

ADR/NEW State Budget Analysis for Odisha

By

**Association for Democratic Reforms (ADR), and
National Election Watch (NEW)**

April, 2012

www.adrindia.org, <http://www.myneta.info>, adr@adrindia.org, <http://www.twitter.com/adrspeaks>,
<http://www.facebook.com/adr.new>

TABLE OF CONTENTS

| | | |
|------|------------------------------|---|
| I. | Highlights..... | 3 |
| II. | Odisha..... | 4 |
| III. | Combined State Analysis..... | 8 |

I. HIGHLIGHTS

- Among the six states whose key financial indicators were compared (Odisha, Goa, Manipur, Punjab, Uttar Pradesh and Uttarakhand), Odisha has shown the second highest revenue surplus (difference between revenue receipt and revenue expenditure) after Uttar Pradesh.
- Odisha was in fiscal surplus till 2007-08, but from 2008-09 it began registering a fiscal deficit. In spite of this, however, Odisha has the lowest aggregate fiscal deficit at -729 crores from 2005-10 among the six states. Uttar Pradesh has the highest fiscal deficit among these states at -72,963 crores. However, as a percentage of Gross State Domestic Product, Manipur has the highest fiscal deficit at 5.31% of GSDP (at 2004-05 prices) while Orissa is still the lowest at 0.15%
- Odisha is at par with Uttar Pradesh and Uttarakhand with respect to dependence on Central funding as a source of revenue (around ~55%).
- Committed expenditure in Odisha forms 53% of its revenue expenditure, which is at par with Uttarakhand. Expenditure on salaries increased from 4028 crore in 2006-2007 to 8969 crore in 2010-2011 when it accounted for 27% of the revenue receipts. Additionally, there was a steep increase of 170% in the pension expenditure from 2006-2007 to 2010-2011, mainly due to the recommendations of the 6th Pay Commission.

II. ODISHA

Introduction

Odisha is a largely rural state with 83% of the population in the rural areas. The population below poverty level is high at 46% as compared to the national average of 27.5%. It's Gross State Domestic Product (GSDP) has grown at a higher rate of 16% as compared to the General Category States in the country in the current decade. The population too has increased by 14% thereby increasing the per capita income growth of Odisha as compared to the general category states.

Key Financial Indicators

Table 1 summarizes the main financial indicators for the Odisha State Budget from 2006-2011. The points to be noted are as follows:

- The Revenue Receipts in Odisha showed an average growth rate of 85% from 2006-2007 to 2010-2011. However, the annual growth rate has reduced from 28% in 2006-2007 to 26% in 2010-2011.
- The total expenditure increased by Rs. 4916 crore (17%) during 2010-2011 of which the increase in revenue expenditure was 16% and that in capital expenditure, including loans and advances was 22%.

Table 1: Key Financial Indicators for Odisha

| <i>All figures in Rs. Crore</i> | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Total (2005-10) |
|---|----------------|----------------|----------------|----------------|----------------|------------------------|
| Revenue Receipts (A) | 14,085 | 18,033 | 21,967 | 24,610 | 26,430 | 1,05,125 |
| Revenue Expenditure (B) | 13,604 | 15,772 | 17,723 | 21,190 | 25,292 | 93,581 |
| Revenue Deficit (-)/Surplus (+) (C=A-B) | 481 | 2,261 | 4,244 | 3,420 | 1,138 | 11,544 |
| Capital Receipts (D) | 2,443 | 2,332 | 862 | 1,387 | 2,006 | 9,030 |
| - Miscellaneous Capital Receipt* (E) | Nil | Nil | Nil | Nil | Nil | Nil |

| <i>All figures in Rs. Crore</i> | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Total (2005-10) |
|---|----------------|----------------|----------------|----------------|----------------|------------------------|
| Capital Expenditure (F) | 1,038 | 1,451 | 2,843 | 3,779 | 3,648 | 12,759 |
| Net Loans and Advances (G) | 281 | 14 | -78 | 25 | 244 | 486 |
| Fiscal Deficit(-)/ Surplus(+)(H=A+E+G-B - F) | -276 | +824 | +1,323 | -334 | -2,266 | -729 |

*Miscellaneous Capital Receipts are a subset of Capital Receipts, primarily proceeds from disinvestment in public sector undertakings, including proceeds from land sales.

