

Profile of Odisha

Odisha is located on the east coast of the country. It is the ninth largest State in terms of geographical area (1,55,707 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 32.59 *per cent* was higher than the national average of 21.90 *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. The compound annual growth rate of its Gross State Domestic Product (GSDP) for the period 2007-08 to 2016-17 has been 12.70 *per cent* as compared to 15.20 *per cent* in General Category States. During the above mentioned period, its population grew by 8 *per cent* against 11.90 *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. It depicts the increase in total value of production activities in the State. The trends in the annual growth of India's GDP and GSDP of the State at current prices are indicated below:

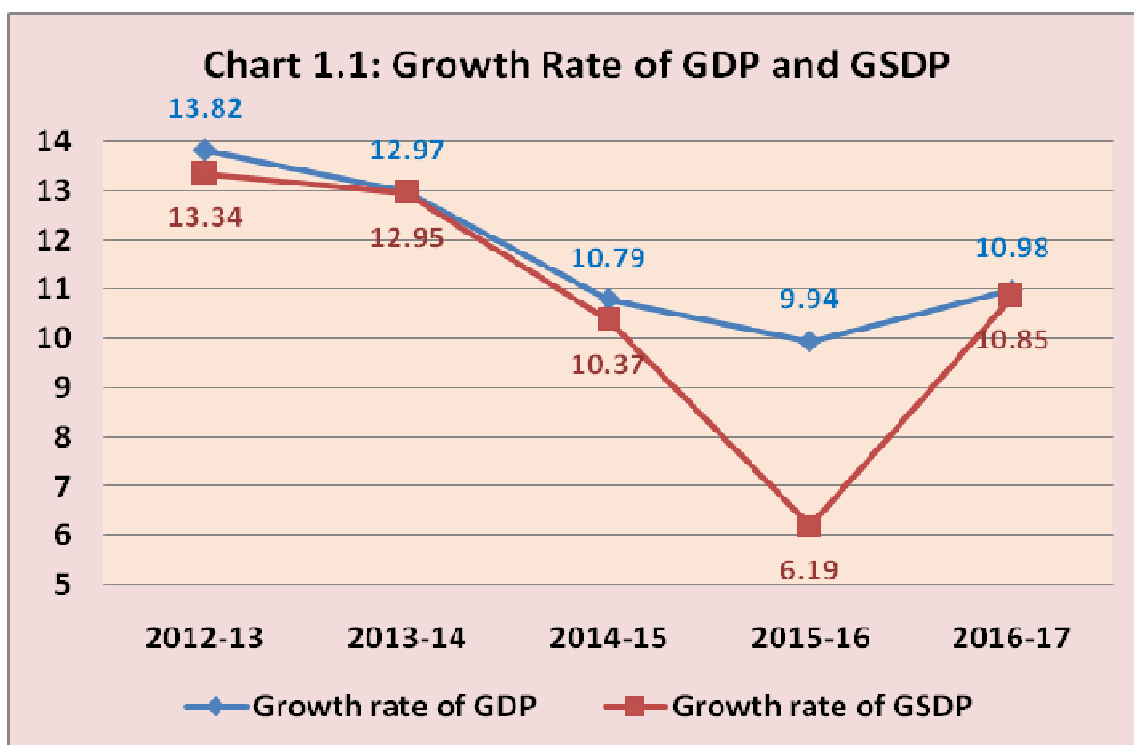
Annual growth rate of GDP and GSDP (at current price)

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's Gross Domestic Product (GDP) (₹ in crore)	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth rate of GDP (in percentage)	13.82	12.97	10.79	9.94	10.98
State's GSDP (₹ in crore)	2,58,275	2,91,709	3,21,971	3,41,887	3,78,991
Growth rate of GSDP (in percentage)	13.34	12.95	10.37	6.19	10.85

Source: For GSDP - Directorate of Economics & Statistics for GSDP and for All India - Central Statistical Office for GDP as on 01.08.2017.

The growth rate of GDP and GSDP calculated at current price has been depicted in **Chart No.1.1**. The growth rate of GSDP showed a declining trend from 2013-14 to 2015-16 and subsequently increased by 10.85 *per cent* in 2016-17 in line with the growth rate of GDP.

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 135.



Source : Directorate of Economics & Statistics and for All-India- Central Statistical Office as on 01.08.2017

The GSDP of the State at current price increased from ₹ 3,41,887 crore during 2015-16 to ₹ 3,78,991 crore during 2016-17. This resulted in growth rate of 10.85 *per cent* over the previous year, whereas GDP registered a growth of 10.98 *per cent* over the previous year.

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 2017. It provides a broad perspective of the finances of the State Government during 2016-17. It depicts changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the 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 (2016-17) 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)

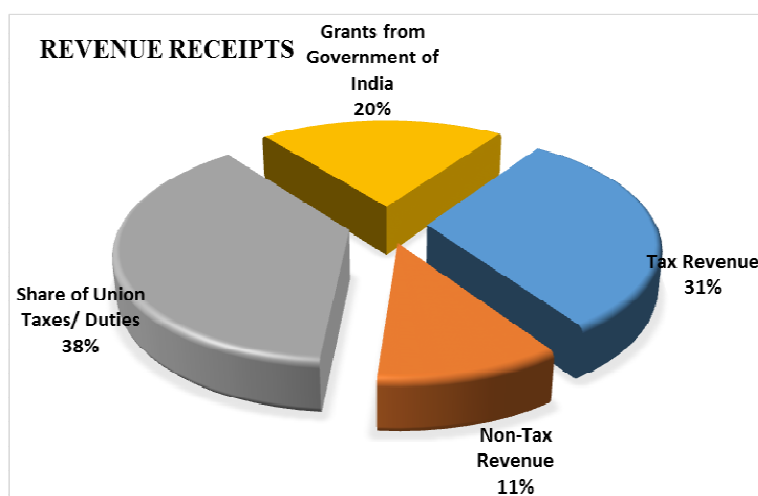
Receipt			Disbursement				
	2015-16	2016-17		2015-16	2016-17		
Section A	Total	Total	Section A	Total	Non-Plan	Plan	Total
Revenue Receipts	68,941	74,299	Revenue Expenditure	58,806	39,710	25,331	65,041
Tax Revenue	22,527	22,852	General Services	15,059	16,605	110	16,715
Non-Tax Revenue	8,711	8,043	Social Services	24,643	13,945	13,655	27,600
Share of Union Taxes/ Duties	23,574	28,322	Economic Services	18,188	8,148	11,566	19,714
Grants from Government of India	14,129	15,082	Grants-in-Aid and Contributions	916	1,012	--	1,012
Section B							
Miscellaneous Capital Receipts	--	--	Capital Outlay	17,090	13	18,458	18,471
Recoveries of Loans and Advances	228	89	Loans and Advances Disbursed	337	254	--	254
Public Debt Receipts	9,790	11,223	Repayment of Public Debt*	2,884	--	--	2,962
Contingency Fund	--	123	Contingency Fund	123	--	--	--
Public Account Receipts	31,098	41,627	Public Account Disbursement	28,766	--	--	38,080
Opening Cash Balance	9,997	12,048	Closing Cash Balance	12,048			14,601
TOTAL	1,20,054	1,39,409	TOTAL	1,20,054			1,39,409

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

The following significant changes occurred during 2016-17, compared to the previous year:

- Revenue Receipts of the State increased by ₹ 5,358 crore (7.77 per cent) over the previous year. This increase was mainly contributed by State's share of Union Taxes/Duties (₹ 4,748 crore), Grants-in-Aid (GIA) from Government of India (₹ 953 crore) and State's own Tax Revenue (₹ 325 crore).

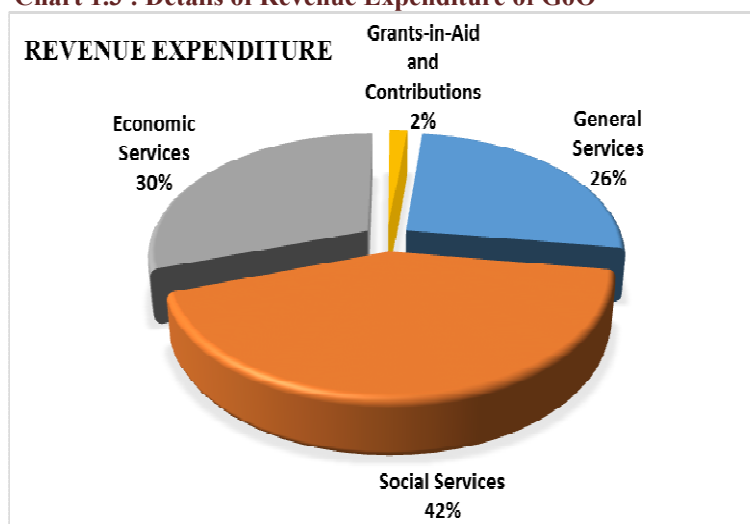
Chart 1.2 : Details of Revenue Receipts of GoO



Source : Finance Accounts 2016-17

- Revenue Expenditure increased by ₹ 6,235 crore (10.60 per cent) during 2016-17 over the previous year. It was mainly due to increase in expenditure in Social Service Sector (₹ 2,957 crore), General Service Sector (₹ 1,656 crore), Economic Service Sector (₹ 1,526 crore) and disbursement of Grants-in-Aid and contributions (₹ 96 crore).

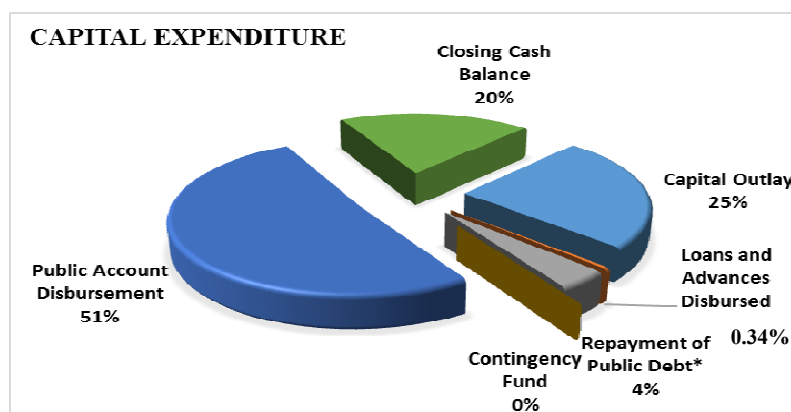
Chart 1.3 : Details of Revenue Expenditure of GoO



Source: Finance Accounts 2016-17

- Capital outlay increased by ₹ 1,381 crore (8.08 per cent) over the previous year. This was mainly on account of increase in expenditure on Irrigation and Flood Control (₹ 1,626 crore) and Energy (₹ 650 crore).

Chart 1.4: Details of Capital Expenditure and Public Accounts Disbursement of GoO

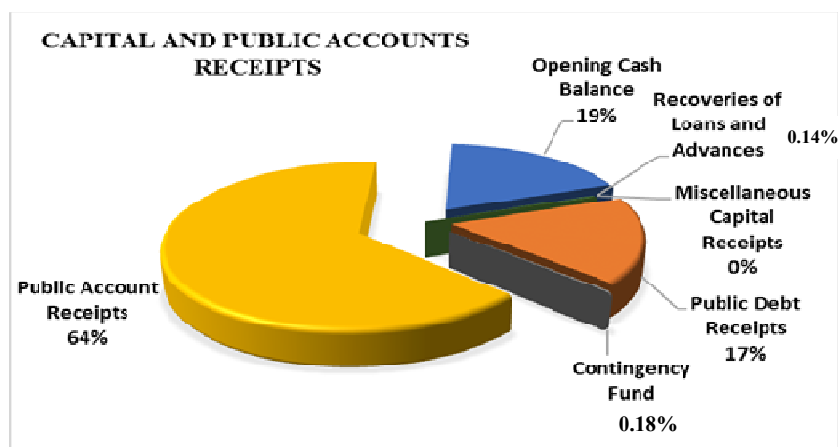


Source: Finance Accounts 2016-17

- Public Debt receipts increased by ₹ 1,433 crore (14.64 per cent) while repayment of public debt increased by ₹ 81 crore (2.81 per cent).
- Public Account receipts (₹ 41,627 crore) increased by ₹ 10,529 crore (33.86 per cent) over the previous year (₹ 31,098 crore). This was mainly due to increase in Deposits and Advances (₹ 7,011 crore), Reserve Fund (₹ 2,207 crore), Remittances (₹ 1,126 crore) and Small Savings and Provident Fund (₹ 336 crore).

Public Account disbursements (₹ 38,080 crore) on the other hand, increased by ₹ 9,314 crore (32.38 per cent) during the same period.

Chart 1.5: Details of Capital and Public Accounts Receipts of GoO



Source: Finance Accounts 2016-17

- Cash Balance of the State increased by ₹ 2,553 crore.

1.2.1 Review of the fiscal situation

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

Keeping in line with the recommendations of the FFC, the State Government amended Odisha Fiscal Responsibility and Budget Management Act (FRBM), 2005 and enacted the Odisha FRBM (Amendment) Act, 2016 with effect from 5 November 2016. The following are the fiscal targets for the years 2015-16 to 2019-20:

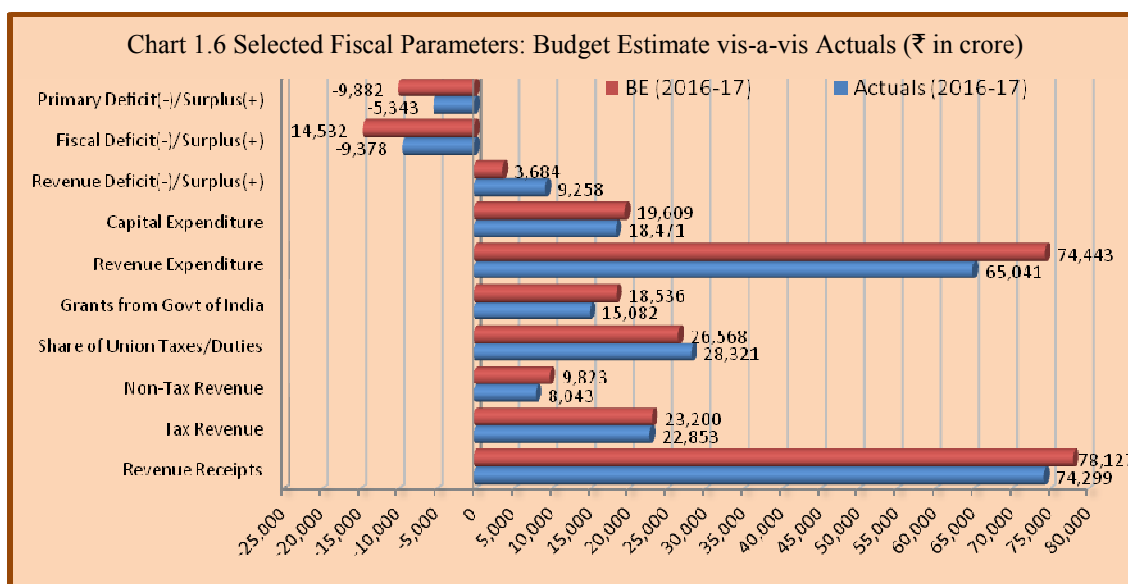
- The revenue deficit shall be maintained at zero for the financial year 2011-12 and for subsequent financial years.
- Fiscal deficit to be contained within three per cent of the GSDP from 2011-12 and onwards.
- Limit of debt GSDP ratio to be maintained less than or equal to twenty-five per cent for the year 2015-16 to 2019-20.
- 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.
- The State Government shall entrust an independent agency to review compliance and submit reports 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 in May 2016.

