

This Chapter provides an audit perspective on finances of the State Government during 2017-18 and analyses changes in major fiscal aggregates relative to 2016-17, keeping in view overall trends during the last five years.

The analysis is based on the details contained in the Finance Accounts of the Government of Odisha (GoO). A profile of the State with demographic and other details is in *Appendix 1.1*. The structure of Government Accounts is explained in *Part A* and the layout of Finance Accounts is given in *Part B* of the *Appendix-1.2*.

1.1 Gross State Domestic Product (GSDP)

The Gross State Domestic Product (GSDP)¹ of Odisha in 2017-18 at current prices was ₹ 4,15,982 crore. The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year: 2011-12) are in **Table 1.1**. Growth in Odisha was higher than the all-India average at both current and constant prices during 2016-17 and 2017-18.

Table 1.1 GDP of India and GSDP of the State

Year	2013-14	2014-15 (TRE)	2015-16 (SRE)	2016-17 (FRE)	2017-18 (AE)
Current Prices					
India's GDP (₹ in crore)	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate (<i>per cent</i>)	12.97	10.99	10.40	10.82	9.96
State's GSDP (₹ in crore)	2,96,475	3,14,267	3,30,874	3,77,202	4,15,982
Growth rate (<i>per cent</i>)	13.29	6.00	5.28	14.00	10.28
Constant Prices (Base year – 2011-12)					
India's GDP (₹ in crore)	98,01,370	1,05,27,674	1,13,86,145	1,21,96,006	1,30,10,843
Growth rate (<i>per cent</i>)	6.39	7.41	8.15	7.11	6.68
State's GSDP (₹ in crore)	2,65,892	2,70,670	2,92,792	3,23,218	3,46,294
Growth rate (<i>per cent</i>)	9.26	1.80	8.17	10.39	7.14

Source: Ministry of Statistics and Programme Implementation (figures as on 29 August 2018); TRE: Third Revised Estimates; SRE: Second Revised Estimates; FRE: First Revised Estimates; AE: Advanced Estimates

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

¹ Gross Domestic Product (GDP) and Gross State Domestic Product (GSDP) refers to the market value of all officially recognized final goods and services produced within the Country and the State respectively in a given period of time, accounted without duplication and are an important indicator of the Country and State's economy.

1.2 Summary of Fiscal Transactions

Table 1.2 presents a summary of fiscal transactions of the State Government during 2017-18 vis-à-vis 2016-17 and 2015-16. Further details of receipts and disbursements as well as the overall fiscal position during 2017-18 are in *Appendix-1.3*. Time series data of Government Finances for the years 2013-18 is in *Appendix-1.4*.

Table 1.2: Summary of Fiscal Transactions

(` in crore)

Receipts				Disbursements			
	2015-16	2016-17	2017-18		2015-16	2016-17	2017-18
Section A – Revenue Account²							
Tax Revenue	22,527	22,852	27,914	General Services	15,059	16,715	20,261
Non-Tax Revenue	8,711	8,043	8,398	Social Services	24,643	27,600	29,557
Share of Union Taxes/ Duties	23,574	28,322	31,272	Economic Services	18,188	19,714	20,757
Grants from Government of India	14,129	15,082	17,620	Grants-in-Aid and Contributions	916	1,012	1,262
Total Revenue Receipts	68,941	74,299	85,204	Total Revenue Expenditure	58,806	65,041	71,837
Section B: Capital Account³ & Others							
Miscellaneous Capital Receipts	--	--	--	Capital Outlay	17,090	18,471	21,109
Recoveries of Loans and Advances	228	89	257	Loans and Advances Disbursed	337	254	1,875
Public Debt ⁴ Receipts	9,790	11,223	12,862	Repayment of Public Debt	2,881	2,962	2,690
Contingency Fund	--	123	--	Contingency Fund	123	--	--
Public Account Receipts	31,098	41,627	71,874	Public Account Disbursement	28,766	38,080	56,439
Opening Cash Balance	9,997	12,048	14,601	Closing Cash Balance	12,051	14,601	30,848
Grand Total	1,20,054	1,39,409	1,84,798	TOTAL	1,20,054	1,39,409	1,84,798

Source: Finance Accounts of respective years

Composition of resources and application of funds of the Consolidated Fund of the State in the year 2017-18 is in *Appendix 1.5*.

1.3 Review of Fiscal Situation

1.3.1 Fiscal parameters

Three key fiscal parameters viz., (i) Revenue Surplus⁵ / Deficit, (ii) Fiscal Deficit⁶ and

² Revenue Account is the account of the current income and expenditure of the State. The income is derived mainly from taxes and duties, fees for services rendered, fines and penalties, revenue from Government estates such as forests and other miscellaneous items

³ Capital Account is the account of expenditure of a capital nature such as construction of buildings, laying of roads, irrigation and electricity projects. Such expenditure is met from sources other than current revenues, e.g. loans, surplus revenue of previous years, if any, and capital receipts

⁴ Comprises loans raised by Government such as market loans, loans from the Life Insurance Corporation of India, etc., and the borrowings from the Central Government

⁵ Revenue Surplus = Revenue Receipts – Revenue Expenditure

(iii) Primary Deficit⁷ help in assessing the fiscal situation of the Government. The way these deficits are financed assist in assessing the fiscal health of the Government. Trends in fiscal parameters (Chart 1.1 and Chart 1.2) as per Finance Accounts indicate that the State's performance in 2017-18 was an improvement over the last year. Trends in Debt Sustainability (Ratio between debt and GSDP in per cent) and Outstanding liabilities to GSDP are shown in Chart 1.3 and Chart 1.4.

Chart 1.1: Trends of Fiscal parameters

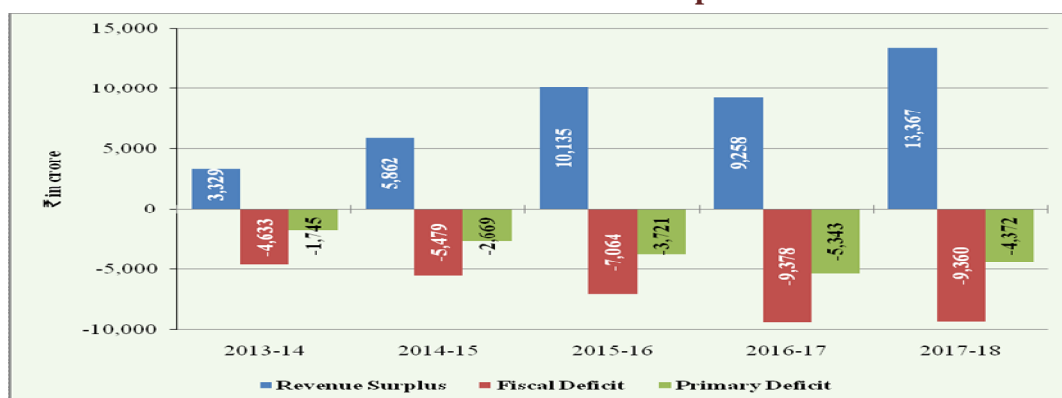


Chart 1.2: Fiscal Parameters vis-à-vis GSDP

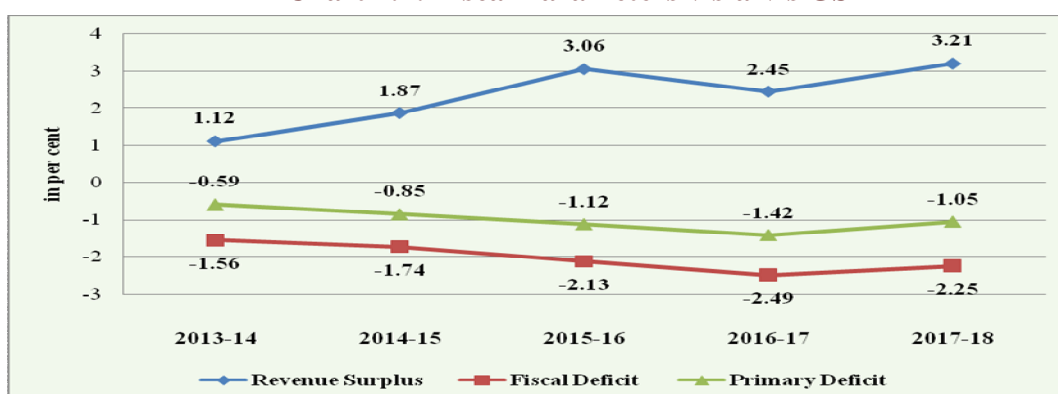


Chart 1.3: Debt Sustainability (i.e. Debt to GSDP Ratio)

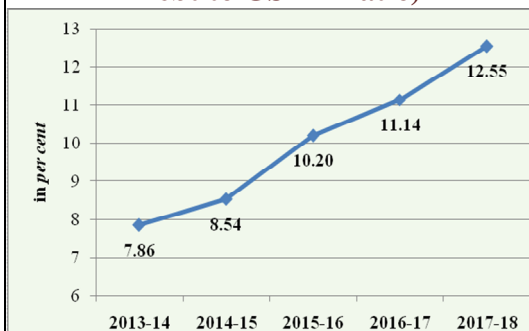


Chart 1.4: Total Outstanding Liabilities/GSDP



Source: Finance Accounts

- **Revenue Surplus** (₹ 13,367 crore) of the State in 2017-18 increased over previous

⁶ Fiscal Deficit = Revenue Expenditure + Capital Expenditure + Net Loans and Advances (-) Revenue Receipts (-) Miscellaneous Capital Receipts

⁷ Primary Deficit = Fiscal Deficit – Interest Payments

year (₹ 9,258 crore) by ₹ 4,109 crore as per Finance Accounts. The State has been a Revenue Surplus State since 2005-06 when after a gap of 22 years, the State was able to achieve Revenue Surplus of ₹ 481 crore. In 2017-18 while the growth of Revenue Receipts was 14.68 per cent over the previous year, it was able to contain the growth of its Revenue Expenditure to 10.45 per cent over the previous year during the same period, resulting in the Surplus. This achievement was in line with the State's FRBM (Amendment) Act 2016 which had prescribed reduction of Revenue Deficit to zero from 2011-12 onwards.

- **Fiscal Deficit** (₹ 9,360 crore), in 2017-18, has decreased marginally by ₹ 18 crore in comparison to preceding year (₹ 9,378 crore). Fiscal Deficit as a percentage of GSDP was 2.25 per cent and was meeting the fiscal target set out in its FRBM (Amendment) Act 2016 to maintain the Fiscal Deficit within three per cent of the GSDP.
- **Primary Deficit** (₹ 4,372 crore) in 2017-18 decreased by 18.17 per cent in comparison to preceding year (₹ 5,343 crore). Though Primary Deficit decreased, it was evident that the non-debt receipts⁸ (₹ 85,461 crore) were not sufficient to meet Primary Expenditure (₹ 89,833 crore).
- As per the FRBM (Amendment) Act 2016 **Debt to GSDP** ratio (in per cent) was to be maintained less than or equal to 25 per cent for the year 2015-16 to 2019-20. It was 12.55 per cent for the year 2017-18. The Debt-GSDP ratio (12.55 per cent), though increasing, was meeting the fiscal target set out in the State's FRBM (Amendment) Act, 2016.
- The total Outstanding Liabilities to GSDP ratio, which was 15.08 per cent in 2013-14 increased to 23.36 per cent during 2017-18.
- **It was observed that the Revenue Surplus was overstated by ₹ 453.30 crore and Fiscal Deficit was understated by the same amount on account of the following:**

(i) More contribution of the Government towards New Pension System, (ii) Non contribution to Consolidated Sinking Fund and (iii) Non credit of interest to Reserve Funds and Deposit Accounts bearing interest as detailed in Table 1.3 below::

Table 1.3: Impact on Revenue Surplus and Fiscal Deficit

Particulars	Impact on Revenue Surplus (₹ in crore)		Impact on Fiscal Deficit (₹ in crore)	
	Over Statement	Under Statement	Over Statement	Under Statement
More contribution to National Pension System (<i>Para 1.5.3.3</i>)	--	17.90	17.90	--
Non contribution to Consolidated Sinking Fund (<i>Para 1.6.2.2</i>)	358.12	--	--	358.12
Non credit of interest to Reserve Funds and	113.08	--	--	113.08

⁸ Non-debt receipts = Revenue receipts + Miscellaneous Capital receipts + Recoveries of Loans and Advances

Particulars	Impact on Revenue Surplus (₹ in crore)		Impact on Fiscal Deficit (₹ in crore)	
Deposit Accounts bearing interest (<i>Para 1.6.2.2</i>)				
Total (Net Impact)	453.30 (Over-statement)		453.30 (Under-statement)	

Source: Finance Accounts

Effectively, the Revenue Surplus and Fiscal Deficit of the State in 2017-18 was ₹12,914 crore and ₹ 9,813 crore respectively.

1.3.1.1 Composition and Financing of Fiscal Deficit

Fiscal deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of the revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The composition and financing of fiscal deficit are in **Table 1.4**.