Revenue Receipts

Table 2 gives the break-up of Revenue Receipts for the State government. Revenue receipts contain the states own tax and non tax revenues, central tax transfers and grants from the Central government. Odisha is dependent to the extent of ~55% on Central Sources for revenue, as compared to the 5 other states where assembly elections were recently held, as indicated in the table below, which are dependent only to the extent of 47%.

Table 2: Break-up of Revenue Receipts

| <i>All figures in Rs. Crore</i> | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Total (2005-10) |
|--|----------------|----------------|----------------|----------------|----------------|------------------------|
| Tax receipt of State (A) | 5,002 | 6,065 | 6,856 | 7,995 | 8,982 | 34,900 |
| Non-Tax receipt of State (B) | 1532 | 2,588 | 2,654 | 3,176 | 3,212 | 13,162 |
| Share of Union Taxes (C) | 4,877 | 6,221 | 7,847 | 8,280 | 8,519 | 35,744 |
| Grants from Government of India (D) | 2,674 | 3,159 | 4,610 | 5,159 | 5,717 | 21,319 |
| Total revenue receipt (E=A+B+C+D) | 14,085 | 18,033 | 21,967 | 24,610 | 26,430 | 1,05,125 |
| Total amount received from Central sources (F=C+D) | 7,551 | 9,380 | 12,458 | 13,438 | 14,236 | 57,063 |

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| % of revenue receipt from Central sources (G=F/E %) | 54% | 52% | 57% | 55% | 54% | 54% |
| Comparative % of revenue receipt from Central Sources in other states* | 45% | 45% | 49% | 48% | 46% | 47% |

* Compared with average of States where assembly elections recently held, namely Punjab, Manipur, Uttarakhand, Uttar Pradesh and Goa

Committed Expenditure

Table 3 gives the amounts for the committed expenditure of the State as a percentage of its revenue expenditure. Committed expenditure is defined by the Comptroller and Auditor General as the expenditure on interest payments, salaries and wages, pensions and subsidies. The points to be noted are –

- The expenditure on salaries increased from 4028 crore in 2006-2007 to 8969 crore in 2010-2011 accounting nearly for 27% of the revenue receipts. This increase was attributed to the payment of arrears upon the implementation of the recommendation of the Sixth Pay Commission.
- There was a steep increase of 170% in the pension expenditure from 2006-2007 to 2010-2011. The increase in the current year was mainly on account of payment of gratuity to non government school teachers of secondary schools and secondary schools and leave salary encashment on enhanced rate on the basis of 6th Pay Commission recommendations.
- In Odisha, committed expenditure in 2005-2010 accounts for ~53% of revenue receipts as indicated in the table below, which is lower as compared to the 5 other states where elections were recently held, where committed expenditure accounts for 62% of the revenue receipts.

Table 3: Committed Expenditure for Odisha

| | | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|------------------------|
| <i>All figures in Rs. Crore</i> | 2006-07 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Total (2005-10) |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|------------------------|

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| Salaries and Wages (A) | 4,002 | 4,028 | 4,582 | 6,524 | 7,945 | 27,081 |
| Interest Payments (B) | 3,697 | 3,188 | 3,169 | 2,889 | 3,044 | 15,987 |
| Pensions (C) | 1,339 | 1,485 | 1,801 | 2,075 | 3,283 | 9,983 |
| Subsidies (D) | 83 | 170 | 148 | 743 | 1,008 | 2,152 |
| Total (E=A+B+C+D) | 9,121 | 8,871 | 9,700 | 12,231 | 15,280 | 55,203 |
| Revenue Receipt (F) | 14,085 | 18,033 | 21,967 | 24,610 | 26,430 | 1,05,125 |
| % of revenue receipt (G=E/F %) | 65% | 49% | 44% | 50% | 58% | 53% |
| Comparative committed expenditure as % of revenue receipt in other states* | 64% | 55% | 58% | 63% | 67% | 62% |

