compared to 15.75 *per cent* in General Category States. During the above mentioned period, its population grew by 8.22 *per cent* against 12.24 *per cent* in General Category States. General data relating to the State is given in **Appendix-1.1**.

**Gross State Domestic Product (GSDP)**

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important economic indicator of the State Economy, as it depicts the increase in total value of production activities in the State. The trends in the annual growth of India's GSDP at current prices are indicated below:

**Annual growth rate of GDP and GSDP (at current price)**

Year	2011-12	2012-13	2013-14	2014-15	2015-16
India's Gross Domestic Product (GDP) (₹ in crore)	8736039	9951344	11272764	12488205	13576086
Growth rate of GDP (in percentage)	20.52	13.91	13.28	10.78	8.71
State's GSDP (₹ in crore)	225283	255273	277271	309807	332329
Growth rate of GSDP (in percentage)	14.05	13.31	8.62	11.73	7.27

**Source:** For GSDP, Directorate of Economics & Statistics and for All-India- Central Statistical Office.

The GSDP of the State increased from ₹ 309807 crore during 2014-15 to ₹ 332329 crore during 2015-16, thereby registering a growth rate of 7.27 *per cent* over the previous year, whereas GDP registered a growth of 8.71 *per cent* over the previous year.

The abbreviations used in this report have been expanded in the *Glossary of terms (and basis of calculation) and Acronyms used in the Report* at **Appendix – 4.1** at page 121.

## 1.1 Introduction

This chapter is based on the audit of the Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2016. It provides a broad perspective of the finances of the State Government during 2015-16 and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during last five years. The structure of Government Accounts and the layout of Finance Accounts are given at the *Appendix-1.2*.

## 1.2 Summary of Current Year's Fiscal Transactions

**Table 1.1** presents the summary of the State Government's fiscal transactions during the current year (2015-16) vis-à-vis the previous year, *Appendix-1.3* shows the overall fiscal position of the State and *Appendix-1.4* shows details of receipts and disbursements during the current year.

**Table 1.1: Summary of Current Year's fiscal operations**

(₹ in crore)

Receipt			Disbursement				
Section A	2014-15 Total	2015-16 Total	Section A	2014-15 Total	2015-16		Total
					Non-Plan	Plan	
<b>Revenue Receipts</b>	<b>56998</b>	<b>68941</b>	<b>Revenue Expenditure</b>	<b>51136</b>	35536	23270	<b>58806</b>
Tax Revenue	19828	22527	General Services	14529	14962	97	15059
Non-Tax Revenue	8071	8711	Social Services	20964	12171	12472	24643
Share of Union Taxes/ Duties	16181	23574	Economic Services	14825	7486	10702	18188
Grants from Government of India	12918	14129	Grants-in-Aid and Contributions	817	916	0	916
<b>Section B</b>							
Miscellaneous Capital Receipts	--	--	Capital Outlay	11075	14	17076	17090
Recoveries of Loans and Advances	92	228	Loans and Advances Disbursed	358	95	242	337
Public Debt Receipts*	7646	9790	Repayment of Public Debt*	4111	--	--	2881
Contingency Fund	150	--	Contingency Fund	--	--	--	123
Public Account Receipts	24801	31098	Public Account Disbursement	22511	--	--	28766
Opening Cash Balance	9501	9997	Closing Cash Balance	9996	--	--	12051
<b>TOTAL</b>	<b>99187</b>	<b>120054</b>	<b>TOTAL</b>	<b>99187</b>	--	--	<b>120054</b>

**Source:** Finance Accounts of the Government of Odisha for respective years

The following significant changes occurred during 2015-16, compared to the previous year:

- Revenue Receipts of the State increased by ₹ 11943 crore (20.95 per cent) over the previous year. This increase was mainly contributed by State's own Tax Revenue (₹ 2699 crore), Grants-in-Aid (GIA) from Government of India (₹ 1211 crore) and State's share of Union Taxes/Duties (₹ 7393 crore). There was also increase in own Non-Tax Revenue (₹ 640 crore).

\* excluding net transactions under Ways and Means advances and overdrafts.

- Revenue Expenditure increased by ₹ 7670 crore (15 per cent) during 2015-16 over the previous year, mainly due to increase in expenditure in Economic Service Sector (₹ 3362 crore), Social Service Sector (₹ 3679 crore), General Service Sector (₹ 530 crore) and disbursement of Grants-in-Aid and contributions (₹ 99 crore).
- Capital outlay increased by ₹ 6015 crore (54.31 per cent) over the previous year, mainly on account of increase in expenditure on Roads & Bridges (₹ 3106 crore), Power Projects (₹ 802 crore), Irrigation (₹ 1088 crore) and Animal Husbandry (₹ 184 crore).
- Public Debt receipts increased by ₹ 2144 crore (28.04 per cent) while repayment of public debt decreased by ₹ 1230 crore (29.92 per cent).
- Public Account receipts (₹ 31098 crore) increased by ₹ 6297 crore (25.39 per cent) over the previous year, mainly due to increase in Small Savings and Provident Fund (₹ 617 crore), Reserve Fund (₹ 1275 crore) and Deposits and Advances (₹ 357 crore) and Remittances (₹ 4084 crore), which was set off by decrease in Suspense and Miscellaneous (₹ 36 crore). Public Account disbursements (₹ 28766 crore) on the other hand, increased by ₹ 6255 crore (27.78 per cent) during the same period.
- Cash Balance of the State increased by ₹ 2055 crore.

### ***1.2.1 Review of the fiscal situation***

The Thirteenth Finance Commission (ThFC) had recommended that every State needed to amend the Fiscal Responsibility and Budget Management (FRBM) Act and work out a fiscal reform path to make credible progress towards fiscal consolidation.

Keeping in line with the recommendations of the ThFC, the State Government had amended (February, 2012) the State FRBM Act, 2005 which laid down the following fiscal targets:

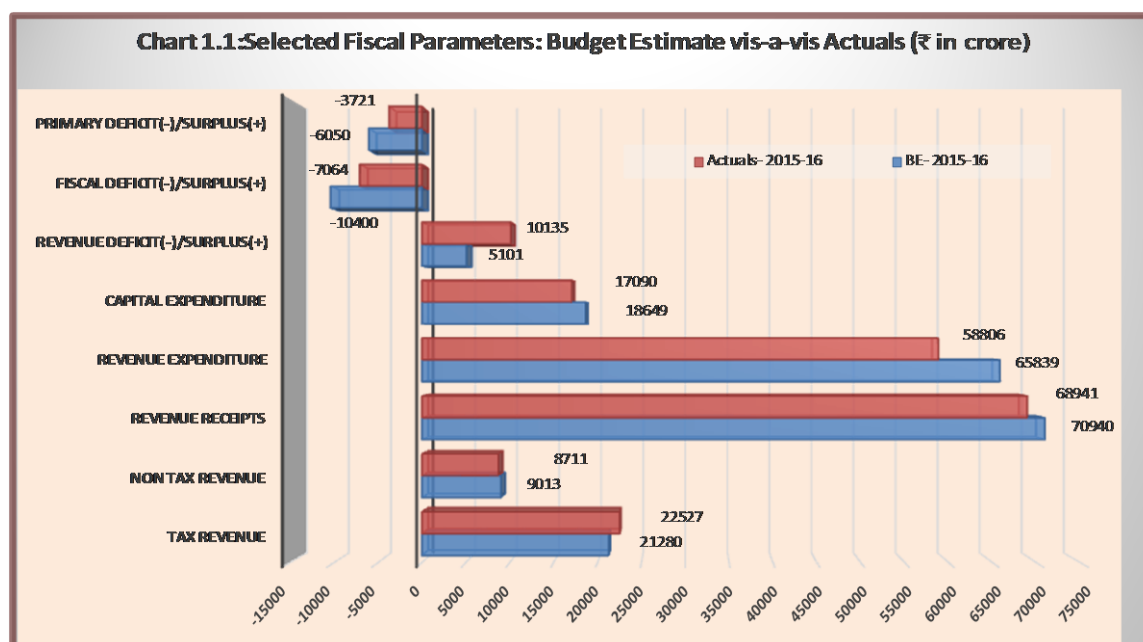
- Revenue deficit during 2011-12 and onwards to be maintained at Zero.
- Fiscal deficit to be contained within three per cent of the Gross State Domestic Product (GSDP) from 2011-12 and onwards.
- In order to bring the debt stock to a sustainable level, interest payment as a percentage of Revenue Receipt to be limited to 15 per cent.
- For the purpose of ensuring compliance with the provisions of the FRBM Act, the State Government shall entrust an agency independent of State Government who shall periodically make review of such compliance and submit reports thereof to the State Government for laying the same before the State Legislature.

The State Government has got its compliance with FRBM Act reviewed by the National Institute of Public Finance.

The State has achieved the targets for Revenue, Fiscal Deficits, level of debt stock and interest payment, as laid down by ThFC/FRBM Act for the year 2015-16. However, disclosures such as projection of Revenue Consequences of Capital Expenditure (RCCE), Public Private Partnerships (PPPs) and related liabilities, statements on physical and financial assets and vacant public land and buildings were not included in the Mid Term Fiscal Plan (MTFP), even though recommended by ThFC.

### 1.2.2 Budget Estimates and Actuals

Budget papers presented by the State Government provide estimation of Revenue and expenditure for a particular financial year. The importance of accuracy in estimation of Revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from Budget Estimates are indicative of non-attainment and non-optimisation of desired fiscal objectives. Compared to the Budget Estimates for 2015-16, there was variation in actuals in the case of several key fiscal parameters. **Chart 1.1** presents the Budget Estimates and actuals for some important parameters.



**Source:** Finance Accounts for the year 2015-16 and Budget at a Glance 2015-16, Government of Odisha.

As may be observed from Chart 1.1, the State's actual Revenue Receipts were less than the Budget Estimates by ₹ 1999 crore, whereas the State's own Tax Revenue was more than the Budget Estimates by ₹ 1247 crore (six *per cent*) while Non-Tax Revenue was less than the Budget Estimates by ₹ 302 crore (three *per cent*). Revenue expenditure was also less than Budget estimate by ₹ 7033 crore. As a result, Revenue surplus was ₹ 10135 crore, instead of Budget estimate of ₹ 5101 crore. Capital expenditure was also less by ₹ 1559 crore.

### 1.2.3 Major policy initiatives in the budget

Major policy initiatives of the budget 2015-16 and their status during the financial year 2015-16 are given in **Table 1.2** below:

**Table 1.2: Major policy announcement in the Budget and implementation thereof**

Sl. No.	Department	Policy announcement details	Status of Implementation
1	<b>Agriculture Department</b>	State Potato Mission was launched in 2015-16 using State's Own Resources.	Total expenditure incurred during the year was ₹ 11.44 crore, out of which an expenditure of ₹ 11.22 crore was incurred in March 2016.
2	<b>Housing and Urban Development Department</b>	Odisha Urban Livelihood Mission (OULM) was launched during 2015-16. A provision of ₹ 10 crore was made for 77 Urban Local Bodies of the State.	₹ 10 crore was transferred to 77 ULBs for launching of Odisha Urban Livelihood Mission.
3	<b>Health &amp; Family Welfare Department</b>	The State Government decided to open five new Government Medical Colleges in the districts of Balangir, Koraput, Mayurbhanj, Balasore and Puri.	Construction work is in progress and expenditure to the extent of ₹ 155.67 crore has been made up to the end of 2015-16.
4	<b>Energy Department</b>	A sum of ₹ 310 crore was released for installation of 500 numbers of 33/11 KV Sub-stations for up-gradation of the distribution system.	23 numbers of 33/11 KV Sub-stations were constructed.
5	<b>School and Mass Education Department</b>	₹ 25 crore was provided for construction of a Sainik School at Sambalpur.	The construction work had not started up to the end of 2015-16.
6		₹ 30 crore was provided towards recurring cost of Model Schools. This scheme was proposed to be completed during 2015-16 to 2019-20 using State's Own Resources (SOR) under the plan scheme.	Funds were placed with the State Project Director, Odisha Adarsh Vidyalaya Sangathan for the purpose.
7	<b>Water Resources Department</b>	Irrigation Road Construction & Improvement scheme was launched in 2014-15. It was proposed to provide ₹ 500 crore during a period of five years for the scheme.	During 2015-16, the financial progress of work was very slow compared to the previous year.
8	<b>Works Department</b>	A new scheme "Biju Express Way" was launched to improve connectivity in Western Odisha and KBK districts which would act as an economic corridor between Jagdalpur and Rourkela. ₹ 30 crore was provided for the purpose.	Funds have been utilised for execution of works for 60 Km of Sohela-Nuapada portion.

Source: Budget at a Glance 2016-17, Government of Odisha.