Table 1.4: Components of Fiscal Deficit and their financing pattern

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18		
	Net	Net	Net	Net	Receipts	Disbursements	Net
A. Decomposition of Fiscal Deficit (1 to 3)	(-)4,633	(-)5,479	(-)7,064	(-)9,378	85,461	94,821	(-)9,360
1 Revenue surplus	3,329	5,862	10,135	9,258	85,204	71,837	13,367
2 Capital Expenditure	(-)7,756	(-)11,075	(-)17,090	(-)18,471	--	21,109	(-)21,109
3 Net Loans and Advances	(-)206	(-)266	(-)109	(-)165	257	1,875	(-)1,618
B Financing Pattern of Fiscal Deficit*/Surplus							
1 Net Borrowings	(-)3	3,534	6,909	8,261	12,862	2,690	10,172
a Internal Borrowings [#]	(-)36	3,655	6,797	8,028	12,013	1,982	10,031
b Loans from GoI	33	(-)121	112	233	849	708	141
2 Net Public Account	4,837	2,054	2,331	3,546	71,875	56,440	15,435
a Small Savings, PF etc	689	1,073	1,835	1,857	4,792	3,234	1,558
b Reserve fund	(-)130	(-)35	285	1,145	3,826	3,912	(-)86
c Deposits and Advances	813	915	230	607	40,357	26,460	13,897
d Suspense and Misc	3,437	99	(-)32	(-)10	99	21	78
e Remittances	28	2	(-)51	(-)53	22,801	22,813	(-)12
3 Contingency Fund	(-)150	150	(-) 123	123	--	--	--
4 Total (1 to 3)	4,684	5,738	9,117	11,930	84,737	59,130	25,607
5 (-)Increase / (+)decrease in cash Balance	(-)51	(-)259	(-)2,053	(-)2,552	--	--	(-)16,247
6 Overall Surplus/ Deficit (4+5)	4,633	5,479	7,064	9,378	--	--	9,360

Source: Finance Accounts of respective years

Includes borrowings from other institutions also

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

1.3.1.2 Quality of Deficit/Surplus

The bifurcation of Primary Deficit indicates the extent to which deficit has been on account of enhancement of Capital Expenditure, which may be desirable to improve productive capacity of the Government.

Table 1.5: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Years	Non-debt receipts	Primary Revenue Expenditure ⁹	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Surplus ¹⁰ (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
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
2017-18	85,461	66,849	21,109	1,875	89,833	18,612	(-)4,372

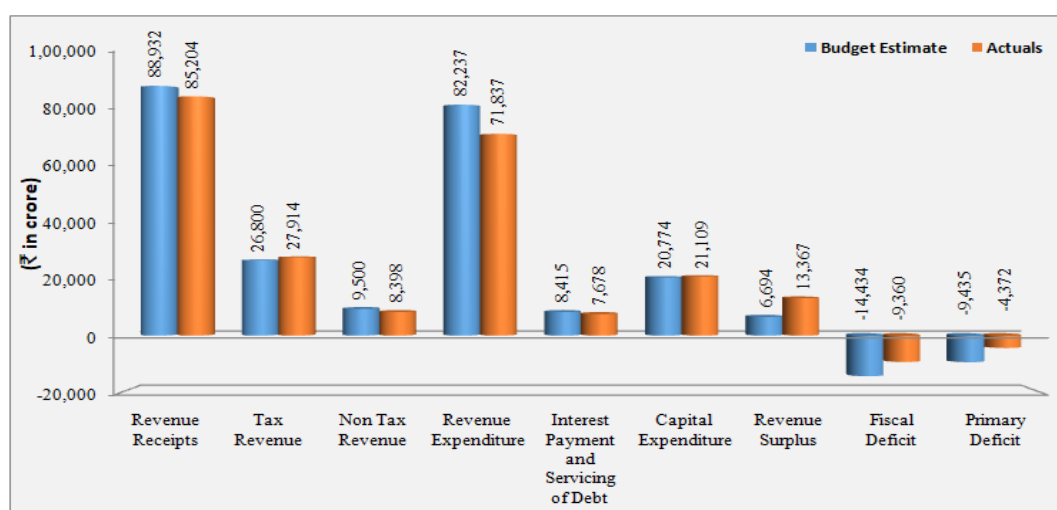
Source: Finance Accounts of respective years

As can be seen from above, non-debt receipts were insufficient to meet the Primary Expenditure.

1.3.2 Budget Estimates and Actuals

Shortfall of actual receipts and expenditure against budget estimates, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation, adversely impacts the desired fiscal objectives. Actuals *vis-à-vis* Budget Estimates of selected fiscal parameters for 2017-18 are shown in **Chart 1.5**.

Chart 1.5: Budget Estimates and Actuals for the year 2017-18



Source: Finance Accounts and Budget at a Glance 2017-18.

⁹ Primary Revenue Expenditure = Revenue Expenditure – Interest payments

¹⁰ Primary Revenue Surplus = Non-Debt Receipts (Revenue Receipts + Miscellaneous capital Receipts + Recovery of Loans and advances) - Primary Revenue Expenditure

- Revenue Receipts fell short of Budget Estimates by 4.19 *per cent*. The shortfall on Revenue Receipts was mainly due to less receipt of Non-Tax Revenue by ₹ 1,102 crore (11.60 *per cent*), Grants from Government of India (GoI) by ₹ 3,590 crore (16.93 *per cent*) and Share of Union Taxes and Duties by ₹ 150 crore (0.48 *per cent*) than the BE. The State's own Tax Revenue was however, more than the BE by ₹ 1,114 crore (4.16 *per cent*).
- Revenue Expenditure was less than the BE by 12.65 *per cent* mainly due to less spending under General Sector by ₹ 4,592 crore and Social Sector by ₹ 4,984 crore.
- State Government provisioned higher budget under salaries and pension for implementation of 7th Central Pay Commission and payment of arrears. During the year, however, only 40 *per cent* of the arrears were released. This resulted in higher Revenue Surplus (₹ 13,367 crore) than estimated in the Budget (₹ 6,694 crore) by 99.68 *per cent*.
- Fiscal Deficit was less than the BE by 35.15 *per cent* due to reduction in expenditure.

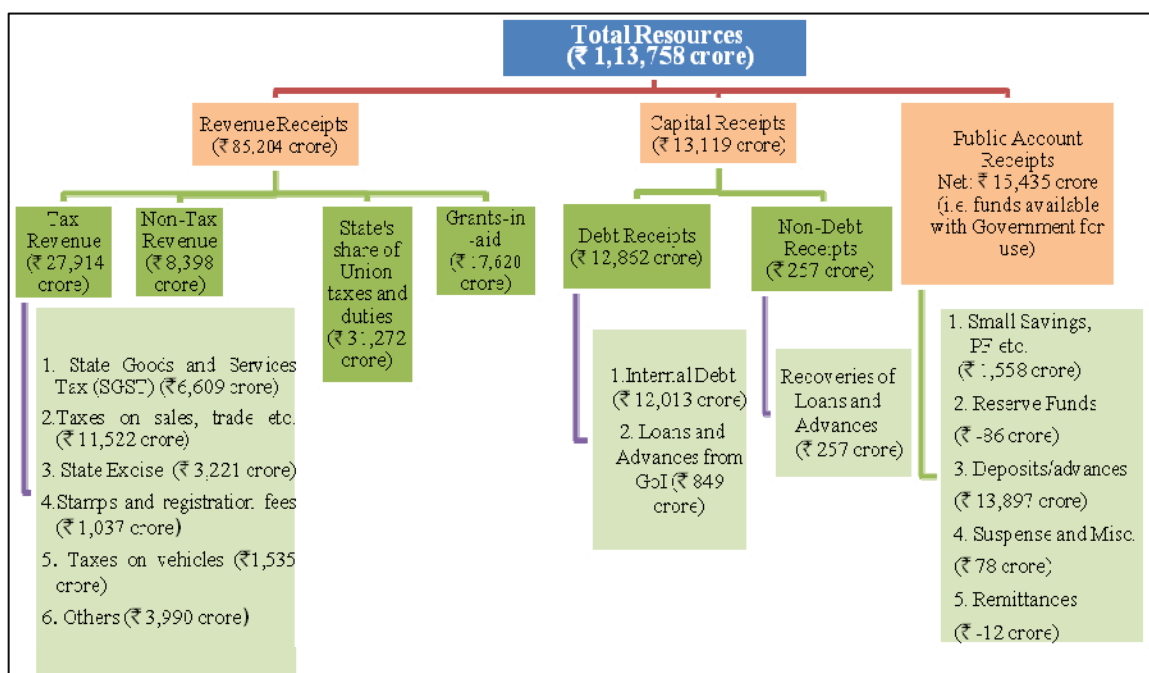
Recommendation 1: The Finance Department should rationalise the budget preparation exercise, so that the gap between the budget estimates and actuals is abridged.

1.4 Financial Resources of the State

1.4.1 Resources of the State as per Annual Finance Accounts

Revenue Receipts consist of Tax Revenues, Non-Tax Revenues, State's share of union taxes and duties and Grants-in-Aid from (GoI). Receipts under Capital comprise miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. The net of Public Account Receipts comprises the balance after disbursements in small savings, provident funds, reserve funds deposits, suspense and remittances, etc. The balance, after disbursements in the Public Account is the fund available with the Government for use. The overall composition of the State resources (₹ 1,13,758 crore) in 2017-18 is in **Chart 1.6:**

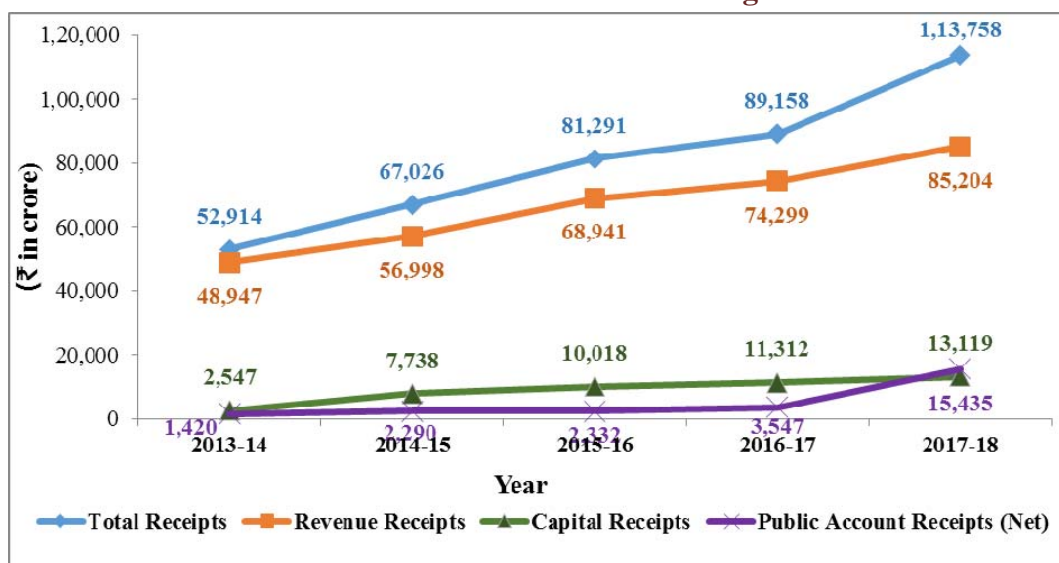
Chart 1.6: Composition of Resources in 2017-18



Source: Finance Accounts

Out of the total resources of ₹ 1,13,758 crore of the State Government during the year 2017-18, Revenue Receipts (₹ 85,204 crore) constituted 74.90 per cent of total resources. Capital Receipts (₹ 13,119 crore) and net Public Account Receipts (₹ 15,435 crore) constituted 13.57 per cent and 11.53 per cent of the total resources, respectively. **Chart 1.7** depicts the details under various components of the total resources of the State during the years 2013-18.

Chart 1.7: Resources of the State during 2013-18

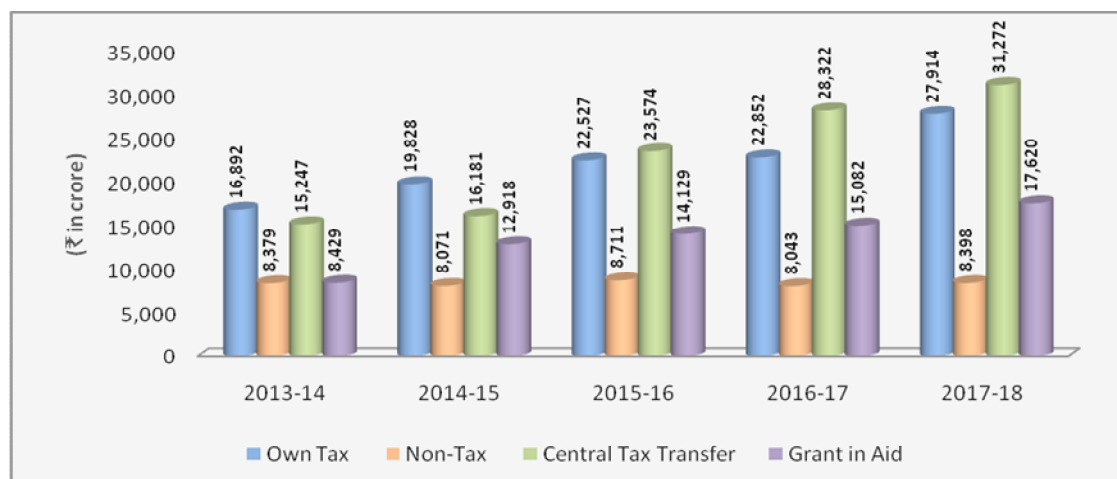


Source: Finance Accounts of respective years

1.4.2 Revenue Receipts

Statement 14 of the Finance Accounts gives details of the Revenue Receipts of the Government. Revenue Receipts (₹ 85,204 crore) of the Government constituting 20.48 per cent of the GSDP (₹ 4,15,982 crore), increased by 14.67 per cent over the previous year (₹ 74,299 crore). These were, however, lower than the budget estimates by ₹ 3,728 crore. The trends and composition of the Revenue Receipts during the years 2013-14 to 2017-18 are shown in **Chart 1.8**.

Chart 1.8: Composition of Revenue Receipts during the years 2013-14 to 2017-18



Source: Finance Accounts of respective years

As can be seen, the own tax revenue, Central tax transfer and Grants-in-Aid have been increasing over the period of last five years, whereas non tax revenue has remained more or less constant.

1.4.2.1 State's Own Resources

The State's performance in mobilization of resources is assessed in terms of Tax Revenue and Non-Tax Revenue, not including the State's share in Central Taxes and Grants-in-Aid which is based on the recommendations of the Finance Commission. State's Tax Revenue grew by 17.53 per cent at a rate higher than the increase (10.28 per cent) in the economic base measured in terms of GSDP.

