

Evaluation of State Finances of Odisha

Sponsored By the Sixteenth Finance Commission



Nabkrushna Choudhury Centre for Development Studies

(An ICSSR Research Institute In Collaboration With Government Of Odisha)

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FOREWORD

It is with great pleasure that I present the study titled “*Evaluation of State Finances of Odisha*,” sponsored by the Sixteenth Finance Commission. This report offers a comprehensive analysis of Odisha’s financial health, providing key insights into revenue trends, expenditure patterns, fiscal strategies, and debt management.

The study explores critical aspects such as revenue receipts, tax and non-tax revenue structures, expenditure patterns, and adherence to the FRBM Act. It also highlights the role of public enterprises, ongoing fiscal reforms, and the impact of power sector reforms. The report examines contingent liabilities, subsidies, and the effectiveness of previous Finance Commission recommendations, offering a holistic view of Odisha's fiscal landscape.

The findings aim to guide policymakers in ensuring sustainable growth, fiscal stability, and equitable development in the state. It also lays out a roadmap for fiscal sustainability through strategic management of Odisha’s finances, particularly its debt trajectory leading up to 2026.

This report is the result of meticulous research and data collection by a dedicated team. I extend my gratitude to the Sixteenth Finance Commission for their support and to the research team for their tireless efforts in completing this important work.

I am confident that the insights presented will serve as a valuable resource for shaping the financial future of Odisha.

Dr. Yeddula Vijay, IAS

Director

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I would like to express my sincere gratitude to all those who contributed to the successful completion of the “*Evaluation of State Finances of Odisha*” study, sponsored by the Sixteenth Finance Commission.

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Finally, I would like to acknowledge the efforts of all partners and collaborators whose support was crucial to the success of this study. It has been a privilege working alongside all of you, and I look forward to future collaborations.

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TERMS OF REFERENCE

The terms of reference of the study broadly covers the following:

- i. Estimation of revenue capacities of State and measures to improve the tax-GSDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.
- ii. Analysis of the State's own non-tax revenues and suggestions to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- iii. Expenditure pattern and trends separately for Non-Plan and Plan, Revenue and Capital, and major components of expenditure there under. Measures to enhance allocative and technical efficiency in expenditures during last 5 years. Suggestions for improving efficiency in public spending.
- iv. Analysis of deficits–Fiscal and Revenue
- v. The level of debt-GSDP ratio and the use of debt and composition of the State's debt in terms of market borrowing, Central government debt, liabilities in public account and borrowings from agencies such as NABARD, LIC etc.
- vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.
- vii. Analysis of the State's transfers to urban and rural local bodies in the State. Major decentralization initiatives and reforms under taken under JNNURM conditionalities.
- viii. Impact of State Public Enterprises finances on State's financial health and measures taken to improve their performance.
- ix. Impact of Power Sector Reforms on State's fiscal health.
- x. Analysis of contingent liabilities of the State.
- xi. Subsidies given by the State, its targeting and evaluation.
- xii. Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC.
- xiii. Determination of a sustainable debt roadmap for 2026-31, taking into account tax/non-tax trend forecasts.

EXECUTIVE SUMMARY

Odisha has experienced a remarkable fiscal transformation over the past two decades, showcasing a progressive journey marked by disciplined financial management, robust revenue growth, and strategic expenditure reforms. From grappling with fiscal instability in the early 2000s to achieving sustained revenue surpluses in recent years, the state's fiscal trajectory reflects a commitment to maintaining stability and fostering sustainable development.

Odisha's revenue receipts have grown significantly, rising from INR 6,902 crore in 2000-01 to INR 1,50,462 crore in 2022-23 and are projected to reach INR 2,04,000 crore by 2024-25. This impressive growth is underpinned by consistent increases in both Own Revenue Receipts (ORR) and central transfers. ORR, which includes Own Tax Revenue (OTR) and Own Non-Tax Revenue (ONTR), has seen a marked increase over the years, reflecting improved tax compliance, efficient revenue collection mechanisms, and economic growth. In 2022-23, ORR constituted 59.3% of Total Revenue Receipts (TRR), underscoring the state's growing fiscal autonomy. However, central transfers, comprising the State's share in Union Taxes and Grants-in-Aid (GiA), have witnessed a relative decline as a proportion of total revenue, indicating Odisha's reduced dependence on external fiscal support.

The state's fiscal health is further illustrated by its revenue surplus, which has been consistently maintained since 2005-06. Despite challenges such as the COVID-19 pandemic, Odisha has demonstrated resilience, recording a revenue surplus of INR 19,456 crore in 2022-23. This fiscal prudence has allowed the state to invest in critical infrastructure and social welfare programs without compromising its financial sustainability. The fiscal deficit, a crucial indicator of fiscal health, has been contained within manageable limits, adhering to the targets set under the Fiscal Responsibility and Budget Management (FRBM) Act. The fiscal deficit as a percentage of GSDP has remained below the prescribed limit of 3%, reflecting the state's commitment to fiscal discipline.

Expenditure management has been a cornerstone of Odisha's fiscal strategy. The state's expenditure pattern reveals a balanced approach, with significant allocations towards developmental and capital expenditures. Revenue expenditure, which primarily covers operational costs, has been efficiently managed to avoid excessive strain on resources. Concurrently, capital expenditure, essential for long-term growth, has seen a steady increase, emphasizing investments in infrastructure, education, health, and renewable energy. Between 2016-17 and 2022-23, capital expenditure as a percentage of GSDP rose from 3.3% to 4.7%, indicating the state's focus on building a robust economic foundation.

The prudent fiscal management of Odisha is also evident in its debt metrics. The debt-to-GSDP ratio, a critical measure of fiscal sustainability, has remained well within the recommended threshold of 25%. In 2022-23, this ratio stood at 12%, showcasing Odisha's ability to manage its borrowings effectively. This disciplined approach to debt management has ensured that the state retains the fiscal flexibility needed to respond to unforeseen challenges while continuing to invest in priority areas.

Odisha's fiscal reforms have played a pivotal role in achieving these outcomes. The adoption of the FRBM Act in 2005 set the stage for fiscal consolidation by mandating targets for revenue deficit elimination, fiscal deficit containment, and sustainable debt levels. Over the years, the state has implemented various policy measures to enhance revenue mobilization and expenditure efficiency. These include streamlining tax administration, promoting digital governance, and adopting innovative financing mechanisms. Notably, the state's focus on diversifying its revenue base, particularly through the growth of ONTR, has yielded positive results, reducing vulnerability to external shocks.

The COVID-19 pandemic posed significant challenges to Odisha's fiscal performance, disrupting economic activity and straining public finances. However, the state's resilient fiscal framework enabled a swift recovery. Revenue receipts rebounded strongly post-pandemic, driven by a resurgence

in economic activity and effective revenue collection. Simultaneously, the state adopted a calibrated approach to expenditure, prioritizing critical sectors such as healthcare, social protection, and infrastructure development. This balanced strategy minimized the adverse impact of the pandemic on the state's fiscal stability.

Despite its commendable achievements, Odisha faces several challenges in sustaining its fiscal momentum. The state's revenue buoyancy, which measures the responsiveness of revenue growth to economic growth, has exhibited volatility in recent years. For instance, the buoyancy of ORR dropped to -1.4 in 2022-23, reflecting the need for enhanced efforts to improve tax productivity and compliance. Additionally, the tax-to-GSDP ratio has remained relatively stagnant, highlighting the scope for broadening the tax base and strengthening revenue administration. Addressing these challenges is crucial to ensuring the state's fiscal sustainability in the long run.

To sustain fiscal momentum, Odisha has undertaken a series of structural reforms aimed at enhancing revenue generation and expenditure efficiency. The state's tax administration has been modernized through the adoption of digital platforms and data analytics, which have significantly improved tax compliance and broadened the tax base. Moreover, Odisha has actively promoted ONTR sources, particularly in sectors such as mining, tourism, and renewable energy, which hold substantial untapped potential. By leveraging its abundant natural resources and strategic location, the state has positioned itself as a hub for investment and economic growth.

Expenditure prioritization has been another critical focus area for Odisha. The government has strategically allocated resources to high-impact sectors, including education, healthcare, and infrastructure, to maximize developmental outcomes. For instance, substantial investments have been made in upgrading the state's road and rail networks, enhancing digital connectivity, and expanding access to quality healthcare and education. These initiatives not only support economic growth but also contribute to social equity and inclusion.

Odisha's debt management strategy has also played a crucial role in maintaining fiscal sustainability. By adhering to prudent borrowing practices and leveraging innovative financing mechanisms, the state has minimized its interest burden while ensuring adequate resources for developmental needs. For example, the introduction of the Debt Swap Scheme and other debt restructuring measures have allowed Odisha to optimize its debt portfolio and reduce the cost of borrowing. These efforts have been instrumental in maintaining a low debt-to-GSDP ratio, which remains one of the best among Indian states.

The fiscal outlook of the state is underpinned by ambitious goals and a clear strategic vision. It aims to further enhance its revenue productivity by implementing targeted policy measures, such as introducing value-added tax reforms and strengthening the GST compliance framework. Additionally, it also plans to expand its industrial base by attracting investments in emerging sectors like electric vehicles, green hydrogen, and advanced manufacturing. These initiatives are expected to generate significant revenue streams while fostering sustainable economic growth.

The state's commitment to environmental sustainability is another key aspect of its fiscal strategy. Recognizing the importance of balancing economic development with ecological preservation, it has prioritized investments in renewable energy, afforestation, and climate-resilient infrastructure. These efforts not only contribute to the state's long-term sustainability goals but also enhance its attractiveness as a destination for green investments.

Odisha's fiscal performance over the years highlights a remarkable journey of transformation, characterized by disciplined financial management, strategic reforms, and resilience in the face of challenges. It is well-positioned to sustain its growth trajectory and emerge as a model of fiscal sustainability and economic prosperity by continuing to prioritize fiscal prudence, revenue enhancement, and developmental investments. In future, its focus on innovation, inclusivity, and sustainability will be instrumental in shaping a resilient and prosperous economy.

ABBREVIATIONS

ACIR	American Advisory Commission on Inter-Governmental Relations
AIIMS	All India Institute for Medical Sciences
ARD	Animal Resource Development
AT&C	Aggregate Technical and Commercial
BE	Budget Estimates
BDA	Bhubaneswar Development Authority
BSUP	Basic Services to the Urban Poor
CAA&A	Controller of Aid, Accounts and Audit
CapEx	Capital Expenditure
CAG	Comptroller and Auditor General of India
DAs:	Development Authorities
DFID	Department for International Development
DCRF	Debt Consolidation and Relief Facility
DISCOMs	Distribution Companies
DPE	Department of Public Enterprises
DSS	Debt Swap Scheme
DTP	Director Town Planning
ESI	Employees' state Insurance
EPF	Employee Provident Fund
EWS	Economically Weaker Section
FC	Finance Commission
XVFC	Fifteen Finance Commission

<i>Fis</i>	Financial Institution
<i>FRBM</i>	Fiscal Responsibility and Budget Management
<i>FRF</i>	Fiscal Reform Facility
<i>GDP</i>	Gross Domestic Product
<i>GIS</i>	Geographic Information System
<i>GoI</i>	Government of India
<i>GoO</i>	Government of Odisha
<i>GP</i>	Gram Panchayat
<i>GRIDCO</i>	Grid Corporation of Odisha
<i>GSDP</i>	Gross State Domestic Product
<i>H& UD</i>	Housing & Urban Development
<i>HUDCO</i>	Housing & Urban Development Corporation
<i>ICMR</i>	Indian Council of Medical Research
<i>ICSSR</i>	Indian Council of Social Science Research
<i>IDCO</i>	Infrastructure Development Corporation
<i>IDCOL</i>	Industrial Development Corporation of Odisha Limited
<i>IIT:</i>	Indian Institute of Technology
<i>IMR</i>	Infant Mortality Rate
<i>IPICOL</i>	Industrial Promotion & Investment Corporation Ltd
<i>IFC</i>	International Finance Corporation
<i>IPO</i>	Initial Public Offering
<i>IT</i>	Information Technology
<i>JSY</i>	Janani Suraksha Yojna
<i>LIC</i>	Life Insurance Corporation