## 1.3 Resources of the State

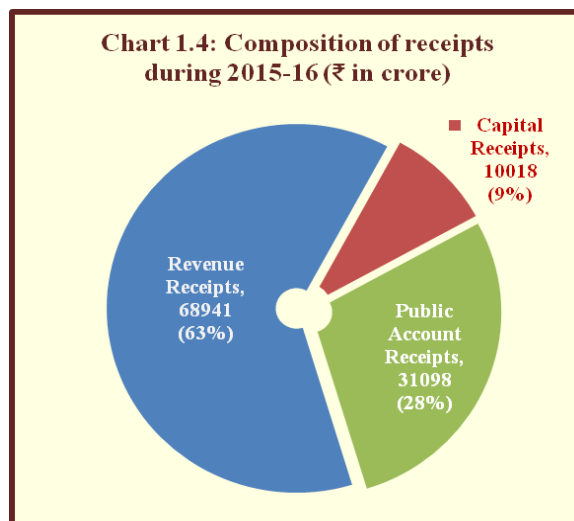
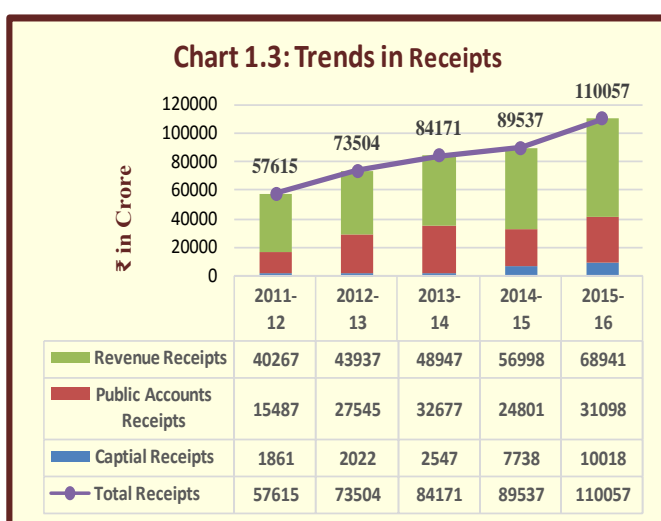
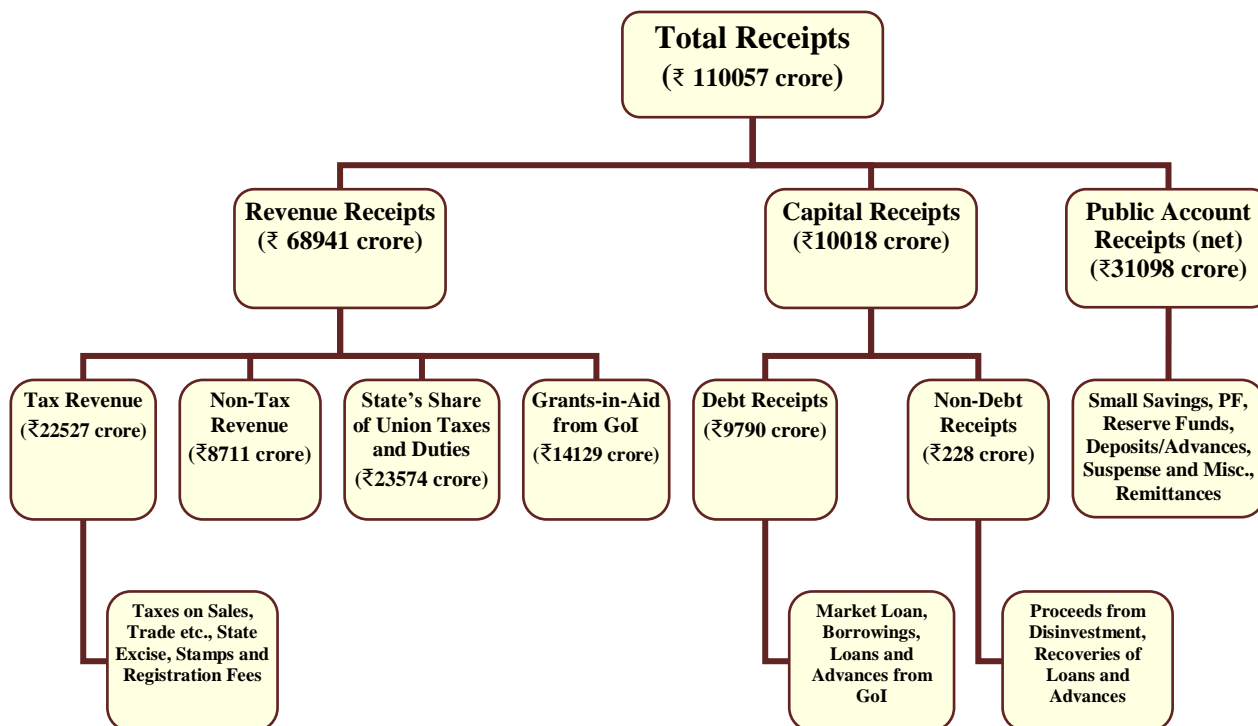
### 1.3.1 Resources of the State as per Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, State's share of Union Taxes and Duties and Grants-in-Aid from Government of India (GoI). Total Capital Receipts comprise Capital Receipts, such as miscellaneous Capital Receipts from disinvestments, and other receipts are recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial

institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Account.

**Table 1.1** and **Chart 1.2** present the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2011-16. **Chart 1.4** depicts the composition of receipts of the State during the current year.

**Chart 1.2: Components and sub-components of Resources**



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

During 2011-16, total receipts increased by 91.02 per cent from ₹ 57,615 crore in 2011-12 to ₹ 110,057 crore in 2015-16, of which increase of Revenue Receipts was by 71.21

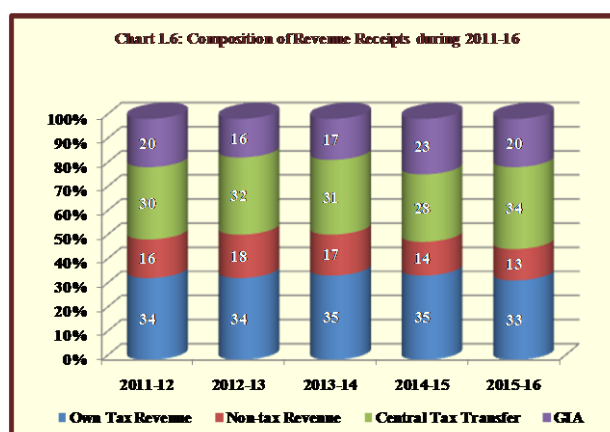
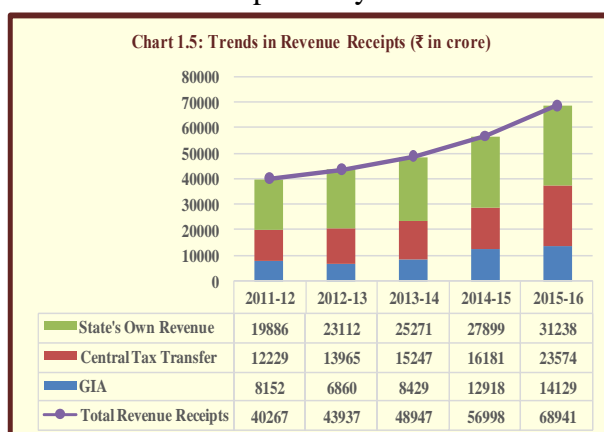
per cent from ₹ 40267 crore to ₹ 68941 crore during the period, due to higher collection of State's own taxes as well as increases in State's share of Central tax transfers and Grants-in-Aid from GoI. However, the share of Revenue Receipts as percentage of total receipts decreased from 70 to 63 from 2011-12 to 2015-16. The share of Capital Receipts increased from three per cent in 2011-12 to nine per cent in 2015-16. The share of Public Account receipts to the total receipts increased from 27 per cent in 2011-12 to 28 per cent in 2015-16.

### 1.3.2 Funds transferred to State Implementing Agencies outside the State Budget

Direct transfer to State Implementing Agencies by GoI was ₹ 281.69 crore in 2015-16. Funds for Members of Parliament's Local Area Development Schemes (MPLADS) amounted to ₹ 135 crore. Thus, during 2015-16 the quantum of direct transfers was 0.41 per cent of State's Revenue Receipts.

## 1.4 Revenue Receipts

Revenue Receipts consist of State Government's own Tax and Non-Tax Revenues, State's share of Central tax transfers and Grants-in-Aid from GoI. Statement 14 of the Finance Accounts depicts the Revenue Receipts and Capital Receipts of the Government. The State's share in Central taxes and Grants-in-Aid is determined on the basis of recommendation of the Finance Commission. Collection of Central tax receipts and Central assistance for plan schemes etc. is also determined on the basis of recommendation of Finance Commission. The trends and composition of Revenue Receipts over the period 2011-16 are shown in Appendix-1.3 and also depicted in Chart 1.5 and 1.6 respectively.



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

Overall, 45 per cent of Revenue came from State's own resources and the balance was from GoI in the form of State's share of taxes and Grants-in-Aid. An increase of ₹ 2699 crore (14 per cent) in own Tax Revenue, increase of ₹ 640 crore (eight per cent) in Non-Tax Revenue, increase of ₹ 7393 crore (46 per cent) in State's share in Union taxes and duties and ₹ 1211 crore (nine per cent) in Grants-in-Aid resulted in increase of ₹ 11943 crore (21 per cent) in Revenue Receipts during 2015-16 over the previous year.

Revenue Receipts showed progressive increase from ₹ 40267 crore in 2011-12 to ₹ 68941 crore in 2015-16 registering a growth of 71 per cent. The trends in Revenue Receipts relative to GSDP are presented in **Table 1.3**:

**Table 1.3: Trends in Revenue Receipts relative to GSDP**

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Gross State Domestic Product (GSDP) (₹ in crore)</b>	<b>225283</b>	<b>255273</b>	<b>277271</b>	<b>309807</b>	<b>332329</b>
<b>Rate of growth of GSDP</b>	<b>14.05</b>	<b>13.31</b>	<b>8.62</b>	<b>11.73</b>	<b>7.27</b>
<b>Revenue Receipts (RR) (₹ in crore) *</b>	<b>40267</b>	<b>43937</b>	<b>48947</b>	<b>56998</b>	<b>68941</b>
Rate of growth of RR ( <i>per cent</i> )	21.01	9.11	11.40	16.45	20.95
R R/GSDP ( <i>per cent</i> )	18.25	17.49	17.93	18.34	20.74
<b>Buoyancy Ratios<sup>1</sup></b>					
Revenue Buoyancy with respect to GSDP	1.50	0.68	1.32	1.40	2.88
Rate of growth of own tax	20.10	11.83	12.36	17.38	13.61
State's Own Tax Buoyancy with respect to GSDP	1.43	0.89	1.43	1.48	1.87

Source: GSDP - Directorate of Economics and Statistics, Government of Odisha and Revenue Receipts – Finance Accounts of the respective years,\* Do not include GoI funds transferred to Non-Government organisations and others.

- Revenue buoyancy fluctuated during the period due to fluctuations in the growth rate of Revenue Receipts.
- It can be seen from the table that Revenue buoyancy with reference to GSDP was above one during 2011-16 except 2012-13. The growth rate of Revenue Receipts was better than the growth rate of GSDP except in 2012-13.
- The State's own tax buoyancy with respect to GSDP was also more than one during 2011-16, except in 2012-13, indicating that growth rate of own tax was better than GSDP.

#### 1.4.1 State's Own Resources

The State's own resources comprised Revenue Receipts from its Own Tax and Non-Tax source. The actual receipts under State's Tax and Non-Tax revenue vis-à-vis assessment made by Fourteenth Finance Commission (FFC) and the State Government in MTFP are indicated in **Table 1.4** below:

**Table 1.4: Mobilisation of Own Tax and Non - Tax Revenue during 2015-16.**

	Assessment made by FFC	Assessment made by State Government in MTFP	Actuals
State's own Tax Revenue	25098	21280	22527
State's own Non-Tax Revenue	9009	9014	8711

Source: Finance Accounts, FFC and MTFP of Government of Odisha

During 2015-16, the receipts under State's Tax Revenue and Non-Tax Revenue were less than the assessment of FFC by ten per cent and three per cent respectively. However, the State's own Tax Revenue was more than the assessment made in MTFP

<sup>1</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, Revenue buoyancy at 0.6 implies that Revenue Receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.



by ₹ 1247 crore (six *per cent*) and Non-Tax Revenue was less by ₹ 303 crore (three *per cent*). Tax Revenue increased by 14 *per cent* (₹ 2699 crore) over the previous year and Non-Tax Revenue increased by eight *per cent* (₹ 640 crore) during the same period.

#### 1.4.1.1 Tax Revenue

The sector-wise components of Tax Revenue during 2011-12 to 2015-16 are shown in **Table 1.5**.

**Table 1.5: Head- wise components of State's Tax Revenue**

Revenue Head						(₹ in crore)
	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase in 2015-16 over previous year
Taxes on Sales, Trades etc.	8197	9685	10729	11817	13097	10.83
State Excise	1379	1499	1780	2035	2547	25.16
Taxes on Vehicles	788	746	860	910	1044	14.73
Stamp Duty and Registration Fees	498	545	606	800	2157	169.63
Land Revenue	522	420	431	646	589	-8.82
Taxes on Goods and Passengers	1312	1342	1613	1711	1663	-2.89
Other Taxes <sup>2</sup>	747	797	873	1909	1430	-25.09
<b>Total</b>	<b>13443</b>	<b>15034</b>	<b>16892</b>	<b>19828</b>	<b>22527</b>	<b>13.61</b>

**Source:** Finance Accounts of Government of Odisha for the respective years

The Compound Annual Growth Rate (CAGR) of Tax Revenue for 2006-15 of the State was marginally higher as compared to the General Category States (**Appendix-1.1**). The Tax Revenue during the current year (₹ 22527 crore) increased by 14 *per cent* over the previous year (₹ 19828 crore). The revenue through Taxes on Sales, Trades etc. (₹ 13097 crore) was the main source of State's own Tax Revenue and registered an increase of 11 *per cent*, Taxes on Goods and Passengers (₹ 1663 crore) decreased by three *per cent*, State Excise (₹ 2547 crore) increased by 25 *per cent*, Taxes on Vehicles (₹ 1044 crore) by 15 *per cent*, Stamp Duty and Registration Fees (₹ 2157 crore) by 170 *per cent* and Taxes on Land Revenue (₹ 589 crore) decreased by nine *per cent* over the previous year.

The ratio of Own Tax Revenue (OTR) with respect to GSDP was nearly seven *per cent* (6.78) in 2015-16. Therefore, the State could not achieve the target of 7.5 *per cent* by 2015-16 as projected by FFC.

Major increase / decrease in current year's Own Revenue along with reasons are given in **Table 1.6**.

<sup>2</sup> Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

**Table 1.6: Major increase /decrease in current year's Own Revenue**

Sl. No.	Major Heads of Account	Increase (₹ in crore)	Main Reasons
1	0030-Stamp Duty and Registration Fees	1356.84	Due to higher receipt of Sale proceeds of Impressed Stamps, Impressing Duties under Impressing of Documents and Fees for Registration of Documents.
2	0040-Taxes on Sales, Trade etc	1280.26	Due to higher receipt under Odisha Value Added Tax Act, 2004.
Sl. No.	Major Heads of Account	Decrease (₹ in crore)	Main Reasons
3	0050-Dividends and Profits	523.09	Due to less receipt of Dividends from Odisha Mining Corporation.
4	0043-Taxes and Duties on Electricity	510.39	Due to less receipt of Duty on Captive power.
5	0701-Medium Irrigation	58.64	Due to less receipt of Miscellaneous other Receipts.
6	0029-Land Revenue	56.83	Due to less receipt of Collection of payments for service rendered and Land Revenue/Tax.
7	0042-Taxes on Goods and Passengers	47.88	Due to less receipt of Tax on entry of Goods to Local Areas.