In compliance to the FFC and Odisha FRBM (Amendment) Act, 2016 the State during the financial year 2016-17 has achieved Revenue Surplus of ₹9,258 crore. The Fiscal Deficit was 2.47 per cent of GSDP, debt GSDP ratio at 11.09 per cent and interest payment to Revenue Receipt ratio 5.43 per cent. 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 Thirteen Finance Commission (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 2016-17, there was variation in actuals in the case of several key fiscal parameters. **Chart 1.6** presents the Budget Estimates and actuals for some important parameters.



Source: Finance Accounts for the year 2016-17 and Budget at a Glance 2016-17, Government of Odisha.

As may be observed from **Chart 1.6**, the State's actual Revenue Receipts were less than the Budget Estimates by ₹ 3,828 crore (4.90 per cent). State's own Tax Revenue was less by ₹ 347 crore (1.49 per cent). Non-Tax Revenue was less by ₹ 1,780 crore (18.12 per cent) whereas Share of Union Taxes/Duties was more than the Budget Estimates by ₹1,753 crore (6.60 per cent). Revenue expenditure was also less than Budget estimate by ₹ 3,828 crore (5.14 per cent). As a result, Revenue surplus was ₹ 9,258 crore as against Budget estimate of ₹ 3,684 crore. Capital expenditure was also less by ₹ 1,138 crore (5.80 per cent).

1.2.3 Gender Budgeting

Gender budgeting was adopted in 2004 in Odisha. Gender budgeting efforts by the state included:

- Creation of “Women Component Plan” under which 30 *per cent* of funds in the “Annual Plan” are reserved for women.
- Developing a state policy for girls and women to ensure their safety, security, and protection and to focus on their survival, health and nutrition, education, livelihood and decision-making.

From Budget 2012-13, the State Government started preparing a Gender Budget Statement (GBS) for only 100 *per cent* women centric schemes. From 2016-17, this statement was brought out as Part - A, detail of schemes in which 100 *per cent* provision is for women. Part – B, details of schemes where the allocations for women constitute at least 30 *per cent* of the provision.

The year-wise allocations in the gender budget document and expenditure on various Part-A schemes during 2012-13 to 2016-17 are detailed in **Table 1.2** and **Table 1.3** respectively.

Table 1.2: Gender Budgetary Allocation during 2012-17

(₹ in crore)

Year	Outlay					
	Part “A” Scheme		Part “B” Scheme		Total	
	B.E	Demand Cover	B.E.	Demand Cover	B.E	Demand Cover
2012-13	446.07	10	-	-	446.07	10
2013-14	491.42	10	-	-	491.42	10
2014-15	620.99	10	-	-	620.99	10
2015-16	1,337.37	10	29,359.65	26	30,697.02	26
2016-17	1,365.69	10	31,936.74	26	33,302.43	26

Table 1.3 Budget Estimate on selected Part ‘A’ schemes and expenditure thereof

(₹ in crore)

Name of the Part “A” Scheme	B.E.	Expenditure	Saving/Excess
Indira Gandhi National Widow Pension Scheme (IGNWP)	268.25	180.02	88.23
Conditional Cash Transfer for Pregnant Women (MAMATA)	230.00	223.70	6.30
Rajiv Gandhi Schemes for Empowerment of Adolescent Girls (RGSEAG)	89.93	67.79	22.14
Financial Support to weak WSHG under Mission Shakti	50.00	50.00	--
Indira Gandhi Matritwa Sahayog Yojana (IGMSY)	19.22	18.68	0.54
ICDS Training Programme	13.38	13.25	0.13
One Stop Centre	0.87	--	0.87
Women’s Helpline	0.77	--	0.77
Beti Bachao Beti Padhao Campaign (BBBPC)	0.35	--	0.35

On test check of nine schemes under Part - A, it was observed that in three schemes, budget provision was made but expenditure was ‘nil’, in five schemes expenditure was less than budget provision by ₹ 117.34 crore and in one case expenditure was hundred *per cent*.

The State Government had not ensured implementation of schemes and augmentation of funds under Gender Budgeting and Women and Child Development, resulting in non-reconciliation of the policy statements with actual implementation

1.2.4 Major policy initiatives in the budget

Major policy initiatives for the budget 2016-17 and their status during the financial year 2016-17 are given in **Table 1.4** below:

Table 1.4: Major policy announcement in the Budget and implementation thereof

Sl. No.	Name of Department	Policy announcement details	Status of Implementation
1	Agriculture and Farmers' Empowerment	To streamline distribution of fertilizer a new scheme "Grant to State Procurement Agencies" was launched to assist the procurement agencies to make available different fertilizers at fair price. Besides, revolving Corpus Fund of ₹ 100 crore each for seed and fertilizer was created to maintain adequate stock of quality seeds and fertilizer.	Seed- ₹ 60 crore was utilized by State Procurement Agency to purchase quality seeds of 5,36,087 quintals of paddy and non paddy seeds. Fertilizer- ₹ 100 crore was utilized for prepositioning of 1,76,246.85 MT of fertilizer to meet the requirement during peak period of consumption.
2	School and Mass Education	An amount of ₹ 200 crore was proposed from State Plan to launch a new scheme "Odisha Adarsha Vidyalaya" with a target of establishing 100 Adarsha Vidyalayas.	During the year 2016-17 ₹ 193.80 crore was utilized under State Plan and 100 Adarsha Vidyalayas were opened in 100 Blocks of 14 districts.
3	Works	A provision of ₹ 15 crore was made to provide uniform way-side amenities across the important roads of the State with availability of decent and well maintained toilets.	As on March 2017, ₹ 7.68 crore was utilized. Out of proposed 50 Wayside Amenities, 41 were in progress.
4	Rural Development	A provision of ₹ 400 crore was made for construction of 364 bridges taken up under Biju Setu Yojana (BSY) and 150 new bridges to establish all-weather connectivity in rural areas.	Out of 364 ongoing bridges, 52 bridges were completed till the end of February 2017 and the remaining are under progress. As regards 150 new bridges, construction work has not yet started.
5	Energy	A sum of ₹ 600 crore was provisioned for construction of 550 numbers of 33/11 KV sub-stations.	As on March 2017, all the funds were utilized. Out of 550 nos. of 33/11 KV sub stations proposed, 131 were completed and charged, 275 were under progress and 67 were proposed to be completed during 2017-18 and 2018-19 respectively, tenders of the rest 77 sub-stations were not floated.

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

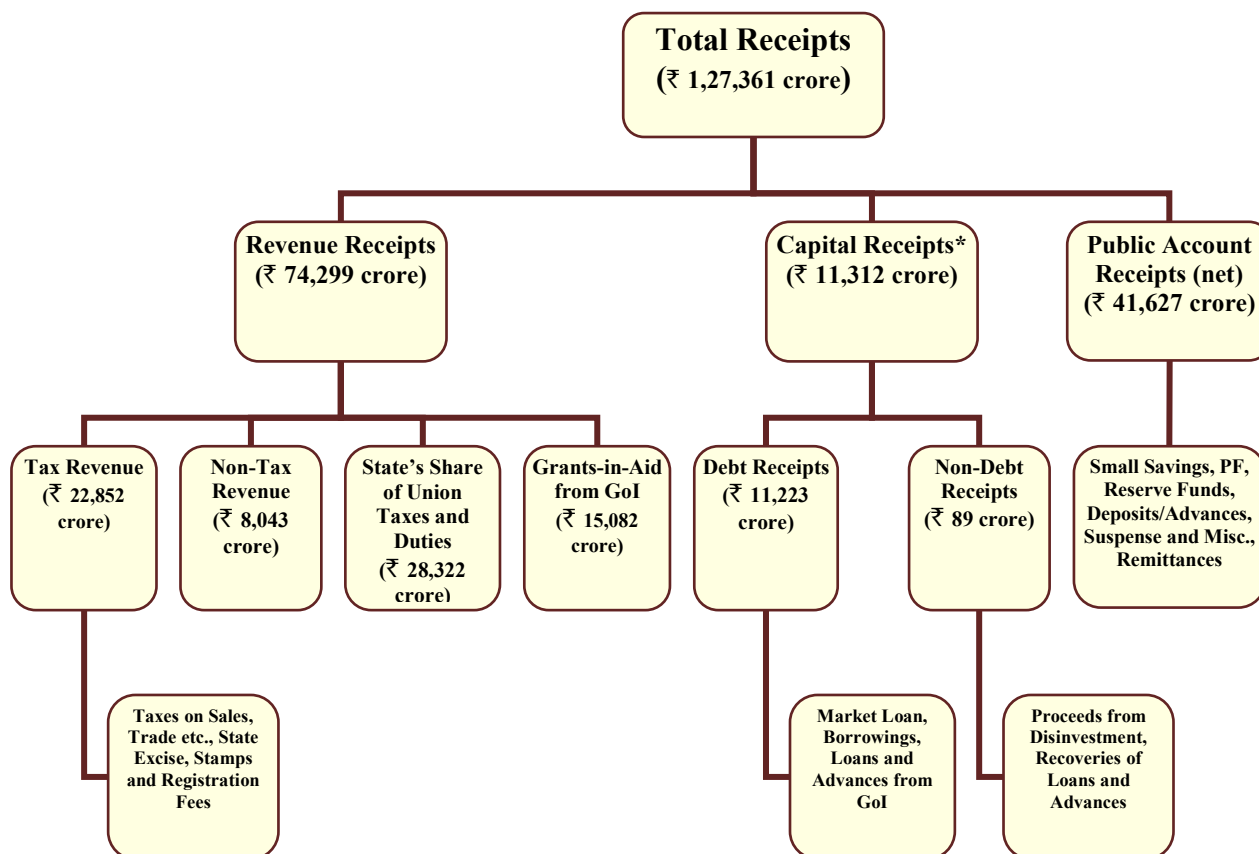
1.3 Resources of the State

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.

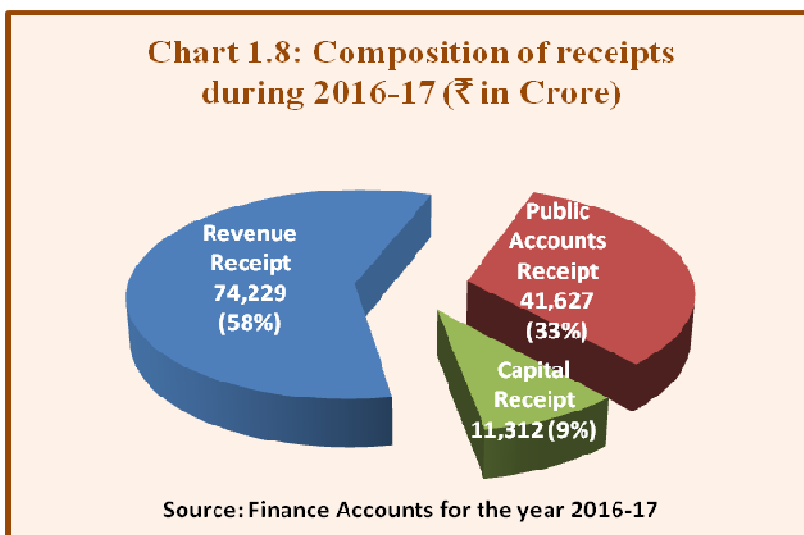
Chart 1.7 and Chart 1.8 depicts the composition of receipts of the State during the current year while **Chart 1.9** depicts the trends in various components of the receipts of the State during 2012-13 to 2016-17.

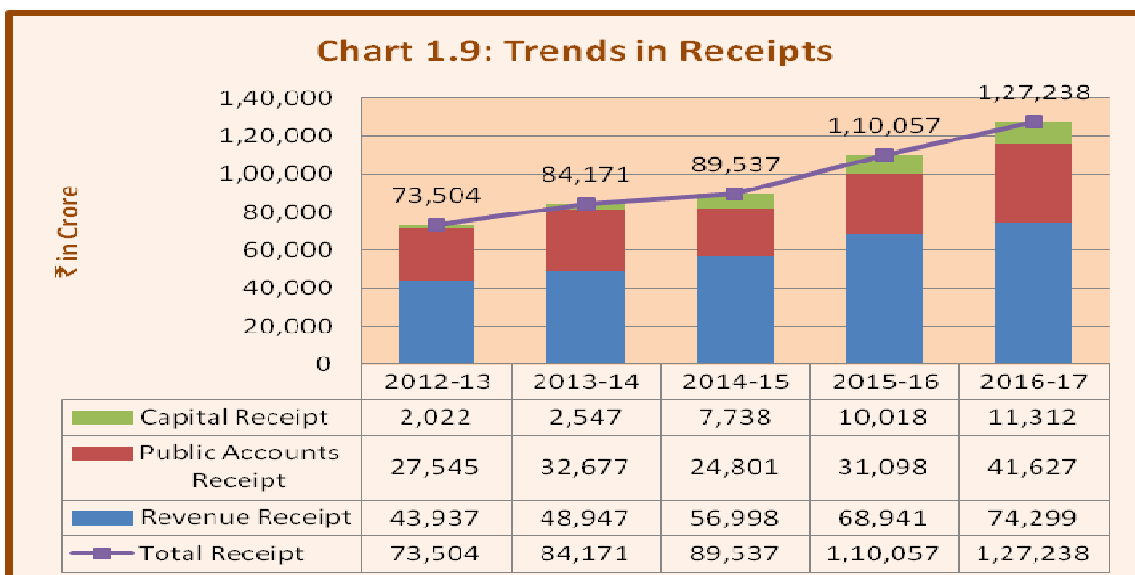
Chart 1.7: Components and sub-components of Resources



*Excludes ₹ 123 crore recouped to Odisha Contingency Fund

Total receipts increased from ₹ 73,504 crore in 2012-13 to ₹ 1,27,238 crore in 2016-17 (73.10 per cent). Increase in Revenue Receipts by 69.10 per cent from ₹ 43,937 crore to ₹ 74,299 crore during the period was due to increase in State's share of Central tax transfers, Grants-in-Aid from GoI and higher collection of State's own taxes as well as Non-Tax Revenue. However, the share of Revenue Receipts as percentage of total receipts decreased from 60 to 58 from 2012-13 to 2016-17. The share of Capital Receipts increased from three per cent in 2012-13 to nine per cent in 2016-17. The share of Public Account receipts to the total receipts decreased from 37 per cent in 2012-13 to 33 per cent in 2016-17.