LIG	Low Income Group
MARKFED	Marketing Federation
MC	Municipal Corporation
MEP	Monthly Expenditure Plan
MIS	Management Information System
MMR	Maternal Mortality Rate
MoU	Memorandum of Understanding
MPCE	Monthly Per Capita Expenditure
MTFP	Medium Term Fiscal Plan
NAC	Notified Area Council
NABARD	National Bank for Agriculture and Rural Development
NFMMI	Non-ferrous Mining & Metallurgical Industries
NHAI	National Highway Authority of India
NISER	National Institute for science Education and Research
NMMP	National Mission Mode Project
NPRE	Non-Plan Revenue Expenditure
NTR	Non-Tax Revenue
NTPC	National Thermal Power Corporation
OCAC	Odisha Computer Application Centre
OERC	Odisha Electricity Regulatory Commission
O & M	Operation & Maintenance
OLA	Odisha Legislative Assembly
OMC	Odisha Mining Corporation
ONTR	Own Non-Tax Revenue

OTR	Own Tax Revenue
OPGC	Odisha Power Generation Corporation
ORHDC	Odisha Rural Housing Development Corporation
OSEB	Odisha State Electricity Board
OSFDC	Odisha State Finance Development Corporation
OSFC	Odisha State Financial Corporation
OSHB	Odisha State Housing Board
OSRFS	Odisha State Renewal Fund Society
OTS	One Time Settlement
UIDF	Odisha Urban Infrastructure Development Fund
OWS&SB	Odisha Water Supply & Sewerage Board
PEFM	Public Expenditure and Financial Management
PDOL	Public Debt and Other Liabilities
PHEO	Public Health Engineering Organization
PPP	Public Private Partnership
PRIs	Panchayat Raj Institutions
PSUs	Public Sector Undertakings
PSEs	Public Sector Enterprises
PWD	Public Work Department
QEA	Quarterly Expenditure Allocation
RBI	Reserve Bank of India
RDM	Revenue and Disaster Management
RE	Revenue Expenditure
RTS	Representative Tax System

SCBs	Statutory Corporation and Boards
SEBs	State Electricity Boards
SIC	State Implementation Consultant
SPE	State Public Enterprises
SPVS	Special Purpose Vehicles
SSPF	Small Saving and Provident Funds
SSNSSF	Securities Issued to National Small Saving Funds
ToR	Terms of Reference
TRR	Total Revenue Receipts
TTPS	Talcher Thermal Power Station
XFC	Tenth Finance Commission
XIFC	Eleventh Finance Commission
XIIFC	Twelfth Finance Commission
XIIIFC	Thirteenth Finance Commission
XIVFC	Fourteenth Finance Commission
XVFC	Fifteenth Finance Commission
XVIFC	Sixteenth Finance Commission
ULBs	Urban Local Bodies
ULCRA	Urban Land Ceiling and Regulation
VAT	Value added Tax
VRS	Voluntary Retirement Scheme
WIPRO	Western India Products
WMA	Ways and Means Advances



CHAPTER 1

INTRODUCTION

1.1 Profile of the State

Odisha, located on the eastern coast of India, stands as a state of immense economic potential, cultural diversity, and rich historical heritage. The Odisha Economic Survey 2023-24 highlights the state's robust economic recovery post-COVID-19 and its strategic steps toward sustainable development. The Gross State Domestic Product (GSDP) of the state is estimated at INR 8.3 lakh crore (~USD 100 billion) for 2023-24 which is the 13th largest among 17 major states in India. The state's growth rate of 8.5% in 2023-24 surpasses its long-term average and its peers, reflecting consistent and accelerated economic momentum over recent years.

The state's economy is characterized by a balanced mix of agriculture, industry, and services, each contributing significantly to its Gross State Value Added (GSVA). The agriculture and allied sectors account for 20.4% of the GSVA, underscoring their pivotal role in supporting rural livelihoods, especially as over 80% of Odisha's population resides in rural areas. Despite this, the state recognizes the need to modernize and diversify this sector. Enhanced focus on irrigation, livestock, fisheries, and horticulture is seen as essential to boosting productivity and resilience against climate change.

The industrial sector, which constitutes 43.3% of Odisha's GSVA, thrives on the state's abundant natural resources. The state is a leader in mineral production, contributing substantially to India's output of iron ore, bauxite, and chromite. Its mining industry drives economic activity, while the downstream metal-based manufacturing sector offers opportunities for value addition. There have been recent efforts to reduce over-reliance on mining and foster sustainable growth by diversify industrial investments into green energy, IT and chemical sectors.

The services sector, contributing 36.3% to GSVA, reflects Odisha's evolving economic landscape. IT/ITeS, tourism, and financial services have been



identified as growth engines for the state's economy. Bhubaneswar, the capital city, is emerging as a hub for IT/ITeS, while Odisha's scenic coastline, heritage temples, and tribal culture attract tourists across the globe. However, challenges such as low banking penetration and workforce skills are being addressed through financial literacy programs and targeted skilling initiatives.

The per-capita income of Odisha has shown remarkable growth, reaching INR 1,61,437 in 2023-24 from INR 48,387 in 2011-12, reflecting a compound annual growth rate (CAGR) of 10.6%. Despite this progress, Odisha's per-capita income remains approximately 12% below the national average, indicating room for improvement in productivity and higher-value economic activities.

In employment, agriculture continues to dominate, engaging 48% of the workforce as of 2022-23. To address underemployment and raise income levels, Odisha is actively promoting industrial and service sectors, which offer higher productivity and better-paying jobs. Skill development programs, coupled with industrial investment, are key to this transformation.

Odisha has emerged as a significant player in India's export economy, with merchandise exports valued at Rs. 90,000 crore in 2022-23, contributing 2.5% to the national total. Metallurgical products and minerals dominate the export basket, highlighting the state's resource-driven economy. However, Odisha aims to diversify its exports by promoting value-added products and entering new markets. Policies targeting industrial clusters and export-oriented industries are central to this strategy.

Infrastructure has been a cornerstone of Odisha's growth story. With well-developed road and rail networks, industrial zones, and ports such as Paradip and Dhamar, Odisha is poised to become a gateway to Southeast Asia. Upcoming projects like the Subarnarekha and Mahanadi Riverine ports are expected to further boost trade and connectivity. The state is also investing in renewable energy, including solar and wind, to ensure sustainable energy supply for its growing industrial base.



In digital infrastructure, Odisha is making strides through the implementation of IT parks, fiber-optic connectivity, and e-governance initiatives, which aim to position the state as a hub for technology-driven industries.

The government's commitment to inclusive growth is reflected in its focus on social welfare and poverty alleviation. Between 2015-16 and 2019-21, 62.6 lakh people in Odisha were lifted out of multidimensional poverty. This success is attributed to targeted schemes in health, education, housing, and sanitation. The state also performs well in maternal and child health indicators compared to national averages because of initiatives like Janani Suraksha Yojana (JSY) and different nutrition programs which has helped in increasing maternal health and institutional deliveries.

Education and skill development are high on Odisha's agenda. With increasing literacy rates and investments in vocational training, the state aims to equip its workforce with the skills required for a modern economy. Programs targeting women's empowerment, tribal welfare, and rural development further emphasize the government's focus on equity.

Despite its achievements, Odisha faces challenges such as income disparities, vulnerability to natural disasters, and dependence on primary sectors like mining and agriculture. The state government is addressing these issues through comprehensive policies that emphasize diversification, climate resilience, and sustainable development.

The recent major initiatives of the state include the promotion of green industries, enhancing value-added manufacturing, and fostering innovation through research and development hubs. Further it's emphasis on improving public services and governance is aimed at creating a more investor-friendly and citizen-centric environment.

Odisha's economic journey is a testament to its resilience and strategic vision. With a robust growth trajectory, rich natural resources, and progressive policies, the state is well-positioned to achieve sustained development. By



capitalizing on its structural strengths and addressing existing challenges, it aims to emerge as a model state, balancing economic growth with social inclusivity and environmental sustainability. As the state looks to the future, its focus on innovation, infrastructure, and human capital will be crucial in realizing its potential as an economic powerhouse in eastern India.

In this chapter Section 1.1 introduces Odisha's economic profile, highlighting its diverse economy and key drivers of growth across agriculture, industry, and services. It also emphasizes the state's infrastructure development, social welfare achievements, and fiscal strategies aimed at sustainable growth. Section 1.2 outlines the historical fiscal challenges faced by Odisha, documenting its transition from fiscal instability to prudent financial management through reforms and strategic policy implementation. Section 1.3 presents the current fiscal position, showcasing the state's remarkable turnaround, including consistent revenue surpluses and a manageable debt-to-GSDP ratio. The objectives of this study are given in Section 1.4, Section 1.5 provides the data sources utilized and Section 1.6 mentions the analytical tools applied. Finally, Section 1.7 offers a conclusion that synthesizes the findings and reflects on the state's journey toward fiscal sustainability and inclusive development.

1.2 State's Fiscal Position: History

The Odisha government faced significant fiscal challenges over the past few decades, starting with the disappearance of the revenue surplus of Rs. 28 crore recorded in 1981-82. This fiscal surplus was gradually eroded as the state's revenue expenditure grew at a faster pace than the revenue receipts, leading to a widening gap between the two. From 1981-82 to 2001-02, the state's revenue expenditure as a percentage of GSDP nearly doubled, rising from 10.3% to 19.1%. In contrast, revenue receipts only increased moderately, from 10.8% to 13.6% of GSDP during the same period. The mismatch between expenditure growth and revenue collection forced the state to rely heavily on borrowings, escalating its debt burden and signalling fiscal instability. By the early 2000s, Odisha's fiscal situation had become dire, with the state



depending on Ways and Means Advances (WMAs) and overdrafts from the Reserve Bank of India (RBI) for over 300 days annually between 2000-01 and 2002-03 to meet routine financial obligations. The state's debt stock, which was 206% of TRR in 1980-81, surged to 335% by 2003-04. This growing debt burden accounted for a large portion of the state's revenue, with 34% of total revenue allocated to interest payments. The state's fiscal crisis led the government to seek external assistance from the Government of India (GoI), the World Bank, and the Department for International Development (DID). Since about half of this aid was in the form of grants, it helped alleviate the burden of interest payments.

The escalating reliance on borrowed funds to meet revenue expenditure, coupled with a reduction in capital expenditure, highlighted a critical issue in the state's fiscal health. The situation became so severe by 1999-2000 that the Congress government signed a Memorandum of Understanding (MoU) with the Government of India to manage the overdraft situation, which had reached an unsustainable Rs. 232.45 crore. As per the terms of the MoU, the state committed to reducing revenue expenditure and increasing revenue receipts within a stipulated timeline. After the BJD-BJP coalition assumed power, the Odisha government presented a white paper in March 2001, analysing the state's fiscal condition. This led to a second MoU with the Government of India in October 2001, in line with the Eleventh Finance Commission's (XIFC) recommendations, which set a series of revenue generation and expenditure compression measures for the state to follow. This commitment to fiscal reform was further reinforced by another MoU signed in October 2004, which focused on two key areas: Fiscal Stabilization and Fiscal Empowerment.

The first focus area, Fiscal Stabilization, emphasized reducing fiscal deficits to sustainable levels. The goal was to raise revenue receipts above revenue expenditure, creating savings that could be used to finance capital expenditure. The use of borrowed funds was encouraged for productive purposes that could generate future tax revenues, thus facilitating debt servicing. The second focus area, Fiscal Empowerment, aimed at



strengthening the state's capacity for development through better management of fiscal resources. This involved expenditure restructuring, improved expenditure management, and comprehensive revenue reforms to increase resource mobilization.

In line with these goals, the Government of India incentivized Odisha's fiscal reforms through the Fiscal Reform Facility (FRF), as recommended by the XIFC. The state was entitled to a Fiscal Incentive Grant if it improved its ratio of revenue deficit to revenue receipts by 5% annually. Odisha exceeded this target, achieving an average improvement of 7.5% from 2000-01 to 2003-04, earning a total grant of Rs. 315.35 crore by 2005-06. The state also received significant rewards for its fiscal discipline, including grants of Rs. 77.95 crore, Rs. 47.53 crore, and Rs. 87.35 crore for the fiscal years 2000-01, 2001-02, and 2002-03, respectively. Additionally, the Debt Swap Scheme (DSS) was introduced to reduce the state's interest burden. This scheme allowed the state to swap loans from the central government bearing interest rates above 13% with market borrowings and small savings, effectively reducing interest expenses.

As a result of these reforms, Odisha's revenue expenditure as a percentage of GSDP declined to 13.7% by 2007-08. Although it slightly increased to 16% by 2012-13, this was still lower than the 19.1% recorded in 2001-02. On the other hand, revenue receipts as a percentage of GSDP rose to 18.6% by 2011-12, although it showed a slight slowdown in subsequent years, stabilizing at 16.9% by 2012-13. This positive trend in revenue receipts coupled with the containment of revenue expenditure allowed the state to record a revenue surplus of Rs. 481.2 crore in 2005-06, a surplus that was consistently maintained in the years that followed.