State's Own Tax Revenue

Components of State's Own Tax Revenue are shown in **Table 1.6**.

Table 1.6: Components of State's Own Tax Revenue

	(₹ in crore)					
	2013-14	2014-15	2015-16	2016-17	2017-18	
	Actuals	Actuals	Actuals	Actuals	Budget Projections	Actuals
State Goods and Services Tax	--	--	--	--	--	6,609
Taxes on Sales, Trades etc.	10,729	11,817	13,097	13,402	15,840	11,522
State Excise	1,780	2,035	2,547	2,786	3,600	3,221
Taxes on Vehicles	860	910	1,044	1,216	1,350	1,535

	2013-14	2014-15	2015-16	2016-17	2017-18	
	Actuals	Actuals	Actuals	Actuals	Budget Projections	Actuals
Stamp Duty and Registration Fees	606	800	2,157	1,364	1,150	1,037
Land Revenue	431	646	589	460	631	542
Taxes on Goods and Passengers	1,613	1,711	1,663	1,760	2,200	1,260
Other Taxes ¹¹	873	1,909	1,430	1,864	2,029	2,188
Total	16,892	19,828	22,527	22,852	26,800	27,914

Source: Finance Accounts of respective years

State's Own Tax Revenue in 2017-18 was ₹ 27,914 crore and constituted 32.76 per cent of total Revenue Receipts. Own Tax Revenue increased by 22.15 per cent over the previous year and was also higher than the budget estimates by ₹ 1,114 crore.

1.4.2.2 Efficiency in Tax Collection

The cost of collection of major taxes of the State decreased during the last three years (Table 1.7) leading to greater efficiency (measured as cost of collection of tax as a percentage of the tax collection).

Table 1.7: Tax collected and Cost of collection in percentage

		2015-16	2016-17	2017-18
Taxes on Sales, Trade, etc., and SGST	Gross Revenue Collection (₹ in crore)	13,097	13,402	18,131
	Cost of Collection (₹ in crore)	85	100	118
	Percentage to Gross Collection	0.65	0.75	0.65
State Excise	Gross Revenue Collection (₹ in crore)	2,547	2,786	3,221
	Cost of Collection (₹ in crore)	53	56	64
	Percentage to Gross Collection	2.08	2.01	1.99
Taxes on Vehicles	Gross Revenue Collection (₹ in crore)	1,044	1,216	1,535
	Cost of Collection (₹ in crore)	61	87	113
	Percentage to Gross Collection	5.84	7.15	7.36
Stamps and Registration fees	Gross Revenue Collection (₹ in crore)	2,157	1,364	1,037
	Cost of Collection (₹ in crore)	37	50	43
	Percentage to Gross Collection	1.72	3.67	4.15

Source: Finance Accounts of respective years

In 2017-18, State Government expended ₹ 113 crore (7.36 per cent of gross collection) in collecting Taxes on Vehicles of ₹ 1,535 crore. This was higher than the expenditure incurred (₹ 118 crore) in collecting taxes of ₹ 18,131 crore under Taxes on Sales, Trade and SGST etc., which was only 0.65 per cent of gross collection. This shows that Taxes on Vehicles, which contributes relatively less revenue is costlier to collect than the highest contributor of revenue.

¹¹ Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

1.4.2.3 Goods and Services Tax (GST) Compensation

The State Government implemented the Goods and Services Tax (GST) Act from 01 July 2017. According to GST (Compensation to States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years starting from 2017-18. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. The protected revenue for any year of a State shall be calculated applying the projected growth rate (14 per cent per annum) over the base year revenue of that State. The base year for calculation of revenue figures of taxes subsumed under GST was fixed as 2015-16.

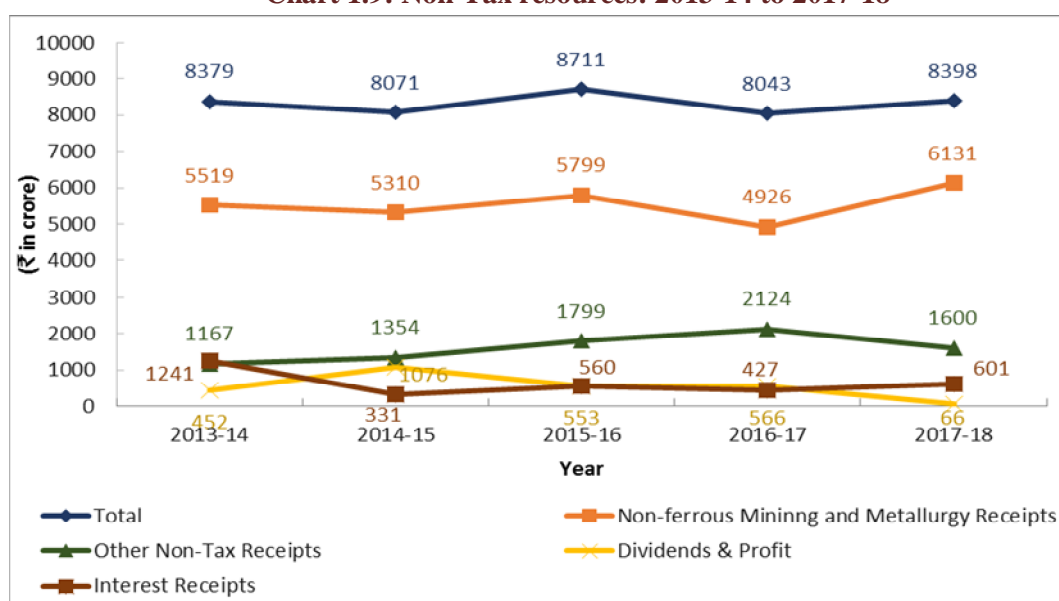
In case of Odisha, the revenue in the base year (2015-16) was ₹ 11,049.34 crore. The protected revenue for the year 2017-18 (for 9 months from the date of commencement of GST i.e., 01 July 2017 to 31 March 2018) assessed with respect to base year was ₹ 10,769.79 crore. During the period from 1 July 2017 to 31 March 2018, the State received an amount of ₹ 8,421.71 crore (including an amount of ₹ 1812.44 crore pre-GST taxes and ₹ 482 crore towards advance apportionment of Integrated GST).

The State received an amount of ₹ 2,019 crore¹² towards provisional GST compensation as of March 2018.

1.4.2.4 Non-Tax Revenue

Non-Tax Revenue (NTR) accounts for receipts from services rendered and supplies made by various Departments of Government and interest receipts.

Chart 1.9: Non-Tax resources: 2013-14 to 2017-18



Source: Finance Accounts of respective years

The following was observed in Audit:

¹² Excluding ₹ 245 crore compensation for the month of March 2018 received in May 2018.

The NTR in 2017-18 was ₹ 8,398 crore, which constituted 9.86 per cent of Revenue Receipts and increased by ₹ 355 crore (4.41 per cent) over previous year (₹ 8,043 crore). It is however, lower than the budget estimates by ₹ 1,102 crore.

- The increase was mainly under Non-ferrous Mining and Metallurgical Industries (₹ 1,205 crore) and Interest Receipts (₹ 174 crore). The increase was partly set off by decrease under Dividend Receipt (₹ 500 crore), Coal and Lignite (₹ 179 crore), Miscellaneous General Services (₹ 144 crore) and Forestry and Wildlife (₹ 69 crore).
- The growth of Dividends and Profits and Other Non-Tax Receipts was negative during 2017-18 over the previous year.
- The Compounded Annual Growth Rate (CAGR) of NTR for 2008-09 to 2016-17 of the State was higher (12.30 per cent) as compared to that of the General Category States (9.50 per cent) (**Appendix 1.1**). During 2017-18, however, growth rate of NTR of Odisha (4.40 per cent) was lower than the corresponding growth rate of General Category States (5.90 per cent).
- The NTR collected during 2013-14 to 2017-18 ranged between 10 to 17 per cent of Revenue Receipts of corresponding periods but in absolute terms remained more or less constant. As such, the State should ensure better management of its collection agencies so as to maximise non-tax revenue collection.

1.4.2.5 State's Share of Union Taxes and Duties

The devolution of different components of States share of Union Taxes during the years 2013-14 to 2017-18 is in **Table 1.8**.

Table 1.8: Devolution of different components of State's share of Union Taxes

Component of State's share of Union taxes	2013-14	2014-15	2015-16	2016-17	2017-18
Corporation Tax	5,128	5,650	7,409	9,072	9,575
Customs	2,488	2,617	3,771	3,903	3,156
Income Tax	3,376	4,035	5,141	6,305	8,085
Other Taxes and Duties on commodities and services	--	--	18	--	--
Service Tax	2,484	2,386	4,086	4,564	3,561
Wealth Tax	14	15	2	21	--
Union Excise Duties	1,757	1,478	3,147	4,457	3,298
CGST	--	--	--	--	441
IGST	--	--	--	--	3,156
Grand total	15,247	16,181	23,574	28,322	31,272
Devolution as percentage of Revenue Receipts of the State	31	28	34	38	37

Source: Finance Accounts of respective years

As can be seen from the above, the devolution has been increasing over the last five years, however devolution as a percentage of Revenue Receipts decreased by one *per cent* during 2017-18 over the previous year.

1.4.2.6 Grants-in-Aid from Government of India

The details of Grants-in-Aid and its composition during the years 2013-14 to 2017-18 are in **Table 1.9**:

Table 1.9: Grants-in-Aid from Government of India

(` in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	
	Actuals	Actuals	Actuals	Actuals	BE	Actuals
Non Plan Grants	2,729	1,929	3,063	3,248	--	--
State Plan Grants	3,429	10,886	10,773	11,769	--	--
Grants for Central Plan Schemes	122	102	293	65	--	--
Grants for Centrally Sponsored Plan Schemes	2,149	0.08	0.04	0.1	--	--
Grants for Centrally Sponsored Schemes	--	--	--	--	17,516	12,900
Finance Commission Grants	--	--	--	--	2,694	2,406
Other Transfers/Grants to States/Union Territories with Legislatures	--	--	--	--	1,000	2,314
Total	8,429	12,917	14,129	15,082	21,210	17,620
Total grants as a percentage of Revenue Receipts	17.22	22.66	20.49	20.30	23.85	20.68

Source: Finance Accounts of respective years

The Government of India decided to give effect to the merger of plan/non-plan provisions in the Estimates for Budget 2017-18, after conclusion of the 12th Plan period (2012-17). With the removal of the Plan and Non-Plan distinction, Grants-in-aid from Centre comprises only (i) Finance Commission recommended grants for Local Bodies, (ii) grants for Disaster Response and (iii) grants for Central share of Central Sector and Centrally Sponsored Schemes. Percentage of Grants-in-Aid to Revenue Receipts increased from 17.22 in 2013-14 to 20.68 in 2017-18.

1.4.2.7 Transfers of funds directly to implementing agencies without routing through Consolidated Fund of the State

With effect from 01 April 2014, it has been decided by GoI to release all assistance related to the Centrally Sponsored Schemes/Additional Central Assistance to the State Government and not directly to implementing agencies. During 2017-18, however, the GoI released ` 4,669.14 crore directly to the implementing agencies for (i) Food Subsidy (` 3,029.95 crore), (ii) Mahatma Gandhi National Rural Employment Guarantee Scheme (` 1,013.23 crore), (iii) E-Court Phase-II (` 259.27 crore) and (iv) Member of Parliament's Local Area Development Schemes (` 132.50 crore). Similar direct releases to implementing agencies had happened in 2016-17 (` 1,110.26 crore) and 2015-16 (` 281.69 crore).

1.4.3 Receipts under Capital Section

The details of Capital Receipts and their composition for the years 2013-14 to 2017-18 are in **Table 1.10**:

Table 1.10: Composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18	
	Actuals	Actuals	Actuals	Actuals	BE	Actuals
Capital Receipts (CR)	2,547	7,738	10,018	11,312	17,133	13,119
Recovery of Loans and Advances	257	92	228	89	130	257
Public Debt Receipts	2,290	7,646	9,790	11,223	17,003	12,862

Source: Finance Accounts of respective years

During 2017-18, Capital Receipts (₹ 13,119 crore) constituted 11.53 per cent of the total receipts (₹ 1,13,758 crore) of the State. The State Government borrowed ₹12,013 crore from open market and other financial institutions and took loans of ₹ 849 crore from GoI. It may be seen from the above **Table** that Public debt receipts constituted major component of Capital Receipts (98 per cent).

1.4.3.1 Public Account Receipts

Receipts and disbursements in respect of transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in Public Account set up under Article 266(2) of the Constitution. These are not subject to vote by the State Legislature. Government acts as a banker or trustee. The balance after disbursements is the fund available with the Government for its own use. Composition of Public Account receipts and disbursements is detailed in **Table 1.11**:

Table 1.11: Composition of Public Account Receipts

(₹ in crore)

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18	
	Actuals	Actuals	Actuals	Actuals	BE	Actuals
A. Public Account Receipts						
Small Savings, Provident Fund etc.	3,332	3,471	4,088	4,424	3,513	4,792
Reserve Fund	1,760	658	1,933	4,141	3,580	3,825
Deposits and Advances	7,019	6,842	7,200	14,210	18,261	40,357
Suspense and Miscellaneous	10,225	210	174	23	160	99
Remittances	10,341	13,620	17,703	18,829	13,546	22,801
Total (A)	32,677	24,801	31,098	41,627	39,060	71,874
B. Public Account Disbursements						
Small Savings, Provident Fund etc.	2,643	2,398	2,253	2,567	2,713	3,234
Reserve Fund	1,890	401	1,647	2,996	3,579	3,911
Deposits and Advances	6,206	5,927	6,969	13,603	17,665	26,460
Suspense and Miscellaneous	10,205	168	142	32	156	21

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18	
	Actuals	Actuals	Actuals	Actuals	BE	Actuals
Remittances	10,313	13,617	17,755	18,882	17,824	22,813
Total (B)	31,257	22,511	28,766	38,080	41,937	56,439
Public Account Net (A)-(B)	1,420	2,290	2,332	3,547	(-) 2,877	15,435

Source: Finance Accounts of respective years

During the year 2017-18, net Public Account receipts (₹ 15,435 crore) contributed 13.56 per cent of the total resources (₹ 1,13,758 crore) of the State. The net Public Account receipts increased by ₹11,888 crore over the previous year, mainly due to increase in Deposits and Advances (Net) by ₹ 13,290 crore over previous year. The increase in Deposits and Advances was due to receipts of ₹11,568.18 crore relating to Odisha Mineral Bearing Areas Development Corporation (OMBADC) account. (Details in Paragraph 3.1.2).