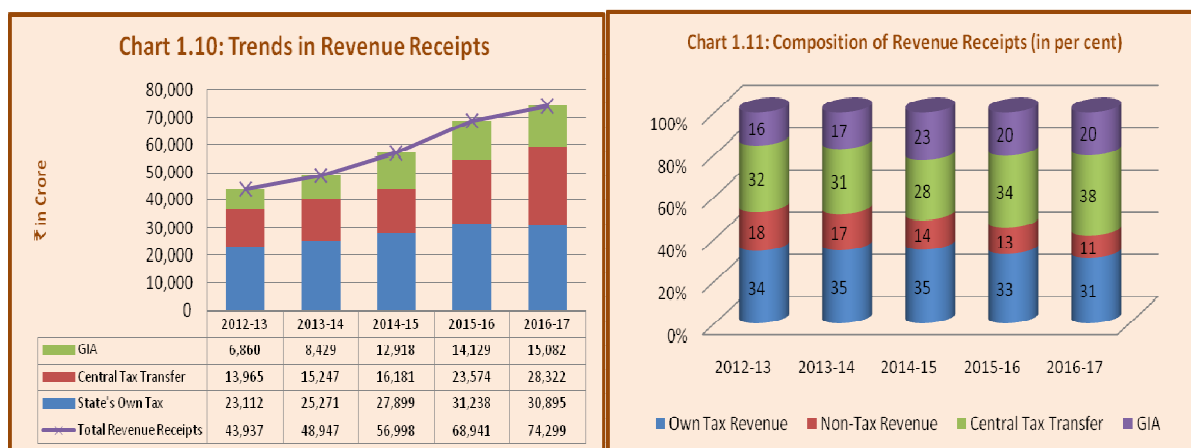
Source: Chart 1.3 & 1.4 - Finance Accounts of Government of Odisha for respective years

1.3.2 Funds transferred to State Implementing Agencies outside the State Budget

Contrary to Planning Commission's decision (D.O. No. M-13048/38/2013-SP-Coord, dated 26.12.2013) to release all assistance only through the State Government, the direct transfers made by GoI to implementing agencies during the year increased by 294 per cent as compared to 2015-16. ₹ 795.33 crore was directly transferred to Odisha Rural Development and Marketing Society under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and ₹ 147.50 crore to Collectors of 23 districts under Member of Parliament's Local Area Development Schemes (MPLADS).

1.4 Revenue Receipts

The trends and composition of Revenue Receipts over the period 2012-13 to 2016-17 are shown in *Appendix-1.3* and also depicted in Chart 1.10 and 1.11 respectively.



Source: Finance Accounts of Government of Odisha

Revenue Receipts showed progressive increase from ₹ 43,937 crore in 2012-13 to ₹ 74,299 crore in 2016-17 registering a growth of 69 per cent. ₹ 30,895 crore (42 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. There was an increase of ₹4,748 crore

(20 per cent) in State's share in Union taxes and duties, ₹ 953 crore (7 per cent) in Grants-in-Aid, ₹ 325 crore (1 per cent) in own Tax Revenue and decrease of ₹ 668 crore (8 per cent) in Non-Tax Revenue, which resulted in an overall increase of ₹ 5,358 crore (8 per cent) in Revenue Receipts during 2016-17 over the previous year.

It was observed that in the last five years, the percentage of central transfer (including grants-in-aid) was increasing while the state's own share was decreasing. Trends of share of receipts from central transfer and state own receipt for the year 2012-13 to 2016-17 depicted in Chart: 1.11.

The trends in Revenue Receipts relative to GSDP are presented in **Table 1.5**:

Table 1.5: Trends in Revenue Receipts relative to GSDP

	2012-13	2013-14	2014-15	2015-16	2016-17
Gross State Domestic Product (GSDP) (₹ in crore)	2,58,275	2,91,709	3,21,971	3,41,887	3,78,991
Rate of growth of GSDP	13.34	12.95	10.37	6.19	10.85
Revenue Receipts (RR) (₹ in crore) *	43,937	48,947	56,998	68,941	74,299
Rate of growth of RR (<i>per cent</i>)	9.11	11.40	16.45	20.95	7.77
R R/GSDP (<i>per cent</i>)	17.01	16.78	17.70	20.16	19.60
Rate of growth of State's own tax	11.83	12.36	17.38	13.61	1.44
Buoyancy Ratios¹					
Revenue Buoyancy with respect to GSDP	0.68	0.88	1.59	3.38	0.72
State's Own Tax Buoyancy with respect to GSDP	0.89	0.95	1.68	2.20	0.13

Source: GSDP- Directorate of Economic and Statistics, Government of Odisha and Revenue Receipts- Finance Accounts of the respective year. * Do not include GoI funds transferred to Non-Government Organization and others.

- Revenue buoyancy with reference to GSDP was above one during 2014-15 to 2015-16, but it was below one during the year 2016-17. The growth rate of Revenue Receipts was better than the growth rate of GSDP during 2014-15 and 2015-16, but in 2016-17 it registered lower growth rate than GSDP.
- The State's own tax buoyancy with respect to GSDP was also more than one during 2014-15 and 2015-16, but during 2016-17 it came down to 0.13.

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 1.6**.

¹ 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 0.72 implies that Revenue Receipts tend to increase by 0.72 percentage points, if the GSDP increases by one per cent.

Table 1.6: Mobilisation of Own Tax and Non - Tax Revenue during 2016-17.

(₹ in crore)

	Assessment made by FFC	Assessment made by State Government in MTFP	Actuals
State's own Tax Revenue	30,440	23,200	22,852
State's own Non-Tax Revenue	9,597	9,823	8,043

Source: Finance Accounts, FFC (P/451) and MTFP of Government of Odisha

During 2016-17, the receipts under State's Tax Revenue and Non-Tax Revenue were less than the assessment of FFC by 25 per cent and 16 per cent respectively. However the State's own Tax Revenue was less than the assessment made in MTFP by ₹ 348 crore (1.5 per cent) and Non-Tax Revenue was less by ₹ 1,780 crore (18.12 per cent). Tax Revenue increased by 1.44 per cent (₹ 325 crore) over the previous year and Non-Tax Revenue decreased by 7.67 per cent (₹ 668 crore) during the same period.

1.4.1.1 Tax Revenue

The Head-wise components of Tax Revenue during 2012-13 to 2016-17 are shown in **Table 1.7.**

Table 1.7: Head- wise components of State's Tax Revenue

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage increase in 2016-17 over previous year
Taxes on Sales, Trades etc.	9,685	10,729	11,817	13,097	13,402	2.33
State Excise	1,499	1,780	2,035	2,547	2,786	9.38
Taxes on Vehicles	746	860	910	1,044	1,216	16.48
Stamp Duty and Registration Fees	545	606	800	2,157	1,364	-36.76
Land Revenue	420	431	646	589	460	-21.90
Taxes on Goods and Passengers	1,342	1,613	1,711	1,663	1,760	5.83
Other Taxes ²	797	873	1,909	1,430	1,864	30.35
Total	15,034	16,892	19,828	22,527	22,852	1.44

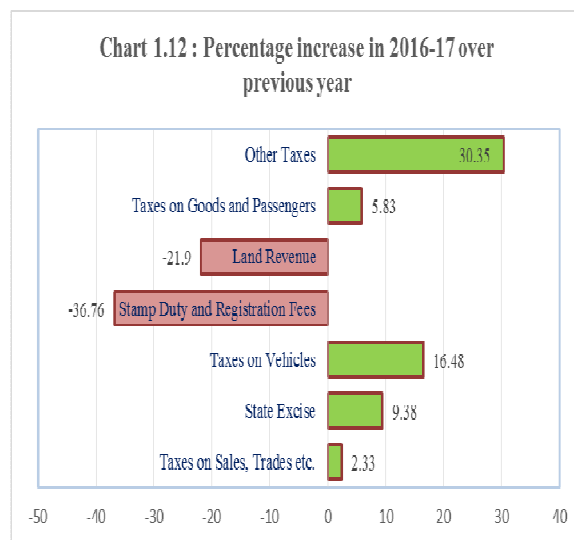
Source: Finance Accounts of Government of Odisha for the respective years

The Compound Annual Growth Rate (CAGR) of Tax Revenue for 2007 to 2016 of the state was higher as compared to General Category States (*Appendix 1.1*). The Tax Revenue during the current year (₹ 22,852 crore) increased by 1.44 per cent over the previous year (₹ 22,527 crore) as against 13.50 per cent growth rate of General Category States. The revenue through Taxes on Sales, Trades etc. (₹ 13,402 crore) was the main source of State's own Tax Revenue and registered an increase of 2.33 per cent, State Excise (₹ 2,786 crore) increased by 9.38 per cent, Taxes on Vehicles (₹ 1,216 crore) increased by 16.48 per cent, Taxes on Goods and Passengers (₹ 1,760 crore) increased by 5.83 per cent, Stamp Duty and Registration Fees (₹ 1,364 crore) decreased by 36.76 per cent and Taxes on Land Revenue (₹ 460 crore) decreased by 21.90 per cent over the previous year.

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

The ratio of Own Tax Revenue (OTR) with respect to GSDP was 6.03 per cent in 2016-17. Therefore, the State could not achieve the target of 6.4 per cent by 2016-17 as projected by FFC.

Major increase / decrease in current year's Own Revenue along with reasons are given in Table 1.8.



Source: Finance Accounts

Table 1.8: Major increase /decrease in current year's Own Revenue

Sl. No.	Major Heads of Account	Increase (₹ in crore)	Main Reasons
1	0043-Taxes and Duties on Electricity	424.94	Due to revision in the rate of Electricity Duty
2	0701-Medium Irrigation	364.13	Due to collection of arrears of water charges.
3	0040-Taxes on Sales, Trade etc.	305.36	Due to increase in volume of sale and rate of commodities and all out efforts of Commercial Tax Wing.
4	0039-State Excise	239.08	Due to revision in Excise Policy 2015-16
5	0075-Miscellaneous General Services	191.82	Due to more receipt of Unclaimed Deposits and Miscellaneous other Receipts.
6	0041-Taxes on Vehicles	172.35	Due to increase in Motor Vehicle Registration cases.
Sl. No.	Major Heads of Account	Decrease (₹ in crore)	Main Reasons
7	0853-Non-ferrous Mining and Metallurgical Industries	873.17	Due to decrease in the rate of iron ore price in the International Market.
8	0030-Stamps and Registration Fees	793.36	Due to less number of registration of documents.
9	0700-Major Irrigation	328.07	Previous year collection under this head was high due to collection of arrear Industrial Water Rate.
10	0049-Interest Receipts	133.02	Due to less receipt of interest from PSUs/ Cooperative and less Cash Balance Investment.
11	0029-Land Revenue	128.81	Due to less sale of Government Estates.

Source: Information furnished by Finance Department, Government of Odisha.

The Government stated (November 2017) that the State's Own Tax Revenue (OTR) during 2016-17 was affected as Indian Oil Corporation Limited (IOCL) withheld about ₹ 1,796 crore towards VAT. The target of FFC has been fixed keeping an annual growth of about 24 per cent in Own Tax Revenue. It may not be possible as GSDP is about 11% for the year.

1.4.1.2 Non-Tax Revenue

The components of Non-Tax Revenue during 2012-13 to 2016-17 are given in **Table 1.9**.

Table 1.9: Components of State's own Non-Tax resources

(₹ in crore)						
Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage increase over previous year
Interest Receipts	588	1,241	331	560	427	(-)23.75
Dividends & Profits	565	452	1,076	553	566	2.35
Non-Ferrous Mining and Metallurgy receipts	5,697	5,519	5,310	5,799	4,926	(-)15.04
Other Non-Tax Receipts	1,228	1,167	1,354	1,799	2,124	18.07
Total	8,078	8,379	8,071	8,711	8,043	(-)8.36

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

The Compound Annual Growth Rate (CAGR) of Non-Tax Revenue from 2007 to 2016 of the State was higher as compared to the General Category States (Appendix 1.1). However, growth of CAGR of the State was lower than the General Category States during 2016-17. The Non-Tax Revenue collected during 2012-13 to 2016-17 ranged between 11 to 18 *per cent* of revenue receipts and it is gradually decreasing. The Non-Tax Revenue (NTR) (₹ 8,043 crore), which constituted 11 *per cent* of Revenue Receipts during 2016-17, decreased by ₹ 668 crore (7.67 *per cent*) over previous year. The decrease was mainly under Non-ferrous Mining and Metallurgical Industries (₹ 873 crore), Stamps and Registration Fees (₹ 793 crore) and Major Irrigation (₹ 328 crore), which was partly set off by increase under Taxes and Duties on Electricity, Medium Irrigation, Taxes on Sales, Trade etc. and State Excise.

The Government stated (November 2017) that shortfall in mining revenue during 2016-17 was mainly due to steep fall in prices of iron ore in international market and reduction in collection of Stamp and Registration fees.

1.4.2 Grants-in-Aid from Government of India

Grants-in-Aid from GoI increased from ₹ 6,860 crore in 2012-13 to ₹ 15,082 crore during 2016-17 as shown in **Table 1.10**.

Table 1.10: Grants-in-Aid from Government of India

(₹ in crore)					
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Grants for Non Plan Schemes	1,505	2,729	1,929	3,063	3,248
Grants for State Plan Schemes	3,484	3,429	10,886	10,773	11,769
Grants for Central Plan Schemes	183	122	102	293	65
Grants for Centrally Sponsored Schemes	1,688	2,149	0.08	0.04	0.1
Grants for Special Plan Schemes	--	--	--	--	--
Total	6,860	8,429	12,917	14,129	15,082
Percentage of increase over previous year	(-)15.85	22.87	53.24	9.38	6.74
Total grants as a percentage of Revenue Receipts	15.61	17.22	22.66	20.49	20.30

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

While there was 238 *per cent* increase under grants for State Plan Schemes (₹ 8,285 crore) and 116 *per cent* under Non-Plan Schemes (₹ 1,743 crore), there was 64 *per cent* decrease in Central-Plan Grants (₹ 118 crore) and 100 *per cent* under Centrally Sponsored Schemes (₹ 1,688 crore). Percentage share of Grants-in-Aid to Revenue Receipts increased from 16 *per cent* in 2012-13 to 20 *per cent* in 2016-17.