In February 2012, in line with the recommendations of the Thirteenth Finance Commission (XIIIIFC), the Government of Odisha amended its FRBM Act to set clear fiscal targets. These included: (i) achieving a zero-revenue deficit from 2011-12 onwards, (ii) limiting the fiscal deficit to 3% of GSDP from 2011-12 onwards, and (iii) capping interest payments to 15% of revenue receipts in



order to ensure that the state's debt stock remained sustainable. These amendments were designed to enhance the state's fiscal discipline and to curb excessive borrowing and debt accumulation.

Further, the Fourteenth Finance Commission (XIVFC) recommended additional flexibility in fiscal management, suggesting that the FRBM Act be amended to include a statutory flexible limit for fiscal deficits. The XIVFC also proposed a ceiling on the sanctioning of new capital projects, tying it to a multiple of the annual budget provision. This recommendation aimed to prevent the state from overextending its fiscal capacity through the authorization of capital projects that it could not afford, thus promoting better management of public investment.

1.3 Present Fiscal Position

The overall financial position of Odisha from 2000-01 to 2024-25 is summarised in Table 1. 1. The state maintained a surplus in 2016-17 and maintained it till 2022-23 demonstrating prudent financial management despite varying economic conditions. In 2016-17 it recorded a surplus of Rs 9,259 crore which progressively increased to Rs 13,367 crore in 2017-18 and Rs 14,190 crore in 2018-19, indicative of robust revenue generation and efficient expenditure control. However, in 2019-20, the surplus contracted to Rs. 2,430 crore, as the state faced lockdown due to COVID-19 pandemic. This was followed by a gradual rebound in 2020-21, where it reported a revenue surplus of Rs 9,076 crore, despite the economic disruptions caused by the pandemic. The state further strengthened its fiscal position in 2021-22, recording an impressive revenue surplus of Rs 43,472 crore, by 2022-23, the surplus stabilized at Rs 19,456 crore, underscoring its resilience and fiscal discipline. According to budget estimates (BE) in 2024-25 the revenue surplus will increase to Rs 37,077 crore. The sustained revenue surpluses during this period not only reflect the state's capacity to balance operational spending with revenue generation but also its strategic fiscal prudence, which has allowed for continued investment in infrastructure and public welfare while ensuring long-term fiscal sustainability.



The state's fiscal balance as a percentage of GDP fluctuated significantly, reflecting both macroeconomic conditions and the state's fiscal policy decisions. The fiscal deficit figures from 2016-17 to 2022-23 mirror this trend, with deficits and surpluses occurring in alternating years. In the first three years, 2016-17 to 2018-19, Odisha recorded negative fiscal balances, with deficits of Rs 9,377 crore, Rs 9,359 crore, and Rs 10,157 crore, respectively, corresponding to a fiscal deficit-to-GDP ratio of around 2% to 4%. In 2019-20, the fiscal deficit deepened further to Rs. 18,819 crore, or roughly -3% of GDP, reflecting higher spending amid economic challenges. This was followed by a sharp fiscal reversal in 2021-22, with Odisha registering a fiscal surplus of Rs. 20,627 crore, marking a fiscal balance-to-GDP ratio of +3%, driven by reduced expenditure during the pandemic and efficient revenue collection. Despite this temporary surplus, the deficit resurfaced in 2022-23 and 2023-24, with deficits of Rs. 15,219 crore and Rs. 24,982 crore, respectively, translating to a fiscal deficit-to-GDP ratio of approximately -2% to -3%. In 2024-25 it is estimated that fiscal deficit shall not exceed 3%.

Debt as a percentage of GSDP has remained relatively controlled, in 2016-17, the state's debt-to-GSDP ratio stood at 16%, and it increased modestly in the following years, reaching 17% in 2017-18, 18% in 2018-19, and 20% in 2019-20 because of the pandemic. Despite some upward movement, these levels are still within a manageable range, especially given the rising need for investment in infrastructure and social welfare programs. The ratio further stabilized at 19% in 2020-21 and 12% in 2021-22, reflecting prudent fiscal management during the pandemic, when the state curtailed non-essential expenditures and avoided excessive borrowing. By 2022-23, the ratio remained steady at 12%, demonstrating Odisha's ability to maintain a relatively low debt burden in comparison to its economic output. Further in 2024-25 the debt GSDP ratio is expected to be 14% only. This relatively low debt-to-GSDP ratio indicates fiscal discipline and posits the state well to undertake necessary borrowing for future investments without jeopardizing its fiscal health. The state's adherence to maintaining debt below 25% of



GSDP has been a key factor in ensuring long-term fiscal flexibility, sustainability and stability.

Own tax revenues (OTR) have increased in absolute terms over the years, reflecting a consistent rise in the state's tax collections. This growth can be attributed to improved tax administration, better compliance measures, and economic activities contributing to higher revenue inflows. However, despite this increase in absolute revenue figures, the OTR to GSDP ratio has remained steady at 6% during the period from 2016-17 to 2022-23. This indicates that the growth in tax revenues has been aligned with the pace of the state's economic growth during this timeframe. The projections for the financial year 2024-25 suggest that the OTR to GSDP ratio is likely to remain at the same level of 6%. The stable ratio highlights a balanced fiscal approach, but it also calls forth the need for further efforts to increase the revenue potential of the state. Enhancing the ratio would require strategic initiatives such as diversifying the tax base, optimizing tax compliance mechanisms, leveraging technology for efficient tax administration, and fostering sectors with higher revenue potential. These steps will be essential for Odisha to strengthen its fiscal capacity and support its developmental priorities.

Odisha has successfully adhered to the previous finance commissions' recommendation and has made credible progress as per the States FRBM Act, 2005 which set the following fiscal targets;

- (i) Revenue deficit during 2011-12 and onwards to be maintained at Zero
- (ii) Fiscal deficit to be contained within 3% of GSDP from 2011-12 and onwards.
- (iii) In order to bring the debt stock to a sustainable level, interest payment to revenue receipt to be limited to 15 per cent.



Table 1.1: Financial position of the State Government (Rs. in Crore)

Items	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
Revenue Receipts	6902	7048	8439	9440	11850	14085	18033	21967	24610	26430	33276	40267	43937	48947	56998	68941	74299	85204	99546	101568	104387	153059	150462	185500	204000
Tax Revenue	4788	5116	5677	6629	8154	9879	12286	14703	16275	17501	21690	25672	28999	32139	36010	46101	51174	59186	65672	62768	61801	78893	89543	104012	114232
(Out of which State's share in Union Tax)	2604	2649	2806	3328	3978	4877	6220	7847	8280	8519	10497	12229	13965	15247	16181	23574	28322	31272	35354	30453	27543	38145	42989	50012	55232
Non-Tax Revenue	2114	1932	2761	2811	3696	4206	5747	7265	8335	8929	11587	14595	14938	16808	20988	22841	23126	26018	33874	38799	42586	74167	60919	81488	89768
(Out of which Grant-in-aid from Centre)	1429	1241	1800	1716	2350	2674	3159	4611	5159	5717	6806	8152	6860	8429	12918	14129	15082	17620	19598	24152	23068	19910	18200	28988	33768
Capital Receipts	8825	9922	11660	13165	5979	2443	2332	862	1388	2007	2301	1486	2022	2547	7738	10018	11487	13119	10308	14966	21002	14346	6179	33500	40000
Recoveries of Loans	77	132	177	273	417	348	286	355	236	356	34	132	142	257	92	228	264	257	305	287	684	1566	832	1095	485
Other Receipts	0	0	0	0	0	0					0	0	0		0	0	0	0	0	0	0	0	0	0	0
Borrowings and other liabilities	8748	9790	11482	12892	5562	2095	2046	506	1152	1650	2268	1354	1880	2290	7646	9790	11223	12862	10003	14679	20318	12780	5347	32405	39515
(Out of which W & M Adv. & overdraft)	5966	6748	6723	7013	1450	0	0	0	0	0	0	0	0	0	1082	0	0	0	0	0	0	0	0		
Net Receipt from Public Account																		-812	4094	7194	-1109	-13780	23799	11000	11000
Total Receipts	15727	16970	20098	22605	17829	16527	20364	22829	25998	28437	35578	41753	45959	51494	64735	78960	85787	97511	113948	123727	124280	153626	180440	230000	255000
Total Receipts without W&M Adv. from RBI	9761	10222	13376	15592	16379	16527	20364	22829	25998	28437	35578	41753	45959	51494	63653	78960	85787	97511	113948	123727	124280	153626	180440	230000	255000
Non-Plan Expenditure	13297	15809	17995	19072	14325	12670	15141	15799	17990	21639	24502	27948	29919	33161	36487	38526	42776	-	-	-	-	-	-	-	-
On Revenue Account (Out of which)	7010	8066	8444	9218	10416	11491	13045	13634	15883	19677	21975	24940	26645	30610	32259	35535	39710	-	-	-	-	-	-	-	-
Interest Payments	2287	2835	2886	2860	3332	3697	3188	3170	2890	3044	3062	2576	2807	2888	2810	3343	4035	4988	5800	6063	6644	6342	5502	6724	7566
On Capital Account (Out of which)	6287	7743	9551	9854	3909	1180	2096	2164	2107	1963	2527	3007	3274	2551	4228	2991	3066	-	-	-	-	-	-	-	-
(a) Debt Repayment	744	921	1835	2279	2253	1038	1851	1845	1493	1489	2084	2328	3180	2293	4111	2881	2962	2690	3940	4494	9252	19798	13927	18423	22766



% of GSDP																										
(a) Revenue Deficit(-)/ Surplus(+)	-3.9	-5.3	-2.8	-2.1	-0.6	0.5	2.1	3.1	2.2	0.7	1.9	2.4	2.2	1.1	1.9	3.1	2.4	3.0	2.8	0.5	1.7	6.6	2.6	2.7	4.0	
(b) Fiscal Deficit(-)/ Surplus(+)	-18.7	-21.5	-21.6	-19.2	-6.2	-1.5	-1.0	-0.4	-1.3	-2.2	-0.3	0.3	0.0	-1.6	-1.7	-2.1	-2.4	-2.1	-2.0	-3.5	-1.8	3.1	-2.0	-3.0	-3.0	
(c) Primary Deficit(-)/ Surplus(+)	-14.1	-16.1	-16.4	-15.1	-2.1	2.7	2.0	2.0	0.5	-0.4	1.2	1.4	1.1	-0.6	-0.8	-1.1	-1.4	-1.0	-0.9	-2.4	-0.6	4.1	-1.3	-2.2	-2.2	
(d) Debt Stock	42.7	45.3	49.2	45.7	41.8	40.9	34.9	26.8	23.4	22.1	18.9	16.7	14.5	13.0	13.8	15.8	15.8	17.4	17.6	17.3	19.7	18.9	11.7	12.4	13.6	
(e) Capital Outlay	1.7	1.7	1.9	1.2	1.3	1.2	1.4	2.1	2.4	2.1	2.1	1.9	2.1	2.6	3.5	5.2	4.7	4.8	4.7	3.8	3.3	3.4	4.4	5.5	6.8	
(f) Own Tax	4.4	4.6	5.1	4.8	5.1	5.6	5.7	5.1	5.1	5.3	5.4	5.8	5.7	5.7	6.3	6.9	5.8	6.3	6.1	6.0	6.3	6.1	6.2	6.5	6.4	

Source: Budget Documents, Various Years



1.4 Objectives

In the context of the above background the study intends to carry out the following objectives:

1. To examine the trends and patterns of revenue receipts of the state and estimate the tax-to-GSDP ratio.
2. To analyse the non-tax revenue receipts.
3. To examine the patterns of revenue and capital expenditure.
4. To analyse the deficits.
5. To examine debt trends.
6. To understand the trends in light of the FRBM Act.
7. To develop an understanding of transfers to local bodies and decentralization initiatives.
8. To examine the impact of public enterprises and reform measures.
9. To analyse the impact of power sector reforms.
10. To analyse contingent liabilities.
11. To analyse state subsidies.
12. To assess the outcomes of the previous Finance Commission's recommendations.
13. To lay down a sustainable debt roadmap for 2026–31.

1.5 Data Source

The study has used secondary data from different published sources like Finance Accounts, Budget Documents, Economic Survey, CAG Report, Reports of Public Enterprises, and Reports of the Odisha Electricity Regulatory Commission. In order to assess the extent of fiscal decentralization in the state, various recommendations of the State Finance Commissions and action thereof have been taken into consideration. Besides, consultation has been made with the Chairmen of the State Finance Commissions and officials involved in the preparation of state budget for enriching the report.



In order to conduct analysis, the GSDP figures with base year 2011-12 has been utilised. The GSDP for 2024-25 to 2030-31 with base year 2011-12 has been estimated by the institute.