* Compared with average of other States where assembly elections recently held, namely Punjab, Manipur, Uttarakhand, Uttar Pradesh and Goa

III. Comparison of budget utilisation for Orissa with 5 states having recently undergone elections

Introduction

The 6 States compared below have varying Gross State Domestic Product ranging from 29,981 crores in the case of Manipur to 15,94,691 crores in the case of Uttar Pradesh. Odisha is third in this list after Uttar Pradesh and Punjab with a GSDP of 5,01,983 crores.

Key Financial Indicators

Table 1 gives the aggregate state financial indicators (total of key indicators from 2005-2010) for Odisha as compared with the 5 states having undergone elections in 2012. The points to be noted are as follows:

- Odisha has shown the second highest revenue surplus (difference between revenue receipt and revenue expenditure) among the 6 states after Uttar Pradesh. Punjab is the only state to have an aggregate revenue deficit from 2005-2010 – all other states have managed to show a revenue surplus
- Odisha has the lowest aggregate fiscal deficit from 2005-10 at -729 crores. Uttar Pradesh has the highest aggregate fiscal deficit at 72,693 crores among all the states.

Table 1: Key Aggregate Financial Indicators 2005-2010

| <i>All figures in Rs. Crore</i> | Orissa | Goa | Manipur | Punjab | Uttar Pradesh | Uttarakhand |
|---|---------------|------------|----------------|---------------|----------------------|--------------------|
| Gross State Domestic Product (at constant 2004-05 prices) | 5,01,983 | 81,148 | 29,981 | 6,08,646 | 15,94,691 | 1,85,352 |
| Revenue Receipts (A) | 1,05,125 | 15,351 | 16,526 | 99,641 | 3,48,873 | 38,922 |
| Revenue Expenditure (B) | 93,581 | 15,090 | 12,347 | 1,11,789 | 3,32,882 | 38,394 |
| Revenue Deficit (-)/Surplus (+) (C=A-B) | 11,544 | 261 | 4,179 | -13,580 | 15,991 | 528 |
| Capital Receipts (D) | 9,030 | 3,178 | 1,587 | 30,911 | 76,757 | 7,852 |

| | | | | | | |
|---|--------------|---------------|---------------|----------------|----------------|---------------|
| - Miscellaneous Capital Receipts* (E) | Nil | Nil | Nil | 2 | Nil | Nil |
| Capital Expenditure (F) | 12,759 | 3,875 | 5,646 | 11,319 | 87,082 | 9,302 |
| Net Loans and Advances (G) | 486 | -65 | -126 | 2735 | -1602 | -359 |
| Fiscal Deficit(-)/ Surplus(+)* (H=A+E+G-B-F) | -729 | -3,679 | -1,593 | -20,730 | -72,693 | -9,133 |
| Fiscal Deficit as % of GSDP | 0.15% | 4.53% | 5.31% | 3.41% | 4.56% | 4.93% |

*Miscellaneous Capital Receipts are a subset of Capital Receipts, primarily proceeds from disinvestment in public sector undertakings, including proceeds from land sales.

Revenue Receipts

Table 2 gives the break-up of aggregate Revenue Receipts from 2005-2010. Significant points are:

- Odisha is at par with Uttar Pradesh and Uttarakhand with respect to dependence on Central funding as a source of revenue (around ~55%). Manipur is the most dependent on central funding; being 90% reliant on GOI funds in the period between 2005 and 2010 while Goa was the least dependent at 16%.