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 distance³, 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 2015-16 to 2019-20.

1.4.3.1 Grants Recommended by the FFC vis-à-vis release made by Government of India during the year 2015-16 to 2016-17

The comparative statement of grants recommended by FFC and grants released by GoI during the year 2015-16 to 2016-17 is summarized in **Table 1.11**.

Table-1.11 Comparative statement of grants recommended by FFC and grants released by GoI

(₹ in crore)

Items	2015-16			2016-17		
	Recommendations of FFC	GoI Release	Short Release	Recommendations of FFC	GoI Release	Short Release
1	2	3	4	5	6	7
1. Share in Central Taxes & Duties	27,001.00	23,573.76	3,427.24	31,158.00	28,321.50	2,836.50
2. Disaster Management						
(a) Centre's Share	673.00	560.25	112.75	706.00	588.75	117.25
3. Panchayati Raj Institutions-						
(a) Basic Grant	955.52	955.52	0.00	1,323.09	1,323.09	0.00
(b) Performance Grant	0.00	0.00	0.00	173.55	173.55	0.00
4. Urban Local Bodies-						
(a) Basic Grant	170.10	162.44	7.66	235.54	231.26	4.28
(b) Performance Grant	0.00	0.00	0.00	69.52	68.26	1.26
5. Total Grants (2+3+4)	1,798.62	1,678.21	120.41	2,507.70	2,384.91	122.79
Grand Total (1+5)	28,799.62	25,251.97	3,547.65	33,665.70	30,706.41	2,959.29

Source- Odisha Budget at a Glance – 2016-17

It was observed that during 2015-16, short release of grants-in-aid amounted to ₹ 120.41 crore, whereas short release during 2016-17 was ₹122.79 crore.

³ Income distance is the distance of actual per capita income of a State from the State with highest per capita income.

1.4.4 Central Tax transfers

During 2016-17, Central tax transfers increased by ₹ 4,748 crore over previous year and constituted 38 *per cent* of Revenue Receipts. The increase was mainly under Corporation Tax (₹ 1,664 crore), Union Excise Duties (₹ 1,309 crore), Taxes on Income other than Corporation Tax (₹ 1,164 crore), Service Tax (₹ 478 crore) and Customs (₹ 131 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 ₹ 9,290 crore from ₹ 2,022 crore during 2012-13 to ₹ 11,312 crore during 2016-17 as shown in **Table 1.12**.

Table 1.12: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts (CR)	2,022	2,547	7,738	10,018	11,312
Miscellaneous Capital Receipts	--	0.03	--	--	--
Recovery of Loans and Advances	142	257	92	228	89
Public Debt Receipts	1,880	2,290	7,646	9,790	11,223
Rate of growth of debt Capital Receipts	38.85	21.81	233.89	28.04	14.64
Rate of growth of non-debt Capital Receipts	7.58	80.98	(-)64.20	147.83	(-)60.96
Rate of growth of GSDP	13.34	12.95	10.37	6.19	10.85
Rate of growth of CR (<i>per cent</i>)	36.06	25.96	203.81	29.46	12.92

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 one and 11 *per cent* during 2012-13 to 2016-17. Public debt receipts create future repayment obligations. These increased by ₹9,343 crore from ₹ 1,880 crore in 2012-13 to ₹ 11,223 crore in 2016-17, which was a matter of concern. Public debt receipts during the year comprised internal debt of ₹ 10,320 crore (92 *per cent*) and loans and advances of ₹ 903 crore (8 *per cent*) from GoI.

Interest payments on market loans (₹ 15,093 crore) were ₹ 739 crore and constituted 0.99 *per cent* of revenue receipts, which is within prescribed limit of FRBM (Amendment) Act 2016. **Table 1.13** depicts the quantum of borrowings and interest rates.

Table 1.13: Market Loans as a percentage of Internal Debt

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Total Internal debt	16,109	16,073	19,728	26,525	34,553
Total Market Loans	3,806	2,921	4,565	8,128	15,093
Percentage of Market Loans to Internal Debt	24	18	23	31	44
Interest paid on Market Loans	322	217	175	319	739

Source: Finance Accounts of respective years

The Government stated (November 2017) that the entire borrowing was utilised for Capital Investment. The debt amount was within the Fiscal Responsibility and Budget Management (FRBM) limit.

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 Receipts by the Government for the last five years is detailed in **Table 1.14**.

Table 1.14: Trends in growth and composition of Public Account Receipts

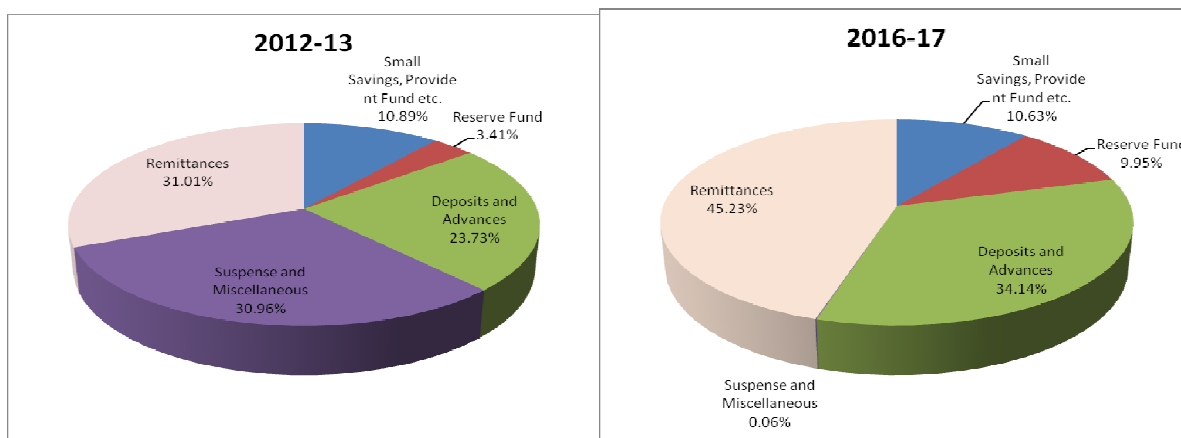
(₹ in crore)

Resources under various heads	2012-13	2013-14	2014-15	2015-16	2016-17
Public Account Receipts	27,545	32,677	24,801	31,098	41,627
a. Small Savings, Provident Fund etc.	3,001	3,332	3,471	4,088	4,424
b. Reserve Fund	939	1,760	658	1,933	4,141
c. Deposits and Advances	6,537	7,019	6,842	7,200	14,210
d. Suspense and Miscellaneous	8,527	10,225	210	174	23
e. Remittances	8,541	10,341	13,620	17,703	18,829

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

The share of Public Account receipts on total receipts decreased from 37.47 *per cent* in 2012-13 to 32.68 *per cent* in 2016-17. As compared to 2015-16, the increase during 2016-17 was 33.86 *per cent* (₹ 10,529 crore), which was mainly under Deposits and Advances (₹ 7,010 crore), Reserve Fund (₹ 2,208 crore), Remittances (₹ 1,126 crore), Small Savings and Provident Fund etc (₹ 336 crore) but there was decrease in Suspense and Miscellaneous by ₹ 151 crore.

Chart 1.13: Composition of Public Account Receipts



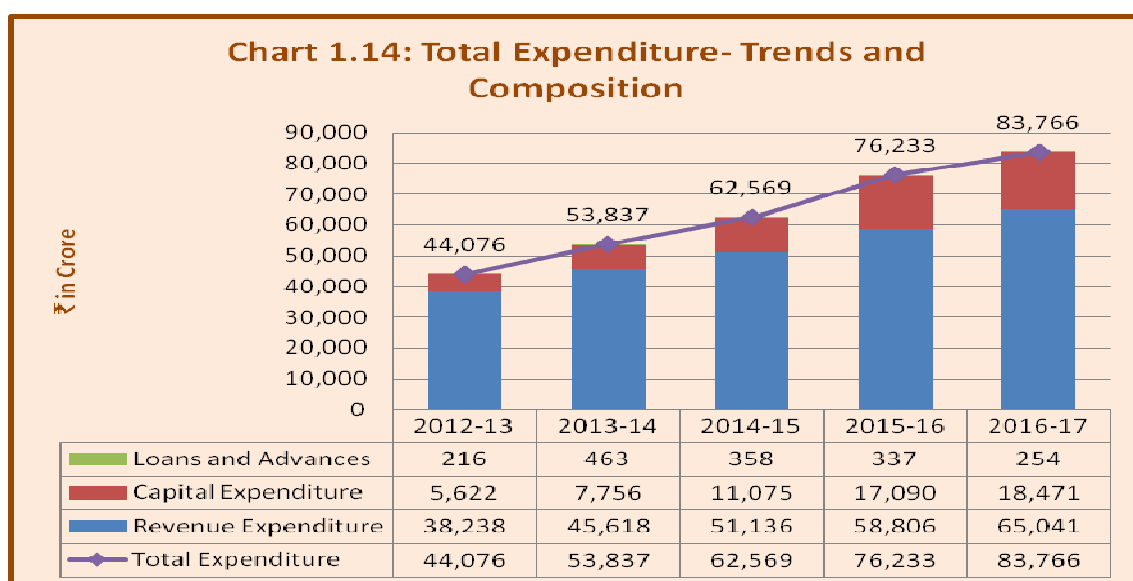
Source: Finance Accounts of GoO

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 1.14 presents the trends in total expenditure over a period of five years (2012-17) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted in Charts 1.15 and 1.16, respectively.

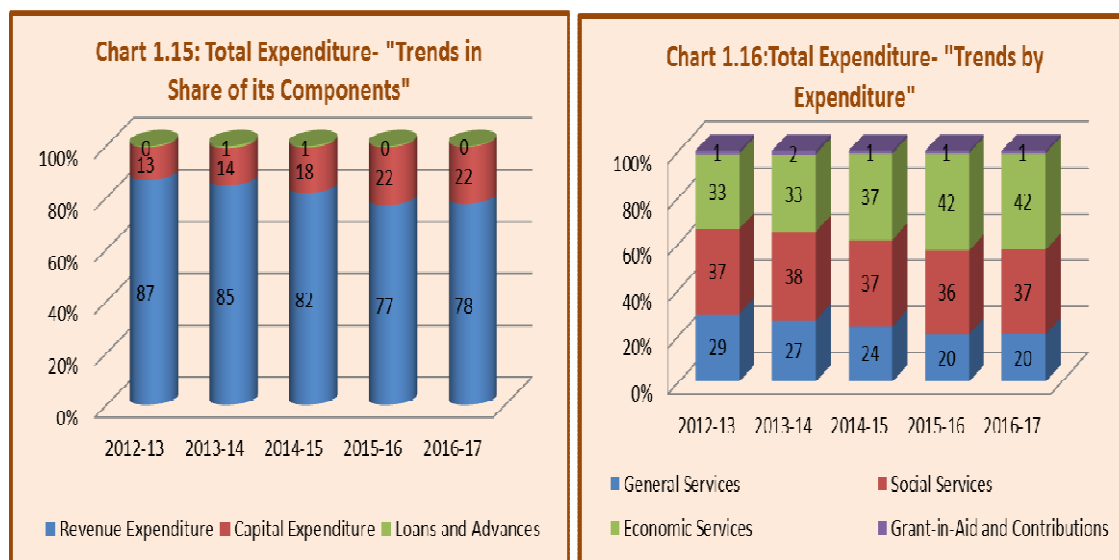


Source: Finance Accounts of Government of Odisha for respective years.

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 1.16**. TE of the State increased by 90 per cent from ₹ 44,076 crore in 2012-13 to ₹83,766 crore in 2016-17 due to increase in Revenue Expenditure (₹ 26,803 crore) and Capital outlay (₹ 12,849 crore) and disbursement of Loans and Advances (₹ 38 crore). While the share of Revenue Expenditure in the TE decreased from 87 per cent during 2012-13 to 78 per cent in 2016-17, the share of Capital Expenditure increased from 13 per cent in 2012-13 to 22 per cent in 2016-17.

The increase of ₹ 7,533 crore in TE during 2016-17 over the previous year was due to increase in Revenue Expenditure and Capital Expenditure by ₹ 6,235 crore and ₹ 1,381 crore, respectively. The TE was 22.10 per cent of GSDP during 2016-17 as compared to 22.94 per cent during the previous year.



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

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 2012-13 which decreased to 78 per cent in 2016-17. However, it increased by 11 per cent from ₹ 58,806 crore in 2015-16 to ₹ 65,041 crore in 2016-17.

In the context of State finances, the quality of expenditure has always been an important issue. Currently, revenue expenditure accounts for around 78 per cent of the State's aggregate expenditure, which is in the nature of current consumption, leaving only 22 per cent for investment in infrastructure and asset creation.

1.7.4 Non-Plan Revenue Expenditure

Non-Plan Revenue Expenditure (NPRE) increased by ₹ 4,174 crore (11.7 per cent) from ₹ 35,536 crore in 2015-16 to ₹ 39,710 crore during the current year. The increase in NPRE is a cause of concern as it erodes the resource base for sparing budgetary resources for development interventions. However, NPRE as a proportion of Revenue Expenditure, decreased from 70 per cent (₹ 26,645 crore) in 2012-13 to 61 per cent (₹ 39,710 crore) in 2016-17. Increase in NPRE during the current year was mainly on Pension and Miscellaneous General Services (₹ 496.44 crore), Interest Payment and Servicing of Debt (₹ 692.13 crore), Social Security and Welfare (₹ 779.45 crore), Rural Development (₹ 662.11 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 194.31 crore), which was partly set off by decrease in Agriculture and Allied Projects (₹ 113.96 crore).

Table 1.15: Comparative assessments of RE and NPRE

	Assessment made by FFC	Assessment made by Government in MTFP	Actual in 2016-17
Revenue Expenditure	63,097	74,443	65,041
NPRE	NA	45,529	39,710

(₹ in crore)

Source: Fourteenth Finance Commission's Report and Finance Accounts 2016-17 and Budget at a Glance 2016-17 of Government of Odisha.