1.6 Analytical Tools Used

Simple techniques like ratio, percentage, graph etc. have been used to show changes in the fiscal parameters of the state over the period. Annual compound growth has been estimated by using semi-log growth model. Besides, regression techniques have been used to estimate the buoyancy and revenue capacity.

1.7 Conclusion

This current report provides a comprehensive evaluation of the fiscal trajectory of the Odisha government from 2001-02 to 2022-23, analysing key fiscal aggregates and the impact of policy reforms. It assesses the state's adherence to the fiscal targets set by the Fifteenth Finance Commission (XVFC), with a focus on fiscal consolidation and the sustainability of public finances. The analysis underscores the importance of fiscal discipline, efficient resource mobilization, and strategic expenditure management in ensuring long-term fiscal health for the state.



CHAPTER 2

REVENUE RECEIPTS AND TAX REVENUE

2.1 Introduction

This chapter explores Odisha's fiscal dynamics, focusing on revenue receipts, tax performance, and strategies for enhancing fiscal sustainability. Section 2.1 introduces the objectives, including estimating revenue capacities, analysing tax-GSDP trends, and recommending measures to improve tax productivity. Section 2.2 examines the composition, trends, and growth of TRR, highlighting contributions from ORR, transfers from central taxes (TCT), and GiA from 2000-01 to 2022-23, with projections for 2024-25. Section 2.3 delves into the state's own revenue, focusing on the growth and composition of OTR and Own Non-Tax Revenue (ONTR), while providing a detailed analysis of key tax components such as State GST, VAT, and excise. Section 2.4 evaluates transfers from the Centre, including central taxes and GiA, and their impact on state finances. Section 2.5 assesses the state's tax performance, focusing on trends, buoyancy, and productivity of its tax system over the years. Section 2.6 compares Odisha's tax capacity and effort with other Indian states to highlight areas of improvement and benchmark its fiscal performance. Section 2.7 provides projection of GSDP, TRR and its major components from 2023 to 2030. Section 2.8 identifies key challenges and offers policy recommendations to strengthen fiscal capacity of Odisha for sustainable revenue growth. The concluding remarks are presented in Section 2.9.

2.2 Composition, Trends, and Growth in Revenue Receipts

The TRR of the State have grown considerably, from Rs 6,902 crore in 2000-01 to Rs 150462 crore in 2022-23 and is projected to reach Rs 2,04,000 crore in 2024-25. It comprises ORR, TCT, and GiA provided by the Government of India (GoI). The distribution of these revenue sources is illustrated in Table 2.1.



It is observed that the State Government's ORR has been the dominant source of funding demonstrating a clear upward trajectory. In 2000-01, it stood at Rs 2870 crore and it increased to Rs 95004 crore in 2022-23 and it is projected to reach INR 115000 crore by 2024-25, marking significant growth. This increase reflects both improvements in tax collection system and a broader economic expansion. The share of ORR in TRR has increased from 41.6% in 2000-01 to a peak of 62.1% in 2021-22 and then declined to 59.3% in 2022-23. It is projected to be 56.4% in 2024-25. It is also analysed that from 2015-16 onward, the growth in Own Revenue became more pronounced, and continued to rise sharply thereafter. The data exhibits a growing reliance on internal revenue mobilization, suggesting successful efforts by the State to enhance its fiscal autonomy.

In contrast, the State's Share in Union Taxes, while still an important component, has grown at a slower pace from Rs 2,604 crore in 2000-01 to Rs 42989 crore in 2022-23. It is estimated to be Rs 55,232 crore in 2024-25. However, the proportion of Union Tax transfers relative to TRR has declined over time. In 2000-01 the share was 37.7% which peaked to 38.1% in 2016-17. After that in 2022-23 the share has declined to 28.6% and is expected to decline up to 27.1% in 2024-25. This shift reflects a trend in which the State is increasingly dependent on its own tax resources, even as Union Tax transfers remain an important part of the fiscal mix.

GiA from the Centre, which formed a significant portion of the revenue receipts in the early 2000s, have also seen a relative decline. GiA increased from Rs 1,429 crore in 2000-01 to Rs 18200 crore in 2022-23, but the proportion of these grants in TRR has gradually diminished, from over 20.7% in 2000-01 to 12.1% in 2022-23. The GiA is estimated to be 16.6% in 2024-25.

The overall growth rate has been robust, particularly in the last decade, with increases in both ORR and TCT. However, the composition of these receipts has shifted, with a growing emphasis on ORR, which has largely offset the slower growth in TCT. This shift suggests that Odisha is making strides



towards greater fiscal self-sufficiency, although the state will continue to benefit from TCT and GiA for the foreseeable future.

Table 2.1: Composition of Revenue Receipts of Odisha

Year	ORR (Rs. in Crore)	ORR % TRR	TCT (Rs. in Crore)	TCT %TRR	GiA (Rs. in Crore)	GiA %TRR	TRR (Rs. in Crore)
2000-01	2870	41.6	2604	37.7	1429	20.7	6902
2001-02	3159	44.8	2649	37.6	1241	17.6	7048
2002-03	3833	45.4	2806	33.2	1800	21.3	8439
2003-04	4396	46.6	3328	35.2	1716	18.2	9440
2004-05	5522	46.6	3978	33.6	2350	19.8	11850
2005-06	6534	46.4	4877	34.6	2674	19.0	14085
2006-07	8654	48.0	6220	34.5	3159	17.5	18033
2007-08	9509	43.3	7847	35.7	4611	21.0	21967
2008-09	11171	45.4	8280	33.6	5159	21.0	24610
2009-10	12194	46.1	8519	32.2	5717	21.6	26430
2010-11	15973	48.0	10497	31.5	6806	20.5	33276
2011-12	19886	49.4	12229	30.4	8152	20.2	40267
2012-13	23112	52.6	13965	31.8	6860	15.6	43937
2013-14	25271	51.6	15247	31.2	8429	17.2	48947
2014-15	27899	48.9	16181	28.4	12918	22.7	56998
2015-16	31238	45.3	23574	34.2	14129	20.5	68941
2016-17	30895	41.6	28322	38.1	15082	20.3	74299
2017-18	36312	42.6	31272	36.7	17620	20.7	85204
2018-19	44594	44.8	35354	35.5	19598	19.7	99546
2019-20	46963	46.2	30453	30.0	24152	23.8	101568
2020-21	53776	51.5	27543	26.4	23068	22.1	104387
2021-22	95004	62.1	38145	24.9	19910	13.0	153059
2022-23	89273	59.3	42989	28.6	18200	12.1	150462
2023-24 (RE)	106500	57.4	50012	27.0	28988	15.6	185500
2024-25 (BE)	115000	56.4	55232	27.1	33768	16.6	204000

Source: Finance account, Govt. of Odisha

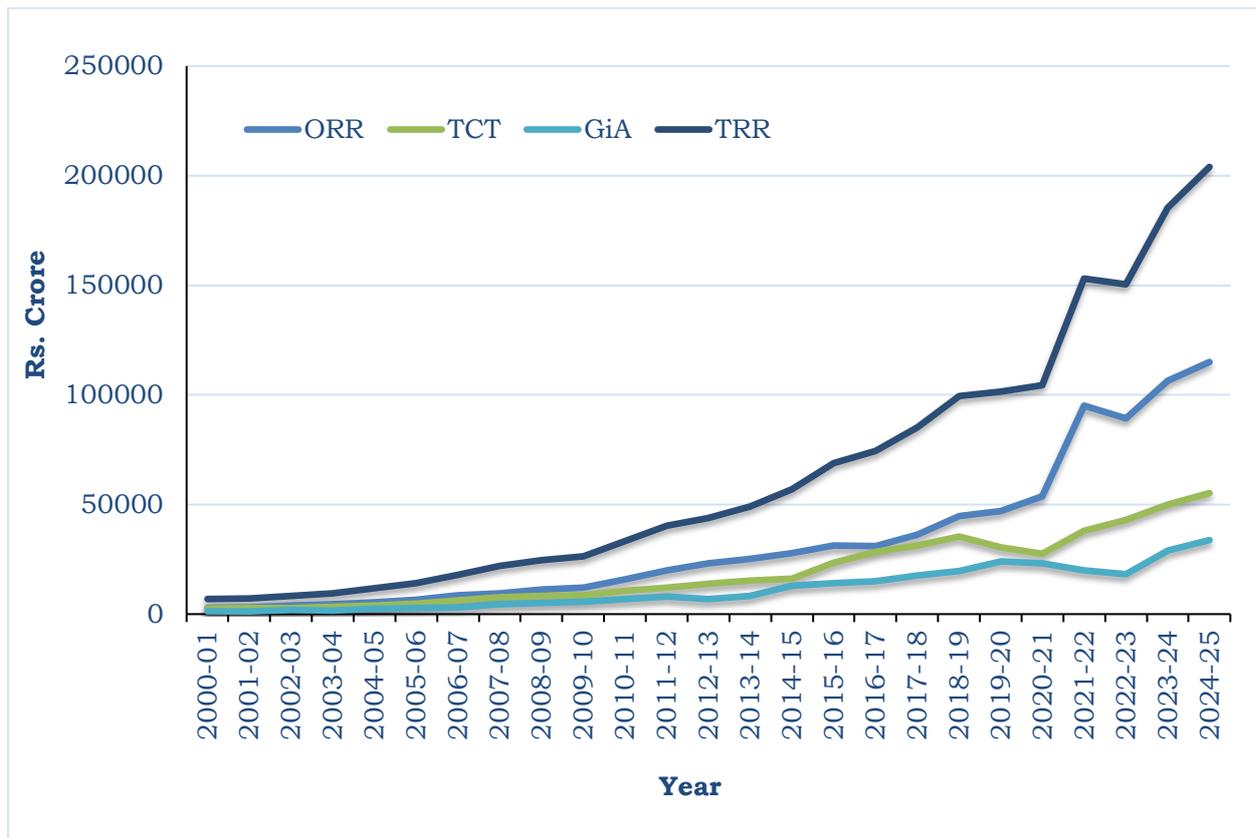
The trends of revenue receipts over the period 2000-01 to 2022-23 are shown in Figure 2.1. Between 2016-17 and 2022-23, the revenue components—ORR, TCT, GiA, and TRR shows significant shifts, reflecting economic challenges and recovery efforts. ORR grew steadily from Rs 36,312 crore in 2016-17 to Rs 44,594 crore in 2018-19, dipped during the pandemic to Rs 46,963 crore in 2019-20, and rebounded sharply to Rs 95,004 crore in 2021-22 before moderating to Rs 89,273 crore in 2022-23. TCT followed a similar trajectory, contracting in 2019-20 but recovering consistently to reach Rs 42,989 crore in 2022-23. GiA, while stable initially, rose to Rs 24,152 crore in 2019-20 during the pandemic but declined to Rs 18,200 crore by 2022-23, reflecting reduced central transfers. TRR mirrored these trends, growing from Rs 74,299 crore in 2016-17 to Rs 99,546 crore in 2018-19, slowing during the pandemic,



and peaking at Rs. 1,53,059 crore in 2021-22 before slightly declining to Rs 1,50,462 crore in 2022-23. These trends highlight the pandemic's impact, the post-recovery surge, and the need to strengthen ORR and TCT for fiscal sustainability amid reduced dependence on GiA.

Figure 2.1: Trends in Revenue Receipts and its Components

(Rs. in Crore)



Source: Finance account, Govt. of Odisha

The real growth rate of TRR (Base Year - 2011-12) registering a compound annual growth rate (CAGR) of 9.0% in this period (Table 2.2). In the period 2017-18 to 2022-23 the CAGR of TRR was 6.4%. The growth of GSDP in the respective periods was 7.2% and 5.5%. There is high fluctuation in year-wise growth of revenue during this period ranging from 9.1 per cent to 28.0 per cent in 2006-07.

The period from 2016-17 to 2022-23 reflects significant volatility in the growth rates of revenue receipts and GSDP, influenced heavily by external shocks



like the COVID-19 pandemic and economic recovery efforts. The growth of ORR between 2016 and 2023 showed significant fluctuations, influenced by both economic conditions and the impact of the COVID-19 pandemic. After a decline of -4.5% in 2016-17, ORR growth rebounded to 12.2% and 16.2% in 2017-18 and 2018-19, reflecting a period of recovery. However, in 2019-20, the pandemic caused a sharp slowdown, with growth dropping to just 0.4%. In 2020-21, there was a recovery to 11.3%, as the economy adjusted to pandemic-related challenges. The most notable surge came in 2021-22, when ORR growth spiked to 59.2%, driven by a post-pandemic economic recovery. This was followed by a significant contraction of -10.8% in 2022-23, likely due to the winding down of pandemic-era fiscal supports, inflationary pressures, and other global uncertainties. These fluctuations highlight the volatility in revenue generation, reflecting both domestic fiscal dynamics and broader global economic trends.