Source: Finance Accounts 2015-16, Government of Odisha.

#### 1.4.1.2 Non-Tax Revenue

The components of Non-Tax Revenue during 2011-12 to 2015-16 are given in **Table 1.7:**

**Table 1.7: Components of State's own Non-Tax resources**

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase over previous year
Interest Receipts	576	588	1241	331	560	69.18
Dividends & Profits	286	565	452	1076	553	-48.61
Non-Ferrous Mining and Metallurgy receipts	4572	5697	5519	5310	5799	9.21
Other Non-Tax Receipts	1009	1228	1167	1354	1799	32.86
<b>Total</b>	<b>6443</b>	<b>8078</b>	<b>8379</b>	<b>8071</b>	<b>8711</b>	<b>7.93</b>

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

The Compound Annual Growth Rate (CAGR) of Non-Tax Revenue for 2006-15 of the State was higher as compared to the General Category States (**Appendix-I.1**). However, growth of the State was also lower than the General Category States during 2015-16. The Non-Tax Revenue collected during 2011-16 ranged between 13 to 18 per cent of revenue receipts. The Own Non-Tax Revenue (ONTR) (₹ 8711 crore), which constituted 13 per cent of Revenue Receipts during 2015-16, increased by ₹ 640 crore (eight per cent) over previous year. The increase was mainly under Interest Receipts (₹ 229 crore) and Non-Ferrous Mining and Metallurgy receipts (₹ 489 crore) which was partly set off by decrease under Dividends and Profits (₹ 523 crore).

### 1.4.2 Grants-in-Aid from Government of India

Grants-in-Aid from GoI increased from ₹ 8152 crore in 2011-12 to ₹ 14129 crore during 2015-16 as shown in **Table 1.8**.

**Table 1.8: Grants-in-Aid from Government of India**

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Grants for Non Plan Schemes	2561	1505	2729	1929	3063
Grants for State Plan Schemes	3853	3484	3429	10886	10773
Grants for Central Plan Schemes	109	183	122	102	293
Grants for Centrally Sponsored Schemes	1629	1688	2149	0.08	0.04
Grants for Special Plan Schemes	--	--	--	--	--
<b>Total</b>	<b>8152</b>	<b>6860</b>	<b>8429</b>	<b>12917</b>	<b>14129</b>
Percentage of increase over previous year	19.78	(-)15.85	22.87	53.24	9.38
Total grants as a percentage of Revenue Receipts	20.24	15.61	17.22	22.66	20.49

**Source:** Finance Accounts of Government of Odisha for the respective years.

Grants-in-Aid from GoI increased by ₹ 5977 crore (73.32 per cent) from ₹ 8152 crore in 2011-12 to ₹ 14129 crore in 2015-16. The increase was under grants for State Plan Schemes (₹ 6920 crore), Non-Plan Schemes (₹ 502 crore) and Central-Plan Grants (₹ 184 crore) and there was significant decrease in Centrally Sponsored Schemes (₹ 1628.96 crore). Percentage share of grants to Revenue Receipts increased from 20.24 in 2011-12 to 20.49 in 2015-16.

### 1.4.3 Recommendations of the Fourteenth Finance Commission

As per the recommendations of the Fourteenth Finance Commission (FFC), the share of the states in the net proceeds of shareable central taxes has been increased to 42 per cent from 32 per cent. As per the reworked criteria for distribution of shares among the states, population has 17.5 per cent weightage while demographic change has 10 per cent weightage. Income distance<sup>3</sup>, area and forest cover bear weightages of 50 per cent, 15 per cent and 7.5 per cent, respectively. As a result, the share of Odisha is 4.64 per cent of the divisible pool, down from 4.78 per cent, recommended by the Thirteenth Finance Commission (ThFC). The commission has recommended ₹ 1,84,070 crore as the state's share in the net proceeds of the central taxes and duties during the period.

#### 1.4.3.1 Comparison between ThFC and FFC recommendations

The comparative recommendations of the ThFC and the FFC are summarized in **Table 1.9**.

<sup>3</sup> Income distance is the distance of actual per capita income of a state from the state with highest per capita income.

**Table-1.9 Comparative Statement on Finance Commissions**

(₹ in crore)

Items	2010-15 Recommendations of ThFC	2015-20 Recommendations of F FC
1	2	3
Pre-Devolution Non-Plan Revenue Deficit/Surplus	-28282.67	-
Central Tax Devolution (including Service Tax)	<b>69316.10</b>	<b>184070.00</b>
Post Tax Devolution Deficit/ Surplus	41033.43	57559.00
<b>GRANT</b>		
Non-Plan Revenue Deficit Grant	0.00	-
<b>Calamity Relief/ Disaster Relief</b>	<b>1647.82</b>	<b>3717.00</b>
Grant for Calamity Relief Fund (newly Disaster Response Fund)	1622.82	3717.00
Grant for Capacity Building	25.00	-
<b>Upgradation and Special Problem (a+b)</b>	<b>1745.00</b>	-
a. Upgradation	<b>0.00</b>	-
b. Special Problems/ State Specific Needs	1745.00	-
<b>Other Grants</b>	<b>2995.10</b>	-
c. Maintenance of Roads and Bridges	1022.00	-
d. Maintenance of Major & Medium Irrigation		-
e. Maintenance of Flood Control & Drainage	184.00	-
f. Maintenance of Minor Irrigation		-
g. Maintenance of Forests	331.00	-
h. Elementary Education	1016.00	-
i. Improvement in Justice Delivery	193.60	-
j. Incentive for Issuing UIDs	178.50	-
k. District Innovation Fund	30.00	-
l. Improvement in Statistical System in State	30.00	-
m. Employee & Pension Data Base	10.00	-
<b>Grants for Local Bodies</b>	<b>3270.90</b>	10622.79
1. Rural Local Bodies	2591.20	8850.31
2. Urban Local Bodies	496.10	1772.48
3. Special Area Grant	183.60	-
<b>TOTAL GRANTS</b>	<b>9658.82</b>	<b>14339.79</b>
<b>TOTAL TRANSFER</b>	<b>78974.92</b>	<b>198409.79</b>

Source- Odisha Budget at a Glance – 2016-17

It is observed from the above table that the State is likely to receive ₹ 119434.87 crore more than the ThFC recommendations.

#### 1.4.3.2 Payment of Penal Interest

As per GoI guidelines, the FFC grants should be transferred to Local Bodies within 15 days of receipt. Any delay will require the State Government to release the installment with penal interest, at the Bank rate of RBI, for the number of days of delay. Audit scrutiny showed that in 2015-16, the State Government violated the time limit by two

days, which resulted in avoidable payment of penal interest (₹ 20.29 lakh) from State resources.

#### 1.4.4 Central Tax transfers

During 2015-16, Central tax transfers increased by ₹ 7393 crore over previous year and constituted 11 *per cent* of Revenue Receipts. The increase was mainly under Corporation Tax (₹ 1758 crore), Service Tax (₹ 1701 crore), Taxes on Income other than Corporation Tax (₹ 1106 crore), Customs (₹ 1154 crore) and Union Excise Duties (₹ 1669 crore). The increase was partly set off by decrease in Wealth Tax (₹ 13 crore).

### 1.5 Capital Receipts, recoveries of Loans and Advances and Debt etc.

The capital receipts are either non-Debt Capital Receipts such as proceeds from disinvestment of equity in Government companies/corporations and recoveries of loans and advances or Debt Capital Receipts credited under public debt sections of the Consolidated Fund. The public debt receipts fall broadly under two categories (a) Loans and advances from the Union Government and (b) borrowings from banks, financial institutions through issue of State Development Loans. Capital Receipts increased by ₹ 8532 crore from ₹ 1486 crore during 2011-12 to ₹ 10018 crore during 2015-16 as shown in **Table 1.10**.

**Table 1.10: Trends in growth and composition of Capital Receipts**

(₹ in crore)

Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Capital Receipts (CR)</b>	<b>1486</b>	<b>2022</b>	<b>2547</b>	<b>7738</b>	<b>10018</b>
Miscellaneous Capital Receipts	--	--	0.03	--	--
Recovery of Loans and Advances	132	142	257	92	228
Public Debt Receipts	1354	1880	2290	7646	9790
Rate of growth of debt Capital Receipts	(-)40.30	38.85	21.81	233.89	28.04
Rate of growth of non-debt Capital Receipts	288.24	7.58	80.98	(-)64.20	147.83
Rate of growth of GSDP	11.67	13.89	8.66	13.86	--
Rate of growth of CR ( <i>per cent</i> )	(-)35.45	36.06	25.96	203.81	29.46

**Source:** Finance Accounts of Government of Odisha for the respective years

Capital receipts were mainly composed of Public Debt receipts whereas non-debt receipts had a smaller share which ranged between 1 to 10 *per cent* during 2011-16. Public debt receipts create future repayment obligations. It increased by 623 *per cent* from ₹ 1354 crore in 2011-12 to ₹ 9790 crore in 2015-16, which was a matter of concern. Public debt receipts during the year comprised internal debt of ₹ 9051 crore (92 *per cent*) and loans and advances of ₹ 739 crore (eight *per cent*) from GoI.

Interest payments on market loans (₹ 8128 crore) was ₹ 319 crore and constituted 0.46 *per cent* of revenue receipts. **Table 1.11** depicts the quantum of borrowings and interest rates.

**Table 1.11: Market Loans as a percentage of Internal Debt**

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total Internal debt	17338	16109	16073	19728	26525
Total Market Loans	5114	3806	2921	4565	8128
Percentage of Market Loans to Internal Debt	29	24	18	23	31
Interest paid on Market Loans	427	322	217	175	319

Source: Finance Accounts of respective years

## 1.6 Public Account Receipts

Receipts and disbursements in respect of certain transactions, such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund of the State, are kept in Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance, after disbursements, is the amount of funds available with the Government for its use. Composition of Public Account Receipt by the Government for the last five years is detailed in **Table 1.12**.

**Table 1.12: Trends in growth and composition of Public Account Receipts**

(₹ in crore)

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Public Account Receipts</b>	<b>15487</b>	<b>27545</b>	<b>32677</b>	<b>24801</b>	<b>31098</b>
a. Small Savings, Provident Fund etc.	2492	3001	3332	3471	4088
b. Reserve Fund	1661	939	1760	658	1933
c. Deposits and Advances	4126	6537	7019	6842	7199
d. Suspense and Miscellaneous	-32	8527	10225	210	175
e. Remittances	7240	8541	10341	13620	17703

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

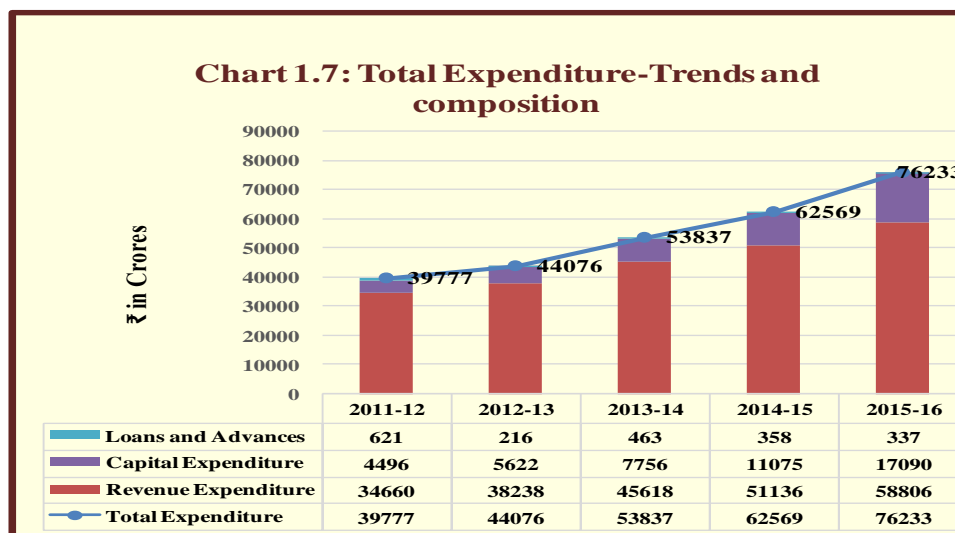
The share of Public Account receipts on total receipts increased from 26.88 *per cent* in 2011-12 to 28.26 *per cent* in 2015-16. As compared to 2014-15, the increase during 2015-16 was 25.39 *per cent* (₹ 6297 crore), which was mainly under Reserve Fund, Remittances, Small Savings, Provident Fund and Deposits and Advances, etc.

## 1.7 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

### 1.7.1 Growth and Composition of Expenditure

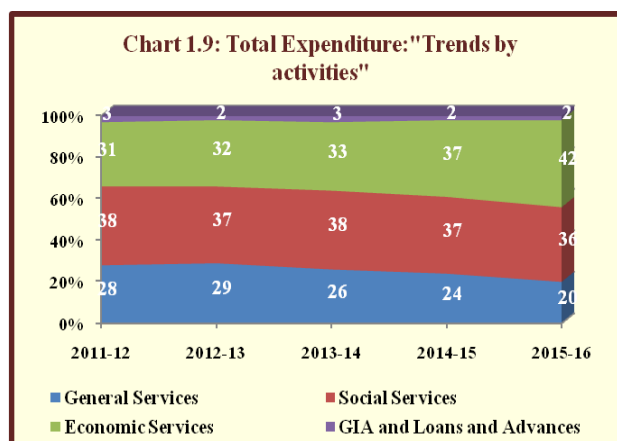
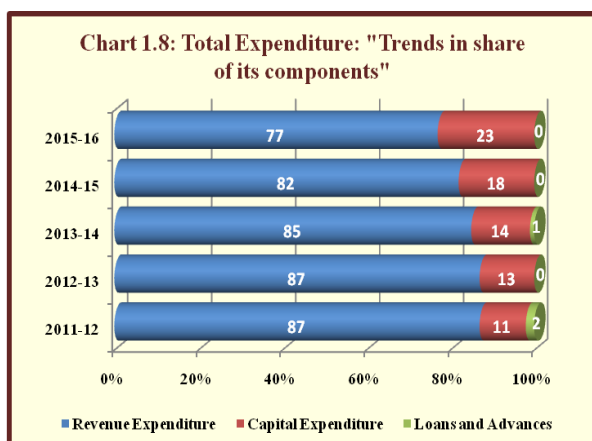
Chart 1.7 presents the trends in total expenditure over a period of five years (2011-16) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in Charts 1.8 and 1.9, respectively.