NPRE constituted 47 per cent of the total expenditure of the State during 2016-17. Its ratio with Revenue Expenditure declined from 70 per cent in 2012-13 to 61 per cent in the current year.

1.7.5 Plan Revenue Expenditure

Plan Revenue Expenditure (PRE) increased by ₹ 2,061 crore (9 per cent) from ₹ 23,270 crore in 2015-16 to ₹ 25,331 crore during the current year. Increase in PRE during the current year was mainly on Education, Sports, Art and Culture (₹ 268.50 crore), Health and Family Welfare (₹ 749.23 crore), Agriculture and Allied Projects (₹ 808.16 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 274.54 crore), which was partly set off by decrease in Labour and Labour Welfare (₹ 139.86 crore).

1.7.6 Capital Expenditure

Capital Expenditure (CE) of the State, as proportion of Total Expenditure, increased from 13 per cent (₹ 5,622 crore) in 2012-13 to 22 per cent (₹ 18,471 crore) in 2016-17. However, CE (₹ 18,471 crore) increased (8 per cent) during 2016-17 over the previous year (₹ 17,090 crore), mainly on account of increase in expenditure on Water Supply and Sanitation (₹ 226.13 crore), Power Projects (₹ 649.52 crore), Irrigation and Flood Control (₹ 1,625.84 crore), Medical and Public Health (₹ 141.95 crore), which was partly set off by decrease in Roads and Bridges (₹ 883.26 crore). The CE during 2016-17, was 4.87 per cent of GSDP against Government's projection of 5.17 per cent in

Budget Estimate for 2016-17. The CE (₹ 18,471 crore) decreased by ₹ 1,138 crore against Budget Estimate (₹ 19,609 crore) during the year.

1.7.7 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 30 District Rural Development Agencies (DRDAs), 20 Block Development Offices (BDOs), 10 Municipalities, 10 District Project Office (Sarva Shiksha Abhiyan), 10 District Education Offices and 10 Integrated Tribal Development Agencies, it was observed that funds amounting to ₹ 1,571.52 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 saving bank accounts of commercial banks, which earned interest of nearly four *per cent*. On the other hand, the State Government borrowed ₹ 7,620 crore from the open market at interest rates varying between 6.87 to 8.48 *per cent* and also paid interest amounting to ₹ 738.87 crore on market loans during 2016-17. List of schemes where the amount was more than ₹ 30 crore is given in **Table 1.16**:

Table 1.16: Parking of scheme funds as on 31 March 2017
(₹ in crore)

Sl.No	Scheme name	Closing Balance
1	Indira Awas Yojana	170.82
2	Gopabandhu Gramin Yojana	110.73
3	Biju Gram Jyoti Yojana	98.93
4	State Plan	95.14
5	Biju KBK Yojana	68.59
6	MP LAD	62.29
7	Integrated Action Plan	61.14
8	Sarva Shiksha Abhiyan	60.72
9	State Finance Commission	58.95
10	Mid Day Meal	53.31
11	MLA LAD	50.11
12	13 th Finance Commission	47.48
	Total	938.21

Source: Compiled from information collected from DDOs

The Government stated (November 2017) that funds were transferred to scheme accounts in accordance with Centrally Sponsored Schemes (CSS) guidelines. This issue was being taken up by the State Government with the Government of India. However, it was observed that State Plan Scheme funds amounting to ₹ 674.46 crore were also parked in savings bank account of Commercial Banks. Thus the Government should take steps to avoid parking of funds.

1.7.8 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 1.17** present the trends in the expenditure on these components during 2012-17.

Table 1.17: Components of Committed Expenditure

	(₹ in crore)					
	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actuals
1. Salaries* & Wages	9,615 (22)	10,713 (22)	12,553 (22)	14,188 (21)	20,576	15,180 (20)
(a) Non-Plan Head	9,118	10,210	11,822	13,307	17,587	14,241
(b) Plan Head**	497	503	731	881	2989	939
2. Interest Payments	2,807 (6)	2,888 (6)	2,810 (5)	3,343 (5)	4,650	4,035 (5)
3. Expenditure on Pensions	5,379 (12)	5,935 (12)	6,417 (11)	6,346 (9)	9,495	6,843 (9)
4. Subsidies	1,951 (4)	2,031 (4)	2,076 (4)	2,581 (4)	1,517	2,386 (3)
TOTAL (1+2+3+4)	19,752	21,567	23,856	26,458	36,238	28,444

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

1.7.8.1 Salaries

Expenditure on salaries increased from ₹ 9,615 crore in 2012-13 to ₹ 15,180 crore in 2016-17. This accounted for nearly 20 *per cent* of Revenue Receipts and 38 *per cent* of the NPRE of the State Government during the year. The expenditure on salary decreased to 20 *per cent* of Revenue Expenditure during 2016-17 as against 21 *per cent* in 2015-16.

1.7.8.2 Interest Payments

Interest payments during the current year (₹ 4,035 crore) increased by ₹ 692 crore over the previous year (₹ 3,343 crore). During 2016-17, interest payment as a percentage of total Revenue Receipts was five *per cent*. The increase in Interest Payments was due to payment of interest towards Market Loans (₹ 739 crore), as compared to previous year (₹ 319 crore).

The Government stated (November 2017) that the interest payment to revenue receipt was about five *per cent* which was well within the limit of 15 *per cent* stipulated in FRBM Act, 2005.

1.7.8.3 Pensions

Expenditure on pension (₹ 6,843 crore), which was 9 *per cent* of total Revenue Receipts of the State during the year, increased by 27 *per cent* from ₹ 5,379 crore in 2012-13 to

₹ 6,843 crore in 2016-17. It increased by ₹ 497 crore from ₹ 6,346 crore in 2015-16 to ₹ 6,843 crore in 2016-17. The increase in the current year over the previous year was mainly due to more expenditure on Family Pension, Leave Encashment Benefits and Government Contribution to Defined Contribution Pension Scheme. The pension payment during the current year was within the projection made by FFC (₹ 9,451 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 ₹ 35.21 crore, being the employees' contribution as well as employer's contribution, was kept under Public Account (8342-Other Deposits) for transfer to NPS Trust. Thus, the State Government's liability on this account was ₹ 35.21 crore as on 31 March 2017. 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.

1.7.8.4 Subsidies

For welfare of public at large, states provide subsidies/subventions to disadvantaged sections of the society.

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 ₹ 1,951 crore in 2012-13 to ₹ 2,386 crore (over 22 *per cent*) in 2016-17, which included ₹ 362.65 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, ₹ 503.18 crore under subsidy to Crop Husbandry and ₹ 969.92 crore to Food, Storage and Warehousing. There was an increase of ₹141.65 crore under Relief on account of Natural Calamities over last year (₹221 crore)

1.7.8.5 Future Committed Liabilities

Appendix-XII of Finance Accounts, 2016-17 depicts the information on committed liabilities of the State in the future as detailed in **Table 1.18**.

Table 1.18: 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	96,600.73	2017-23	96,600.73
2	Interest payments	0	38,578.05	2017-23	38,578.05
3	Repayment of Loan	0	22,119.58	2017-23	22,119.58
Total			1,57,298.36		1,57,298.36

Source: Finance Accounts 2016-17, Government of Odisha.

The total committed liabilities of the State stood at ₹ 1,57,298.36 crore at the end of the year. Out of the total liabilities, pension payment obligations were 61.41 *per cent*, interest payments were 24.53 *per cent* and loan repayments were 14.06 *per cent* of the total liabilities.

The share of market loans has been increasing. Of the loan repayment & interest obligations, it was seen that only 36.44 per cent was for loan repayment while 63.56 per cent was going towards interest.

1.7.9 Financial Assistance by State Government to Local Bodies and other Institutions

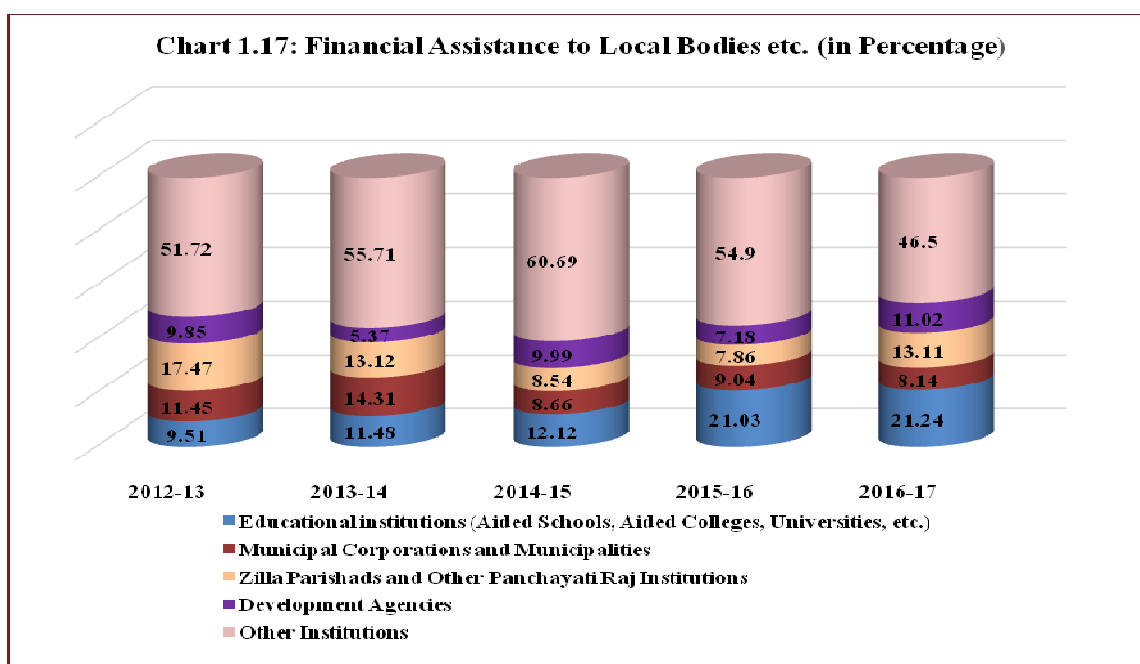
The quantum of assistance provided by way of grants to local bodies and others during the current year relative to the previous years is presented in the **Table 1.19**.

Table 1.19: Financial Assistance to Local Bodies etc.

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	668	1,090	1,659	3,739	4,109
Municipal Corporations and Municipalities	804	1,359	1,185	1,607	1,575
Zilla Parishads and Other Panchayati Raj Institutions	1,227	1,246	1,169	1,397	2,536
Development Agencies	692	510	1,367	1,276	2,132
Other Institutions	3,632	5,290	8,306	9,760	8,996
TOTAL	7,023	9,495	13,686	17,779	19,348
Assistance as per percentage of RE	18	21	27	30	30

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

Grants extended to local bodies and other institutions have increased by ₹ 1,569 crore (9 *per cent*) from ₹ 17,779 crore in 2015-16 to ₹ 19,348 crore in 2016-17. The increase over previous year was mainly due to increase in assistance to Educational Institutions (₹ 370 crore), Zilla Parishads and Other Panchayati Raj Institutions (₹ 1,139 crore), Development Agencies (₹ 856 crore), which was partly set off by decrease in Municipal Corporations (₹ 32 crore) and Other Institutions (₹ 764 crore), resulted in the share of grants and loans to the Revenue Expenditure remaining static at 30 *per cent* during the current year. The financial assistance to Local Bodies and other institutions is given in the **Chart No. 1.17** below:



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 1.20** depicts the fiscal priority of the State Government with regard to Development Expenditure, Social Expenditure and Capital Expenditure during 2016-17.

**Table 1.20: Fiscal Priority and Fiscal Capacity of the State in 2012-13 and 2016-17
(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'* average (Ratio) 2012-13	14.8	70.0	38.2	29.8	13.7	17.7	4.6
Odisha State's average (Ratio) 2012-13	17.1	123.8	36.7	32.7	12.8	16.6	4.0
General Category States'* average (Ratio) 2016-17	16.7	70.9	32.2	35.1	19.7	15.2	4.8
Odisha State's average (Ratio) 2016-17	22.1	78.9	36.5	41.8	22.1	14.5	5.7

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 2016-17 (17.1 *per cent* and 22.1 *per cent*) were higher in Odisha as compared to 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 2016-17. 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 2016-17, 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 health sector in Odisha during 2016-17 (5.7 *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 1.21 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 1.22 provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected social and economic services.

Table 1.21: Development Expenditure

Components of Development Expenditure [§]	2012-13	2013-14	2014-15	2015-16	2016-17	
					(BE)	(Actual)
Development Expenditure (a to c)						
a. Development Revenue Expenditure (DRE)	25,173 (57)	31,036 (58)	35,790 (57)	42,831 (56)	51,680	47,314 (56)
b. Development Capital Expenditure (DCE)	5,271 (12)	7,286 (14)	10,685 (17)	16,665 (22)	16,331	18,097 (22)
c. Development Expenditure on Loans and Advances	142 (0.3)	364 (0.7)	260 (0.4)	242 (0.3)	NA	164 (0.2)
TOTAL	30,586 (69)	38,687 (72)	46,735 (75)	59,738 (78)		65,575 (78)

Figures in parentheses indicate *percentage* to aggregate expenditure,

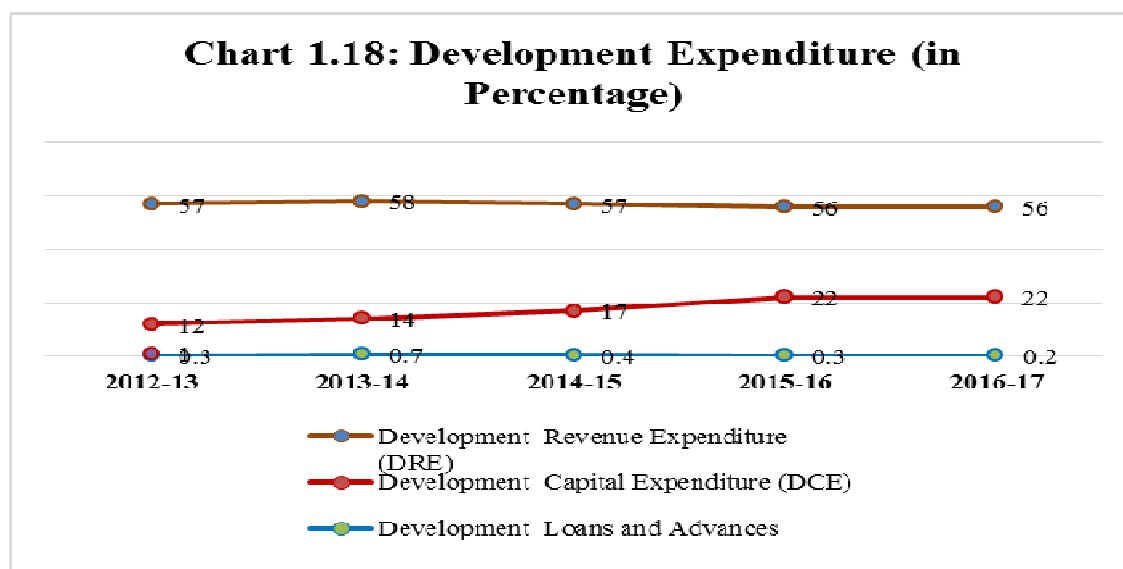
Source: Odisha Budget at a Glance 2016-17 and Finance Accounts 2016-17.