The TCT showed a similar pattern, starting with a growth of 16.0% in 2016-17, the figures showed moderate increases of 5.4% and 6.9% in the following two years. However, the pandemic in 2019-20 led to a sharp contraction of -17.9%, reflecting the severe economic disruption caused by COVID-19. Following this downturn, there was a strong recovery in 2021-22, with growth rebounding to 24.9% as the economy began to recover. In 2022-23, the growth stabilized at 7.0%, suggesting a more balanced but modest increase after the initial post-pandemic surge.

The GiA figures from 2016-17 to 2022-23 show significant volatility. In 2016-17, it experienced a modest increase of 3.1%, followed by a more substantial rise of 11.5% in 2017-18. However, the growth slowed to 5.2% in 2018-19, and in 2019-20, there was a surge to 17.5%, likely driven by increased government spending in response to the pandemic. The following years, however, saw a sharp decline, with GiA contracting by -7.0% in 2020-21, -22.2% in 2021-22, and -13.2% in 2022-23. These declines may reflect a reduction in emergency funding post-pandemic, fiscal adjustments, or cuts in central transfers.



In 2016-17, TRR grew by 4.1%, followed by more substantial increases of 9.5% and 10.5% in 2017-18 and 2018-19, indicating steady growth during these years. However, in 2019-20, growth slowed significantly to -2.7%, reflecting the economic challenges posed by the pandemic. In 2020-21, the growth rate remained near flat at 0.1%, as the economy continued to grapple with the effects of COVID-19. The following year, 2021-22, saw a sharp recovery with a 32.2% increase, driven by post-pandemic recovery and the restoration of economic activity. However, the growth rate turned negative again in 2022-23, with a decline of -6.6%, possibly due to reduced fiscal stimulus, inflationary pressures, and other economic headwinds.

The GSDP, which provides the economic base for revenue collection, exhibit a mix of steady growth and fluctuations in the period 2016-17 to 2022-23. In 2016-17, GSDP growth was 15.4%, followed by more moderate increases of 7.0% and 7.1% in 2017-18 and 2018-19, indicating economic expansion during these years. However, in 2019-20, GSDP growth slowed to 2.8%, likely impacted by the early effects of the COVID-19 pandemic. In 2020-21, the economy contracted by -2.1% due to the severe disruption caused by the pandemic and lockdown measures. The economy rebounded in 2021-22 with a growth rate of 10.6%, reflecting the post-pandemic recovery phase and stabilized at 7.9% in 2022-23.

These trends highlight the vulnerability of revenue receipts to economic disruptions, emphasizing the need for revenue diversification and stable fiscal policies to mitigate future shocks. The reliance on volatile GiA and central transfers underlines the importance of enhancing ORR and TCT through economic growth and efficient tax administration.



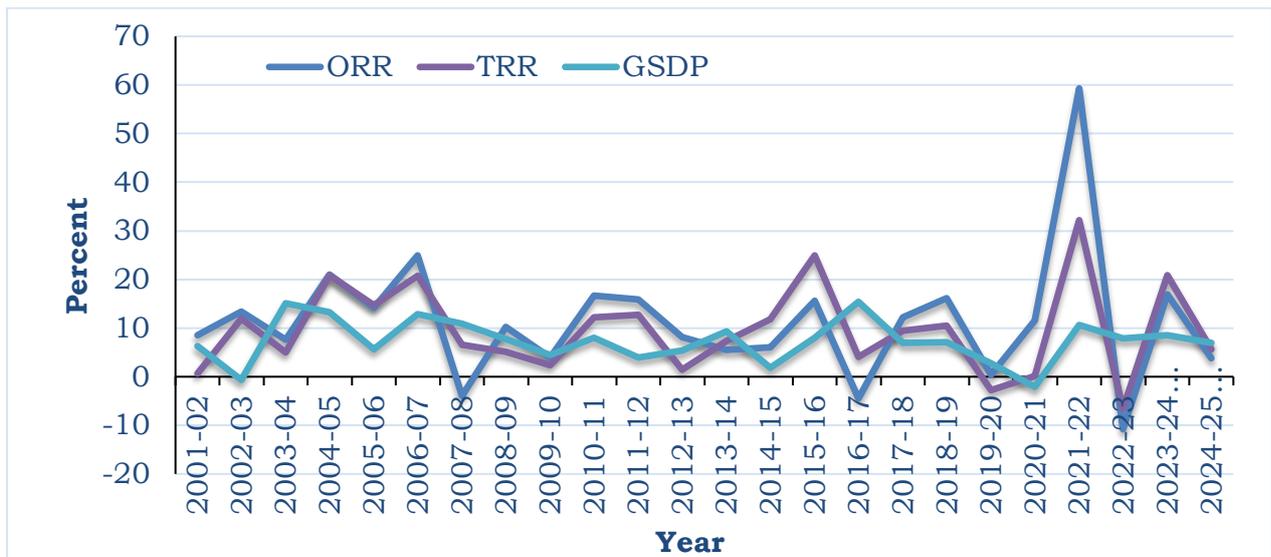
Table 2.2: Annual Growth Rate of Revenue Receipts and GSDP (%)
(Base: 2011-12)

Year	ORR	TCT	GiA	TRR	GSDP
2001-02	8.5	0.2	-14.4	0.6	6.3
2002-03	13.4	-1.0	35.6	11.9	-0.6
2003-04	7.6	11.3	-10.5	5.0	15.1
2004-05	21.0	15.2	31.9	20.9	13.2
2005-06	14.2	18.4	9.8	14.7	5.7
2006-07	24.9	20.3	11.4	20.7	12.9
2007-08	-4.0	10.3	27.6	6.5	10.9
2008-09	10.2	-1.0	5.0	5.1	7.7
2009-10	4.0	-2.0	5.6	2.3	4.5
2010-11	16.7	9.8	6.1	12.2	8.0
2011-12	15.9	8.5	11.5	12.7	4.0
2012-13	8.1	6.2	-21.7	1.5	5.4
2013-14	5.5	5.3	18.5	7.4	9.3
2014-15	6.0	1.9	47.2	11.8	1.8
2015-16	15.6	50.5	12.9	24.9	8.0
2016-17	-4.5	16.0	3.1	4.1	15.4
2017-18	12.2	5.4	11.5	9.5	7.0
2018-19	16.2	6.9	5.2	10.5	7.1
2019-20	0.4	-17.9	17.5	-2.7	2.8
2020-21	11.5	-11.9	-7.0	0.1	-2.1
2021-22	59.3	24.9	-22.2	32.2	10.6
2022-23	-10.8	7.0	-13.2	-6.6	7.9
2023-24 (RE)	17.0	14.1	56.2	20.9	8.5
2024-25 (BE)	3.8	6.2	12.0	5.7	6.9

Note: The growth rates have been calculated in 2011-12 constant prices. They are percentage changes over the previous year.

Source: Finance account, Govt. of Odisha; Reserve Bank of India

Figure 2.2: Annual Growth Rate of Revenue Receipts and GSDP(%)
(Base 2011-12)



Source: Finance account, Govt. of Odisha; Reserve Bank of India



The trends in revenue receipts and its components as a percentage of GSDP are presented in Table 2.3. The TRR as a percentage of GSDP in 2000-01 was 14.0%. It peaked to 23% in 2021-22 and then remained at 20% in 2022-23. It is projected to be 22% in 2024-25. This implies that the rate of growth of TRR is greater than that of GSDP. While ORR relative to GSDP has increased from 6.5% in 2001-02 to 11.5% in 2022-23 and is projected to be 12% in 2024-25 same periods, percentage of shared tax and GiA to GSDP remained more or less constant.

The period from 2016-17 to 2022-23 shows significant fluctuations in the components of revenue receipts as a percentage of GSDP which remains the base for revenue collection of the state. In 2016-17, the ORR to GSDP ratio was 7.9%, with the TCT at 7.2% and GiA at 3.8%. In 2017-18, ORR increased slightly to 8.2% of GSDP, reflecting improved revenue collection, while TCT fell to 7.1%, reflecting a slight reduction in TCT. GiA remained steady at 4.0%. The trend of improved ORR continued in 2018-19, rising to 8.9%, with TCT and GiA stable at 7.1% and 3.9%, respectively, suggesting a balance between state revenue generation and central assistance. However, in 2019-20, the economic effects of the pandemic were evident, with TCT contracting to 5.7% and GiA increasing to 4.5% as the state likely received additional central support. Despite this, ORR remained stable at 8.7%, and TRR/GSDP dropped to 18.9%, reflecting the overall revenue slowdown. In 2020-21, as the state grappled with the continued economic fallout of the pandemic, ORR surged to 10.0% of GSDP, TCT further declined to 5.1%, while GiA remained relatively stable at 4.3%, reflecting sustained central support. TRR/GSDP stayed at 19.3%, marking a recovery phase in state revenues.

The economic rebound gained significant momentum in 2021-22, where the ORR/GSDP ratio peaked at 14.3%, reflecting the strong post-pandemic recovery, increased economic activity, and more efficient revenue collection. TCT remained relatively low at 5.8%, and GiA dropped to 3.0%, indicating reduced dependence on central transfers. TRR/GSDP surged to 23.1%, reflecting both the recovery in state revenues and the continued fiscal support measures. In 2022-23, the fiscal picture began to stabilize, with ORR as a



percentage of GSDP declining slightly to 11.9%, though still above pre-2020 levels, signalling ongoing fiscal strength. TCT remained stable at 5.7%, while GiA dropped further to 2.4%, reflecting the tapering of pandemic-related GiA. TRR/GSDP decreased to 20.0%, reflecting the winding down of extraordinary fiscal measures and a return to more typical revenue patterns. The broader trend between 2016-17 and 2022-23 reveals a mix of steady growth in ORR, a gradual reduction in central transfers TCT, and fluctuating GiA, driven in part by the pandemic's economic disruption and subsequent recovery efforts.

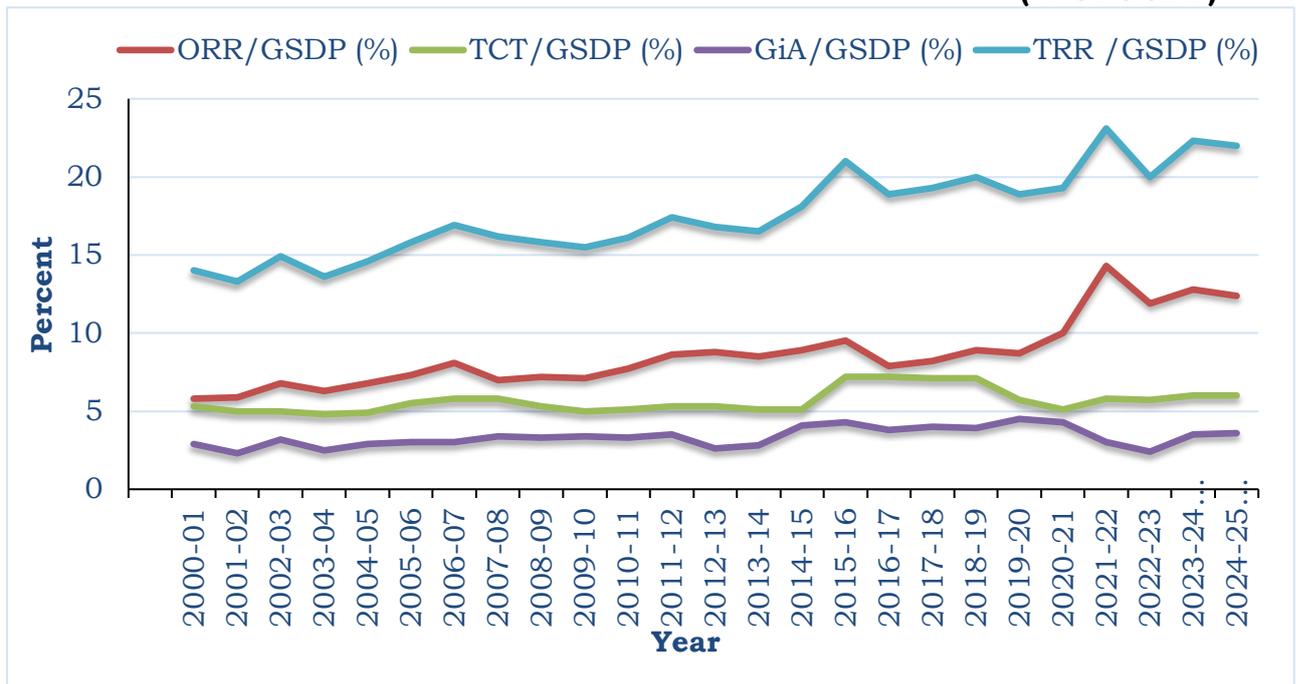
Table 2.3: Components of Revenue Receipts