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

Total expenditure of the State increased by 92 per cent from ₹ 39777 crore in 2011-12 to ₹ 76233 crore in 2015-16 due to increase in Revenue Expenditure (₹ 24146 crore) and Capital outlay (₹ 12594 crore) and it was offset by decrease in disbursement of Loans and Advances (₹ 284 crore). While the share of Revenue Expenditure in the Total Expenditure decreased from 87 per cent during 2011-12 to 77 per cent in 2015-16, the share of Capital Expenditure increased from 11 per cent in 2011-12 to 22 per cent in 2015-16.

The increase of ₹ 13664 crore in Total Expenditure in 2015-16 over the previous year was on account of increase in Revenue Expenditure and Capital Expenditure by ₹ 7670 crore and ₹ 6015 crore, respectively. The Total Expenditure was 22.94 per cent of GSDP during 2015-16 as compared to 20.20 per cent during the previous year.



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

### 1.7.2 Total Expenditure

Total Expenditure (TE) consisted of expenditure on General Services including Interest Payments, Social and Economic Services and Grants-in-Aid and disbursement of Loans and Advances. The movement of relative shares of the component of expenditure is indicated in **Chart 1.9**.

### 1.7.3 Revenue Expenditure

Revenue Expenditure (RE) is incurred to maintain the current level of services and payment of the past obligation and, as such, does not result in any addition to the State's infrastructure and service network. Revenue Expenditure had a predominant share of 87 per cent of Total Expenditure in 2011-12 which decreased to 77 per cent in 2015-16. However, it increased by 15 per cent from ₹ 51136 crore in 2014-15 to ₹ 58806 crore in 2015-16 in absolute terms.

In the context of State finances, the quality of expenditure has always been an important issue. Currently, revenue expenditure accounts for around 77 per cent of the State's aggregate expenditure, which is in the nature of current consumption, leaving only 23 per cent for investment in infrastructure and asset creation.

### 1.7.4 Non-Plan Revenue Expenditure

Non-Plan Revenue Expenditure (NPRE) increased by ₹ 3277 crore (10 per cent) from ₹ 32259 crore in 2014-15 to ₹ 35536 crore during the current year and, as a proportion of Revenue Expenditure, it decreased from 72 per cent (₹ 24940 crore) in 2011-12 to 60 per cent (₹ 35536 crore) in 2015-16. Increase in Plan Revenue Expenditure (PRE) contributed mainly to the total increase of ₹ 7670 crore in Revenue Expenditure during the current year over the previous year. Increase in PRE during the current year was mainly on Rural Employment (₹ 1970 crore), General Education (₹ 1240 crore), Other Rural Development Programmes (₹ 977 crore), Water Supply and Sanitation (₹ 937 crore), Crop Husbandry (₹ 590 crore) and Interest payments (₹ 533 crore). The NPRE remained below the assessment made by the Government in MTFP (₹ 40892 crore) for 2015-16 by ₹ 5356 crore, as indicated in **Table 1.13**.

**Table 1.13: Comparative assessments of RE and NPRE and per cent of GSDP**

(₹ in crore)

	Assessment made by FFC	Assessment made by Government in MTFP	Actual in 2015-16
Revenue Expenditure	55114	65839	58806
NPRE	NA	40892	35536

**Source:** Fourteenth Finance Commission's Report and Finance Accounts 2015-16 and Budget at a Glance 2015-16 of Government of Odisha.

NPRE constituted 47 per cent of the total expenditure of the State during 2015-16. Its ratio with Revenue Expenditure declined from 72 per cent in 2011-12 to 60 per cent in the current year, an improvement over the previous period.



### 1.7.5 Capital Expenditure

Capital Expenditure (CE) of the State, as proportion of Total Expenditure, increased from 11 *per cent* (₹ 4496 crore) in 2011-12 to 22 *per cent* (₹ 17090 crore) in 2015-16. However, CE (₹ 17090 crore) increased significantly (54 *per cent*) during 2015-16 over the previous year (₹ 11075 crore) in absolute terms, mainly on account of increase in expenditure on Roads and Bridges (₹ 3107 crore), Power Projects (₹ 802 crore), Irrigation and Flood Control (₹ 1088 crore), Medical and Public Health (₹ 112 crore) and Education, Sports, Arts and Culture (₹ 141 crore). The CE during 2015-16, was 5.14 *per cent* of GSDP against Government's projection of 4.56 *per cent* in Budget Estimate for 2015-16. The CE (₹ 17090 crore) decreased by ₹ 1559 crore against Budget Estimate (₹ 18649 crore) during the year.

### 1.7.6 Parking of Government Fund outside Government Account

Supplementary Rule-242 of Odisha Treasury Code (OTC) Volume-I provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. Rule-141 Sub Rule (3) of Odisha Budget Manual, 1963 provides that no money should be withdrawn from the treasury unless it is required for immediate payment. It is also not permissible to draw money from the treasury and keep it in banks or Post Offices without the sanction of the Finance Department. Finance Department (F.D) had also instructed (March 2015) not to park money in bank accounts.

On test check of records of 11 District Rural Development Agencies (DRDAs), 21 Block Development Offices (BDOs) and four Land Acquisition Offices (LAOs) it was observed that funds amounting to ₹ 899 crore (**Appendix-1.5**) were parked in bank accounts, violating the OTC codal provision and FD instructions. The issue of unspent balance becomes important as the schemes are funded through borrowed funds, attracting a significant interest burden.

The funds were kept in savings bank accounts of commercial banks which earned interest of nearly four *per cent*. On the other hand, the State Government borrowed ₹ 4473 crore from the open market at the rates of interest varying between 8.08 to 8.48 *per cent* and also paid interest amounting to ₹ 319.42 crore on market loans during 2015-16. List of cases where the amount was more than ₹ 25 crore is given in **Table 1.14**:

**Table No-1.14: Parking of scheme funds as on 31 March 2016**

(₹ in crore)		
Sl.No	Scheme name	Closing Balance
1	Indira Awas Yojana	97.75
2	Gopabandhu Gramin Yojana	77.28
3	Land Acquisition	324.89
4	National Old Age Pension	43.26
5	AWC Building	26.67
6	Schemes under State Finance Commission	27.65
7	MPLAD	26.39

Source: Compiled from information collected from DDOs

Among DRDAs, parking of unspent balances was highest in DRDA, Balangir (₹ 54.82 crore) and lowest in DRDA, Cuttack (₹ 2.05 crore). In case of BDOs, the unspent balance was highest in Cuttack Sadar (₹ 33.84 crore) and lowest in Koraput Sadar (₹ 3.69 crore).

### 1.7.7 Committed Expenditure

Committed Expenditure of the State Government on Revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.15** and **Chart 1.10** present the trends in the expenditure on these components during 2011-16.

**Table 1.15: Components of Committed Expenditure**

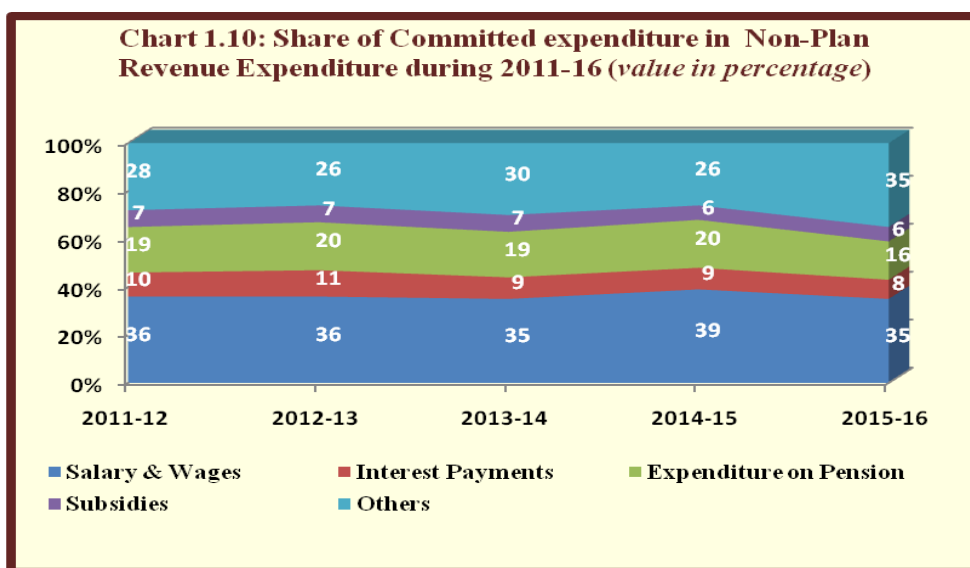
	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
<b>Salaries* &amp; Wages</b>	8868 (22)	9615 (22)	10713 (22)	12553 (22)	18202	14188 (21)
Non-Plan Head	8385	9118	10210	11822	--	13307
Plan Head**	483	497	503	731	--	881
Interest Payments	2576 (6)	2807 (6)	2888 (6)	2810 (5)	4350	3343 (5)
Expenditure on Pensions	4741 (12)	5379 (12)	5935 (12)	6417 (11)	8593	6346 (9)
Subsidies	1744 (4)	1951 (4)	2031 (4)	2076 (4)	--	2581 (4)
<b>TOTAL</b>	<b>17929</b>	<b>19752</b>	<b>21567</b>	<b>23856</b>	<b>--</b>	<b>40646</b>

Figures in the parentheses indicate *percentage to Revenue Receipts*. **BE:** Budget Estimates

\* *also includes the salaries paid out of Grants-in-Aid*

\*\* *also includes the salaries and wages paid under Centrally Sponsored Schemes*

**Source:** Finance Accounts 2015-16, Government of Odisha and Odisha Budget at a Glance 2016-17.



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

**1.7.7.1 Salaries**

Expenditure on salaries increased from ₹ 8868 crore in 2011-12 to ₹ 14188 crore in 2015-16. This accounted for nearly 21 *per cent* of Revenue Receipts and 61 *per cent* of the NPRES of the State Government during the year. The expenditure on salary decreased to 24 *per cent* of Revenue Expenditure during 2015-16 as against 25 *per cent* in 2014-15.

**1.7.7.2 Interest Payments**

Interest payments during the current year (₹ 3343 crore) increased by ₹ 533 crore over the previous year (₹ 2810 crore). During 2015-16, interest payment as a percentage of total Revenue Receipts was five *per cent*.

**1.7.7.3 Pensions**

Expenditure on pension (₹ 6346 crore), which was 9 *per cent* of total Revenue Receipts of the State during the year, increased by 34 *per cent* from ₹ 4741 crore in 2011-12 to ₹ 6346 crore in 2015-16. It decreased by ₹ 71 crore from ₹ 6417 crore in 2014-15 to ₹ 6346 crore in 2015-16. The decrease in the current year over the previous year was mainly due to less expenditure under pensions on superannuation and other retirement allowances to Government servants. The pension payment during the current year was within the projection made by FFC (₹ 8592 crore) for the year.

The Government introduced a 'Defined Contributory Pension Scheme' for all employees recruited on or after 1 January 2005 for managing the future pension liability. The State Government has executed agreement with National Securities Depository Limited (NSDL), Mumbai, the Central Record Keeping Agency appointed by the Pension Fund Regulatory and Development Authority (PFRDA) as well as with New Pension Scheme (NPS) Trust, New Delhi for smooth management of NPS. An amount of ₹ 28.33 crore, being the employees' contribution as well as employer's contribution, was kept under Public Account (8342-Other Deposits) for transfer to National Pension Scheme (NPS) Trust. Thus, the State Government's liability on this account was ₹ 28.33 crore as on 31 March 2016. This amount has not been transferred to NPS, thus defeating the main objective of introducing the Defined Contributory Pension Scheme in order to limit future pension liabilities.

**1.7.7.4 Subsidies**

For welfare of public at large, states provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

The State Government in its MTFP for 2007-08, had aimed to rationalise general subsidy and reduce their overall volume gradually at a rate of 10 *per cent* per annum beginning from 2005-06. However, the expenditure on subsidies increased from ₹ 1744

crore in 2011-12 to ₹ 2581 crore (over 48 *per cent*) in 2015-16, which included food subsidy of ₹ 1118 crore due to disbursement of rice at rupee one per kilogram to people living below poverty line, ₹ 221 crore under Relief on account of Natural Calamities which consisted mainly of assistance to farmers affected by floods/cyclone for purchase of agricultural inputs etc, ₹ 30 crore under subsidy to Odisha Lift Irrigation Corporation Limited and ₹ 194 crore interest subsidy/subvention to the Co-operative banks for providing crop loan at five *per cent* interest per annum to the farmers.

#### 1.7.7.5 Future Committed Liabilities

Appendix-XII of Finance Accounts, 2015-16 depicts the information on committed liabilities of the State in the future as detailed in **Table 1.16**.

**Table 1.16: Committed Liabilities of the State for future**

(₹ in crore)					
Sl. No.	Nature of the Liability	Plan	Non-Plan	Likely years of discharge	Balance
1	Pensions	0	85760.75	2016-22	85760.75
2	Interest payments	0	35877.59	2016-22	35877.59
3	Repayment of Loan	0	14114.00	2016-22	14114.00
<b>Total</b>			<b>135752.34</b>		<b>135752.34</b>

**Source:** Finance Accounts 2015-16, Government of Odisha.

The total committed liabilities of the State stood at ₹ 135752.34 crore at the end of the year. Out of the total liabilities, pension payment obligations were 63.17 *per cent*, interest payments were 26.43 *per cent* and loan repayments were 10.40 *per cent* of the total liabilities.

#### 1.7.8 Financial Assistance by State Government to Local Bodies and other Institutions

The quantum of assistance provided by way of grants to local bodies and others during the current year relative to the previous years is presented in the **Table 1.17**.