[§] 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 ₹ 30,586 crore in 2012-13 to ₹ 65,575 crore in 2016-17. As a percentage of total expenditure, it increased from 69 *per cent* in 2012-13 to 78 *per cent* in 2015-16 and remains same in 2016-17 as well.

It would be seen from the above that Development Revenue Expenditure which was ₹ 25,173 crore during 2012-13 rose to ₹ 47,314 crore during 2016-17, registering a growth of nearly 88 *per cent*.

During 2016-17, Development Revenue Expenditure increased by ₹ 4,483 crore (10 *per cent*) in absolute terms and Development Capital Expenditure increased by ₹ 1,432 crore (9 *per cent*) over the previous year.



The increase in Development Revenue Expenditure during 2016-17 over the previous year was mainly due to increase under Education, Sports, Art and Culture (₹ 753 crore), Health & Family Welfare (₹ 907 crore), Water Supplies and Sanitation (₹ 469 crore), Social Welfare and Nutrition (₹ 844 crore), Agriculture and Allied Activities (₹ 694 crore) and Rural Development Programmes (₹ 591 crore). The increase in Capital

Expenditure during 2016-17 over the previous year was mainly due to increase in expenditure on Water Supply, Sanitation, Housing and Urban Development (₹ 369 crore), Irrigation and Flood Control (₹ 1,626 crore) and Power Projects (₹ 650 crore), which was partly set off by decrease in Roads and Bridges (₹ 883 crore).

Table 1.22: Efficiency of expenditure in selected Social and Economic services

Sectors	(In per cent)					
	2015-16			2016-17		
	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	
Social Services (SS)						
General Education	2.94	54.57	NA	1.95	53.65	NA
Health and Family Welfare	3.08	49.38	NA	3.62	40.12	NA
Water Supplies, Sanitation & Housing & Urban Development	5.86	3.31	0.45	7.42	3.38	NA
TOTAL (SS)	17.13	44.34	NA	16.25	31.84	NA
Economic Services (ES)						
Agriculture & Allied Activities	2.10	18.08	NA	1.18	17.48	NA
Irrigation and Flood Control	24.42	12.69	0.85	31.40	13.72	NA
Power & Energy	8.19	6.73	NA	11.09	3.74	NA
Transport	44.20	0.40	NA	36.64	0.40	NA
Total (ES)	80.38	30.93	NA	81.73	10.37	NA
TOTAL (SS+ES)	97.52	45.02	NA	97.98	22.90	NA

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 1.22** 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 2015-16 and 2016-17.

The share of Capital Expenditure to total expenditure decreased in General Education, Agriculture and Transport sector and increased in Health & Family Welfare, Water Supplies, Sanitation, Housing & Urban Development, Irrigation and Flood Control and Power sector during 2016-17 as compared to the previous year.

As seen from **Appendix-1.3**, expenditure on Social Services during 2016-17 (₹ 30,601 crore), constituting 37 per cent of total expenditure (₹ 83,766 crore), increased by 11 per cent over the previous year's expenditure (₹ 27,572 crore), while in Development Expenditure (₹ 65,411 crore), which was 78 per cent of total expenditure, there was an increase of 10 per cent over the previous year (₹ 59,497 crore). Revenue Expenditure on salaries continued to share a dominant proportion of Revenue Expenditure on Social

Services (31.84 *per cent*). Capital Expenditure on Social Services relative to the total expenditure showed a decrease (0.88 *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 2016-17, total expenditure under economic services (₹ 34,810 crore) increased by 9 *per cent* over previous year. The expenditure on total economic services (₹ 31,925 crore) accounted for 42 *per cent* of total expenditure and 49 *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 to convert 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, Panchayati Raj, ST&SC Development, Minorities and Backward Classes Welfare Department, Agriculture and Farmer's Empowerment Department and Works departments were reviewed for the year 2016-17 and it was seen that the financial and physical targets were not fully achieved (*Appendix-1.6*).

- In Fisheries and Animal Resources Development Department, 80 *per cent* of financial target has been achieved, but 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 fully but the physical achievement was Nil. During audit scrutiny it was revealed that all the fund (₹6.86 crore) was drawn from treasury and parked in bank account, but shown as utilised as on 31 March. However no houses were constructed for fishermen. It was further observed that in 2015-16, the entire fund under this scheme was shown as utilised but the physical achievement was only 3 *per cent*.
 - In Assistance to Fishermen for Development of Livelihood (B&N) scheme, the financial target was achieved fully, but the physical achievement was Nil. During the year all the fund (₹2.53 crore) was shown as utilised and parked in bank accounts as on 31 March, but no boat was supplied to fishermen for development of their livelihood.
 - In Safety of Fishermen at Sea, 97 *per cent* of the financial target was achieved, but the physical achievement was Nil. During the year ₹1.90 crore was shown as

utilised as on 31 March and kept in bank account. No physical achievement was made due to sanction of fund at the fag end of the year and delay in tendering process.

- The financial and physical achievements of the Panchayati Raj Department are given below:
 - In *Pradhan Mantri Awas Yojana*, ₹ 923 crore (55 per cent) was utilised against the financial target of ₹ 1,688 crore, but the physical target achieved was zero per cent (only 343 houses were constructed against physical target of 3,96,102).
 - In *Biju Pucca Ghar Yojana*, ₹ 398 crore (57 per cent) was utilised against the financial target of ₹ 700 crore, but the physical achievement was only four per cent (only 2,636 houses were constructed against physical target of 62,416).
- The financial and physical achievements of ST&SC Development, Minorities and Backward Classes Welfare Department are given below:
 - In *Special Central Assistance to Tribal Sub Plan*, ₹ 135 crore (106 per cent) was utilised against the financial target of ₹ 127 crore, but the physical target was not achieved (programme under progress).
 - In *Creation of Infrastructure in TSP areas under Article 275(1) of the Constitution of India*, ₹ 118 crore (79 per cent) was utilised against the financial target of ₹ 149 crore, but the physical target was not achieved (Out of 1,650 projects, all are under progress).
 - In *Construction of Hostels for SC & ST Students*, ₹ 216 crore (82 per cent) was utilised against the financial target of ₹263 crore, but the physical target was not achieved (Out of 639 projects, no construction work has been completed).
- The financial and physical achievements of Works Department are given below:
 - In *Central Road Fund*, ₹ 102 crore (19 per cent) was utilised against the financial target of ₹550 crore.
 - In *KBK (RLTAP)*, ₹ 5.76 crore (39 per cent) was utilised against the financial target of ₹14.65 crore
 - In *Odisha State Road Project (EAP)*, ₹ 175 crore was utilized, but the physical achievement was 64 Km against 100 KM.

The Government stated (November 2017) that the expenditure was incurred as soon as the funds were drawn from treasury and credited to scheme accounts. The utilization of funds and creation of assets takes some time.

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 ₹ 5,083.06 crore at the end of March 2017 showed that an amount of ₹ 128.82 crore was realised from these projects during 2016-17 by way of sale of water to industries. After meeting the working and maintenance expenditure of ₹ 269.98 crore and interest charges of ₹ 336.67 crore, the schemes suffered net loss of ₹ 477.83 crore during current year as against net loss of ₹ 148.64 crore during previous year. The net loss expressed as the percentage of Capital Outlay to the end of 2016-17 is (-)9.40 as against (-)3.09 to the end of 2015-16.

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 2017 is given in **Table 1.23**.

Table 1.23: Department-wise profile of incomplete projects.

(₹ in crore)								
Name of Department	No. of incomplete projects as on 31/03/2016	Projects identified to be completed during 2016-17	Total	No. of projects completed during 2016-17 as on 31.03.2017	No. of incomplete projects as on 31.03.2017	Initial Budgeted cost	Revised cost of projects	Cumulative actual expenditure as on 31.03.2017
RD	57	642	699	482	217	1,860.89	1,872.92	1,402.49
Works	19	81	100	83	17	1,830.69	1,783.25	1,677.47
WR	12	30	42	29	13	347.40	386.11	363.80
SD&TE	0	14	14	10	4	54.09	58.33	37.27
ST&SC Dev	0	2	2	0	2	8.33	8.33	NA
MS&ME	0	4	4	1	3	23.32	23.54	11.35
Industry	0	1	1	0	1	81.90	81.90	NA
Commerce	0	9	9	3	6	31.02	34.55	29.82
F&ARD	0	4	4	0	4	391.69	391.68	79.65
TOTAL	88	787	875	608	267	4,629.32	4,640.60	3,601.85

Source: Information collected from the Finance Department.

Section-6 of Odisha Fiscal Responsibility and Budget Management Act, 2005 provides that prioritization of allocation of funds shall be done in a manner that would ensure completion of ongoing projects as per the time schedule. As per the legal requirement under Section-6 of the FRBM Act, 2005 the Government had identified as many of 787 new projects and 88 spilled over projects of previous years totaling to 875 projects under Zero Based Investment Review for completion during the year 2016-17. Out of these, 608 projects have been completed and the remaining 267 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 the cost to the exchequer also increased by ₹ 11.28 crore, due to time overrun involved in their completion.

The State Government stated (November 2017) that execution of projects were delayed due to issues in Land Acquisition, Forest Clearance and Litigation in execution of Contracts etc. However, State Government should vigorously monitor these issues to avoid delayed execution of the projects.

1.9.3 Investment and Returns

As of March 2017, Government had invested ₹ 4,423.02 crore in Public Sector Undertakings (PSU) comprising Government Companies (₹ 3,272.31 crore), Co-operative Societies (₹ 637.57 crore), Statutory Corporations (₹ 510.99 crore) and others⁴ (₹ 2.15 crore). Of this investment, ₹ 3,459.51 crore or 78 per cent of the total investment fetched no return by way of dividend. Average return on this investment was 18.10 per cent in the last five years (12.80 per cent during 2016-17), while Government paid an average interest rate of 5.90 to 7.62 per cent on its borrowings during 2012-13 to 2016-17 (Table 1.24).

Table 1.24: Return on Investment

	(₹ in crore)				
Year	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year	2,964.28	3,308.79	3,504.87	3,881.32	4,423.02
Return	564.53	452.40	1,076.44	553.36	566.04
Percentage of return	19.04	13.67	30.71	14.26	12.80
Average rate of interest on Government borrowing	6.54	6.56	5.90	6.06	7.62
Return – Interest Rate	12.50	7.11	24.81	8.20	5.18

Source: Finance Accounts of Government of Odisha for respective years

The Finance department in their O.M No.3980/E dated:17/02/2016 issued guidelines for payment of Dividend by the State Public Sector Undertakings (PSUs). In Para -3 it was stated that a state PSU would pay an annual dividend of 30 per cent of Profit After Tax (PAT) or 30 per cent of State Government equity, whichever is higher. The Public Enterprise department and other Administrative departments concerned should take stock of the financial results of the State PSUs under their administrative control and enforce the discipline laid down in Para-3 for payment of dividend. But it was observed during audit that only ₹ 566.04 crore was received as dividend on investment of ₹963.51 crore (22 per cent of total investment) in 10 PSUs during 2016-17. These included two Co-operative Societies⁵, six Government Companies⁶, one Statutory

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

5 Co-operative Society: Credit Co-operatives: ₹ 0.11 crore & Consumer Co-operative: ₹ 0.04 crore

6 Government Companies: Odisha Mining Corporation Limited : ₹ 500.00 crore, Odisha Forest Development Corporation Limited: ₹ 2.45 crore, Odisha Construction Corporation Limited(OCC) ₹ 9.26 crore, Odisha Hydro Power Corporation: ₹ 26.19 crore, Odisha Power Generation Corporation Limited: ₹ 15.00 crore and Odisha State Beverage Corporation Limited : ₹ 10.89 crore.

Corporation⁷ and one Joint Stock Company. However, only one PSU, the Odisha Mining Corporation (OMC) contributed ₹ 500 crore or 88 *per cent* of the total dividend.

It was observed that during 2016-17, Profit after Tax (PAT) earned by six state PSUs other than OMC i.e., Odisha Construction Corporation Ltd. (35.45 crore), Odisha State Police Warehousing Corporation Limited (₹17.08 crore), Odisha State Breweries Corporation Limited (₹ 25.49 crore), Odisha Power Generation Company Limited (₹123.27 crore), Odisha State Medical Corporation Limited (₹ 18.40 crore), Odisha Hydro Power Corporation Limited (₹ 87.30 crore), Odisha Power Transmission Corporation Limited (₹ 30.04 crore) and Odisha Forest Development Corporation Limited (₹ 20.45 crore) amounted to ₹ 357.48 crore. The dividend due from these PSUs worked out to ₹ 107.24 crore (30 *per cent* of PAT). However, only ₹ 66.04 crore was paid as dividend, resulting in less payment of dividend by ₹ 41.20 crore.

The Government stated (November 2017) that necessary correspondence would be made with the profit making PSUs for payment of dividend to the State Government.

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 ₹ 151 crore from ₹ 4,557 crore in 2015-16 to ₹ 4,708 crore in 2016-17. During the year, while Government advanced loans amounting to ₹ 254 crore, ₹ 89 crore was repaid by the loanee entities. Major portion of loans advanced during 2016-17 was to Energy sector (₹ 172 crore) and Government servants (₹ 91 crore). **Table 1.25** presents outstanding loans and advances as on 31 March 2017 and interest receipts vis-à-vis interest payments during the last four years.

Table 1.25: Average Interest Received on Loans Advanced by the State Government
(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Opening Balance	3,903	3,977	4,183	4,449	4,557
Amount advanced during the year	216	463	358	337	254
Amount repaid during the year	142	257	92	228	89
Closing Balance	3,977	4,183	4,449	4,557	4,708*
<i>Of which</i> outstanding balance for which terms and conditions have been settled					
Net addition	(+)74	(+)206	(+)266	(+)109	(+)151
Interest Receipts	16	610	14	181	36
Interest Receipts as a percentage to outstanding Loans and advances	0.40	14.58	0.31	3.97	0.76

7 Statutory Corporation: Odisha State Warehousing Corporation, Bhubaneswar: ₹ 2.02 crore⁸ 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.