1.5 Application of Resources

1.5.1 Growth and Composition of expenditure

The total expenditure in 2017-18 was ₹ 94,821 crore. Chart 1.10 presents the trends and composition of total expenditure during 2013 to 2018.

Chart 1.10: Growth and Composition of expenditure during last five years



Source: Finance Accounts of respective years

Around 3/4th of the total expenditure in 2017-18 was Revenue Expenditure. Social Services¹³ expenditure took precedence with 41.14 per cent over General Services (28.20 per cent) and Economic Services¹⁴ (28.89 per cent) in the total expenditure. Capital Expenditure, targeted towards creation of assets, constituted 22.26 per cent of the total expenditure, with Transport, Irrigation & Flood Control and Energy under the Economic Services (77.90 per cent) receiving priority.

¹³ Refers to welfare activities of the Government and includes (i) Education, Sports, Art and Culture, (ii) Health and Family Welfare, (iii) Water Supply, Sanitation, Housing and Urban Development, (iv) Information and Broadcasting, (v) Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes, (vi) Labour and Labour Welfare, (vii) Social Welfare and Nutrition and (viii) Others.

¹⁴ Refers to economic development activity sectors of the Government and includes (i) Agriculture and allied services, (ii) Irrigation and Flood Control, (iii) Energy, (iv) Industries and Minerals, (v) Transport, (vi) Science, Technology and Environment, (vii) General Economic Services.

Component-wise major expenditure under Revenue and Capital sections incurred in 2017-18 is in **Table 1.12**.

Table 1.12: Major expenditure components under Revenue and Capital

(in crore)

Revenue				Capital			
Component	Sector	2016-17	2017-18	Component	Sector	2016-17	2017-18
Education, Sports, Art and Culture	Social	11,809	13,788	Transport	Economic	6,767	7,148
Rural Development	Economic	7,991	9,018	Irrigation and Flood Control	Economic	5,799	6,841
Agriculture and Allied Activities	Economic	6,497	5,801	Energy	Economic	2,048	2,049
Social Welfare and Nutrition	Social	5,872	5,184	Water Supply, Sanitation, Housing and Urban Development	Social	1,371	2,006
Health and Family Welfare	Social	4,061	4,153	Health and Family Welfare	Social	668	774
Water Supply, Sanitation, Housing and Urban Development	Social	3,555	3,854	Education, Sports, Art and Culture	Social	360	746
Transport	Economic	1,981	2,224	Welfare of SCs, STs, Minorities and OBCs	Social	462	527
Welfare of SCs, STs, Minorities and OBCs	Social	1,985	2,218				
Irrigation and Flood Control	Economic	1,870	1,911				

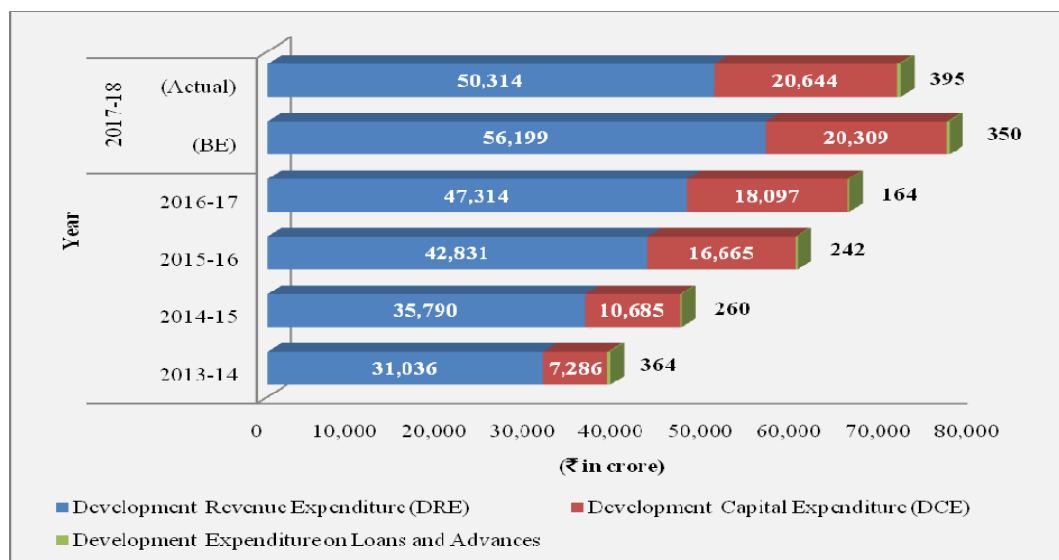
Source: Finance Accounts of respective years

- Revenue Expenditure (₹ 71,837 crore) was higher than the previous year's figures (₹ 65,041 crore) by 10.45 *per cent*. The increase over previous year was mainly due to higher outgo on Education, Sports, Art and Culture (₹ 1,979 crore), and Rural Development (₹ 1,027 crore) apart from committed Pension and other Retirement Benefits (₹ 1,850 crore), Interest payments (₹ 953 crore) and Subsidies (₹ 444 crore). Expenditure on Agriculture and Allied Activities and Social Welfare and Nutrition decreased as compared to previous year.
- Capital Expenditure during current year (₹ 21,109 crore) was higher than the previous year's figures (₹ 18,471 crore) by 14.28 *per cent*. This was mainly due to increase under Irrigation and Flood Control (₹ 1,042 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 635 crore) and Transport (₹ 381 crore).

1.5.2. Development Expenditure of the State

Development expenditure of the State is the expenditure incurred on Social and Economic Services under Revenue, Capital and Loans and Advances sections. The details are given in *Chart 1.11*.

Chart 1.11: Development Expenditure



Source: Finance Accounts of respective years

During 2017-18, the Total Development Expenditure (₹ 71,353 crore) was 75.25 per cent of the Total Expenditure and 17.15 per cent of the GSDP. Development Revenue Expenditure (₹ 50,314 crore) and Development Capital Expenditure (₹ 20,644 crore) constituted 53.06 per cent and 21.77 per cent of Total Expenditure (₹ 94,821 crore) respectively, while the Development Loans and Advances (₹ 395 crore) constituted 0.42 per cent of Total Expenditure.

The share of Social Services (₹ 33,758 crore) and Economic Services (₹ 37,595 crore) constituted 35.60 per cent and 39.65 per cent of the Total Expenditure, respectively.

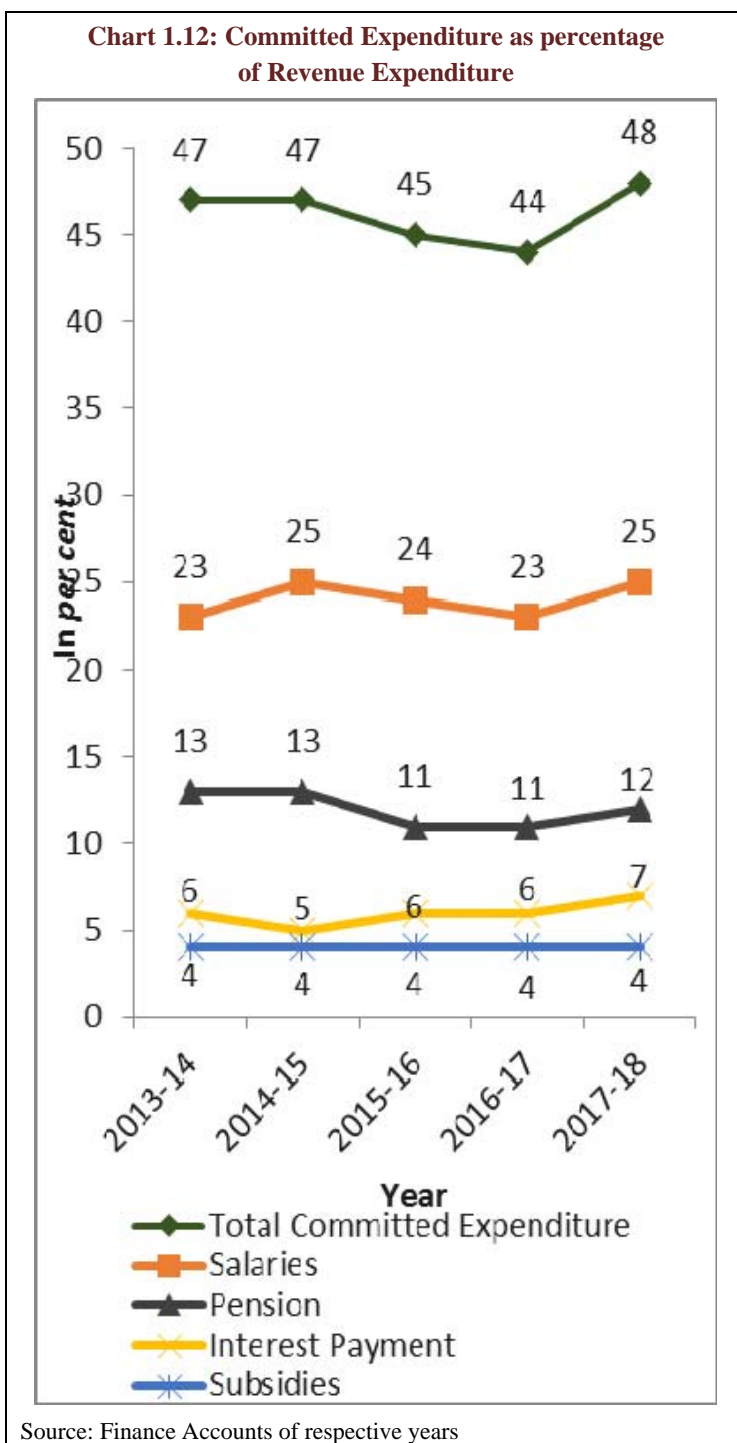
1.5.3 Revenue Expenditure

Revenue expenditure (₹ 71,837 crore) was 17.27 per cent to GSDP and was within the budget provision (₹ 82,237 crore) made for the year 2017-18. The Revenue Expenditure during the year increased by 10.45 per cent from 2016-17 (₹65,041 crore). It was, however lower than the budget estimates by ₹ 10,400 crore.

1.5.3.1 Committed Expenditure

Committed Expenditure of Government consists of interest payments (₹ 4,988 crore), salaries and wages (₹ 17,697 crore), pensions (₹ 8,693 crore) and subsidies (₹2,830 crore). The committed expenditure in 2017-18 was ₹ 34,208 crore and constituted 47.62 per cent of Revenue Expenditure (₹ 71,837 crore).

The following observations were noted in Audit:



Salaries and Pension

Committed expenditure measured as a percentage of Revenue Expenditure of the State, was steadily decreasing during the years 2013-17 (Chart 1.12). In 2017-18, it, however, increased by four per cent over the previous year. This was mainly due to payment of arrears of Salaries (16.58 per cent increase over last year) and Pension (27.03 per cent increase over last year) on account of implementation of 7th Pay Commission.

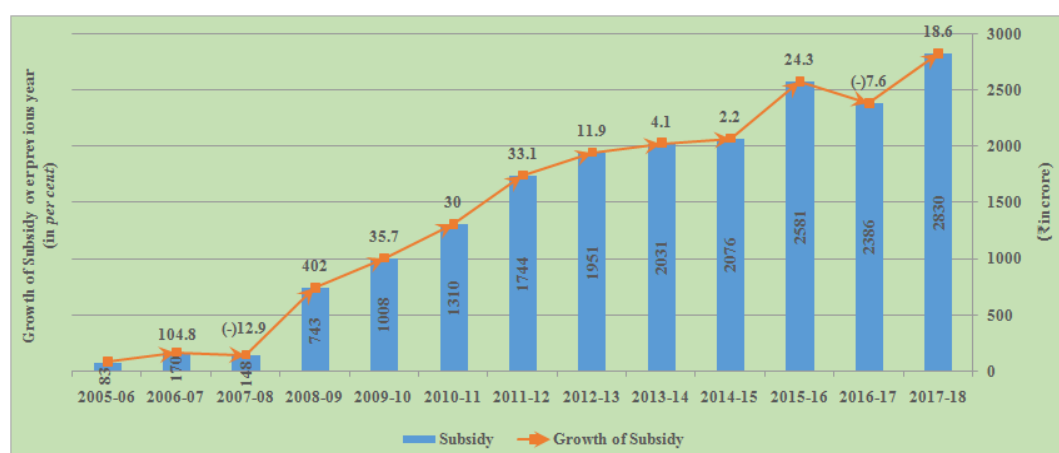
Interest Payments

In 2017-18, Interest payments (₹ 4,988 crore) as a percentage of Revenue Expenditure constituted seven per cent, an increase of one per cent over previous year (₹4,035). Interest payment relative to Revenue Receipts (₹85,204 crore) was however, 5.85 per cent, which was well below the fiscal target of 15 per cent set out in the Odisha FRBM (Amendment) Act, 2016.

Subsidies

The State Government in its Medium Term Fiscal Plan (MTFP) for 2007-08, had aimed at rationalization of general subsidy and reduction of their overall volume gradually at a rate of 10 per cent per annum beginning 2005-06. On the contrary, subsidies have increased and during the years 2013-18, general subsidy increased from ₹2,031 crore to ₹2,830 crore (Chart 1.13).