**Table 1.17: Financial Assistance to Local Bodies etc.**

(₹ in crore)					
	2011-12	2012-13	2013-14	2014-15	2015-16
Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	1859	668	1090	1659	3739
Municipal Corporations and Municipalities	591	804	1359	1185	1607
Zilla Parishads and Other Panchayati Raj Institutions	1149	1227	1246	1169	1397
Development Agencies	908	692	510	1367	1276
Other Institutions	4558	3632	5290	8306	9760
<b>TOTAL</b>	<b>9065</b>	<b>7023</b>	<b>9495</b>	<b>13686</b>	<b>17779</b>
Assistance as per percentage of RE	26	18	21	27	30

**Source:** Finance Accounts of Government of Odisha for respective years.

Grants extended to local bodies and other institutions have increased by ₹ 4093 crore (30 *per cent*) from ₹ 13686 crore in 2014-15 to ₹ 17779 crore in 2015-16. The increase over previous year was mainly due to increase in assistance to Educational Institutions

(₹ 2080 crore), Other Institutions (₹ 1454 crore) and Municipal Corporations (₹ 422 crore) and Zilla Parishads and Other Panchayati Raj Institutions (₹ 228 crore) which was partly set off by decrease in assistance to Development Agencies (₹ 91 crore), resulting in increase in the share of grants and loans to the Revenue Expenditure from 27 per cent in 2014-15 to 30 per cent in 2015-16.

## 1.8 Quality of Expenditure

Availability of better infrastructure in the social, educational and health sector in the State generally reflects the quality of expenditure. Improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use (assessment of input-output relationship in terms of time etc.) and the effectiveness (assessment of outlay-outcome relationships for selected services).

### 1.8.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. **Table 1.18** analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Expenditure and Capital Expenditure during 2015-16.

**Table 1.18: Fiscal Priority and Fiscal Capacity of the State in 2012-13 and 2015-16**  
(In per cent)

Fiscal Priority by the State	AE/GSDP	DE#/AE	SSE/AE	ESE/AE	CE/AE	Education/AE	Health/AE
General Category States <sup>’*</sup> average (Ratio) 2012-13	14.14	70.03	38.47	29.70	13.70	17.72	4.72
Odisha State’s average (Ratio) 2012-13	17.27	123.77	36.72	32.68	12.76	16.57	4.00
General Category States <sup>’*</sup> average (Ratio) 2015-16	16.05	70.63	36.29	34.34	14.89	15.63	4.45
Odisha State’s average (Ratio) 2015-16	22.94	78.36	36.17	42.20	22.42	15.16	4.83

As per cent to GSDP

\* General Category States excluding Goa and Puducherry

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, CE: Capital Expenditure

# Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans & Advance disbursed

**From the above table, it may be seen that**

- The ratios of the AE to GSDP in 2012-13 and 2015-16 (17.27 per cent and 22.94 per cent) were higher in Odisha as compared to other General Category States (GCS).

- Development Expenditure as a proportion of Aggregate Expenditure in Odisha was also higher compared to the average of GCS during 2012-13 as well as in 2015-16. Development Expenditure consists of both Economic Service Expenditure and Social Sector Expenditure.
- Capital Expenditure as a proportion of Aggregate Expenditure in Odisha was lower as compared to the average of GCS during 2012-13. However, in 2015-16, Odisha spent a higher proportion on this account as compared to GCS. Increased priority to physical capital formation will further increase the growth prospects of the state by creating durable assets.
- Fiscal priority given to education in Odisha was lower than other GCS in 2012-13 and in 2015-16.
- Fiscal priority given to health sector in Odisha during 2015-16 (4.83 per cent), based on the proportion of Aggregate Expenditure, was higher than GCS. However, it was lower in 2012-13 compared to GCS.

### 1.8.2 Efficiency of Expenditure use

**Table 1.19** presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during the current year vis-à-vis budget and the previous years, **Table 1.20** provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected social and economic services.

**Table 1.19: Development Expenditure**

Components of Development Expenditure <sup>§</sup>	2011-12	2012-13	2013-14	2014-15	2015-16	
					(BE)	(Actual)
<b>Development Expenditure (a to c)</b>						
a. Development Revenue Expenditure (DRE)	23070 (58)	25173 (57)	31036 (58)	35790 (57)	NA	42831 (56)
b. Development Capital Expenditure (DCE)	4238 (11)	5271 (12)	7286 (14)	10685 (17)	18649	16665 (22)
c. Development Loans and Advances	401 (1)	142 (0.3)	364 (0.7)	260 (0.4)	NA	242 (0.3)
<b>TOTAL</b>	<b>27709</b> <b>(70)</b>	<b>30586</b> <b>(69)</b>	<b>38687</b> <b>(72)</b>	<b>46735</b> <b>(75)</b>	-	<b>59738</b> <b>(78)</b>

Figures in parentheses indicate *percentage* to aggregate expenditure.

**Source:** Odisha Budget at a Glance 2015-16 and Finance Accounts 2015-16.

<sup>§</sup> The expenditure on social and economic services constitutes Development Expenditure.

Development expenditure comprising Revenue, Capital and expenditure on Loans and Advances on socio-economic services increased from ₹ 23070 crore in 2011-12 to ₹ 42831 crore in 2015-16. As a percentage of total expenditure, it decreased from 58 per cent in 2011-12 to 56 per cent in 2015-16.

It would be seen from the above that Development Revenue Expenditure which was ₹ 23070 crore during 2011-12 rose to ₹ 42831 crore during 2015-16, registering a growth of nearly 86 per cent.

During 2015-16, Development Revenue Expenditure increased by ₹ 7041 crore (20 per cent) in absolute terms and Development Capital Expenditure increased by ₹ 5980 crore (56 per cent) over the previous year.

The increase in Development Revenue Expenditure during 2015-16 over the previous year was mainly due to increase under Education (₹ 1240 crore), Rural Employment (₹ 1970 crore), Rural Development Programmes (₹ 977), Water Supplies and Sanitation (₹ 937 crore), Urban Development (₹ 233 crore) and Health & Family Welfare (₹ 476 crore). The increase in Capital Expenditure during 2015-16 over the previous year was mainly due to increase in expenditure on Roads and Bridges (₹ 3106 crore), Power Projects (₹ 802 crore), Irrigation and Flood Control (₹ 1088 crore), Health & Family Welfare (₹ 112 crore) and Animal Husbandry (₹ 184 crore).

**Table 1.20: Efficiency of expenditure in selected Social and Economic services**

(In per cent)

Sectors	2014-15			2015-16		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O&M		S&W	O & M
<b>Social Services (SS)</b>						
General Education	3.54	52.50	NA	2.94	54.57	NA
Health and Family Welfare	12.98	47.79	NA	3.08	49.38	NA
Water Supplies, Sanitation & Housing & Urban Development	24.99	4.75	22.65	5.86	3.31	0.45
<b>TOTAL (SS)</b>	<b>9.58</b>	<b>34.02</b>	<b>2.04</b>	<b>17.13</b>	<b>44.34</b>	<b>NA</b>
<b>Economic Services (ES)</b>						
Agriculture & Allied Activities	2.36	16.98	NA	2.10	18.08	NA
Irrigation and Flood Control	67.35	15.52	32.21	24.42	12.69	0.85
Power & Energy	16.47	10.67	7.38	8.19	6.73	NA
Transport	70.61	0.38	42.24	44.20	0.40	NA
<b>Total (ES)</b>	<b>31.50</b>	<b>11.74</b>	<b>8.41</b>	<b>80.38</b>	<b>30.93</b>	<b>NA</b>
<b>TOTAL (SS+ES)</b>	<b>21.14</b>	<b>24.79</b>	<b>4.68</b>	<b>97.52</b>	<b>45.02</b>	<b>NA</b>

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.

O&M figures are not available in General Education, Health and Family Welfare, Agriculture & Allied Activities and Transport Departments.

Source: Finance Accounts of Government of Odisha

Access to basic education, health services, drinking water and sanitation facilities are strong indicators of socio-economic progress. Further, expenditure on economic services includes all such services that promote directly and indirectly productive capacity within the State by improving the quality of human resources. Therefore, it is pertinent to make an assessment with regard to expansion and efficient provision of these services in the State. **Table 1.20** summarises percentage of expenditure under different components of social and economic services sectors incurred by the State Government in expanding and maintaining social and economic services in the State during 2014-15 and 2015-16.

The share of Capital Expenditure to total expenditure decreased in respect of General Education and Health & Family Welfare (in Social Services) and Irrigation and Flood Control and Transport (in Economic Services) during 2015-16 as compared to the previous year.

As seen from **Appendix-1.3**, expenditure on Social Services during 2015-16 (₹ 27572 crore), constituting 36 per cent of total expenditure (₹ 76233 crore), increased by 19 per cent over the previous year's expenditure (₹ 23252 crore), while in Development Expenditure (₹ 59497 crore), which was 78 per cent of total expenditure, there was an increase of 27 per cent over the previous year (₹ 46735 crore). Revenue Expenditure on salaries continued to share a dominant proportion of Revenue Expenditure on Social Services (33.62 per cent). Capital Expenditure on Social Services relative to the total expenditure showed an increase (4.69 per cent) over the previous year.

Expenditure on economic services includes all such expenditure that promotes directly or indirectly, productive capacity within the State's economy. During 2015-16, total expenditure under economic services (₹ 31925 crore) increased by 20 per cent over previous year. The expenditure on total economic services (₹ 31925 crore) accounted for 42 per cent of total expenditure and 53 per cent of Development Expenditure.

### **1.8.3 Outcome Budget (Effectiveness of the Expenditure)**

The concept of outcome budget is an important tool for effective Government management and accountability. It is a performance measurement tool that helps in better service delivery, decision-making, evaluating programme performance and results, communicating programme goals, and improving programme effectiveness. The exercise is primarily meant at converting financial outlays into measurable and monitorable outcome. The idea is to make the programme implementing agencies more result oriented by shifting the focus from 'Outlay' to 'Outcome'.

Outlay-outcome budgets of five departments viz. Fisheries & Animal Resources Development, Rural Development, Energy, Agriculture and Works departments were reviewed for the year 2015-16 and it was seen that the financial and physical targets were not fully achieved (**Appendix-1.6**).

In Fisheries and Animal Resources Development Department, though the financial target has been fully achieved, the physical target has not been achieved to that extent in the following schemes:

- In assistance to *Matsyajibi Basagruha Yojana*, the financial target was achieved but the physical achievement was just three per cent (31 houses) of the target of 1066 houses. Though ₹ 8 crore was spent, only 31 houses were completed during the period.
- In Interest Subvention on Short Term Credit Support to Fish Farmers Scheme, the financial target was fully achieved, but the physical target was not achieved. The achievement was only 151.20 hectares (eight per cent) of land against target of 2000 hectares of land.



- In interest Subvention on Long Term Credit Support to Fish Farmers Scheme, the financial target has been fully achieved, but the physical target achieved was 349.47 hectares (35 *per cent*) against target of 1000 hectares.

In Rural Development Department, the financial and physical achievements are given below:

- In *Mukhya Mantri Sadaka Yojana*, against the financial target achievement of ₹ 19.50 crore, the physical target achieved was 27 *per cent* (136.14 Km completed against the target of 500 Km).
- In construction of buildings by Rural Development Department, the financial target was ₹ 3.22 crore, whereas the physical target achieved was 40 *per cent* (84 out of the targeted 209 buildings).
- In case of improvement of R.D. Roads, the physical target achievement was 37 *per cent* (15 out of the targeted 40 roads).
- In construction of Bailey bridges, financial target was fully achieved, whereas the physical target achievement was 45 *per cent* (41 out of the targeted 92 bridges).

In Energy Department, the financial and physical achievements are given below:

- In State Capital Region Improvement of Power Scheme, the financial target was fully achieved but physical progress of work was limited to engagement of consultants by OPTCL.

In Agriculture Department, the financial and physical achievements are given below:

- Under Development of Potato, Vegetable and Spices scheme, the financial achievement for 'Subsidised Sale of vegetable seeds' was ₹ 9.84 crore (51 *per cent*) against the targeted ₹ 19.23 crore, whereas the physical achievement was five *per cent* (24922 seeds against the target of 500000 seeds).

In Works Department, the financial and physical achievements are given below:

- In Odisha State Road Project (Externally Aided Project), the financial achievement was ₹ 79.73 crore (30 *per cent*) against the target of ₹ 262.00 crore. The physical achievement was only 32 *per cent* (improvement of 26 Km road out of targeted 80 Km road).

## 1.9 Financial Analysis of Government Expenditure and Investment

This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during the current year vis-à-vis previous years.

### 1.9.1 Financial Results of Irrigation Works

The financial results of 62 irrigation projects (13-major and 49-medium projects) with a Capital Expenditure of ₹ 4665.99 crore at the end of March 2016 showed that an amount of ₹ 443.98 crore was realised from these projects during 2015-16 by way of sale of water to industries. After meeting the working and maintenance expenditure of ₹ 281.91 crore and interest charges of ₹ 310.70 crore, the schemes suffered net loss of ₹ 148.64 crore.

### 1.9.2 Incomplete Projects

Blocking of funds on incomplete works affects quality of expenditure negatively. The department-wise information pertaining to incomplete projects as on 31 March 2016 is given in **Table 1.21**.

**Table 1.21: Department-wise profile of incomplete projects.**

(₹ in crore)								
Name of Department	No. of incomplete projects as on 31/03/2015	Projects identified to be completed during 2015-16	Total	No. of projects completed during 2015-16	No. of incomplete projects as on 31/03/2016	Initial Budgeted cost	Revised cost of projects	Cumulative actual expenditure as on 31/03/2016
Works	29	79	108	90	18	270.43	269.46	211.82
H & UD	7	0	7	5	2	5.16	10.16	10.16
Skill Development & Technical Education	3	20	23	12	11	3513.96	3709.41	2100.61
<b>TOTAL</b>	<b>39</b>	<b>99</b>	<b>138</b>	<b>107</b>	<b>31</b>	<b>3789.55</b>	<b>3989.03</b>	<b>2322.59</b>

**Source:** Information collected from the respective Departments.

All the above 31 projects were incomplete due to the prolonged processes involved in land acquisition, matters lying sub-judice in courts, non-eviction of encroachment of land, change in the designs of bridges, shortage of funds and slow progress of work. Due to non-completion of projects, not only the benefits that were to accrue to the intended beneficiaries were delayed, but also the cost to the exchequer increased by ₹ 199.48 crore, due to time overrun involved in their completion.

### 1.9.3 Investment and Returns

As of March 2016, Government had invested ₹ 3881.32 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Average return on this investment was 17.50 per cent in the last five years (14.26 per cent during 2015-16),

while Government paid an average interest rate of 6.09 to 6.06 *per cent* on its borrowings during 2011-12 to 2015-16 (Table 1.22).