Table 2: Break-up of Revenue Receipts (2005-2010)

| <i>All figures in Rs. Crore</i> | Orissa | Goa | Manipur | Punjab | Uttar Pradesh | Uttarakhand |
|--|-----------------|---------------|----------------|---------------|----------------------|--------------------|
| Tax receipt of State (A) | 34,900 | 7,203 | 730 | 51,094 | 1,29,352 | 13,642 |
| Non-Tax receipt of State (B) | 13,162 | 5,689 | 916 | 28,953 | 35,647 | 3,296 |
| Share of Union Taxes (C) | 35,744 | 1,794 | 2,506 | 8,997 | 1,33,412 | 6,626 |
| Grants from Government of India (D) | 21,319 | 665 | 12,374 | 10,571 | 50,463 | 15,358 |
| Total revenue receipt (E=A+B+C+D) | 1,05,125 | 15,351 | 16,526 | 99,641 | 3,48,873 | 38,922 |

| | | | | | | |
|---|--------|-------|--------|--------|----------|--------|
| Total amount received from Central sources (F=C+D) | 57,063 | 2,459 | 14,880 | 19,568 | 1,83,875 | 21,984 |
| % of revenue receipt from Central sources (G=F/E %) | 54% | 16% | 90% | 20% | 53% | 56% |

Committed Expenditure

Table 3 gives the amounts for the committed expenditure of the State as a percentage of its revenue expenditure. Committed expenditure is defined by the Comptroller and Auditor General as the expenditure on interest payments, salaries and wages, pensions and subsidies. The points to be noted are –

- Committed expenditure in Odisha forms 53% of its revenue expenditure, which is at par with Uttarakhand. Punjab has the highest aggregate percentage of committed expenditure as a percentage of revenue expenditure at 79% with Uttar Pradesh second at 59% in the period of 2005-2010.
- Salaries form 26% of Odisha's revenue expenditure. Punjab has 'salaries' as the highest category of revenue expenditure at 33% with Uttar Pradesh and Uttarakhand second at 32%.

Table 3: Aggregate Committed Expenditure (2005-2010)

| All figures in Rs. Crore | Orissa | Goa | Manipur | Punjab | Uttar Pradesh | Uttarakhand |
|--------------------------|--------|-------|---------|--------|---------------|-------------|
| Salaries and Wages (A) | 27,081 | 3,363 | 4,849 | 32,554 | 1,10,165 | 12,597 |
| Interest Payments (B) | 15,987 | 2367 | 1462 | 22,307 | 53,758 | 5,394 |
| Pensions (C) | 9,983 | 1023 | 1173 | 12,181 | 32,977 | 3,478 |
| Subsidies (D) | 2,152 | 233 | 11 | 11,873 | 8,094 | 84 |
| Total (E=A+B+C+D) | 55,203 | 6986 | 7495 | 78,915 | 2,04,994 | 21,553 |

| | | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| Revenue Receipt (F) | 1,05,125 | 15,351 | 16,526 | 99,641 | 3,48,873 | 38,922 |
| % of revenue receipt (E/F %) | 53% | 46% | 45% | 79% | 59% | 55% |

IV. APPENDIX

Definitions

| Term | Definition |
|----------------------|---|
| Revenue Receipt | Revenue receipt consists of state tax receipts + state non-tax receipts + share of Union taxes + grants from Government of India |
| Capital Receipt | Capital receipts consist of borrowing and other liabilities as well as recoveries of loans. Capital receipts create liabilities or reduce assets |
| Revenue Expenditure | Expenditure that does not result in the creation of long term assets, but is instead used in the day-to-day running of the government |
| Capital Expenditure | Any expenditure other than operating expenditure, the benefits of which extend over a period of time exceeding one year. It is expenditure on the creation of assets. |
| Revenue Deficit | Revenue Deficit denotes the difference between revenue receipts and revenue expenditure |
| Gross Fiscal Deficit | The Fiscal Deficit (FD) is a measure of the extent to which the Government spends beyond its means by resorting to borrowings and becomes indebted in the process. It is defined by the CAG as Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Miscellaneous Capital Receipts |
| Net Fiscal Deficit | Gross fiscal deficit less net lending of the Central Government. |
| Planned expenditure | Expenditure on programs/projects recommended by the Planning Commission |
| Non-plan expenditure | All expenditures by the Government not included in the Plan, mainly consisting of interest payments and subsidies |

Source: Comptroller and Auditor General State Finance Audit Reports.