Chart 1.13: Growth of Subsidy from 2005-06 to 2017-18



Source: Finance Accounts of respective years

During 2017-18, Subsidies for Food Supplies & Consumer Welfare (₹ 886 crore) which accounted for 31.30 per cent of the total subsidies, showed a marginal decrease, as compared to previous year. Subsidies for Disaster Management increased by ₹ 391 crore due to relief on account of natural calamities (Table 1.13).

Table 1.13: Department-wise Subsidies

(₹ in crore)

Sl. No.	Department	2016-17	2017-18
1	Food Supplies & Consumer Welfare	970	886
2	Revenue & Disaster Management	363	754
3	Co-operation	726	697
4	Agriculture & Farmers' Empowerment	203	203
5	Industries	27	170
6	Fisheries & Animal Resources Development	10	56
7	Handlooms, Textiles & Handicrafts	47	50
8	Others	40	14
Total Subsidy		2,386	2,830
Total Revenue Expenditure (RE)		65,041	71,837
Subsidy as a percentage of RE		3.67	3.94

Source: Finance Accounts of respective years

1.5.3.2 Financial Assistance to Local Bodies and other institutions

Financial assistance to the tune of ₹ 21,780 crore was provided by the State Government to local bodies and other institutions by way of grants and loans in 2017-18 (Table 1.14). Grants extended to local bodies and other institutions had increased by ₹ 2,432 crore (12.56 per cent) from ₹ 19,348 crore in 2016-17 to ₹ 21,780 crore in 2017-18.

This increase was mainly due to increase in assistance to Educational Institutions (₹ 937 crore), Development Agencies (₹ 847 crore), Municipal Corporations (₹ 217 crore) and Zilla Parishads and other Panchayati Raj Institutions (₹ 444 crore), which was partly set off by decrease in assistance to Other Institutions (₹ 13 crore).

Table 1.14 Financial Assistance to Local Bodies and other institutions

(₹ in crore)

	2016-17	2017-18
Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	4,109	5,046
Municipal Corporations and Municipalities	1,575	1,792
Zilla Parishads and other Panchayati Raj Institutions	2,536	2,980
Development Agencies	2,132	2,979
Other institutions	8,996	8,983
TOTAL	19,348	21,780
Assistance as a percentage of Revenue Expenditure	30	30

Source: Finance Accounts of respective years

1.5.3.3 National Pension System

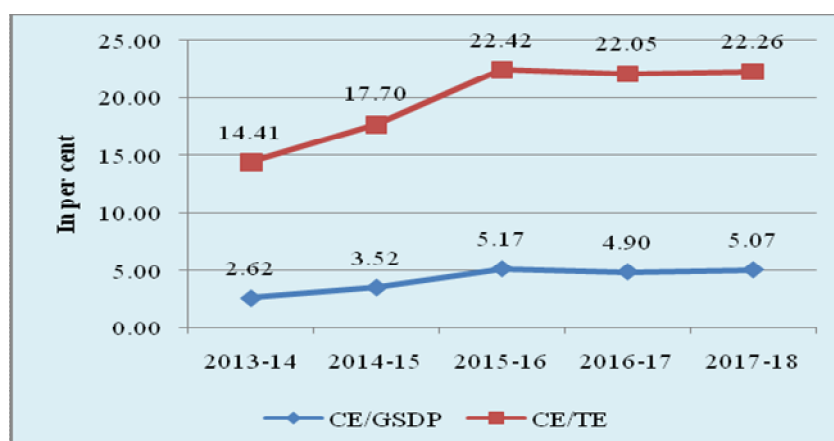
State Government employees recruited on or after 1 January 2005 are covered under National Pension System (NPS), which is a defined contributory pension scheme. It is mandatory for employees to contribute 10 per cent of basic pay and dearness allowance every month. The State Government has to make equal contribution. The Government has to transfer these contribution amounts along with details to the National Securities Depository Limited (NSDL) and to the fund managers appointed by the NPS Trust, respectively. Audit analysis showed that in 2017-18, under the NPS State Government collected from the State Government employees an amount of ₹ 414.93 crore. The State Government contributed ₹ 432.83 crore and transferred ₹ 862.24 crore to NSDL, with a balance of ₹ 20.72 crore yet to be transferred to NSDL. Though the State Government started collecting pension contribution from the employees from 2006-07, it transferred to the NSDL only in 2010-11 an amount of ₹ 0.01 crore leaving a balance of ₹ 39.62 crore to be transferred to NSDL as on 31 March 2011. Similarly, every year thereafter there was a short transfer to NSDL leaving a balance to be transferred as follows: 2011-12 ₹ 60.10 crore, 2012-13 ₹ 61.57 crore, 2013-14 ₹ 29.62 crore, 2014-15 ₹ 22.55 crore, 2015-16 ₹ 28.33 crore, and 2016-17 ₹ 35.21 crore. As on 31 March 2018, there was a total short transfer of ₹ 20.72 crore to the NSDL. The current liability stands deferred to future year(s). Further, the State Government has created interest liability on the amount not transferred to NSDL and has incorrectly used the funds that belongs to its employees, leading to possible uncertainty in the rate of return to the employees/avoidable financial liability to the Government and thus increasing the risk of failure of the Scheme itself.

Recommendation 2: The State Government should ensure that employees' contribution is properly collected and transferred to NSDL along with a matching contribution in a timely manner. Steps should be taken to transfer the balance amount of ₹ 20.72 crore immediately to NSDL.

1.5.4 Capital Expenditure (CE)

Capital Expenditure (₹ 21,109 crore) during 2017-18 constituted 22.26 per cent of total expenditure (₹ 94,821 crore). It increased by ₹ 2,638 crore (14.28 per cent) over the previous year. Capital Expenditure relative to GSDP was, however, 5.07 per cent in 2017-18 and though being a revenue surplus State, during the past five years, it has not exceeded 5.17 per cent relative to GSDP. The ratio of Capital Expenditure to Total Expenditure also remained more or less constant at 22 per cent during last three years as evident from the **Chart 1.14**.

Chart 1.14: Capital Expenditure as a percentage of GSDP and Total Expenditure



Source: Finance Accounts of respective years

Capital Expenditure in 2017-18 at ₹ 21,109 crore was in excess of the budget estimates (₹ 20,774 crore) by ₹ 335 crore. The increase was mainly on account of increase in expenditure on Water Supply and Sanitation (₹ 676.43 crore), Minor Irrigation (₹ 510.48 crore), Medium Irrigation (₹ 412.32 crore), Education, Sports, Art and Culture (₹ 385.42 crore), Roads and Bridges (₹ 291.24 crore), Major Irrigation (₹ 162.89 crore) and Medical and Public Health (₹ 106.12 crore), which was partly set off by decrease in spending on Social Services (₹ 50.27 crore) and Flood Control Projects (₹ 43.69 crore) compared to expenditure on these heads in the previous year as detailed in **Appendix 1.3**.

1.5.5 Quality of Expenditure

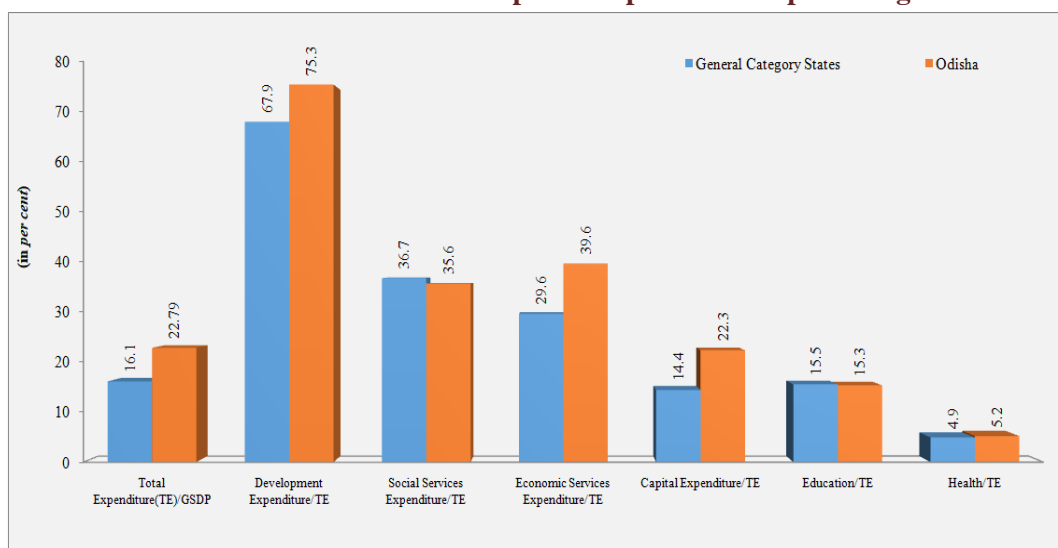
Quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use

and effectiveness (assessment of outlay - outcome relationships for services).

1.5.5.1 Adequacy of Public Expenditure

Enhancing human development levels require 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) for a particular sector can be inferred if the ratios fall way below the respective National averages. **Chart 1.15** analyses the fiscal priority of the State Government with regard to development expenditure, social services expenditure, economic services expenditure and capital expenditure during 2017-18, vis-à-vis the average of the General Category States¹⁵.

Chart 1.15: Prioritisation in public expenditure in percentage



Source: Finance Accounts

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

Total Expenditure relative to GSDP in Odisha was better than the General Category States. Odisha fared favourably in its focus on Development Expenditure, Economic Services Expenditure, Capital Expenditure and Health vis-à-vis General Category States. The State, however, lagged slightly behind General Category States in the area of Social Services Expenditure and Education.

1.5.5.2 Effectiveness of Expenditure (Outcome Budget)

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

¹⁵ Andhra Pradesh, Telangana, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal

outcome. The idea is to make the programme implementing agencies more result oriented by shifting the focus from 'Outlay' to 'Outcome'.

Outlay-outcome budget for the year 2017-18 under few schemes covering three departments viz. Works Department, Panchayati Raj & Drinking Water Department and Rural Development Department were test checked. Some important findings are tabulated below:

Table 1.15: Outcome vis-à-vis outlay of selected schemes

Department	Observations
Works Department	Externally Aided Projects (Improvement of road in Km): Under Externally Aided Projects (Improvement of road in Km), the budget outlay was ` 229.35 crore in 2017-18. The department constructed only 48 Km road against the physical target of 100 Km by expending the total budget outlay of ` 229.35 crore (100 <i>per cent</i>). The department did not offer any reasons for such shortfall in outcome against outlay.
Panchayati Raj & Drinking Water Department	Gopabandhu Gramin Yojana (GGY): Gopabandhu Gramin Yojana (GGY) was launched to improve rural connectivity, water supply and electrification in 11 districts of Odisha. As against physical target of 65,000 projects, only 48,447 projects were completed, with a financial outlay of ` 300 crore (100 <i>per cent</i>) as of March 2018.
Rural Development Department	NABARD assisted RIDF (Rural Infrastructure Development Fund) scheme: The physical target of the scheme was to construct five bridges and 22 roads with the financial outlay of ` 93.76 crore. The department, however, constructed three bridges and 22 roads with utilisation of ` 88.27 crore. Thus, there was 40 <i>per cent</i> shortfall in achievement of physical target against bridges. The reason for shortfall was attributed to delay caused by the contractors. Mukhya Mantri Sadak Yojana: Out of financial outlay of ` 331.23 crore, ` 292.53 crore (88.32 <i>per cent</i>) were utilized as of March 2018. With a physical target to construct 800 Kms of road under the scheme, the department constructed only 462 Kms, as of March 2018. The shortfall in achievement of physical target (338 Kms, 42.25 <i>per cent</i>) was attributed to delay by the contractors. Special programme for KBK districts: Objective of the scheme was to improve rural roads. Out of financial outlay of ` 124.93 crore for construction of 30 roads, an amount of ` 25.20 crore (20 <i>per cent</i>) was utilized as of March 2018 for construction of six roads. The Government stated that the target could not be achieved due to delay in finalisation of the projects & time taken for tender process.

There is variance between the physical and the financial progress in the above mentioned schemes. The reasons for the divergence were sought from the departments (October 2018). Reply is still awaited.

1.6 Composition of Assets and Liabilities

While the Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government, these can be derived from the accounting of financial liabilities and assets created out of

expenditure incurred. **Appendix 1.6** gives an abstract of liabilities and assets, as on 31 March 2018, compared with the corresponding position as on 31 March 2017.

1.6.1 Government Assets

Government assets mainly comprise Capital Outlay, Investments, Loans and Advances given by the State Government and Cash Balances.

1.6.1.1 Capital outlays: 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 2018 is given in **Table 1.16**.

Table 1.16: Department-wise profile of incomplete projects.

(in crore)

Name of the Department	No. of incomplete projects as on 31/03/2017	New Projects identified to be completed during 2017-18	Total	No. of projects completed during 2017-18 as on 31.03.2018	No. of incomplete projects as on 31.03.2018	Initial Budgeted cost	Revised cost of projects	Cumulative actual expenditure as on 31.03.2018
RD	216	263	479	388	91	1,339.42	1,366.38	1,047.20
Works	17	93	110	90	20	1,955.30	1,916.51	1,456.80
WR	13	26	39	22	17	252.51	275.49	207.33
SD&TE	4	--	4	4	0	24.26	22.93	12.02
ST&SCDM &BCW	1	--	1	--	1	5.94	6.50	--
MS&ME	3	--	3	--	3	18.42	15.58	3.21
Commerce	6	--	6	4	2	27.79	31.32	26.58
F&ARD	2	3	5	--	5	104.45	104.44	62.34
Tourism	--	65	65	18	47	181.11	16.49	2.50
TOTAL	262	450	712	526	186	3,909.2	3,755.64	2,817.98

RD- Rural Development, WR- Water Resources, SD&TE- Skill Development and Technical Education, ST&SCDM, M&BCW- Scheduled Tribe & Scheduled Caste Development, Minorities and Backward Class Welfare, MS&ME- Micro, Small and Medium Enterprises and F&ARD- Fisheries and Animal Resources Development

Source: Information collected from the Finance Department.