Year	GSDP (Rs. in Crore)	(% GSDP)			
		ORR/GSDP (%)	TCT/GSDP (%)	GiA/GSDP (%)	TRR /GSDP (%)
2000-01	49230	5.8	5.3	2.9	14.0
2001-02	53096	5.9	5.0	2.3	13.3
2002-03	56454	6.8	5.0	3.2	14.9
2003-04	69281	6.3	4.8	2.5	13.6
2004-05	81393	6.8	4.9	2.9	14.6
2005-06	89108	7.3	5.5	3.0	15.8
2006-07	106640	8.1	5.8	3.0	16.9
2007-08	135368	7.0	5.8	3.4	16.2
2008-09	155490	7.2	5.3	3.3	15.8
2009-10	170627	7.1	5.0	3.4	15.5
2010-11	206841	7.7	5.1	3.3	16.1
2011-12	230987	8.6	5.3	3.5	17.4
2012-13	261700	8.8	5.3	2.6	16.8
2013-14	296475	8.5	5.1	2.8	16.5
2014-15	314250	8.9	5.1	4.1	18.1
2015-16	328550	9.5	7.2	4.3	21.0
2016-17	392804	7.9	7.2	3.8	18.9
2017-18	440395	8.2	7.1	4.0	19.3
2018-19	498611	8.9	7.1	3.9	20.0
2019-20	537502	8.7	5.7	4.5	18.9
2020-21	540150	10.0	5.1	4.3	19.3
2021-22	662886	14.3	5.8	3.0	23.1
2022-23	753177	11.9	5.7	2.4	20.0
2023-24 (RE)	832790	12.8	6.0	3.5	22.3
2024-25 (BE)	926000	12.4	6.0	3.6	22.0

Source: Finance account, Govt. of Odisha; Reserve Bank of India



Figure 2.3: Components of Revenue Receipts (% of GSDP)



Source: Finance account, Govt. of Odisha; Reserve Bank of India

2.2.1 Revenue Buoyancy of Major Components of TRR

Revenue Buoyancy is a key fiscal indicator used to assess the responsiveness of a government's revenue generation to changes in its economic output, represented by the GDP or GSDP. It measures the proportionate change in revenue relative to the proportionate change in economic growth over a specific period. It indicates how effectively a government is able to mobilize additional resources (through taxes, fees, and other revenue sources) as the economy grows. A buoyancy greater than 1 suggests that revenue is growing at a faster rate than the economy, which is generally a positive sign, indicating improved tax compliance, efficient revenue collection mechanisms, or favourable economic conditions that contribute to higher revenues. Conversely, a buoyancy less than 1 indicates that revenue growth is slower than economic growth, which may point to inefficiencies, weak tax performance, or economic challenges. This signifies structural issues in the state's fiscal management or challenges in maintaining revenue collection.



Table 2.4: Five-Year Centered Rolling Estimates of Revenue Buoyancy w.r.t GSDP for Odisha (2000–2024)

Year	ORR	TCT	GiA	TRR
2002-03	1.2	0.7	0.8	0.9
2003-04	1.3	1.1	1.2	1.2
2004-05	1.5	1.4	1.1	1.4
2005-06	1.7	1.9	2	1.8
2006-07	1.1	1.3	1.5	1.3
2007-08	0.8	0.7	1.3	0.9
2008-09	0.7	0.3	1.1	0.6
2009-10	1.7	0.5	1	1.1
2010-11	2	1	0.2	1.3
2011-12	1.6	1	0	1.1
2012-13	1.3	0.8	1.1	1.1
2013-14	1.4	2.1	2.4	1.8
2014-15	0.7	2.2	2.2	1.5
2015-16	0.7	2.1	1.5	1.3
2016-17	0.8	1.7	0.8	1.1
2017-18	0.7	0.4	0.9	0.6
2018-19	2	-0.6	1.7	1.1
2019-20	4.1	-0.2	-0.5	2
2020-21	3.1	0.9	-2	1.6
2021-22	2.2	1.5	-0.5	1.5
2022-23	1.4	1.4	0.7	1.3

Note: Revenue buoyancy is estimated using a five-year centered rolling regression method, which smooths short-term fluctuations and reflects medium-term responsiveness. For each year, buoyancy is computed from a log-linear regression model estimated over a five-year window, with the resulting elasticity coefficient centered on the middle year. The model specification is: $\ln(\text{Real Revenue}) = \alpha + \beta \times \ln(\text{Real GSDP}) + \varepsilon$ Here, both revenue and GSDP are log-transformed to estimate elasticity. The coefficient β captures revenue buoyancy—i.e., the percentage change in real revenue in response to a 1% change in real GSDP.

Sources: Finance account, Govt. of Odisha; Reserve Bank of India; Authors' own calculations

Revenue buoyancy in the period 2000–2024 reflects the complex interplay of major macroeconomic events, structural tax reforms at the national level, and Odisha-specific fiscal developments. Buoyancy—measured as the elasticity of revenue with respect to real GSDP—captures how revenue collections respond to a 1% change in real economic activity. This study computes buoyancy using a five-year rolling regression approach, with coefficients centered on the middle year to smooth short-term volatility and capture medium-term responsiveness. While this method aids in trend identification, it also introduces distortion by smoothing out sharp annual fluctuations, potentially



misaligning the observed buoyancy with the exact timing of policy shocks or economic disruptions.

ORR ranged from 1.3 to 1.7 reflecting high buoyancy in the early 2000s, particularly between 2003–04 and 2005–06. This coincides with the state's fiscal correction measures during the post-FRBM period, marked by improved tax administration, rationalization of expenditure, and early efforts toward revenue augmentation.

The implementation of the VAT regime in 2005 increased both compliance and tax base. Odisha, among the early adopters, experienced buoyant ORR in subsequent years (2005–06 to 2006–07), with ORR buoyancy peaking at 1.7 indicating strong responsiveness of tax collections to economic expansion. Also, the state's move to revise mining royalty rates and strengthen collections from its rich mineral base—especially after 2004—resulted in elevated non-tax revenue which increased the TRR. This trend strengthened between 2011 and 2014, a period marked by rapid mining-led growth and buoyant commodity prices, during which ORR buoyancy remained robust, exceeding 1.6 in 2011–12 and 1.4 in 2013–14.

The global financial crisis of 2008–09 had a dampening effect on revenue growth. The buoyancy of ORR, TCT and TRR reduced to 0.7, 0.3 and 0.6, reflecting the slowdown in both central transfers and state-level collections. The recovery began around 2009–10 with ORR rebounding to 1.7 and TRR to 1.1. The post-crisis recovery was further facilitated by Odisha's push for e-governance and automation in tax systems, particularly in VAT and commercial taxes which initiated in 2010–11. These administrative innovations led to enhanced tax buoyancy in subsequent years.

The introduction of GST in July 2017 was a major policy shift in India's indirect tax architecture. Odisha, TCT buoyancy reflects this disruption and transition. TCT fell to 0.4 in 2017–18 and turned sharply negative (-0.6) in 2018–19, possibly due to GST implementation teething issues, loss of CST,



and the temporary nature of GST compensation. However, during this period ORR remained relatively stable, although slightly muted, suggesting that the non-GST component of ORR—viz royalties from mines, state excise acted as a partial cushion.

Another major shift is observed in 2019–20, when ORR buoyancy spiked to 4.1, despite a negative GiA (-0.5), and TRR hit 2.0. This is attributed to a low base effect and the culmination of several years of improved tax collection efficiency. However, this spike must also be viewed in light of the methodology used: since buoyancy is computed using a five-year centered rolling regression, the 2019–20 estimate incorporates data from 2020–21—a year profoundly affected by the COVID-19 pandemic. The sharp contraction in revenue collections during 2020–21 depressed the denominator in elasticity calculations, creating an artificial buoyancy spike in the centered year. ORR buoyancy remained elevated at 3.1, not due to real fiscal expansion, but largely reflecting base effects from the pandemic shock. Simultaneously, GiA plummeted to -2.0, suggesting highly volatile and erratic grant flows, while TRR buoyancy, though still positive at 1.6, masked the underlying stress on fiscal capacity. This also illustrates a key limitation of the rolling regression approach: by attributing multi-year dynamics to a single midpoint, it risks obscuring the immediate fiscal impact of discrete shocks like COVID-19. Thus, these figures should be interpreted with caution, as they are partly driven by methodological smoothing that temporally displaces the true economic impact of COVID-19.

From 2021–22 onwards, Odisha entered a post-pandemic recovery phase marked by structural shifts. With increased digitization, improved GST compliance, and broader economic normalization, buoyancy coefficients began to stabilize. In 2022–23, ORR buoyancy stood at 1.4, TCT at 1.4, and TRR at 1.3—indicative of a return to moderate growth-aligned revenue responsiveness. However, GiA buoyancy remained subdued at 0.7, suggesting continuing reliance on discretionary or project-linked grants rather than formula-based, growth-aligned devolution.



It is crucial to consider the role of Finance Commissions awards in shaping TRR. Post-2019, changes in the Finance Commission’s horizontal devolution formula—especially the introduction of the tax-effort parameter and adjustments in the weightage for demographic change—slightly reduced Odisha’s share of central tax revenues (from 4.642% under the XIVFC to approximately 4.629% under the XVFC) These formula-driven transfers, while predictable in theory, showed volatile buoyancy patterns—likely reflecting changes in tax buoyancy at the national level, horizontal devolution shares, and increasing dependence on cesses and surcharges that fall outside the divisible pool.

Table 2.5: Period-wise Revenue Buoyancy Estimates for Odisha (2000–2024)

Period	ORR	TCT	GiA	TRR
2000-2005	1.4	1.0	1.1	1.2
2006-2012	1.3	0.5	0.7	0.8
2013-2017	0.7	2.1	1.4	1.3
2018-2024	2.0	1.1	0.3	1.4
2000-2024	1.4	1.1	1.2	1.3

The revenue buoyancy estimates for Odisha across distinct phases between 2000 and 2024 reflect significant fiscal developments and evolving trends in resource mobilization. These trends are shaped by major policy reforms, shifts in the Centre–State fiscal relationship, and external economic shocks, notably the COVID-19 pandemic.

In the first phase (2000–2005), Odisha’s fiscal position was recovering from the financial stress of the late 1990s. The period saw the initiation of institutional fiscal reforms such as the FRBM Act, the introduction of Value Added Tax (VAT), and the implementation of Debt Swap Schemes. The revenue buoyancy estimates during this phase reflect these reforms’ impact. ORR exhibited a strong buoyancy of 1.4, indicating a highly responsive tax system relative to GSDP growth. TCT and GiA were moderately buoyant at 1.0 and 1.1, respectively, reflecting steady central support. TRR buoyancy stood



at 1.2, suggesting that the state's revenue system was broadly keeping pace with economic growth during this consolidation phase.

The second phase (2006–2012) marked a relative slowdown in buoyancy, especially for transfers and grants. While ORR buoyancy remained high at 1.3, reflecting the continuity of internal revenue efforts and improved tax administration, both TCT and GiA saw marked declines to 0.5 and 0.7, respectively. This decline coincided with the tapering of Debt Swap Schemes and a shift in the Centre's financing pattern of centrally sponsored schemes (CSS). TRR buoyancy dipped to 0.8, indicating that overall revenue growth lagged behind GSDP growth. This phase reflects the fiscal challenges in mobilizing central resources despite a fairly robust performance in state tax efforts.

The third period (2013–2017) coincides with the major fiscal transition towards the Goods and Services Tax (GST) and the Fourteenth Finance Commission (XIVFC) award. ORR buoyancy declined sharply to 0.7, possibly due to states preparing for GST and centralization of indirect tax bases. In contrast, TCT buoyancy jumped to 2.1, the highest across all components and periods, reflecting a substantial increase in untied tax devolution to states as per the Fourteenth Finance Commission's recommendations. Grants-in-Aid also registered a buoyancy of 1.4, suggesting restructuring and frontloading of CSS. As a result, TRR buoyancy rose to 1.3, demonstrating the Centre's critical role in stabilizing state finances during the transition.