Table 1.22: Return on Investment

(₹ in crore)

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year	2908.07	2964.28	3308.79	3504.87	3881.32
Return	286.23	564.53	452.40	1076.44	553.36
Percentage of return	9.84	19.04	13.67	30.71	14.26
Average rate of interest on Government borrowing	6.09	6.54	6.56	5.90	6.06
Difference between interest rate and return	(-)3.75	(-)12.50	(-)7.11	(-)24.81	(-)8.20

Source: Finance Accounts of Government of Odisha for respective years

The investment of State Government at the end of 2015-16 included ₹ 3881.32 crore in Public Sector Undertakings (PSU) comprising Government Companies (₹ 2786.31 crore), Co-operative Societies (₹601.87 crore), Statutory Corporations (₹ 490.99 crore) and others<sup>4</sup> (₹2.15 crore). Of this investment, ₹2721.47 crore or 70 *per cent* of the total investment fetched no return by way of dividend. The dividend of ₹ 553.36 crore was received on investment of ₹1159.85 crore (or 30 *per cent* of total investment) on 12 PSUs during 2015-16, which included one Co-operative Society<sup>5</sup>, nine Government Companies<sup>6</sup>, one Rural Bank<sup>7</sup> and one Statutory Corporation<sup>8</sup>. Only one PSU, the Odisha Mining Corporation contributed as much as ₹ 500 crore or 90 *per cent* of the total dividend.

As per information furnished in the Odisha Budget at a Glance 2015-16, Grid Corporation of Odisha Limited (GRIDCO) with accumulated loss of ₹ 3475.81 crore, Odisha State Financial Corporation (OSFC) with accumulated loss of ₹ 476.90 crore, and Odisha Forest Development Corporation (OFDC) with accumulated loss of ₹ 18.22 crore were among the major loss incurring PSUs in the State up to 2014-15.

The return on investment was higher as Odisha Mining Corporation (OMC) made a profit of ₹ 2727.86 crore during the year. The other profit making PSUs were Odisha Power Generation Corporation (OPGC with ₹ 1150.57 crore), Industrial Development Corporation (IDCO with ₹ 634.83 crore), Odisha Hydro Power Corporation (OHPC with ₹ 578.12 crore) and Odisha State Beverage Corporation (OSBC with ₹ 237.65 crore). During the year 2015-16, the Government invested ₹ 96.50 crore in Angul-Sukinda Railways Limited (₹ 46.50 crore), and Khurda-Bolangir Rail Link (₹ 50.00 crore) for completion of railways lines.

4 Other Joint Stock Companies and Partnerships (₹ 1.25 crore) & Rural Banks (₹ 0.90 crore)

5 Co-operative Society: Credit Co-operatives: ₹ 0.42 crore.

6 Government Companies: Odisha Mining Corporation Limited : ₹ 500.00 crore, Industrial Development Corporation Limited (IDCOL): ₹ 0.19 crore, Odisha Forest Development Corporation Limited: ₹ 1.20 crore, Odisha State Cashew Development Corporation Limited: ₹ 0.31 crore, Odisha State Police Housing and Welfare Corporation ₹ 6.32 crore, Odisha Construction Corporation Limited (OCC) ₹ 1.16 crore, Odisha Hydro Power Corporation: ₹ 4.68 crore, Odisha Power Generation Corporation Limited: ₹ 18.75 crore and Odisha State Beverage Corporation Limited : ₹ 16.88 crore,

7 Rural Bank: Odisha State Co-operative Bank: ₹ 0.19 crore

8 Statutory Corporation: Odisha State Warehousing Corporation, Bhubaneswar: ₹ 3.14 crore

### 1.9.4 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. Loans and advances by the State Government increased by ₹ 108 crore from ₹ 4449 crore in 2014-15 to ₹ 4557 crore in 2015-16. During the year, Government advanced loans amounting to ₹ 337 crore and ₹ 228 crore was repaid by the loanee entities. Major portion of loans advanced during 2015-16 was to Energy sector (₹ 130 crore), Agriculture sector (₹ 125 crore) and Government servants (₹ 90 crore). **Table 1.23** presents outstanding loans and advances as on 31 March 2016 and interest receipts vis-à-vis interest payments during the last four years.

**Table 1.23: Average Interest Received on Loans Advanced by the State Government**

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Opening Balance</b>	<b>3414</b>	<b>3903</b>	<b>3977</b>	<b>4183</b>	<b>4449</b>
Amount advanced during the year	621	216	463	358	337
Amount repaid during the year	132	142	257	92	228
<b>Closing Balance</b>	<b>3903</b>	<b>3977</b>	<b>4183</b>	<b>4449</b>	<b>4557</b>
<i>Of which</i> outstanding balance for which terms and conditions have been settled					
Net addition	(+)489	(+)74	(+)206	(+)266	(+)109
Interest Receipts	16	16	610	14	181
Interest Receipts as a percentage to outstanding Loans and advances	0.41	0.40	14.58	0.31	3.97
Interest Payments as a percentage to outstanding Fiscal Liabilities of the State Government.	6.07	6.48	6.46	5.57	5.59
Difference between Interest Payments and Interest Receipts ( <i>per cent</i> )	(-)5.66	(-)6.08	(+)8.12	(-)5.26	(-)1.62

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

Loans outstanding as of 31 March 2016 aggregated ₹ 4557 crore. Of the total outstanding loans, terms and conditions for loan amount of ₹ 1533.79 crore are yet to be settled. Scrutiny of the total outstanding loans showed that loan amounts ranging from ₹ 3251 crore to ₹ 4013 crore during 2011-12 to 2015-16 relating to 11 departments were marginally repaid. **Table 1.24** shows that closing balances remained at static levels indicating marginal repayment.

**Table 1.24: Loans and Advances rolling for a long time**

(₹ in crore)

Sl. No.	Name of Department	2011-12	2012-13	2013-14	2014-15	2015-16
1	Education	6.05	6.11	6.34	6.04	4.41
2	Housing & Urban Development	639.68	637.25	625.25	625.73	624.92
3	Information & Public Relation (I & PR)	0.54	0.54	0.54	0.54	0.54
4	ST, SC Dev. and Minorities and Backward Classes Welfare	13.56	13.56	13.56	11.25	11.25
5	Agriculture	49.54	49.46	49.46	31.62	31.62
6	Fisheries & Animal Resources Development	19.21	19.21	19.21	19.40	14.38
7	Co-operation	83.67	81.22	78.45	72.58	41.00
8	Water Resources	6.09	6.01	5.93	5.85	5.78
9	Energy	2218.86	2296.20	2849.13	2849.13	3098.30
10	Micro Small and Medium Enterprises (Industries)	206.04	209.25	168.12	167.51	173.20
11	Finance	7.34	7.34	7.34	7.34	7.34
	<b>Total</b>	<b>3250.58</b>	<b>3326.15</b>	<b>3823.33</b>	<b>3796.99</b>	<b>4012.74</b>

**Source:** Finance Accounts of Government of Odisha for respective years.

As seen from above, in two cases (I & PR and Finance Department), the loans and advances remained constant over the last five years. In four cases (Education, ST, SC Dev. and Minorities and Backward Classes Welfare, Fisheries & Animal Resources Development and Water Resources Departments), the repayment of loan was negligible.

Further, it was observed that loans amounting to ₹ 243.36 crore relating to 23 loanee entities remained in arrears for long periods as detailed in **Table 1.25**.

**Table 1.25: Arrear of loans from loanee entities**

(₹ in crore)

Sl. No.	Name of the Loanee entity	Amount of arrears as on March 2016	Earliest period to which arrears relate
1	The Odisha Film Development Corporation Limited	1.28	2008-09
2	Industrial Development Corporation of Odisha Limited	78.20	Not mentioned
3	Tribal Development Co-operative Corporation of Odisha Ltd.(TDCCOL)	42.54	1985-86
4	National Institute of Social Work and Social Science (NISWASS)	3.62	01/04/1997
5	Odisha State Road Transport Corporation	1.81	2002-03
6	Odisha Textiles Mills, Chaudwar	25.89	1995-96
7	Odisha State Co-operative Milk Producers' Federation, Bhubaneswar	10.00	2009-10
8	Odisha State Textiles Corporation (Bhaskar Textiles Mills, Jharsuguda)	7.71	1986-87
9	Odisha State Co-operative Handicraft Corporation Limited	2.11	2005-06
10	Odisha Weavers' Co-operative Spinning Mills, Tora, Baragarh	1.05	2005-06
11	Gopinath Weavers' Co-operative Spinning Mills, Baliapala	4.40	2005-06

Sl. No.	Name of the Loanee entity	Amount of arrears as on March 2016	Earliest period to which arrears relate
12	Utkal Weavers' Co-operative Spinning Mills, Khurda	7.00	2005-06
13	Sarala Weavers' Co-operative Spinning Mills, Tirtol	2.73	2005-06
14	Kalinga Weavers' Co-operative Spinning Mills, Dhenkanal	2.47	2005-06
15	Odisha State Handicrafts Corporation	2.11	2005-06
16	Gangpur Weavers' Co-operative Spinning Mills, Kerei	21.50	1995-96
17	Sambalpuri Bastralaya	6.90	2009-10
18	Odisha State Co-operative Spinning Mills Federation Ltd., Bhubaneswar	4.80	1980-81
19	Odisha Cotton Textiles Processing Unit, Jagatpur	3.53	1980-81
20	Konark Cotton Growers' Co-operative Spinning Mills, Kesinga, Kalahandi	5.80	2003-04
21	Madhu Nagar Powerloom Weavers' Co-operative Societies	1.25	1961-62
22	Primary Handloom Weavers' Co-operative Societies Ltd.	3.24	1959-60
23	Sri Jagannath Weavers' Co-operative Spinning Mills, Nuapatna	3.42	1985-86
		<b>243.36</b>	

**Source:** Finance Account 2015-16 of Government of Odisha

It was further observed that fresh loans of ₹ 48.75 crore were advanced during 2015-16 to Grid Corporation of Odisha Limited (GRIDCO) from whom repayment of earlier loan to the extent of ₹ 1988.95 crore was in arrears. Reason for disbursement during the current year was not explained.

Interest receipts increased from ₹ 16 crore in 2011-12 to ₹ 181 crore during the current year. Similarly, interest received against the total outstanding loans and advances increased from 0.41 per cent in 2011-12 to 3.97 per cent in 2015-16. While interest payment during 2015-16 was 5.59 per cent of its outstanding fiscal liabilities, the interest received was 3.97 per cent of the outstanding loans and advances. As a result, interest spread of Government borrowings was negative during the year which meant that the State's borrowings were more expensive than the loans advanced by it.

### 1.9.5 Cash Balances and Investment of Cash Balances

**Table 1.26** depicts the cash balances and investments made by the State Government out of cash balances during 2015-16. Total investment out of cash balances during 2015-16 were ₹ 5836.24 crore, major portion of which was in '14 days Government of India Treasury Bills (₹ 5775.24 crore)'. On these investments, the Government earned interest of ₹ 365.34 crore during the current year. Cash balance at the close of the current year increased from ₹ 9993.57 crore of the previous year to ₹ 12047.68 crore during the current year and was reflected in cash balance investment accounts as follows:

Table 1.26: Cash balance and investment of cash balance

	(₹ in crore)	
	Opening balance on 1/4/2015	Closing balance on 31/3/2016
<b>(a) General Cash Balance -</b>		
Cash in Treasuries	--	--
Deposits with Reserve Bank	578.65	666.99
Deposits with other Banks	--	--
Remittances in transit - Local	--	--
Investments held in Cash Balance investment account	3870.55	5836.24
<b>Total (a)</b>	<b>4449.20</b>	<b>6503.23</b>
<b>(b) Other Cash Balances and Investments</b>		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	21.04	21.12
Permanent advances for contingent expenditure with departmental officers	0.33	0.33
Investment of earmarked funds	5523.00	5523.00
<b>Total (b)</b>	<b>5544.37</b>	<b>5544.45</b>
<b>Grand total (a)+ (b)</b>	<b>9993.57</b>	<b>12047.68</b>

Source: Finance Accounts 2015-16, Government of Odisha.

The State Government maintained more than the mandated minimum cash balance (₹ 1.28 crore) including the cash balance investment in GoI treasury bills with the Reserve Bank of India as on 31 March 2016. One option for prudent financial management would be to maintain optimum cash balances and use the surplus to settle some of the high cost bonds instead of investing the same in GoI Treasury bills with Reserve Bank of India at a relatively lower rate (five *per cent*) of interest. The State Government's closing debt stocks of 2015-16 included a few high interest bearing loans like 8.03 *per cent* on Odisha Government Loan (OGL) 2020 (₹ 1000 crore), 8.08 *per cent* on OGL 2020 (₹ 1000 crore), 8.38 *per cent* on OGL 2026 (₹ 1500 crore), 8.48 *per cent* on OGL 2021 (₹ 1000 crore) and nine *per cent* on Special Security to National Small Savings Scheme (NSSF) of Government of India (₹ 11650 crore). The ThFC had recommended (paragraph 7.127) that States with large cash balances should make efforts towards utilising their cash balances before resorting to fresh borrowings.

### Analysis of Cash Balance

The primary reason for accumulation of cash balances is borrowing more than the fiscal deficit. The excess borrowings can be partially attributed to high inflow from NSSF. Other factors also contribute to cash balance of the State. One of them is the mechanism of release of Central assistance, wherein grants are released to the State leading to a temporary build-up of cash balances that get used in due course of time. Transfer of unspent fund to deposit accounts maintained in the Public Account at the end of financial year leads to build-up of cash balance.

Efficient debt management is an essential part of the cash management. With reduced fiscal deficit, it is essential that State follows the practice of borrowing on requirement rather than on availability. Further, ThFC also had suggested that there should be

directed effort by the States with large balances towards utilising their existing cash balances before resorting to fresh borrowings. The Reserve Bank of India has also reiterated the fact and advised the States to manage their cash balance more efficiently.

## 1.10 Assets and Liabilities

### 1.10.1 Growth and composition of Assets and Liabilities

Under the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government Accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-1.7** gives an abstract of such liabilities and the assets as on 31 March 2016, compared with the corresponding position as on 31 March 2015. The liabilities consist mainly of internal borrowings, loans and advances from the GoI and receipts from the Public Account and Reserve Funds; the assets comprise mainly the capital outlay and loans and advances given by the State Government and instruments in which surplus cash is invested. After 2006-07, Government accumulated huge cash balances and liquidated the past liabilities, especially GoI loans and also made significant improvement in their fiscal balances owing to increase in its own receipts and the central transfers which helped the State Government in improving the asset-liability ratio during these years.