Government had identified as many as 450 new projects and 262 carry over projects of previous years totaling 712 projects, for completion during the year 2017-18. Out of these, 186 projects remained incomplete. Departments have attributed the delay to issues like land acquisition, forest clearance, Naxal problems, *etc.* 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 due to time/cost overrun involved in their completion.

1.6.1.2 Investment in Public Sector Undertakings

As of 31 March 2018, the State Government's investment stood at ₹ 4,974.21 crore in Public Sector Undertakings (PSU) comprising Government Companies (₹ 3,741.51 crore), Co-operative Societies (₹ 679.57 crore), Statutory Corporations (₹ 550.99 crore)

and others¹⁶ (₹ 2.14 crore). Of this investment, ₹ 3,501.94 crore or 70 per cent of the total investment fetched no return by way of dividend.

Table 1.17: Return on Investment

Sl. No	Year	2013-14	2014-15	2015-16	2016-17	2017-18
1	Investment at the end of the year	3,308.79	3,504.87	3,881.32	4,423.02	4,974.21
2	Return in the form of Dividend (₹ in crore)	452.40	1,076.44	553.36	566.04	66.22
3	Rate of return (per cent)	13.67	30.71	14.26	12.80	1.33
4	Average rate of interest on Government borrowing (per cent)	6.56	5.90	6.06	7.62	7.58
5	Difference between RoR (per cent) and interest rate (3-4)	7.11	24.81	8.20	5.18	(-)6.25

Source: Finance Accounts of respective years

Table 1.17 shows that only ₹ 66.22 crore was received as dividend against total investment of ₹ 4,974.21 crore during 2017-18.

- It is observed that out of 147 entities, only 12 entities had paid dividend. These included two Rural Banks¹⁷, nine Government Companies¹⁸ (which included two Power Sector Companies) and one Statutory Corporation¹⁹.
- Out of the total investment of ₹ 4,974.21 crore, ₹ 2,684.35 crore (54 per cent) was invested in four²⁰ Power Sector Companies. Out of these, only two²¹ companies paid dividend of ₹ 35.92 crore (54 per cent).
- The percentage of return decreased from 12.80 per cent in 2016-17 to 1.33 per cent in 2017-18. This was mainly due to non receipt of dividend from Odisha Mining Corporation (OMC) during 2017-18 as against ₹ 400 crore, ₹ 1,001 crore, ₹ 500 crore and ₹ 500 crore received during the years 2013-14 to 2016-17 respectively.
- Out of 147 entities (72 inactive), 63 had defaulted in payment of dividend in 2017-18.

Government in its reply stated (March 2019) that the State Government had been pursuing with the PSUs for timely payment of dividends. It also stated that the bulk of dividend was received from Odisha Mining Corporation (OMC) in previous years. In the year 2017-18, however, following the orders of Honorable Supreme Court, OMC

¹⁶ Joint Stock Companies & Partnerships and Rural Banks

¹⁷ Rural Banks: Odisha State Co-operative Agriculture and Rural Development Bank: ₹ 0.13 crore & Odisha State Co-operative Bank: ₹ 0.46 crore

¹⁸ Government Companies: Agricultural Promotion and Investment Corporation Limited (APICOL): ₹ 0.01 crore, Odisha State Cashew Development Corporation Limited (OSCDC): ₹ 0.47 crore, Odisha Forest Development Corporation Limited: ₹ 3.07 crore, Odisha Small Industries Corporation Limited (OSIC): ₹ 2.26 crore, Odisha Construction Corporation Limited (OCC) ₹ 10.64 crore, Odisha State Police Housing and Welfare Corporation: ₹ 4.65 crore, Odisha State Beverage Corporation Limited: ₹ 7.65 crore, Odisha Hydro Power Corporation (OHPC): ₹ 27.26 crore and Odisha Power Generation Corporation Limited: ₹ 8.66 crore.

¹⁹ Statutory Corporation: Odisha State Warehousing Corporation, Bhubaneswar: ₹ 0.96 crore

²⁰ OPGC ₹ 1007.04 crore, OPTCL ₹ 690.07 crore, GRIDCO ₹ 573.44 crore and OHPC ₹ 413.80 crore.

²¹ OHPC: ₹ 27.26 crore and OPGC: ₹ 8.66 crore

had to deposit ₹ 2,200 crore amount as fine in Odisha Minerals Bearing Area Development Corporation (OMBADC) account. Thus, the Corporation ended with no profit during the year. Therefore, no dividend was received from OMC during 2017-18 and accordingly, there was drastic fall in dividend receipt during the year.

1.6.1.3 Loans and Advances given by the State Government

Government provides Loans and Advances to Public Sector Undertakings and autonomous bodies such as Universities, Local Bodies and Urban Development Authorities and Corporations *etc.* **Table 1.18** presents the details of outstanding Loans and Advances for the years 2013-18:

Table 1.18: Details of Loans and Advances by the State Government

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Opening Balance (₹ in crore)	3,977	4,183	4,449	4,557	4,708
Amount advanced during the year (₹ in crore)	463	358	337	254	1,875
Amount recovered during the year (₹ in crore)	257	92	228	89	257
Closing Balance (₹ in crore)	4,183	4,449	4,558	4,708*	6,326
Net addition (₹ in crore)	(+)206	(+)266	(+)109	(+)151	(+)1,618
Interest Receipts (₹ in crore)	610	14	181	36	41
Interest Receipts as a percentage of outstanding loans and advances (in <i>per cent</i>)	14.58	0.31	3.97	0.76	0.65
Interest Payments (in Crore)	2,888	2,810	3,343	4,035	4,988
Outstanding Liabilities (₹ in Crore)	44,714	50,493	59,753	71,623	97,164
Interest Payments as percentage to total outstanding Liabilities of the State Government. (in <i>per cent</i>)	6.46	5.57	5.59	5.63	5.13
Difference between Interest Receipts and Interest Payments (in <i>per cent</i>)	(+)8.12	(-)5.26	(-)1.62	(-)4.87	(-)4.48

*4722-4708 Difference of ₹ 14 crore was due to conversion of loan to Share Capital Investment

Source: Finance Accounts of respective years

Following observations are made in Audit:

- Loans and advances extended by the State Government increased more than four times from ₹ 463 crore in 2013-14 to ₹ 1,875 crore in 2017-18. Loans and advances outstanding rose from ₹ 4,183 crore in 2013-14 to ₹ 6,326 crore in 2017-18. Major portion of loans advanced during 2017-18 was to Indian Oil Corporation Limited (₹ 1,400 crore). Government of Odisha had entered into an agreement with Indian Oil Corporation Limited for providing fiscal incentive for Paradeep Refinery Project, as Viability Gap Funding (VGF²²), as a part of interest free loan of ₹ 10,500 crore over a period of 15 years.
- The current recovery of loan (₹ 257 crore) was 13.70 *per cent* of the advances (₹ 1,875 crore) made during the year and was an improvement over the previous year (₹ 89 crore). The actual recovery (₹ 257 crore), was, however, more than what was estimated in the Budget for recovery (₹ 130 crore) by 97.69 *per cent*.

²² Viability Gap Funding means a grant to support projects that are economically justified but not financially viable.

- Interest receipts substantially decreased from ₹ 610 crore in 2013-14 to ₹ 41 crore in 2017-18, with percentage of interest received to total outstanding loans and advances decreasing from 14.58 per cent in 2013-14 to 0.65 per cent in 2017-18. Interest payment on the other hand (₹ 4,988 crore) during 2017-18 was 5.13 per cent of its total outstanding liabilities (₹ 97,164 crore). As a result, interest spread of Government borrowings was negative (- 4.48 per cent) during the year which meant that the State's borrowings are more expensive than the loans advanced by it.

Government in its reply stated (March 2019) that higher interest receipts shown for the year 2013-14 is mainly on account of accounting adjustment of interest receivable from GRIDCO and other power sector utilities against the arrear electricity dues of the State Government Offices as one time settlement. The State Government has, however, been pressing the loanee entities for timely payment of interest on the loan, so that the position of realization of interest can be further improved.

Box 1.1: Non settlement of terms and conditions of loan

In terms of Odisha General Financial Rules, no loans or advances shall be sanctioned unless the loanee furnishes a written undertaking of the acceptance of its terms. Scrutiny of Finance Accounts, however, revealed that out of total outstanding loans of ₹ 6,326 crore, Terms and Conditions of loans amounting to ₹ 1,600.66 crore are yet to be settled as on 31 March 2018. The loans related to the periods extending from 1979 to 2018. Of these, the loan extended to Odisha Hydro Power Corporation Limited, which constitutes 79.86 per cent (₹ 1,278.36 crore) was taken during 1996-97.

This indicated lackadaisical approach of the Government towards recovery of loans and advances.

1.6.1.4 Cash Balance

The cash balance at the end of March 2018 was ₹ 30,848.11 crore. Cash balances and investments thereof made by the State Government during 2017-18 are given in **Table 1.19**.

Table 1.19: Cash balance and investment of cash balance

	(₹ in crore)	
	Opening balance on 1/4/2017	Closing balance on 31/3/2018
(a) General Cash Balance -		
Cash in Treasuries	--	--
Deposits with Reserve Bank	318.65	557.03
Deposits with other Banks	--	--
Remittances in transit - Local	--	--
Investments held in Cash Balance investment account	8,738.10	24,747.97
Total (a)	9,056.75	25,305.00
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works	21.03	19.78

	Opening balance on 1/4/2017	Closing balance on 31/3/2018
Department Officers, Forest Department Officers, District Collectors		
Permanent advances for contingent expenditure with departmental officers	0.33	0.33
Investment in earmarked funds (Consolidated Sinking Fund- ` 5043 crore and Guarantee Redemption Fund- ` 480 crore)	5,523.00	5,523.00
Total (b)	5,544.36	5,543.11
Grand total (a)+ (b)	14,601.11	30,848.11

Source: Finance Accounts 2017-18.

The closing cash balances in the years 2015-16 and 2016-17 were ` 12,047.68 crore and ` 14,601.11 crore respectively. This indicates that the State Government maintained large cash balance on a regular basis, while being a fiscal deficit State at the same time.

- As per the Finance Accounts, the cash balance included an amount of ` 11,568.18 crore relating to Odisha Mineral Bearing Areas Development Corporation (OMBADC) account. Scrutiny of records revealed that Hon'ble Supreme Court of India had directed (02 August 2017) the State Government to keep the compensation recoverable in respect of the illegally mined ore under Section 21(5) of the Mines and Minerals (Development & Regulation) (MMDR) Act with OMBADC, a SPV (Special Purpose Vehicle) for undertaking tribal welfare and area development work.
- As against the mandated minimum Cash Balance of ` 1.28 crore, the State Government maintained ` 557.03 crore with Reserve Bank of India as on 31 March 2018.
- The Government invested cash balances amounting to ` 24,748 crore in GoI Treasury Bills (TB) and GoI Stocks. On these investments, the Government earned interest of ` 559.32 crore during the year.
- The 13th Finance Commission had recommended that the States with large cash balances should make efforts to utilize their cash balances before resorting to fresh borrowings. Out of a General Cash Balance of ` 25,305 crore, there was an untied Cash Balance of ` 13,436.83 crore. The State, however, resorted to market borrowings of ` 12,013 crore at interest rates ranging from 6.94 to 8.24 *per cent*, contrary to the Finance Commission recommendation.

Government in its reply stated (March 2019) that the cash balance included tied up balances like OMBADC Fund, State Disaster Response Fund, Consolidated Sinking Fund, Guarantee Redemption Fund etc., which cannot be used by the State Government for general purpose expenditure. If these balances are deducted, the amount of the cash balance is about ` 10,000 crore, which is the minimum balance required for one month's day to day expenditure.

The fact, however, remained that cash relating to OMBADC fund was only ` 11,568 crore. Even after deducting the tied up balances like CSF, GRF etc., the State was still left with untied cash balance of more than ` 13,000 crore. An amount of ` 12,013 crore

was borrowed at a higher interest rate from the market, while untied cash of more than ₹ 13,000 crore was available.

Recommendation 3: The State Government, before fresh borrowings should examine whether it is necessary to borrow funds at resorting to higher rates of interest when there are large cash balances available with them earning lower interest rates. GoO should avoid large cash balances resulting in avoidable interest burden.

1.6.2 Government Liabilities

Total Liabilities of the Government consist mainly of internal borrowings, loans and advances from GoI and balances in the Public Account.