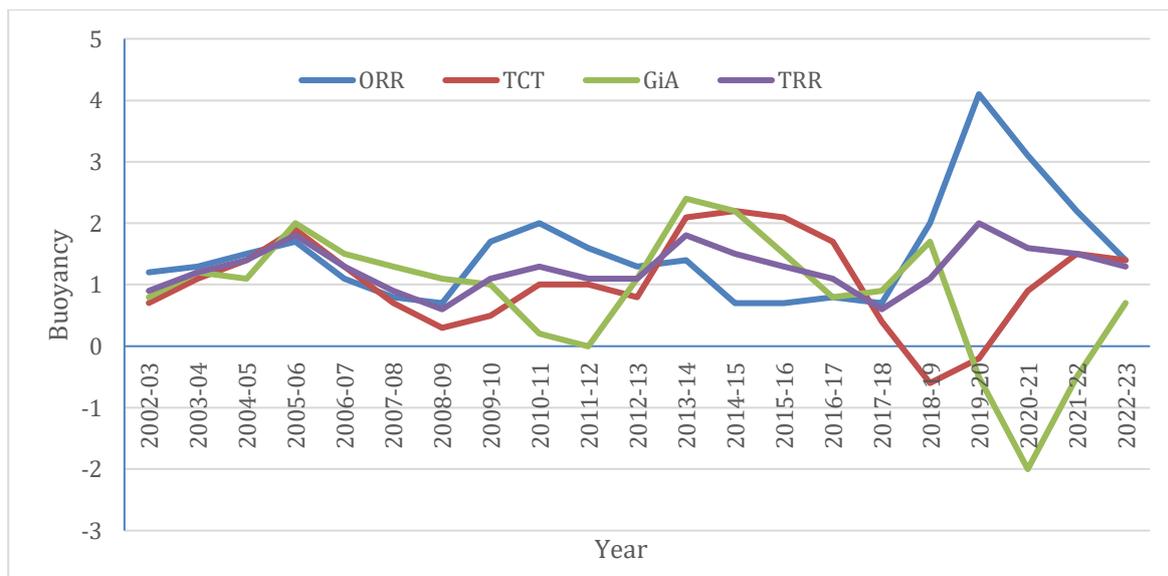
The fourth phase (2018–2024) presents a more complex picture, influenced heavily by the GST regime and the COVID-19 shock. ORR buoyancy recovered strongly to 2.0, likely due to improved compliance under GST, mineral revenue reforms, and digital tax systems. However, GiA plummeted to 0.3, reflecting both a reduction in the number and size of CSS and a growing reliance on formula-based transfers. TCT buoyancy moderated to 1.1, indicating that tax devolution alone could not fully compensate for falling



grants. Despite these changes, TRR buoyancy remained healthy at 1.4, driven largely by the resurgence in ORR.

In the entire study period (2000–2024), Odisha’s average revenue buoyancy was 1.4 for ORR, 1.1 for TCT, 1.2 for GiA, and 1.3 for TRR. These figures suggest that while the state has consistently strengthened its own revenue base, its dependence on central transfers—especially discretionary grants—has fluctuated significantly. The trends underline the success of revenue reform efforts in some periods, the transitional costs of structural changes like GST, and the critical role of central transfers in ensuring overall fiscal stability.

Figure 2.4: Five-Year Centered Rolling Estimates of Revenue Buoyancy w.r.t GSDP for Odisha (2000–2024)



Note: Revenue buoyancy is estimated using a five-year centered rolling regression method, which smooths short-term fluctuations and reflects medium-term responsiveness. For each year, buoyancy is computed from a log-linear regression model estimated over a five-year window, with the resulting elasticity coefficient centered on the middle year. The model specification is: $\ln(\text{Real Revenue}) = \alpha + \beta \times \ln(\text{Real GSDP}) + \epsilon$ Here, both revenue and GSDP are log-transformed to estimate elasticity. The coefficient β captures revenue buoyancy—i.e., the percentage change in real revenue in response to a 1% change in real GSDP.

Sources: Finance account, Govt. of Odisha; Reserve Bank of India; Authors’ own calculations

Revenue buoyancy is a critical indicator of fiscal health, reflecting the relationship between economic growth and the state’s ability to generate revenues. Analyzing revenue buoyancy of less than 1 indicates that revenue growth is lagging behind economic growth, which implies potential inefficiencies, poor tax performance, or broader economic difficulties. A



negative revenue buoyancy implies that revenues are declining even though the economy is growing, pointing to underlying structural problems in the state's fiscal management or challenges in sustaining effective revenue collection.

The state's trends highlight periods of strong revenue performance driven by economic growth, tax reforms, and central transfers, as well as challenges stemming from economic shocks and policy transitions. The sharp fluctuations, particularly in ORR and TRR buoyancy, reflects the need for proactive fiscal management, diversified revenue streams, and resilient tax administration systems to navigate external shocks and maintain consistent revenue growth. In future it will be essential for the state to focus on stabilizing revenue buoyancy through sustainable fiscal policies and leveraging opportunities for economic growth to ensure long-term financial stability and socio-economic development.

2.3 State's Own Revenue

Odisha's ORR consists of OTR and Own Non-Tax Revenue (ONTR) (Table 2.6). In 2000-01, OTR accounted for over 70% of ORR, reaching a peak of 76.9% in 2017-18. Both OTR and ONTR have shown an increasing trend in absolute terms from 2000-01 to 2022-23. However, since 2018-19, ONTR has grown at a faster pace than OTR. This shift resulted in ONTR's share peaking at 57.1% of ORR in 2021-22, driven by the economic slowdown during the COVID-19 pandemic that reduced OTR due to lower economic activity. By 2022-23, with macroeconomic stability restored, OTR contributed 52.1% to ORR, while ONTR accounted for 47.9%.



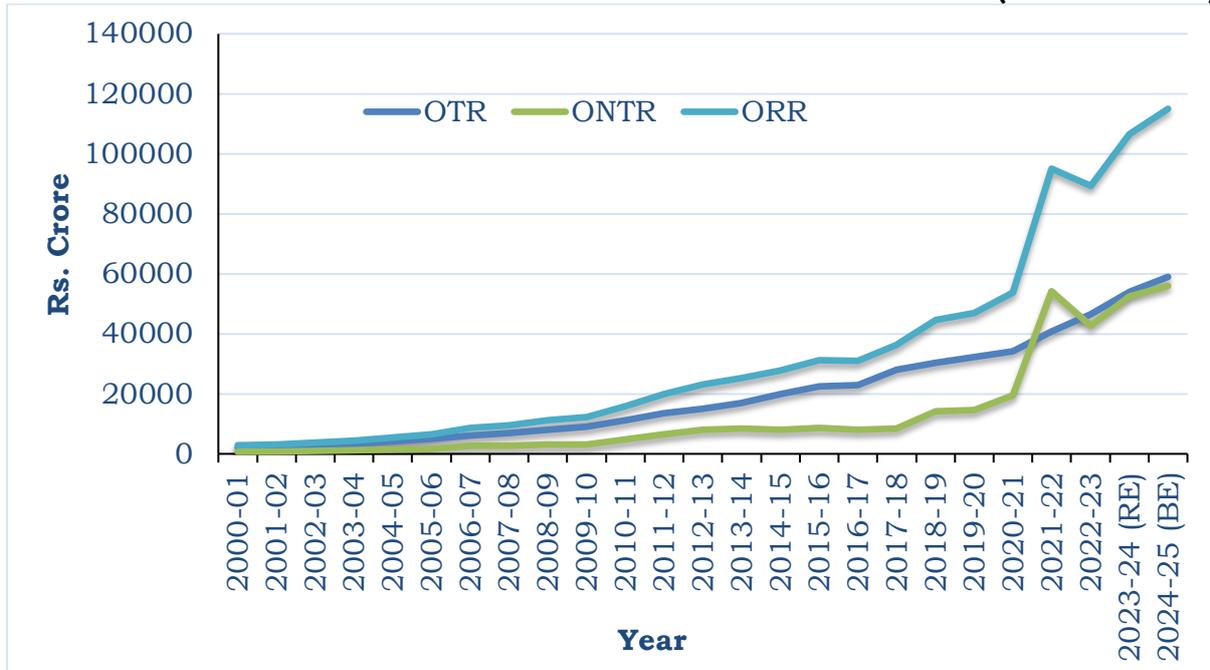
Table 2.6: Composition of ORR of Odisha

Year	OTR (Rs in Crore)	OTR % ORR	ONTR (Rs in Crore)	ONTR % ORR	ORR (Rs in Crore)
2000-01	2184	76.1	685	23.9	2870
2001-02	2467	78.1	692	21.9	3159
2002-03	2872	74.9	961	25.1	3833
2003-04	3302	75.1	1095	24.9	4396
2004-05	4177	75.6	1346	24.4	5522
2005-06	5002	76.6	1532	23.4	6534
2006-07	6066	70.1	2588	29.9	8654
2007-08	6855	72.1	2654	27.9	9509
2008-09	7995	71.6	3176	28.4	11171
2009-10	8982	73.7	3212	26.3	12194
2010-11	11192	70.1	4781	29.9	15973
2011-12	13443	67.6	6443	32.4	19886
2012-13	15034	65.0	8078	35.0	23112
2013-14	16892	66.8	8379	33.2	25271
2014-15	19829	71.1	8070	28.9	27899
2015-16	22526	72.1	8712	27.9	31238
2016-17	22851	74.0	8044	26.0	30895
2017-18	27914	76.9	8398	23.1	36312
2018-19	30318	68.0	14276	32.0	44594
2019-20	32316	68.8	14647	31.2	46963
2020-21	34258	63.7	19518	36.3	53776
2021-22	40747	42.9	54257	57.1	95004
2022-23	46554	52.1	42719	47.9	89273
2023-24 (RE)	54000	50.7	52500	49.3	106500
2024-25 (BE)	59000	51.3	56000	48.7	115000

Source: Finance Accounts, Govt. of Odisha

Figure 2.5: Trends in ORR and its Components

(Rs. in Crore)

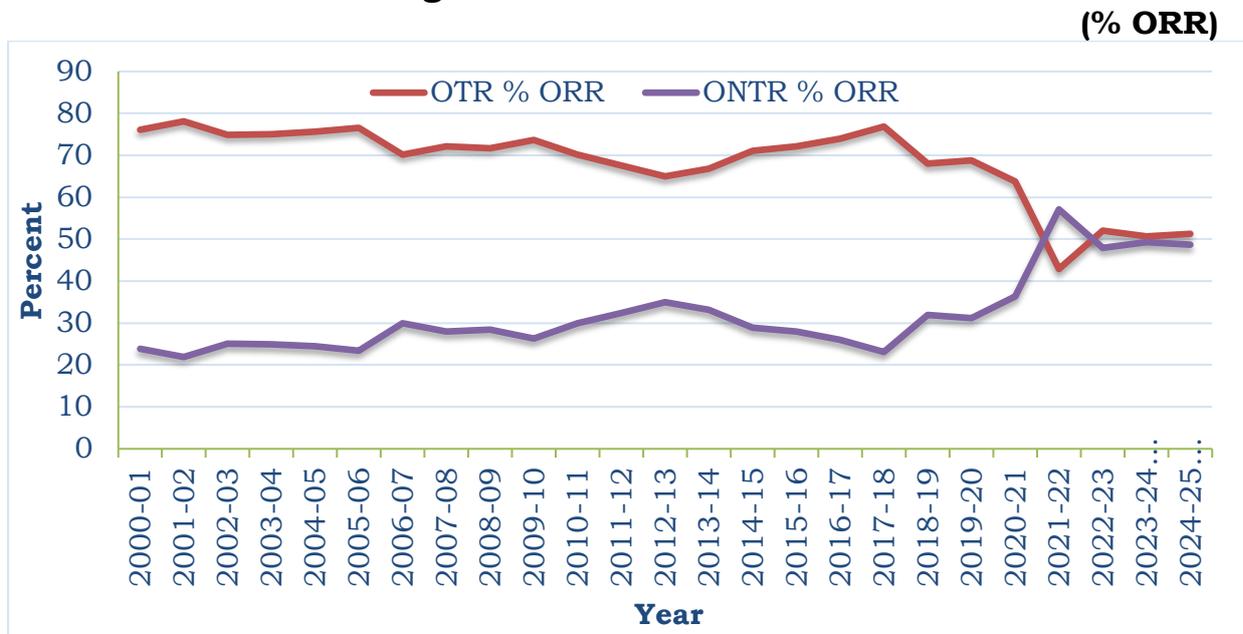


Source: Finance Accounts, Government of Odisha; Authors' own computation



Both OTR and ONTR exhibit overall growth in absolute terms, with ORR showing a significant upward trajectory (Figure 2.5). During 2016-17 to 2022-23, OTR increased moderately, from Rs 22,851 crore in 2016-17 to Rs 46,554 crore in 2022-23, whereas ONTR surged substantially from Rs 8,044 crore to Rs 42,719 crore, reflecting a shift towards higher reliance on non-tax revenue, particularly during the pandemic. The sharp rise in ORR, from Rs 30,895 crore in 2016-17 to Rs 95,004 crore in 2021-22, was driven by the spike in ONTR due to enhanced mining royalties and other non-tax sources during economic recovery. This period marks a diversification in revenue composition, as evidenced by ONTR's increasing prominence alongside steady OTR growth.