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Interest Payments as a percentage to outstanding Fiscal Liabilities of the State Government.	6.48	6.46	5.57	5.59	5.63
Difference between Interest Receipts and Interest Payments (<i>per cent</i>)	(-)6.08	(+)8.12	(-)5.26	(-)1.62	(-)4.87

*Difference of ₹ 14 crore was due to conversion of loan to Share Capital Investment

Source: Finance Accounts of Government of Odisha for respective years

Loans outstanding as on 31 March 2017 aggregated ₹ 4,708 crore. Of the total outstanding loans, terms and conditions for loan amount of ₹ 1,578.84 crore are yet to be settled. Scrutiny of the total outstanding loans showed that loan amounts ranging from ₹ 3,326 crore to ₹ 4,174 crore during 2012-13 to 2016-17 relating to 11 departments were marginally repaid. **Table 1.26** shows that closing balances remained static indicating marginal repayments.

Table 1.26: Loans and Advances rolling for a long time

(₹ in crore)

Sl. No.	Name of Department	2012-13	2013-14	2014-15	2015-16	2016-17
1	Education	6.11	6.34	6.04	4.41	4.37
2	Housing & Urban Development	637.25	625.25	625.73	624.92	622.74
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	11.25	11.25	11.25
5	Agriculture	49.46	49.46	31.62	31.62	31.62
6	Fisheries & Animal Resources Development	19.21	19.21	19.40	14.38	19.40
7	Co-operation	81.22	78.45	72.58	41.00	43.30
8	Water Resources	6.01	5.93	5.85	5.78	5.70
9	Energy	2,296.20	2,849.13	2,849.13	3,098.30	3,269.95
10	Micro Small and Medium Enterprises (Industries)	209.25	168.12	167.51	173.20	157.48
11	Finance	7.34	7.34	7.34	7.34	7.34
	Total	3,326.15	3,823.33	3,796.99	4,012.74	4,173.69

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, House and Urban Development, ST&SC Development, 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 ₹ 256.38 crore relating to 23 loanee entities remained in arrears for long periods as detailed in **Table 1.27**.

Table 1.27: Arrear of loans from loanee entities

(₹ in crore)

Sl. No.	Name of the Loanee entity	Amount of arrears as on March 2017	Earliest period to which arrears relate
1	The Odisha Film Development Corporation Limited	1.28	2008-09
2	Industrial Development Corporation of Odisha Limited	80.07	Not mentioned
3	National Institute of Social Work and Social Science (NISWASS)	3.79	01.04.1997
4	Odisha State Road Transport Corporation	1.81	2002-03
5	Odisha State Co-operative Milk Producers' Federation, Bhubaneswar	10.00	2009-10
6	Odisha Textiles Mills, Chaudwar	25.89	1995-96
7	Odisha State Textiles Corporation (Bhaskar Textiles Mills, Jharsuguda)	7.71	1986-87
8	Odisha State Co-operative Handicraft Corporation Limited	2.11	2005-06
9	Odisha Weavers' Co-operative Spinning Mills, Tora, Baragarh	1.05	2005-06
10	Gopinath Weavers' Co-operative Spinning Mills, Baliapala	4.40	2005-06
11	Utkal Weavers' Co-operative Spinning Mills, Khurda	7.00	2005-06
12	Sarala Weavers' Co-operative Spinning Mills, Tirtol	2.73	2005-06
13	Kalinga Weavers' Co-operative Spinning Mills, Dhenkanal	2.47	2005-06
14	Odisha State Handicrafts Corporation	2.06	2005-06
15	Gangpur Weavers' Co-operative Spinning Mills, Kerei	21.50	1995-96
16	Konark Cotton Growers' Co-operative Spinning Mills, Kesinga, Kalahandi	4.44	2003-04
17	Odisha State Co-operative Spinning Mills Federation Ltd., Bhubaneswar	7.34	1980-81
18	Madhu Nagar Powerloom Weavers' Co-operative Societies	1.17	1961-62
19	Primary Handloom Weavers' Co-operative Societies Ltd.	9.35	1959-60
20	Jagannath Weavers' Co-operative Spinning Mills, Nuapatna	3.42	1985-86
21	Sambalpuri Bastralaya	6.90	2009-10
22	Tribal Development Co-operative Corporation of Odisha Ltd.(TDCCOL)	46.36	1985-86
23	Odisha Cotton Textiles Processing Unit, Jagatpur	3.53	1980-81
		256.38	

Source: Finance Account 2016-17 of Government of Odisha

It was further observed that fresh loans of ₹ 121.66 crore were advanced during 2016-17 to Grid Corporation of Odisha Limited (GRIDCO). Despite GRIDCO having repayment of earlier loan of ₹ 2,168.12 crore was in arrears since 2014-15. Reason for disbursement during the current year was not explained. Thus, sanction of loan without assessing the loan repayment capacity of the loanee entity coupled with poor monitoring, resulted in accumulation of unpaid loans for years together.

Interest receipts increased from ₹ 16 crore in 2012-13 to ₹ 35 crore during the current year. Similarly, interest received against the total outstanding loans and advances

increased from 0.40 *per cent* in 2012-13 to 0.76 *per cent* in 2016-17. While interest payment during 2016-17 was 5.63 *per cent* of its outstanding fiscal liabilities, the interest received was 0.76 *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 1.28 depicts the cash balances and investments made by the State Government out of cash balances during 2016-17. Total investment out of cash balances during 2016-17 were ₹ 8,738 crore, which was invested in 14 days Government of India Treasury Bills (₹ 8,672.82 crore) and Government of India Stock (₹ 65.28 crore). On these investments, the Government earned interest of ₹ 391.09 crore during the current year. Cash balance at the close of the current year increased from ₹ 12,047.68 crore of the previous year to ₹ 14,601.11 crore during the current year and was reflected in cash balance investment accounts as follows:

Table 1.28: Cash balance and investment of cash balance

	Opening balance on 1/4/2016	Closing balance on 31/3/2017
(₹ in crore)		
(a) General Cash Balance -		
Cash in Treasuries	--	--
Deposits with Reserve Bank	666.99	318.65
Deposits with other Banks	--	--
Remittances in transit - Local	--	--
Investments held in Cash Balance investment account	5,836.24	8,738.10
Total (a)	6,503.23	9,056.75
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	21.12	21.03
Permanent advances for contingent expenditure with departmental officers	0.33	0.33
Investment of earmarked funds	5,523.00	5,523.00
Total (b)	5,544.45	5,544.36
Grand total (a)+ (b)	12,047.68	14,601.11

Source: Finance Accounts 2016-17, 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 2017. 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 2016-17 included a few high interest bearing loans like 8.38 *per cent* on Odisha Government Loan (OGL) 2026 (₹ 1,500 crore), 8.00 *per cent* on OGL 2019 (₹ 1,000 crore), 8.08 *per cent* on OGL 2020 (₹ 1,000 crore), 8.03 *per cent* on OGL 2025 (₹ 1,000 crore), 8.03 *per cent* on OGL 2020 (₹ 1,000 crore), 8.48 *per cent*

cent on OGL 2021 (₹ 1,000 crore), 7.08 per cent on OGL 2026 (₹ 1,000 crore), 7.27 per cent on OGL 2036 (₹ 1,000 crore) and 7.95 per cent on OGL 2032 (₹ 1,200 crore). The ThFC had recommended 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 National Small Savings Fund (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 utilizing 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 2017, compared with the corresponding position as on 31 March 2016. 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.

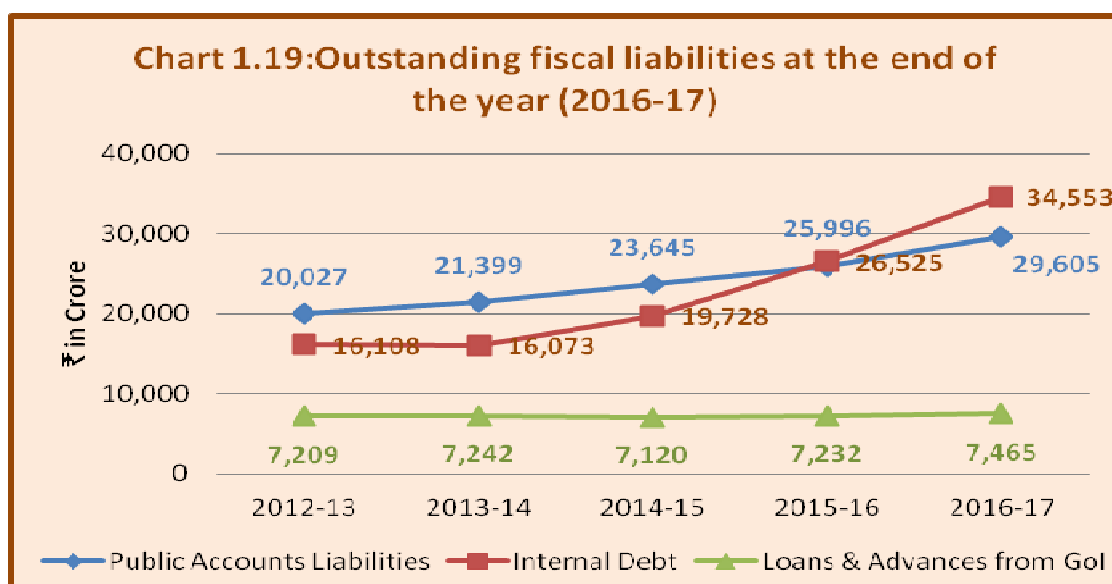
1.10.2 Fiscal Liabilities

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 1.29** and **Chart 1.19**.

Table 1.29: Outstanding fiscal liabilities at the end of the year

Outstanding Fiscal Liabilities		2012-13	2013-14	2014-15	2015-16	2016-17
Public Account Liabilities	Actuals (₹ in crore)	20,027	21,399	23,645	25,996	29,605
	Growth rate	12.20	6.85	10.50	9.94	13.88
	Percentage of revenue receipts	45.58	43.72	41.48	37.71	39.85
Internal Debt	Actuals (₹ in crore)	16,108	16,073	19,728	26,525	34,553
	Growth rate	(-)7.09	(-)0.22	22.74	34.45	30.26
	Percentage of revenue receipts	36.66	32.84	34.61	38.47	46.51
Loans and Advances from GoI	Actuals (₹ in crore)	7,209	7,242	7,120	7,232	7,465
	Growth rate	(-)0.96	0.46	(-)1.67	1.56	3.22
	Percentage of revenue receipts	16.41	14.80	12.49	10.49	10.05
TOTAL (of Actuals ₹ in crore)		43,344	44,714	50,493	59,753	71,623

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 2016 stood at ₹ 59,753 crore comprising internal debt of ₹ 26,525 crore (44 per cent), Public Accounts liabilities of ₹ 25,996 crore (44 per cent) and loans and advance of ₹ 7,465 crore (12 per cent) from GoI. However, these increased by ₹ 11,870 crore (20 per cent) to ₹ 71,623 crore as of 31 March 2017. The fiscal liabilities comprised internal debt of ₹ 34,553 crore (48 per cent), public account liability of ₹ 29,605 crore (41 per cent) and loans and advances of ₹ 7,465 crore (11 per cent) as at the end of 2016-17. The internal debt of ₹ 34,553 crore comprised mainly of market loans bearing interest (₹ 15,093 crore), special securities issued to National Small Savings Fund (₹ 10,842 crore) and loans from Financial Institutions (₹ 8,531 crore). The fiscal liabilities at the end of 2016-17 constituted 19 per cent of GSDP which is one 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 five years is given in **Table 1.30**.

Table 1.30: Guarantees given by the Government of Odisha

(₹ in crore)

Guarantees	2012-13	2013-14	2014-15	2015-16	2016-17
Maximum amount guaranteed	10,578.61	10,624.61	10,885.61	10,890.61	12,280.61
Outstanding amount of guarantees	2,251.23	1,705.26	1,671.77	1,290.26	2,256.14
Percentage of maximum amount guaranteed to total Revenue Receipt of current year (percentage)	24.08	21.71	19.10	15.80	16.53
Percentage of outstanding guarantee to total Revenue Receipt of 2 nd preceding year less Grants-in-Aid as provided in the MTFP (in percentage)	8.50	5.31	4.51	3.18	5.12

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

The outstanding guarantees increased by 75 *per cent* from ₹ 1,290 crore in 2015-16 to ₹ 2,256 crore in 2016-17. 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 others (19). 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.

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. As on 31 March 2017, ₹ 480 crore remained 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 Finance Accounts, ₹ 215.75 crore was received as Guarantee Commission or fee against the receivable amount of ₹ 308.36 crore as on 31 March 2017. Details are shown in **Table 1.31**.

Table 1.31: Guarantee Commission received/to be received by the Government.
(₹ in crore)

Name of the Sector	Commission Received	Commission Receivable
Power	177.70	238.15
Co-operatives	2.07	4.09
Irrigation	--	--
State Financial Corporation	2.86	8.49
Housing and Urban Development	26.82	40.96
Roads and Transport	1.85	1.85
Other Infrastructure	4.45	13.57
Any Other	--	1.25
TOTAL	215.75	308.36

Source: Finance Accounts 2016-17, 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 Consolidated Sinking Fund. The State Government has raised debt amounting to ₹ 59,753.32 crore. Accordingly, the amount due to be contributed to the Fund was ₹ 298.77 crore (at the rate of 0.5 per cent of total liabilities at the beginning of the year to ₹ 59,753.32 crore) 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 ₹ 298.77 crore. As on 31 March 2017, an amount of ₹ 5,042.83 crore was lying in the Fund and the total amount has been invested in Government Stock.

ii) Guarantee Redemption Fund (GRF): Guarantee Redemption Fund was constituted with a corpus of ₹ 20 crore in the year 2002-03, with the objective of meeting the payment obligations arising out of default in debt servicing of loans guaranteed by the Government. The balance at the credit of the fund as on 31 March 2017 (₹ 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 2016-17.

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 ₹ 588.75 crore towards SDRF and ₹ 852.95 crore from NDRF. The State Government contributed ₹ 196.25 crore to the Fund during 2016-17. The State Government has invested an amount of ₹ 2,459.90 crore during the year 2016-17 in 91 days Treasury Bill and received interest of ₹ 40.10 crore. The balance in the Fund as on 31 March 2017 was ₹ 1,451.27 crore after incurring an expenditure amount of ₹ 535.67 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 2016-17.