1.6.2.1 Outstanding Liabilities

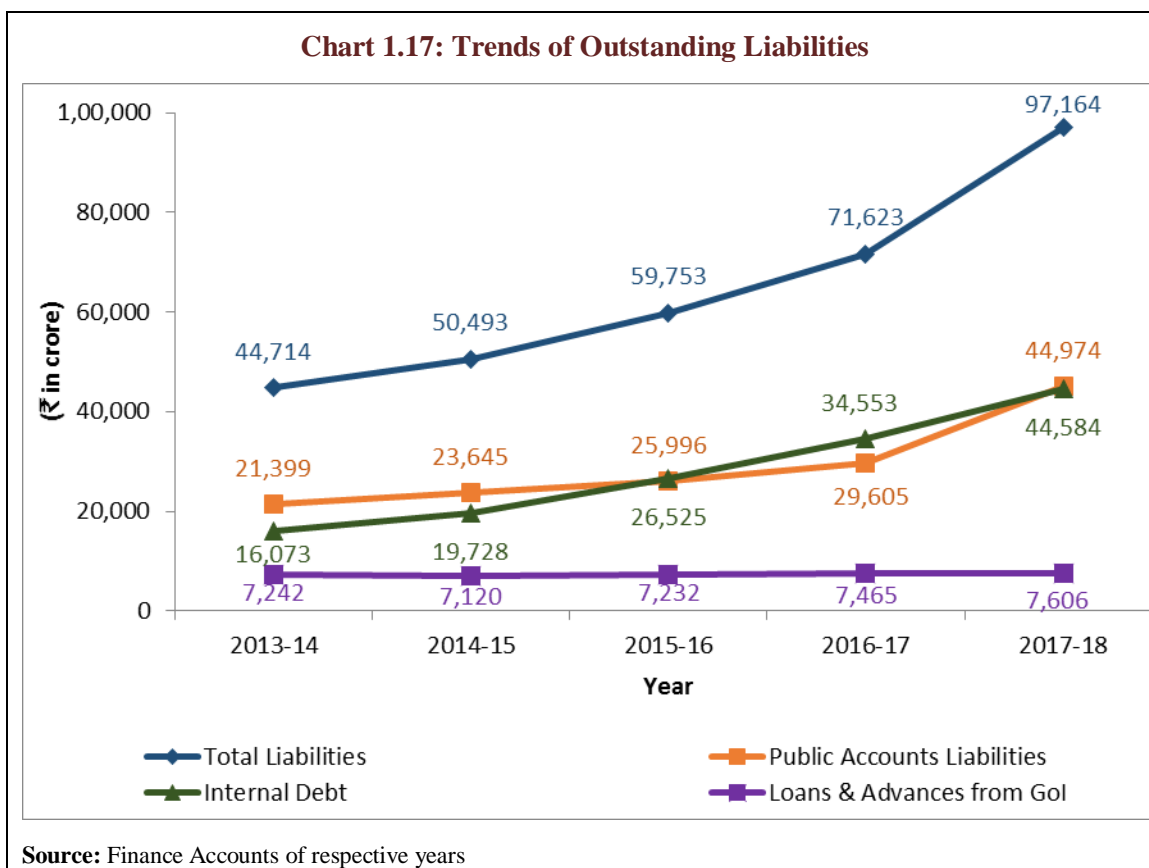
The components of Total Outstanding Liabilities are given in **Chart 1.16**.

Chart 1.16: Components of total outstanding liabilities of the State Government

Total Liabilities (₹ 97,164 crore)		
Internal Debt from Market, financial institutions, etc (₹ 44,584 crore)	Loans and Advances from Government of India (₹ 7,606 crore)	Public Account Liabilities where Government acts as a banker (₹ 44,974 crore)
Market Loans (₹ 23,531 crore)	Loans for Plan Schemes (₹ 7,588 crore)	Small Savings, Provident Fund, etc. (₹ 21,675 crore)
Loans from Financial Institutions (₹ 10,934 crore)	Non Plan Loans (₹ 18 crore)	Reserve Fund bearing Interest (₹ 1,364 crore)
Special Securities issued to NSSF (₹ 10,022 crore)		Reserve Fund not bearing interest (₹ 310 crore)
Other Loans (₹ 97 crore)		Deposit bearing interest (₹ 39 crore)
		Deposit not bearing interest (₹ 21,586 crore)

Source: Finance Accounts.

The trends of total Outstanding Liabilities during the last five years are presented in *Chart 1.17*.



The total Outstanding Liabilities of the State as of 31 March 2018 was ` 97,164 crore. **These are on an ascending trend (Chart 1.17) over the last five years. In 2017-18, the total outstanding liabilities of the Government stood at 1.14 times its Revenue Receipts.** They constitute 23.36 per cent of GSDP. The total liabilities grew by 35.66 per cent over the previous year and 117.30 per cent over 2013-14.

1.6.2.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Accounts of the State Government. These funds are met from contribution or grants from Consolidated Fund of India or State. Out of the gross accumulated balances of ` 7,197 crore lying in these Funds as on 31 March 2018, ` 5,523 crore was invested in Government Stock by Reserve Bank of India, leaving the total net accumulated balance of ` 1,674 crore as on 31 March 2018.

The transactions during the year 2017-18 under major reserve funds are detailed below:

i) Consolidated Sinking Fund (CSF): As per 12th Finance Commission recommendation, GoO set up Consolidated Sinking Funds for amortization of outstanding liabilities. The guidelines of the Reserve Bank of India, which is responsible for administering the fund, stipulate a minimum annual contribution of at least 0.5 per

cent of the outstanding liabilities at the end of the previous financial year to the CSF during the year. The State Government had not made mandatory annual minimum contribution of ₹ 358.12 crore to the Consolidated Sinking Fund in 2017-18. This had the impact of understating the fiscal deficit by an equivalent amount (Details in **Table 1.3**). There has been continuous non-contribution from 2013-14 to 2017-18, total amounting to ₹ 1,349.65 crore. As on 31 March 2018, while the total outstanding liability of the State Government was ₹ 97,164 crore, the balance in the Consolidated Sinking Fund was only ₹ 5,042.82 crore.

ii) Guarantee Redemption Fund (GRF): GRF was constituted 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 State Government was required to contribute an amount equivalent at least to 1/5th of the outstanding invoked guarantees plus amount likely to be invoked as a result of the incremental guarantees issued during the year. The Government of Odisha had, however, not made any contributions to the Fund during 2017-18. The balance at the credit of the fund as on 31 March 2018 was ₹ 480 crore, which had been invested in Government of India securities by the Reserve Bank of India.

iii) State Disaster Response Fund (SDRF): During the year 2017-18, Central Government contributed ₹ 618 crore and the State Government contributed ₹ 206 crore to SDRF (75:25). Total funds in SDRF amounted to ₹ 5,275.27 crore (including interest received ₹ 45.05 crore from Investment of ₹ 2,954.95 crore in 91 days Treasury Bill). Out of the funds, State Government incurred expenditure of ₹ 3,911.51 crore during the year, leaving a balance of ₹ 1,363.74 crore as on 31 March 2018 in the Fund as against ₹ 1451.25 crore as on March 2017.

iv) Non-discharge of interest liabilities to Reserve Funds and Deposit bearing Interest

Government is liable to pay interest in respect of interest bearing Reserve Funds and Deposits. The details of interest on interest bearing Reserve Funds and Deposits for the period from 2013-14 to 2017-18 are presented in **Table 1.20**.

Table 1.20: Interest on Interest bearing Reserve Funds and Deposits

(₹ in crore)

Name of the Fund	2013-14	2014-15	2015-16	2016-17	2017-18	Total Interest
Reserve Funds bearing Interest						
Depreciation Reserve Fund	0.36	0.36	--	--	--	0.72
State Disaster Response Fund	13.82	4.09	1.76	23.17	108.84	151.68
Total	14.18	4.45	1.76	23.17	108.84	152.40
Deposits bearing Interest						
Deposits of Government Companies, Corporations etc.	1.36	1.36	1.36	1.36	1.37	6.81
Defined Contribution Pension Scheme for Government Employees	5.36	2.58	1.97	2.29	2.85	15.05
Miscellaneous Deposits	--	--	0.01	0.02	0.02	0.05
Total	6.72	3.94	3.34	3.67	4.24	21.90
Grand Total	20.90	8.39	5.10	26.84	113.08	174.31

Source: Finance Accounts of respective years.

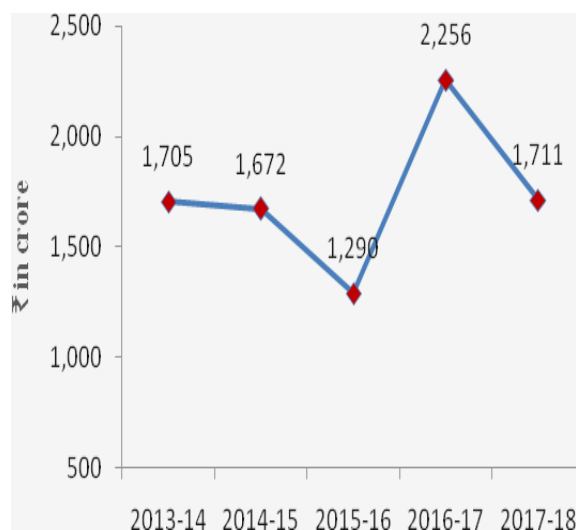
It can be seen from **Table 1.20** that the State Government was liable to pay interest amounting to ₹ 174.31 crore to these five funds during the last five years. Scrutiny of Finance Accounts revealed that the interest liabilities had not been discharged to the above interest bearing Reserve Funds and Deposits. This resulted in overstatement of Revenue Surplus to the tune of ₹ 113 crore during the year 2017-18 (Details in **Table 1.3**). Out of the above funds, State Disaster Response Fund suffered interest loss of ₹ 151.68 crore during last five years.

Government in its reply stated (March 2019) that it is not practically possible to invest the entire amount available in State Disaster Response Fund (SDRF) in auction Treasury Bills as some funds are required to be made available for natural calamities. Hence, the Principal Accountant General (A&E) would be moved for necessary amendment to the accounting procedure for SDRF. As per the accounting procedure mandated by Ministry of Home Affairs (September 2010), however, the SDRF has been constituted in Public Accounts under the category of Reserve Fund bearing Interest and State Government is liable to pay interest to the SDRF on half yearly basis.

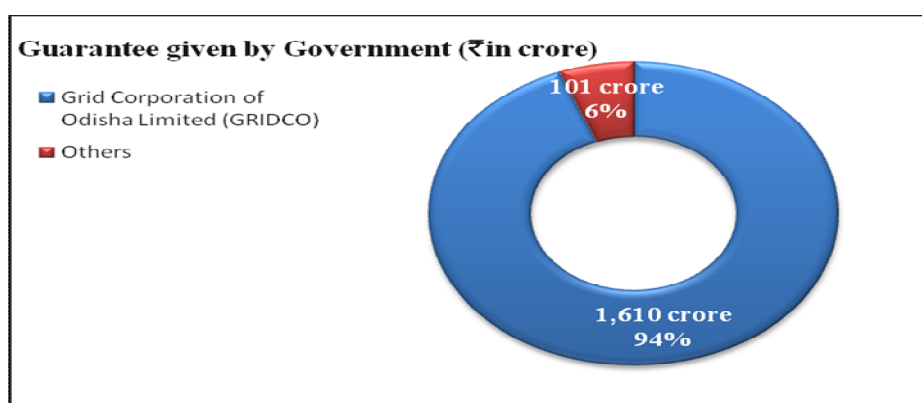
1.6.2.3 Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The trends of Outstanding Guarantees for the years 2013-14 to 2017-18 are in **Chart 1.18**. Finance Department instructed (12 November 2002) that the total outstanding guarantee as on 1st April every year should not exceed hundred *per cent* of the State's Revenue Receipts (excluding grants-in-aid) of the 2nd preceding year. The outstanding guarantees (₹ 1,711 crore) (**Chart 1.18**) at the end of 2017-18 stood at 3.12 *per cent* of total Revenue Receipts of the second preceding year less grants in aid (₹ 54,812 crore) and was within the ceiling (100 *per cent*) laid down in the said resolution.

Chart 1.18: Status of Outstanding Guarantees



Government categorised the guarantees as 100 *per cent* risk weighted i.e., the risk of default was borne by the State Government. Out of the loans guaranteed by the Government, 94 *per cent* was pertaining to Grid Corporation of Odisha Limited (GRIDCO) (**Chart 1.19**).

Chart 1.19: Bodies in receipt of guarantees at the end of 31 March 2018

Source: Finance Accounts

- In consideration of the guarantees given by the Government, the institutions in some cases are required to pay guarantee commission at rates varying from 0.01 per cent to one per cent. The State had received Guarantee Commission to the tune of ₹ 31.79 crore, which was 1.41 per cent of the outstanding guarantees at the beginning of the year. As per Finance Accounts, the State received ₹ 247.53 crore as Guarantee Commission or fee against the receivable amount of ₹ 341.88 crore as on 31 March 2018. The balance guarantee commission of ₹ 94.35 crore is yet to be received. Details are shown in **Table 1.21**.

Table 1.21: Guarantee Commission received/receivable by the Government

(₹ in crore)

Name of the Sector	No. of entities	Commission receivable	Commission received	Commission yet to be received
Power	4	271.48	209.44	62.04
Co-operatives	42	4.23	2.10	2.13
State Financial Corporation	7	8.53	2.88	5.65
Housing and Urban Development	86	40.97	26.82	14.15
Roads and Transport	2	1.84	1.84	0
Other Infrastructure	16	13.57	4.45	9.12
Others	4	1.26	--	1.26
TOTAL	161	341.88	247.53	94.35

Source: Finance Accounts 2017-18.

Government in its reply stated (March 2019) that the State Government is taking steps for timely collection of Guarantee Commission.

1.7 Debt Management

Outstanding Public Debt of the State Government (internal debt and loans & advances from GoI) as of 31 March 2018 is ₹ 52,190 crore. **The Outstanding debt increased by 24.21 per cent over the preceding year, at a higher rate than the growth of GSDP (10.28 per cent).**

1.7.1 Net availability of borrowed funds

The Net availability (₹ 5,184 crore) of borrowed funds (₹ 12,862 crore) after providing for interest payments (₹ 4,988 crore) and repayment of borrowings (₹ 2,690 crore), was positive (40 per cent), indicating availability of borrowed funds for purposes other than

debt repayment.

1.7.2 Public Debt Sustainability

The Public debt sustainability is defined as the ability of the State to service its debt in future. **Table 1.22 and Charts 1.20, 1.21 & 1.22** analyses the debt sustainability of the State during the five-year period 2013-18.