### 1.10.2 Fiscal Liabilities

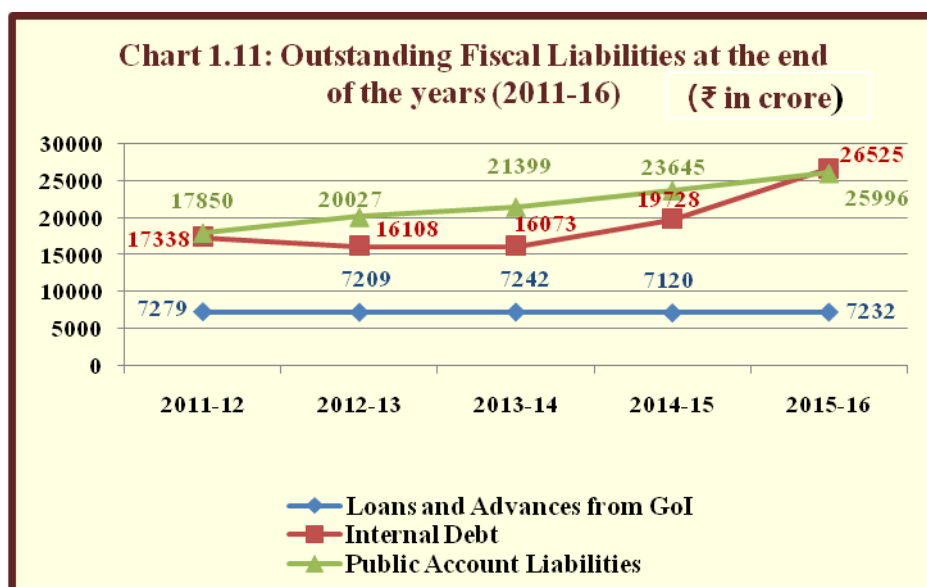
Trends in outstanding fiscal liabilities of the State are presented in **Appendix-1.3**. However, the composition of fiscal liabilities during the current year vis-à-vis the last five years are presented in **Table 1.27** and **Chart 1.11**.

**Table 1.27: Outstanding fiscal liabilities at the end of the year**

Outstanding Fiscal Liabilities		2011-12	2012-13	2013-14	2014-15	2015-16
Public Account Liabilities	Actuals (₹ in crore)	17850	20027	21399	23645	25996
	Growth rate	7.54	12.20	6.85	10.50	9.94
	Percentage of revenue receipts	44.33	45.58	43.72	41.48	37.71
Internal Debt	Actuals (₹ in crore)	17338	16108	16073	19728	26525
	Growth rate	(-3.67)	(-7.09)	(-0.22)	22.74	34.45
	Percentage of revenue receipts	43.06	36.66	32.84	34.61	38.47
Loans and Advances from GoI	Actuals (₹ in crore)	7279	7209	7242	7120	7232
	Growth rate	(-4.14)	(-0.96)	0.46	(-1.67)	1.56
	Percentage of revenue receipts	18.08	16.41	14.80	12.49	10.49
<b>TOTAL (of Actuals ₹ in crore)</b>		<b>42467</b>	<b>43344</b>	<b>44714</b>	<b>50493</b>	<b>59753</b>

**Source:** Finance Accounts of Government of Odisha for respective years.





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

Fiscal liabilities as on 1 April 2015 stood at ₹ 50493 crore comprising internal debt of ₹ 19728 crore (39 per cent), Public Account liability of ₹ 23645 crore (47 per cent) and loans and advance of ₹ 7121 crore (14 per cent) from GoI. However, these increased by ₹ 9259 crore to ₹ 59753 crore as of 31 March 2016. The fiscal liabilities comprised internal debt of ₹ 26525 crore (44 per cent), public account liability of ₹ 25996 crore (44 per cent) and loans and advances of ₹ 7232 crore (12 per cent) as at the end of 2015-16. The internal debt of ₹ 26525 crore comprised mainly of market loans bearing interest (₹ 8128 crore), loans from National Bank for Agriculture and Rural Development (₹ 6671 crore) and special securities issued to National Small Savings Fund (₹ 11650 crore). The fiscal liabilities at the end of 2015-16 constituted 18 per cent of GSDP which is two per cent more than previous year.

### 1.10.3 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended by the State Government.

The maximum amount for which guarantees were given by the State and outstanding guarantees as per the Finance Accounts for the last three years is given in **Table 1.28**.

**Table 1.28: Guarantees given by the Government of Odisha**

(₹ in crore)

Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed	10578.61	10578.61	10624.61	10885.61	10890.61
Outstanding amount of guarantees	2510.43	2251.23	1705.26	1671.77	1290.26
Percentage of maximum amount guaranteed to total Revenue Receipt of current year (percentage)	26.27	24.08	21.71	19.10	15.80
Percentage of outstanding guarantee to total Revenue Receipt of 2 <sup>nd</sup> preceding year less Grants-in-Aid as provided in the MTFP (in percentage)	12.12	8.50	5.31	4.51	3.18

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

The outstanding guarantees decreased by 23 per cent from ₹ 1672 crore in 2014-15 to ₹ 1290 crore in 2015-16. Guarantees were given in respect of Power sector (4), Co-operatives sector (42), Housing & Urban Development (86), Irrigation sector (1), Roads and Transport sector (2), State Financial Corporation sector (7) and other infrastructure (16). Government in their resolution (March 2004) had issued instruction to the Public Sector Undertakings/Urban Local Bodies/Co-operative Societies etc, who had borrowed or intended to borrow against Government guarantees to open an Escrow Account in a Nationalised Bank for timely repayment of guaranteed loans. During 2015-16, 14 new escrow accounts have been opened.

To provide for sudden discharge of State's obligation on guarantees, Twelfth Finance Commission (TFC) had recommended that States should set up Guarantee Redemption Fund through earmarked guarantee fees. The Government set up a "Guarantee Redemption Fund" during 2002-03 to meet the contingent liabilities arising out of the total outstanding liabilities. However, there was no transaction since 2008-09 though there were guarantee commission receipts and expenditure on account of discharge of guarantee obligation. As on 31 March 2016, ₹ 480 crore remained invested in the fund.

Further, in consideration of the guarantee given by the Government, the institutions in some cases are required to pay guarantee commission at rates varying from 0.01 per cent to one per cent. As per information furnished to Audit, ₹ 173.21 crore was received as Guarantee Commission or fee against the arrear of ₹ 304.73 crore as shown in **Table 1.29**.

**Table 1.29: Guarantee Commission received/to be received by the Government.**

(₹ in crore)

Name of the Sector	Commission Received	Commission Receivable
Power	135.23	234.58
Co-operatives	2.03	4.04
Irrigation	--	--
State Financial Corporation	2.88	8.51
Housing and Urban Development	26.81	40.95
Roads and Transport	1.84	1.84
Other Infrastructure	4.42	13.55
Any Other	--	1.26
<b>TOTAL</b>	<b>173.21</b>	<b>304.73</b>

Source: Finance Accounts 2015-16, Government of Odisha.

#### 1.10.4 Transactions under Reserve fund

**i) Consolidated Sinking Fund (CSF):** Twelfth Finance Commission had recommended that States should set up Sinking Funds for amortization of all loans including loans from banks, liabilities on account of National Small Savings Fund etc. which should not be used for any other purpose, except for redemption of Loans. Guarantee Redemption Fund is meant for discharge of the States' obligations on Guarantee. The State Government is required to contribute a minimum of 0.5 *per cent* of the total liabilities outstanding at the beginning of the year to the Fund. The State Government has raised debt amounting to ₹ 50493.34 crore, out of which, ₹ 4564.85 crore constituted market loans. Accordingly, the amount due to be contributed to the Fund was ₹ 252.47 crore (at the rate of 0.5 *per cent* of total liabilities at the beginning of the year) in terms of the recommendations of the Twelfth Finance Commission. However, the State Government did not contribute any amount to the Fund during the year. Consequently, the Revenue Surplus during the year was overstated by ₹ 252.47 crore.

**ii) Guarantee Redemption Fund (GRF):** Guarantee Redemption Fund was constituted in the year 2002-03 as per recommendation of the Twelfth Finance Commission with a corpus of ₹ 20 crore. The balance at the credit of the fund as on 31 March 2016 (₹ 480 crore) has been invested in Government of India securities by the Reserve Bank of India. The Government of Odisha has not made any contributions to the Fund during 2015-16.

**iii) State Disaster Response Fund (SDRF):** As per recommendation of the ThFC the State Disaster Response Fund was constituted in 2010-11. In terms of the guidelines, the Centre and State Governments are required to contribute to the fund in the ratio of 75:25. Accordingly, the Centre contributed ₹ 560.25 crore towards SDRF and ₹ 574.69 crore from NDRF. The State Government contributed ₹ 186.75 crore to the Fund during 2015-16. The balance in the Fund as on 31 March 2016 was ₹ 308.87 crore after incurring an expenditure amount of ₹ 879.77 crore during the year.

**iv) Funds for Protection of Interest of Depositors:** The State Government created a new fund in 2014-15 viz., "Fund for Protection of Interest of Depositors" with a corpus of ₹ 300 crore to safeguard the interest of small and genuine depositors of the State. The Fund has to be maintained in the Public Account under section 'Reserve Funds not bearing interest'. No expenditure was made out of the Fund during 2015-16.

#### 1.10.5 Inoperative Reserve Funds

Ten reserve funds have been created and maintained in the accounts of the State Government. Out of these, nine funds were inoperative or dormant for significant period and one reserve fund (Consumer Welfare Fund) was created in 2012-13. The details of Reserve Funds are given in **Table 1.30**.

**Table 1.30: Inoperative Reserve Funds**

					(₹ in lakh)
Sl. No.	Major and Minor heads with nomenclature	No. of Reserve Funds	Balance as on 31.03.2016		Year of last transaction
1	8011-Insurance and Pension Funds 105-State Government Insurance Fund	01	Cr.	0.07	2003-04
2	8012-Special Deposit and Accounts 123-Special Deposit for Employees Provident Fund Scheme (Administration Fund)	01	Cr.	1.63	2002-03
3	8013-Other Deposits and Accounts 01-Deposit Schemes for Retiring Employees 101-Deposit Scheme for Retiring Govt. Employees, 1989	01	Cr.	38.81	1997-98
4	8121-General and Other Reserve Fund 101-General and Other Reserve Funds – Government Commercial Departments and Undertakings.	01	Cr.	1.88	1996-97
5	8229-Development and Welfare Funds 109-Co-operative Development Funds, State Co-operative Development Fund 123- Consumer Welfare Fund	02	Cr.	2.00	1959-60
			Cr.	26.00	2012-13
6	8235-General and Other Reserve Funds 102-Zamindari Abolition Fund 103-Religious and Charitable Endowment Funds 200-Other Funds: - Guarantee Reserve Fund Passengers Amenities Reserve Fund	04	Cr.	59.19	1994-95
			Cr.	1.51	1983-84
			Cr.	110.88	1997-98
			Cr.	6.00	1982-83
<b>TOTAL</b>		<b>10</b>		<b>247.97</b>	

Source: Finance Accounts of Government of Odisha 2015-16 (Volume-1)

Out of the above ten Reserve Funds, nine have remained inoperative for periods ranging from 11 to 56 years.

### 1.11 Debt Sustainability

Apart from the magnitude of the debt of the Government, it is important to analyse the various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the Government in terms of rate of growth of outstanding debt, ratio of interest payment and revenue receipt, debt repayment and debt receipt and net debt available to the State. **Table 1.31** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2011-12.

**Table 1.31: Debt Sustainability**

						(₹ in crore)
Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16	
Outstanding public Debt	24618	23317	23314	26849	33757	
Rate of growth of outstanding Public Debt	(-)3.81	(-)5.28	(-)0.01	15.16	25.73	
GSDP	225283	255273	277271	309807	332329	
Rate of Growth of GSDP	14.05	13.31	8.62	11.73	7.27	
Average interest Rate of Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	6.08	6.54	6.56	5.90	6.06	
Percentage of Interest to Revenue Receipt	6.40	6.39	5.90	4.93	4.85	
Percentage of Debt Payment to Debt Receipt	97.10	92.80	90.34	68.53	59.36	
<b>Net Debt available to the State</b>	<b>276</b>	<b>878</b>	<b>1369</b>	<b>5780</b>	<b>9260</b>	

(Source: State Finance Accounts of the respective years.)

Public Debt of the State Government increased from ₹ 24618 crore in 2011-12 to ₹ 33757 crore in 2015-16, registering an increase of 37.12 per cent during the period 2011-16. The rate of growth ranged between (-) 0.01 per cent and 25.73 per cent over the period 2011-12 to 2015-16. Public Debt increased at the rate of 25.72 per cent in 2015-16 as compared to 15.16 per cent in previous year, which is mainly due to debt amounting to ₹ 4473 crore (Odisha Government Loans).

Rate of growth of GSDP registered a decreasing trend from 14.05 per cent in 2011-12 to 7.27 per cent in 2015-16 but was still higher than the average rate of interest of public debt which ranged between 5.90 per cent and 6.56 per cent over the period 2011-2016. The State needs to step up its resource mobilisation efforts to ensure prudent fiscal situation rather than depend on debt receipts.

Interest payment as a percentage of revenue receipt decreased from 6.40 per cent in 2011-12 to 4.85 per cent in 2015-16, which shows that the interest payment on public debt was decreasing, resulting in more availability of funds for development.

Debt repayment as a percentage of Debt receipt showed a decreasing trend from 97.10 per cent in 2011-12 to 59.36 per cent in 2015-16, indicating that public debt receipt was higher than public debt payment, resulting in higher dependency on debt receipt rather than own sources of revenue.

## 1.12 Fiscal Imbalances

Three key fiscal parameters - Revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government Account represents the gap between its expenditure and receipts. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of Revenue and fiscal deficits for the financial year 2015-16.