1.10.5 Inoperative Reserve Funds

Reserve funds have been created and maintained in the accounts of the State Government. Nine reserve funds with amount totaling to ₹ 2.42 crore were inoperative or dormant for periods ranging from 13 to 57 years. One more reserve fund (Consumer Welfare Fund) was created in 2012-13 with an amount of ₹ 0.26 crore. The details of inoperative Reserve Funds are given in **Table 1.32**.

Table 1.32: Inoperative Reserve Funds

(₹ in lakh)					
Sl. No.	Major and Minor heads with nomenclature	No. of Reserve Funds	Balance as on 31.03.2017		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	03	Cr.	59.19	1994-95
			Cr.	1.51	1983-84
			Cr.	110.88	1997-98
TOTAL		9		241.97	

Source: Finance Accounts of Government of Odisha 2016-17 (Volume-1)

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 1.33** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2012-13.

Table 1.33: Debt Sustainability

(₹ in crore)					
Debt Sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding public Debt	23,317	23,314	26,849	33,757	42,018
Rate of growth of outstanding Public Debt	(-5.28	(-0.01	15.16	25.73	24.47
GSDP	2,58,275	2,91,709	3,21,971	3,41,887	3,78,991
Debt/GSDP ratio	9.03	7.99	8.34	9.87	11.09
Rate of Growth of GSDP	13.34	12.95	10.37	6.19	10.85
Average interest Rate of Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	6.54	6.56	5.90	6.06	7.03
Percentage of Interest to Revenue Receipt	6.39	5.90	4.93	4.85	5.43
Percentage of Debt Payment to Debt Receipt	92.80	90.34	68.53	59.36	26.39
Net Debt available to the State	878	1,369	5,780	9,260	8,261

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

Public Debt of the State Government increased from ₹ 23,317 crore in 2012-13 to ₹ 42,018 crore in 2016-17, registering an increase of 80 *per cent* during the period 2012-17. The rate of growth ranged between (-) 0.01 *per cent* and 25.73 *per cent* over the period 2012-13 to 2016-17. Public Debt increased at the rate of 24.47 *per cent* in 2016-17 as compared to 25.73 *per cent* in previous year. The increase in public debt during the year 2016-17 is mainly due to addition of Market Loans bearing interest (₹ 7,620 crore) and Loans from the NABARD (₹ 2,653 crore), which was partly set off by repayment of loans under Market loans bearing interest (₹ 655 crore), NABARD (₹ 819 crore), and Special Securities issued to NSSF of Central Government (₹ 808 crore).

Rate of growth of GSDP registered a decreasing trend from 13.34 *per cent* in 2012-13 to 6.19 *per cent* in 2015-16 but during 2016-17 it increased at a rate 10.85 *per cent* over previous year. Increase was still higher than the average rate of interest of public debt which ranged between 5.90 *per cent* and 7.03 *per cent* over the period 2012-2017. Outstanding Debt GSDP ratio is gradually increasing from 7.99 *per cent* in 2013-14 to 11.09 *per cent* in 2016-17 due to higher receipts and lower repayment of public debt. 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 6.39 *per cent* in 2012-13 to 5.43 *per cent* in 2016-17, 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 92.80 *per cent* in 2012-13 to 26.39 *per cent* in 2016-17, indicating that public debt receipt was higher than public debt payment, resulting in higher dependency on debt receipt rather than own sources of revenue.

The Government stated (November 2017) that the borrowed funds were fully utilized for higher capital investment to foster economic growth. Government also stated that all the debt related parameters were within the FRBM limit.

1.12 Fiscal Imbalances

Three key fiscal parameters – Revenue deficits/surplus, fiscal deficits 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

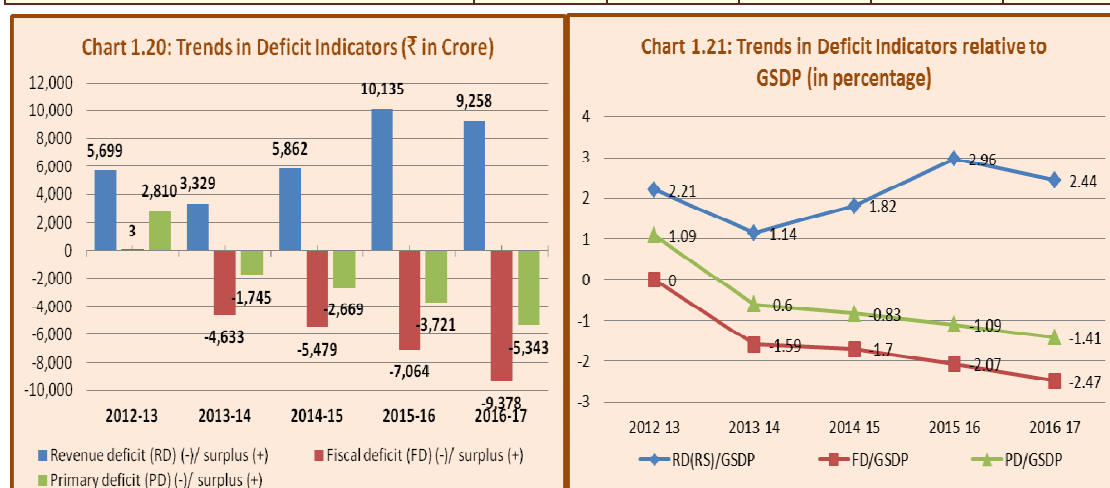
represents the gap between its expenditure and receipts. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of Revenue and fiscal deficits for the financial year 2016-17.

1.12.1 Trends in Deficits/Surpluses

Table 1.34, Chart 1.20 and 1.21 present the trends in deficits/surpluses indicators over the period 2012-13 to 2016-17.

Table 1.34: Deficits/Surpluses

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue deficit (RD) (-)/ surplus (+) (₹ in crore)	(+)5,699	(+)3,329	(+)5,862	(+)10,135	(+)9,258
Fiscal deficit (FD) (-)/ surplus (+) (₹ in crore)	(+)3	(-)4,633	(-)5,479	(-)7,064	(-)9,378
Primary deficit (PD) (-)/ surplus (+) (₹ in crore)	(+)2,810	(-)1,745	(-)2,669	(-)3,721	(-)5,343
RD(RS)/GSDP (per cent)	(+)2.21	(+)1.14	(+)1.82	(+)2.96	(+)2.44
FD/GSDP (per cent)	0	(-)1.59	(-)1.70	(-)2.07	(-)2.47
PD/GSDP (per cent)	(+)1.09	(-)0.60	(-)0.83	(-)1.09	(-)1.41



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 2016-17, revenue receipts grew 7.77 per cent against a growth rate of 10.60 per cent by revenue expenditure, resulting in revenue surplus being decreased by ₹ 877 crore as compared to previous year. The achievement was in line with the State's FRBM (Amendment) Act, 2016 which had prescribed reduction of Revenue deficit to zero for the financial year 2011-12 onwards.

Fiscal Surplus/Deficit

Fiscal Surplus of ₹ 3 crore in 2012-13 turned into Fiscal Deficit of ₹ 9,378 crore during 2016-17, mainly on account of steep increase in the capital expenditure by the State.

However, Fiscal Deficit (₹ 9,378 crore) was within the State's FRBM (Amendment) Act, 2016 target of not more than three *per cent* of GSDP (₹ 11,370 crore).

Primary Surplus/Deficit

The Primary Deficit of ₹ 3,721 crore in 2015-16 increased to ₹ 5,343 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 2016-17, 43 *per cent* of the Fiscal Deficit was due to interest payment and the rest was due to revenue and capital 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 1.35**.

Table 1.35: Components of Fiscal Deficit/Surplus and its financing/investing pattern
(₹ in crore)

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
Decomposition of Fiscal Deficit		3	(-)4,633	(-)5,479	(-)7,064	(-)9,378
1	Revenue surplus	5,699	3,329	5,862	10,135	9,258
2	Capital Expenditure	(-)5,622	(-)7,756	(-)11,075	(-)17,090	(-)18,471
3	Net Loans and Advances	(-)74	(-)206	(-)266	(-)109	(-)165
Financing Pattern of Fiscal Deficit*/Surplus						
1	Market Borrowings	(-)1,308	(-)885	1,644	3,563	6,965
2	Loans from GoI	(-)70	33	(-)121	112	233
3	Special Securities Issued to National Small Savings Fund (NSSF)	115	388	1,090	1,575	(-)808
4	Loans from Financial Institutions	(-)37	461	921	1,658	1,825
5	Small Savings, PF etc	691	689	1,073	1,835	1,857
6	Reserve fund	(-)107	(-)130	(-)35	285	1,145
7	Deposits and Advances	1,594	813	915	230	607
8	Suspense and Misc	(-)460	3,437	100	(-)1,732	(-)2,911
9	Remittances	4	28	2	(-)52	(-)53
10	Others	--	--	(-) 1	34	743
11	Increase / decrease in cash Balance	(-)441	(-)51	(-)259	83	(-)348
12	Net of Odisha Contingency Fund	16	(-)150	150	(-) 123	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 2016-17 increased by ₹ 2,314 crore and stood at ₹ 9,378 crore in the current year. The factor contributing to increase in fiscal deficit was the increase in capital expenditure from ₹ 17,090 crore in 2015-16 to ₹ 18,471 crore during 2016-17.

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 1.36**) would indicate the extent to which the deficit has been on account of enhancement in Capital Expenditure, which is desirable to improve the productive capacity of the State's economy.

Table 1.36: 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)
2012-13	44,079	35,431	5,622	216	41,269	8,648	2,810
2013-14	49,204	42,730	7,756	463	50,949	6,474	(-)1,745
2014-15	57,090	48,326	11,075	358	59,759	8,765	(-)2,669
2015-16	69,169	55,463	17,090	337	72,890	13,706	(-)3,721
2016-17	74,388	61,006	18,471	254	79,731	13,382	(-)5,343

Source: Finance Accounts of Government of Odisha for respective years

During 2016-17, non-debt receipts increased from ₹ 69,169 crore to ₹ 74,388 crore (8 per cent) against an increase of 10 per cent in Primary Revenue Expenditure.

Analysis of the factors showed that the State was experiencing primary surplus (₹ 2,810 crore) during 2012-13, however, from 2013-14 to 2016-17 the State had experienced primary deficit of ₹ 1,745 crore, ₹ 2,669 crore, ₹ 3,721 crore and ₹ 5,343 crore, respectively. In other words, non-debt receipts of the State were not enough to meet the primary expenditure⁸ 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

⁸Primary 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.

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 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 2017 is given in **Table 1.37**:

Table 1.37: Status of projects as of 31 March 2017

Sector	Operational		Under Implementation		In Pipeline		Total	
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
Urban Development	11	260	8	1,363	8	1,069	27	2,692
Health	11	200	2	322	0	0	13	522
Finance & Revenue	1	72	0	0	0	0	1	72
Transport	3	5,061	4	2,784	0	0	7	7,845
Industrial Infrastructure	4	785	1	100	0	0	5	885
Roads	1	48	1	1,431	0	0	2	1,479
Tourism	2	51	0	0	0	0	2	51
Education	14	35	0	0	1	50	15	85
Energy	1	108	1	50	0	0	2	158
Food Supplies and Consumer Welfare	0	0	1	20	1	20	2	40
Total	48	6,620	18	6,070	10	1,139	76	13,829

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

A total number of 76 PPP projects in Odisha in different sectors are given in **Appendix 1.8**. Out of these 76 projects, 48 projects have been completed, 18 are in implementation/construction stage and the rest ten projects are still in the pipeline. During the financial year, the number of operational projects increased to 48 from 44, implementation projects decreased to 18 from 25 and the projects in pipeline increased to 10 from 8.

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. But Government of India has intimated that GRIDCO is not licensed as DISCOM.

1.15 Significant Findings

- Annual rate of growth of Revenue Receipts fell from 21 *per cent* (₹ 11,943) in 2015-16 to 8 *per cent* (₹ 5,358) in 2016-17 (**Paragraph 1.4**).
- Non-Plan Revenue Expenditure (NPRE) as a proportion of Revenue Expenditure decreased from 70 *per cent* in 2012-13 to 61 *per cent* in 2016-17. There was a total increase of ₹ 6,235 crore in Revenue Expenditure during the current year over the previous year (**Paragraph 1.7.3 & 1.7.4**).
- Capital Expenditure of the State as a percentage of total expenditure increased from 13 *per cent* in 2012-13 to 22 *per cent* in 2016-17. However, it was still 4.87 *per cent* of GSDP during 2016-17 (**Paragraph 1.7.6**).
- The total committed liabilities of the State stood at ₹ 1,57,298 crore at the end of the year. Out of these, pension payment obligations were 61.41 *per cent*, interest payments 24.53 *per cent* and loan repayments were 14.06 *per cent* (**Paragraph 1.7.8.5**).
- Funds amounting to ₹ 1,572 crore were parked in bank accounts of 30 District Rural Development Agencies (DRDAs), 20 Block Development Offices (BDOs), 10 Municipalities, 10 District Project Office-SSA (DPOs), 10 District Education Officer (DEOs) and 10 Integrated Tribal Development Agency (ITDAs), violating the codal provision of OTC and FD instructions (**Paragraph 1.7.7**). It resulted in overstatement of expenditure by ₹ 1,572 crore.
- Outlay-outcome budgets of five departments viz. Fisheries & Animal Resources Development, Panchayati Raj and Drinking Water, ST&SC Development Department, Agriculture and Farmer's Empowerment Department and Works Department were reviewed for the year 2016-17. It was seen that in many cases financial target was fully achieved but physical achievement was nil and in many cases financial as well as physical target was not achieved (**Paragraph 1.8.3**).
- Expenditure of over ₹ 3,602 crore was incurred on 267 projects which were still incomplete (**Paragraph 1.9.2**).
- The Fourteenth Finance Commission had recommended that fiscal liability to be maintained less than or equal to 25 *per cent* of GSDP for the year 2015-16 to

2019-20. The Government has been able to achieve this target during 2016-17 (*Paragraph 1.2.1 and 1.10.2*).

- Nine Reserve Funds remained inoperative or dormant for significant periods (*Paragraph 1.10.5*).
- Debt repayment as a percentage of Debt Receipt showed a decreasing trend from 92.80 *per cent* in 2012-13 to 26.39 *per cent* in 2016-17. Hence, 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 76 PPP projects, 48 projects were complete, 18 in implementation/construction stage and the remaining 10 projects are still in pipeline (*Paragraph 1.13*).