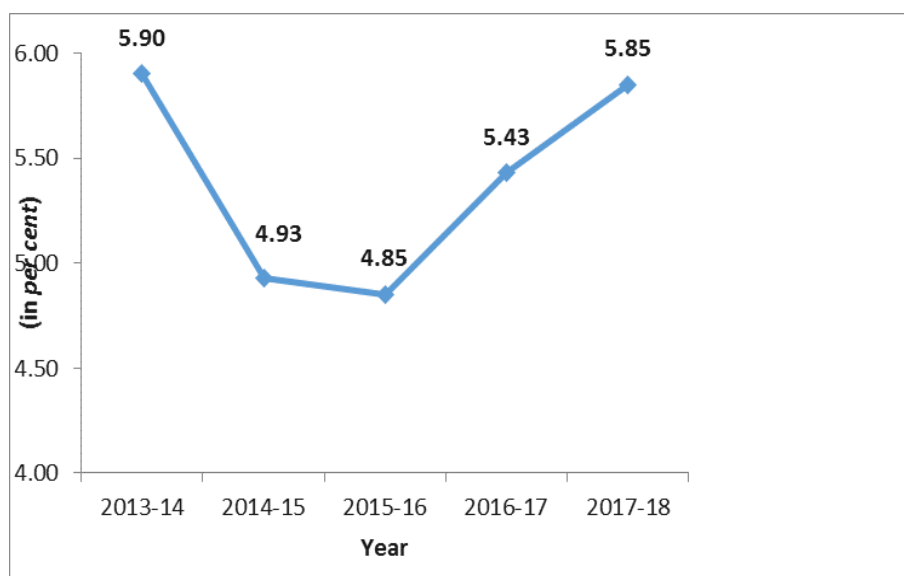
Table 1.22: Debt sustainability: Indicators during 2013-18

Indicators of Public Debt* Sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Debt (₹ in crore)	23,315	26,848	33,757	42,018	52,190
Rate of growth of Outstanding Debt (in per cent)	(-)0.01	15.15	25.73	24.47	24.21
GSDP (at current prices) (₹ in crore)	2,96,475	3,14,267	3,30,874	3,77,202	4,15,982
Rate of growth of GSDP	13.29	6.00	5.28	14.00	10.28
Debt/GSDP ratio (in per cent)	7.86	8.54	10.20	11.14	12.55
Debt Receipts (₹ in crore)	2,290	7,646	9,790	11,223	12,862
Debt repayments (₹ in crore)	2,293	4,111	2,881	2,962	2,690
Interest payment	2,888	2,810	3,343	4,035	4,988
Tax Revenue (₹ in crore)	16,892	19,828	22,517	22,852	27,914

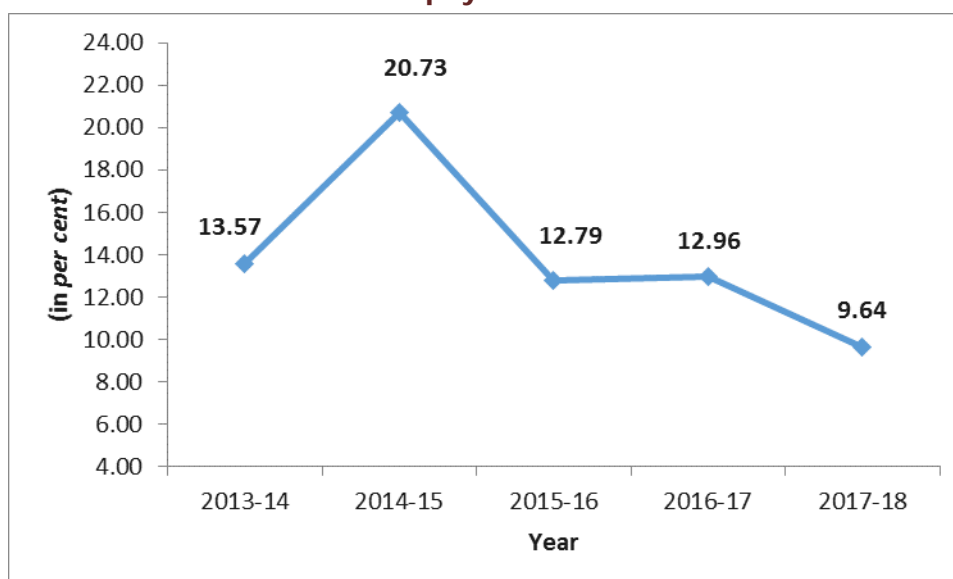
Source: Finance Accounts of respective years;

*Internal Debt and Loans from GoI

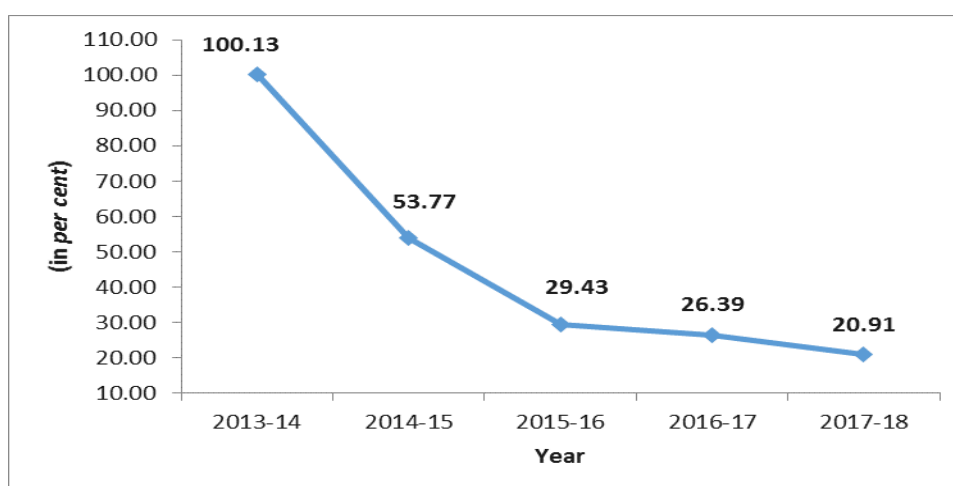
Chart 1.20: Interest payments as a per cent of Revenue Receipts



Source: Finance Accounts of respective years

Chart 1.21: Trend of Debt Repayment versus Tax Revenue

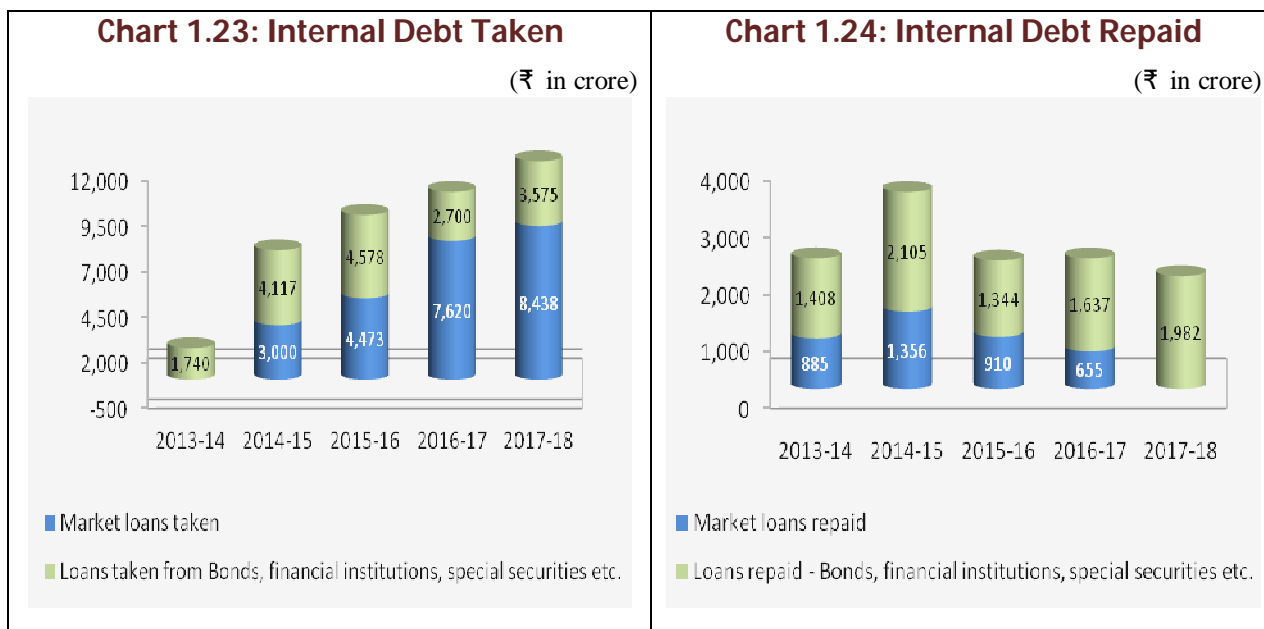
Source: Finance Accounts of respective years

Chart 1.22: Trend of Debt Repayment versus Debt Receipts

Source: Finance Accounts of respective years

Interest payments relative to Revenue Receipts was at 5.85 per cent, which is well below the fiscal target of 15 per cent set out in the Odisha FRBM (Amendment) Act, 2016. The Public Debt Repayment as a percentage of Tax revenue has decreased from 12.96 per cent in 2016-17 to 9.64 per cent in 2017-18. This indicates that a little less than 10 per cent of tax revenue was utilized for debt repayment in 2017-18. Public Debt repayment as a percentage of Public Debt Receipts also decreased from 26.39 per cent in 2016-17 to 20.91 per cent in 2017-18, indicating decrease in utilisation of Public Debt Receipts for repayment of earlier Public Debt.

Market borrowings (₹ 23,531 crore) form a major portion (52.78 per cent) of the internal debt (₹ 44, 584 crore) of the State Government, with interest rates ranging from 4 to 13.99 per cent. In 2017-18, the State Government borrowed fresh market loans of ₹ 8,438 crore and no amount were repaid. The outstanding market borrowings as of 31 March 2018 were ₹ 23,531 crore. The net increase of market borrowings during the year was 55.91 per cent (₹ 8,438 crore) over previous year (₹ 15,093 crore).

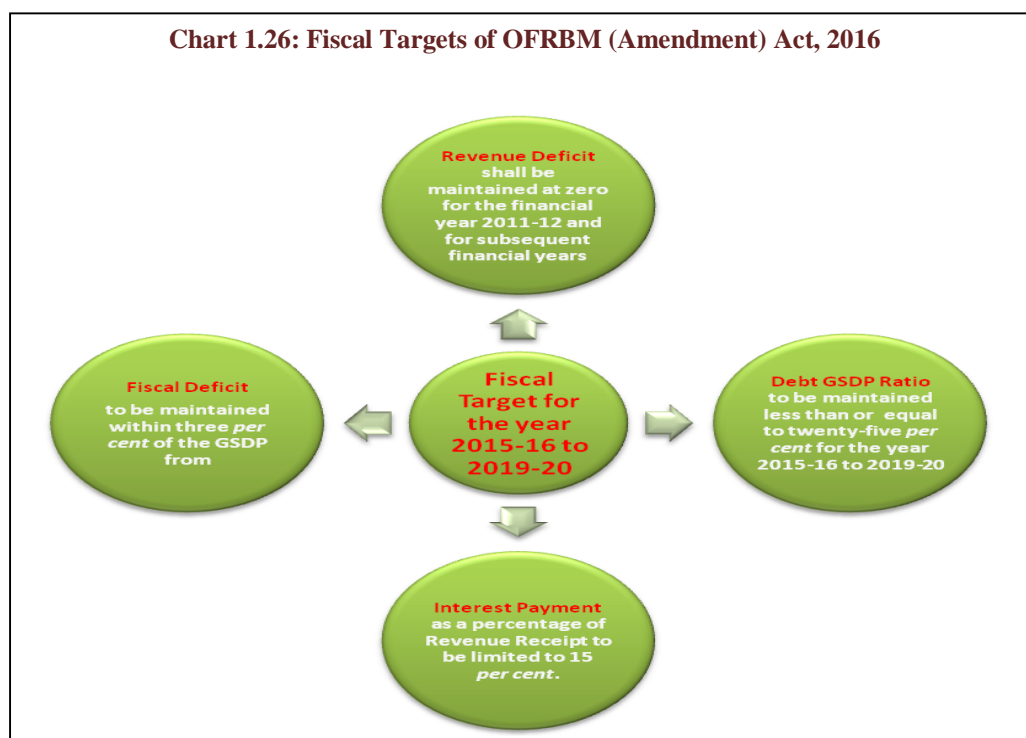


Source: Finance Accounts of respective years

1.8 Fiscal Reform Path

The State Government, in compliance with the recommendations of the 14th Finance Commission, 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:



Source: Odisha FRBM (Amendment) Act, 2016

Details of fiscal achievement with reference to the target set by the 14th Finance Commission and Odisha FRBM (Amendment) Act, 2016 Odisha are tabulated in **Table 1.23**.

Table 1.23: Fiscal targets and achievement during 2017-18

Key Fiscal Indicators	Target set by the FC-XIV	Targets in B.E.	Targets as per FRBM Act	Achievement
Revenue deficit (-)	Zero	` 6,694 crore revenue surplus	Zero	` 13,367 crore revenue surplus
Fiscal deficit (-) as percentage of GSDP	(-)3 per cent	` 14,435 crore fiscal deficit	(-)3 per cent	` 9,360 crore fiscal deficit (-)2.25 per cent
Debt as percentage of GSDP	25 per cent	18.51 per cent	25 per cent	12.55 per cent
Interest payment as percentage of Revenue Receipt	15 per cent	5.62 per cent	15 per cent	5.85 per cent
Ratio of Salary to State's Own Revenue	--	71.03 per cent	80 per cent	48.74 per cent
Ratio of non-interest revenue committed expenditure to State's own and Mandated Revenue	--	54.79 per cent	55 per cent	38.80 per cent

Source: FC-XIV Report, Budget at a Glance 2017-18 of GoO, FRBM Act and Finance Accounts 2017-18

As seen from the table above, the State has met all targets during 2017-18 set by the 14th Finance Commission and FRBM Act.

As per the provisions of Odisha Fiscal Responsibility and Budget Management Act, 2005 (Odisha FRBM Act, 2005), the State Government is required to entrust an agency, independent of the State Government interference, to make a review of compliance to the provisions of the Act and submit a report and cause it to be laid before the State Legislature.

In compliance with the said provisions of Odisha FRBM Act, 2005, the task of independent review of State's finances for the year 2015-16 was assigned to the National Institute of Public Finance and Policy (NIPFP), New Delhi. The NIPFP submitted the review report on 1st December, 2017, which was laid before the Legislative Assembly in March, 2018.