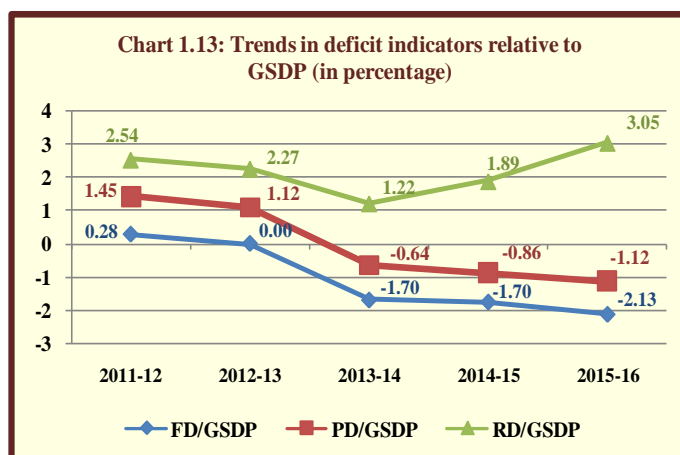
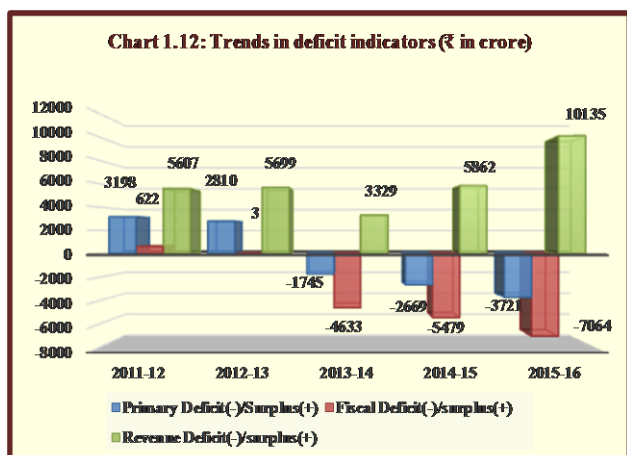
### 1.12.1 Trends in Deficits/Surpluses

Table 1.32, Chart 1.12 and 1.13 present the trends in deficits/surpluses indicators over the period 2011-16.

Table 1.32: Deficits/Surpluses

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue deficit (RD) (-)/ surplus (+) (₹ in crore)	(+)5607	(+)5699	(+)3329	(+)5862	(+)10135
Fiscal deficit (FD) (-)/ surplus (+) (₹ in crore)	(+)622	(+)3	(-)4633	(-)5479	(-)7064
Primary deficit (PD) (-)/ surplus (+) (₹ in crore)	(+)3198	(+)2810	(-)1745	(-)2669	(-)3721
RD/GSDP (per cent)	(+)2.54	(+)2.27	(+)1.22	(+)1.89	(+)3.05
FD/GSDP (per cent)	(+)0.28	(+)0.00	(-)1.70	(-)1.76	(-)2.13
PD/GSDP (per cent)	(+)1.45	(+)1.12	(-)0.63	(-)0.86	(-)1.12

Source: Finance Accounts of Government of Odisha for respective years



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

### Revenue Surplus/Deficit

Revenue Surplus represents the difference between Revenue Receipts and Revenue Expenditure. Revenue surplus helps to reduce the borrowings. In 2005-06, after a gap of 22 years, the State was able to attain a Revenue surplus of ₹ 481 crore and has continued to be a Revenue surplus State. During 2015-16, revenue receipts grew 21 per cent against a growth rate of 15 per cent by revenue expenditure, resulting in revenue surplus being increased by ₹ 4273 crore as compared to previous year. The achievement was in line with the State's FRBM (Amendment) Act, 2011 which had prescribed reduction of Revenue deficit to zero for the financial year 2011-12 onwards.

### Fiscal Surplus/Deficit

Fiscal Surplus of three crore in 2012-13 turned into Fiscal Deficit of ₹ 7064 crore during 2015-16, mainly on account of steep increase in the capital expenditure by the State. However, Fiscal Deficit (₹ 7064 crore) was within the State's FRBM (Amendment) Act, 2011 target of not more than three per cent of GSDP (₹ 9970 crore).

### Primary Surplus/Deficit

The Primary Deficit of ₹ 2669 crore in 2014-15 increased to ₹ 3721 crore during the current year. While Fiscal Deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payment. Interest payment represents the expenditure of past obligation and is independent of current allocative priorities. During 2015-16, the Fiscal Deficit was almost twice the interest payment. This meant that around 50 per cent of the fiscal deficit was due to revenue expenditure other than interest payment. Hence prudent reduction of revenue expenditure could enable the State Government to attain primary surplus.

#### 1.12.2 Components of Fiscal Deficit/Surplus and its Financing / Investing Pattern

The financing / investing pattern of fiscal deficit/surplus underwent a compositional shift as reflected in the **Table 1.33**.

**Table 1.33: Components of Fiscal Deficit/Surplus and its financing/investing pattern**  
(₹ in crore)

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
<b>Decomposition of Fiscal Deficit</b>		<b>622</b>	<b>3</b>	<b>(-4633)</b>	<b>(-5479)</b>	<b>(-7064)</b>
1	Revenue surplus	5607	5699	3329	5862	10135
2	Capital Expenditure	(-4496)	(-5622)	(-7756)	(-11075)	(-17090)
3	Net Loans and Advances	(-489)	(-74)	(-206)	(-266)	(-109)
<b>Financing Pattern of Fiscal Deficit*/Surplus</b>						
1	Market Borrowings	(-1046)	(-1308)	(-885)	1644	3563
2	Loans from GoI	(-314)	(-70)	33	(-121)	112
3	Special Securities Issued to National Small Savings Fund (NSSF)	26	115	388	1090	1575
4	Loans from Financial Institutions	360	(-37)	461	921	1658
5	Small Savings, PF etc	426	691	689	1073	1835
6	Reserve fund	269	-107	(-130)	(-35)	285
7	Deposits and Advances	554	1594	813	915	230
8	Suspense and Misc	(-1290)	(-460)	3437	100	(-1934)
9	Remittances	9	4	28	2	(-52)
10	Others	--	--	--	(-) 1	34
11	Increase / decrease in cash Balance	12	(-441)	(-51)	(-259)	(-118)
12	Net of Odisha Contingency Fund	372	16	(-150)	150	(-) 123

\*All these figures are net of disbursements/outflows during the year

Source: Finance Accounts of Government of Odisha for respective years

The Fiscal deficit of 2015-16 increased by ₹ 1585 crore and stood at ₹ 7064 crore in the current year. The factor contributing to increase in fiscal deficit was the increase in capital expenditure from ₹ 11075 crore in 2014-15 to ₹ 17090 crore during 2015-16.

### 1.12.3 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and the decomposition of Primary Deficit into Primary Revenue Deficit and Capital Expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of Revenue Deficit to Fiscal Deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of Revenue deficit to fiscal deficit indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have any asset backup. In Odisha, there has been a Revenue surplus since 2005-06. Bifurcation of the primary surplus (**Table 1.34**) would indicate the extent to which the deficit has been on account of enhancement in Capital Expenditure, which may be desirable to improve the productive capacity of the State's economy.

**Table 1.34: Primary Deficit/Surplus – Bifurcation of factors**

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue deficit (-) /surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2011-12	40399	32084	4496	621	37201	8315	3198
2012-13	44079	35431	5622	216	41269	8648	2810
2013-14	49204	42730	7756	463	50949	6474	(-)1745
2014-15	57090	48326	11075	358	59759	8765	(-)2669
2015-16	69169	55463	17090	337	72890	13706	(-)3721

Source: Finance Accounts of Government of Odisha for respective years

During 2015-16, non-debt receipts increased from ₹ 57090 crore to ₹ 69169 crore (21 per cent) against an increase of 15 per cent in Primary Revenue Expenditure.

Analysis of the factors resulting into primary revenue surplus of the State during 2011-13 showed that the State was experiencing primary surplus during these years. However, during 2014-15 and 2015-16, the State had a primary deficit of ₹ 2669 crore and ₹ 3721 crore, respectively. In other words, non-debt receipts of the State were not enough to meet the primary expenditure<sup>9</sup> requirements in the Revenue account. Ideally, incremental non-debt receipts every year should cover not only the primary expenditure but also incremental interest burden.

### 1.13 Public Private Partnerships (PPP)

Recourse to the PPP mode for project financing is generally encouraged because it frees valuable fiscal space for the provision of public goods in areas where such financing may not be forthcoming, as envisaged in ThFC. The Government of Odisha framed their PPP Policy in August 2007 to support private investment, particularly in the infrastructure sector, to utilise the efficiency and innovativeness of the private investors, besides tapping their capital. PPP projects in sectors that come under the purview of the Government of Odisha cover 19 infrastructure sectors such as Roads, Ports, Airports, Industrial parks, Inland Container Depot and Logistic hubs, Water Supply, Power Generation, Solid Waste Management, Railway related projects and Agriculture Production and Marketing etc. Out of the 19 sectors, the Government has not entered into the PPP contracts in five sectors viz. Airports, Airstrips and Heliports, Inland Container Depots and Logistic Hubs, Sewerage and Drainage, Inland Water Transport and Agriculture Production and Marketing. In terms of the main types of PPP contracts, almost all contracts have been of the Build, Operate and Transfer (BOT) type or Build, Own, Operate and Transfer (BOOT) type (either toll or annuity payment models) or close variants.

The status of the PPPs in Odisha as on 31 March 2016 is given in **Table 1.35:**

<sup>9</sup> Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.



Table 1.35: Status of projects as of 31 March 2016

Sector	Operational		Under Implementation		In Pipeline		Total	
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
Urban Development	10	258	7	1336	4	693	21	2287
Health	11	200	0	0	2	322	13	522
Finance & Revenue	1	72	0	0	0	0	1	72
Transport	3	5061	4	2784	0	0	7	7845
Industrial Infrastructure	2	165	3	720	0	0	5	885
Roads	1	48	1	1293	0	0	2	1341
Tourism	2	51	8	20	0	0	10	71
Education	14	35	0	0	1	50	15	85
Energy	0	0	1	108	1	50	2	158
Food Supplies and Consumer Welfare	0	0	1	20	0	0	1	20
<b>Total</b>	<b>44</b>	<b>5890</b>	<b>25</b>	<b>6281</b>	<b>8</b>	<b>1115</b>	<b>77</b>	<b>13286</b>

Source: Figures furnished by Planning & Co-ordination Department, Government of Odisha

A total number of 77 PPP projects in Odisha in different sectors are given in **Appendix I.8**, out of which 44 projects have been completed, 25 are in implementation/construction stage and the rest eight projects are still in the pipeline. During the financial year, the number of operational projects increased by three, under implementation projects reduced by four and the projects in pipeline increased by one.

#### 1.14 Implementation of UDAY Scheme

The Government of India has approved (November 2015) the Ujwal Discom Assurance Yojana (UDAY). It is a scheme for financial turnaround of Power Distribution Companies (DISCOMS) and expected to improve the operational and financial efficiency of the State DISCOMS. Some important provisions of the UDAY scheme are as follows:

- State shall take over 75 per cent of DISCOM debt as on 30 September 2015 over two years.
- States will issue non-Statutory Liquidity Ratio (SLR) including State Development Loan (SDL) bonds.
- The transfer to the DISCOM by the state will be as grant.
- Banks/Financial Institutions shall not advance short term debt to DISCOMS for financing losses.

The Government of Odisha has expressed its willingness to join the UDAY scheme. The State government has proposed to restructure the debt of Grid Corporation (GRIDCO) which has arisen mainly due to revenue gap over the years. The debt balance of GRIDCO was ₹ 5406.44 crore as on 30 September 2015.

## 1.15 Conclusion

- Revenue Receipts increased by five *per cent* from around 16 *per cent* in 2014-15 to around 21 *per cent* in 2015-16 (*Paragraph 1.4*).
- Non-Plan Revenue Expenditure (NPRE) as a proportion of Revenue Expenditure decreased from 72 *per cent* in 2011-12 to 40 *per cent* in 2015-16. There was a total increase of ₹ 7670 crore in Revenue Expenditure during the current year over the previous year (*Paragraph 1.7.4*).
- Capital Expenditure of the State as a percentage of total expenditure increased from 11 *per cent* in 2011-12 to 22 *per cent* in 2015-16. However, it was still 5.14 *per cent* of GSDP during 2015-16, against the projection of 4.56 *per cent* in the Budget Estimates (*Paragraph 1.7.5*).
- The total committed liabilities of the State stood at ₹ 135752.34 crore at the end of the year. Out of these, pension payment obligations were 63.17 *per cent*, interest payments 26.43 *per cent* and loan repayments were 10.40 *per cent* (*Paragraph 1.7.7.5*).
- Funds amounting to ₹ 899 crore were parked in bank accounts of 11 District Rural Development Agencies (DRDAs), 21 Block Development Offices (BDOs) and four Land Acquisition Offices (LAOs), violating the codal provision of OTC and FD instructions (*Paragraph 1.7.6*).
- Outlay-outcome budgets of four departments viz. Fisheries & Animal Resources Development, Panchayati Raj, Rural Development and Water Resources departments were reviewed for the year 2015-16 and it was seen that the financial and physical targets were mostly not achieved (*Paragraph 1.8.3*).
- Expenditure of over ₹ 2323 crore was incurred on 31 projects which were still incomplete due to the prolonged processes involved in land acquisition, matters lying sub-judice in Courts, finalisation and revision of designs, shortage of funds and slow progress of work. (*Paragraph 1.9.2*).
- The ThFC had recommended that by the year 2015-16, fiscal liability should be brought down to 25 *per cent* of GSDP. The Government has been able to achieve this target during 2015-16. (*Paragraph 1.10.2*)
- Out of 10 Reserve Funds, nine remained inoperative or dormant for significant period. (*Paragraph 1.10.5*).
- Debt repayment as a percentage of Debt Receipt showed a decreasing trend from 97.10 *per cent* in 2011-12 to 59.36 *per cent* in 2015-16, indicating that public Debt Receipt was higher than public debt payment, resulting in higher dependency on debt receipt rather than own resources of revenue. (*Paragraph 1.11*).

- Out of 77 PPP projects, 44 projects were complete, 25 in implementation/construction stage and the remaining eight projects are still in pipeline (*Paragraph 1.13*).

**Recommendations**

- Government may consider making all out efforts to avoid parking of funds outside Government accounts.
- Government may consider taking steps for closure of inoperative Reserve Funds.
- Government may prioritise repayment of high value loans first, to reduce the debt.