Figure 2.6: OTR and ONTR



Source: Finance Accounts, Government of Odisha; Authors' own computation

2.3.1 Own Tax Revenue

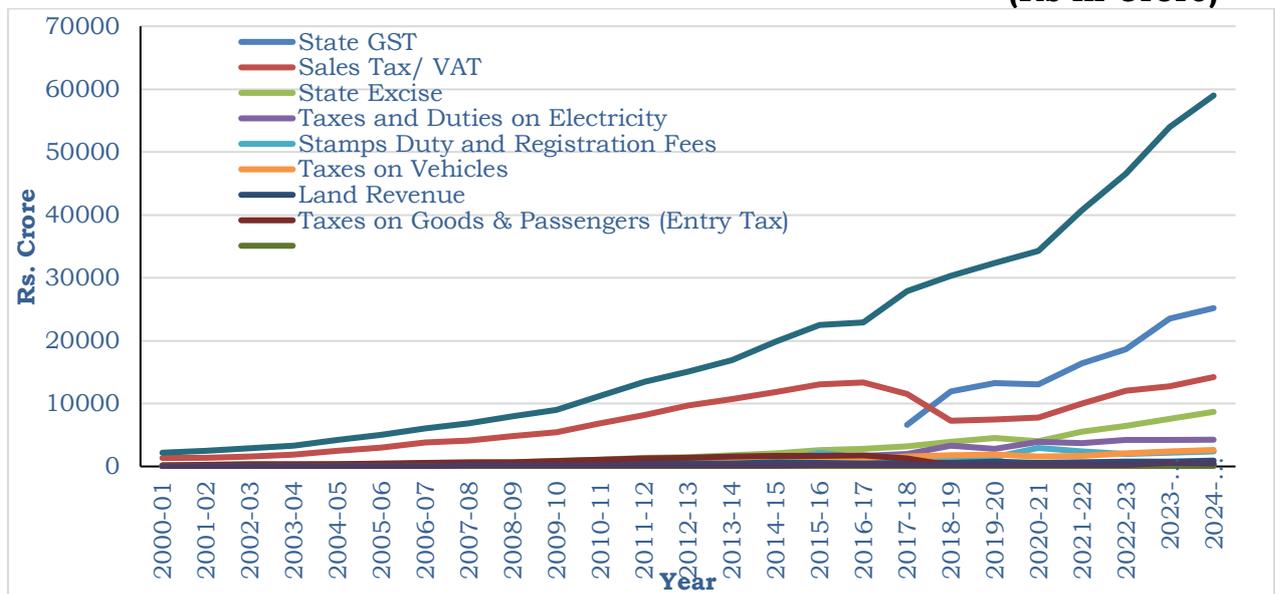
OTR witnessed exponential growth, increasing from Rs. 2,184 crore in 2000-01 to Rs. 46,554 crore in 2022-23. This growth reflects steady economic development, modernization of tax systems, and the significant structural reform introduced by the Goods and Services Tax (GST) in 2017-18. The period from 2016-17 to 2018-19 marked a transformative phase as OTR composition shifted with the introduction of State GST (SGST), which emerged as the largest contributor. In 2016-17, before GST implementation, OTR stood



at Rs. 22,851 crore, largely driven by Sales Tax/VAT and State Excise. Following GST’s introduction in 2017-18, total revenue saw an initial adjustment phase, stabilizing at Rs. 27,940 crore. Post-pandemic, revenues recovered sharply, increasing from Rs. 38,448 crore in 2021-22 to Rs. 46,554 crore in 2022-23. This consistent upward trend highlights the state’s ability to adapt to tax reforms and recover from economic disruptions, ensuring fiscal stability.

Figure 2.7: Trends of Own Tax Revenue

(Rs in Crore)



Source: Finance Accounts, Government of Odisha; Authors’ own computation

The components of OTR are State GST, Sales Tax/VAT, State Excise, Taxes and Duties on Electricity Stamps Duty and Registration Fees, Taxes on Vehicles, Land Revenue, Taxes on Goods and Passengers (Entry Tax) and Other Miscellaneous Taxes (Table 2.7 & Fig-2.7)



Table 2.7: Tax Revenue of the State Government (Rs.in Crore)

Year	State GST Rs. crore	% OTR	Sales Tax/ VAT Rs. crore	% OTR	State Excise Rs. crore	% OTR	Taxes and Duties on Electricity Rs. crore	% OTR	Stamps Duty and Registration Fees Rs. crore	% OTR	Taxes on Vehicles Rs. crore	% OTR	Land Revenue Rs. crore	% OTR	Taxes on Goods & Passengers (Entry Tax) Rs. crore	% OTR	Other Taxes Rs. crore	% OTR	OTR Rs. crore
2000-01		0.0	1342	61.4	135	6.2	147	6.7	109	5.0	178	8.2	53	2.4	194	8.9	26	1.2	2184
2001-02		0.0	1402	56.8	197	8.0	137	5.6	110	4.4	216	8.8	84	3.4	252	10.2	68	2.8	2467
2002-03		0.0	1605	55.9	246	8.6	172	6.0	136	4.7	257	9.0	82	2.9	313	10.9	60	2.1	2872
2003-04		0.0	1864	56.5	256	7.8	200	6.1	153	4.6	280	8.5	103	3.1	377	11.4	68	2.0	3302
2004-05		0.0	2471	59.2	307	7.3	262	6.3	198	4.7	338	8.1	132	3.2	385	9.2	85	2.0	4177
2005-06		0.0	3012	60.2	389	7.8	353	7.1	236	4.7	406	8.1	70	1.4	463	9.3	73	1.5	5002
2006-07		0.0	3765	62.1	430	7.1	283	4.7	260	4.3	427	7.0	226	3.7	574	9.5	101	1.7	6066
2007-08		0.0	4118	60.1	525	7.7	327	4.8	405	5.9	459	6.7	276	4.0	627	9.1	117	1.7	6855
2008-09		0.0	4803	60.1	660	8.3	365	4.6	496	6.2	524	6.6	349	4.4	638	8.0	160	2.0	7995
2009-10		0.0	5409	60.2	849	9.5	460	5.1	360	4.0	611	6.8	292	3.3	815	9.1	185	2.1	8982
2010-11		0.0	6807	60.8	1094	9.8	458	4.1	416	3.7	728	6.5	391	3.5	1,111	9.9	188	1.7	11192
2011-12		0.0	8197	61.0	1379	10.3	552	4.1	498	3.7	788	5.9	521	3.9	1,312	9.8	196	1.5	13443
2012-13		0.0	9685	64.4	1499	10.0	590	3.9	545	3.6	746	5.0	420	2.8	1,343	8.9	205	1.4	15034
2013-14		0.0	10729	63.5	1780	10.5	670	4.0	605	3.6	860	5.1	431	2.6	1,613	9.5	203	1.2	16892
2014-15		0.0	11817	59.6	2035	10.3	1723	8.7	800	4.0	910	4.6	646	3.3	1,711	8.6	187	0.9	19829
2015-16		0.0	13097	58.1	2547	11.3	1212	5.4	2157	9.6	1044	4.6	589	2.6	1,663	7.4	217	1.0	22526
2016-17		0.0	13402	58.6	2786	12.2	1637	7.2	1364	6.0	1216	5.3	460	2.0	1,761	7.7	225	1.0	22851
2017-18	6609	23.7	11522	41.3	3221	11.5	1970	7.1	1037	3.7	1535	5.5	542	1.9	1,260	4.5	218	0.8	27914
2018-19	11943	39.4	7310	24.1	3925	12.9	3258	10.7	1237	4.1	1746	5.8	511	1.7	182	0.6	206	0.7	30318
2019-20	13204	40.9	7455	23.1	4495	13.9	2820	8.7	1435	4.4	1836	5.7	721	2.2	133	0.4	217	0.7	32316
2020-21	13043	38.1	7777	22.7	4053	11.8	3938	11.5	2942	8.6	1526	4.5	603	1.8	146	0.4	230	0.7	34258
2021-22	16392	40.2	10000	24.5	5528	13.6	3717	9.1	2419	5.9	1664	4.1	664	1.6	111	0.3	252	0.6	40747
2022-23	18601	40.0	12023	25.8	6455	13.9	4210	9.0	1997	4.3	2133	4.6	739	1.6	115	0.2	281	0.6	46554
2023-24 (RE)	23500	43.5	12700	23.5	7551	14.0	4246	7.9	2197	4.1	2343	4.3	719	1.3	166	0.3	578	1.1	54000
2024-25 (BE)	25177	42.7	14212	24.1	8680	14.7	4252	7.2	2417	4.1	2622	4.4	928	1.6	215	0.4	497	0.8	59000

Sources: Finance Accounts, Govt. of Odisha



2.3.1 State GST

State GST (SGST), introduced in 2017-18, and marked a pivotal shift in the taxation framework. It generated Rs. 6,609 crore in its inaugural year, contributing 23.7% of OTR. By 2018-19, SGST revenues rose to Rs. 11,943 crore, establishing it as the dominant source of state revenue. Despite economic challenges, SGST demonstrated resilience during the pandemic, with collections increasing from Rs. 13,091 crore in 2019-20 to Rs. 16,392 crore in 2021-22. By 2022-23, SGST revenues reached Rs. 18,601 crore, accounting for 40% of OTR. This growth reflects improved compliance, the formalization of the economy, and the recovery of consumption and production activities post-pandemic. SGST has successfully replaced VAT as the primary revenue generator, signifying the effectiveness of the GST framework in streamlining tax collection.

2.3.2 Sales Tax/VAT

Sales Tax/VAT was historically the largest contributor to OTR, rising steadily from Rs. 1,342 crore in 2000-01 to a peak of Rs. 13,402 crore in 2016-17. This growth was fuelled by rising consumption and economic activity. However, the introduction of GST in 2017-18 subsumed VAT for most goods and services, leading to a sharp decline in VAT collections to Rs. 11,522 crore in 2017-18 and further to Rs. 7,310 crore in 2018-19. Post-2018-19, VAT revenues stabilized as it remained applicable to a limited set of items, such as petroleum products and alcohol. Its contribution has since diminished, reflecting its reduced relevance in the GST era.

2.3.3 State Excise

State Excise has been a steadily growing component of OTR, driven by alcohol and related excise duties. In 2016-17, excise collections were Rs. 2,786 crore, accounting for 12.2% of OTR. By 2018-19, revenues increased to Rs. 4,273 crore, supported by stable demand and improved collection mechanisms. Despite the pandemic-induced disruptions, excise revenues proved resilient,



growing from Rs. 4,733 crore in 2019-20 to Rs. 5,528 crore in 2021-22. By 2022-23, excise collections reached Rs. 6,455 crore, demonstrating robust growth and underscoring its importance as a consistent revenue source even during economic downturns.

2.3.4 Taxes and Duties on Electricity

Taxes on electricity displayed steady growth over the years, driven by increasing industrialization and electricity consumption. In 2016-17, electricity taxes contributed Rs. 1,364 crore. Post-GST, revenues from this component surged to Rs. 3,258 crore in 2018-19, reflecting enhanced compliance and rising electricity demand. Although there was a dip during the pandemic in 2020-21 (Rs. 3,202 crore), revenues rebounded strongly in 2021-22 (Rs. 3,717 crore) and reached Rs. 4,210 crore in 2022-23. This trend underscores the expanding role of electricity taxes in OTR.

2.3.5 Stamps Duty and Registration Fees

Revenues from stamps duty and registration fees have shown significant variation, reflecting trends in the real estate market. In 2016-17, collections stood at Rs. 1,216 crore, supported by increased property transactions. By 2018-19, revenues had grown to Rs. 1,734 crore. The peak of Rs. 2,942 crore in 2020-21 coincided with a boom in real estate activity post-pandemic lockdowns. However, revenues declined to Rs. 1,997 crore in 2022-23, suggesting a slowdown in the real estate market or reduced transaction volumes.

2.3.6 Taxes on Vehicles

Vehicle taxes have demonstrated consistent growth, reflecting rising vehicle ownership and mobility. From Rs. 1,216 crore in 2016-17, collections rose to Rs. 1,721 crore in 2018-19, buoyed by increased registrations and road tax compliance. A decline in 2020-21 (Rs. 1,530 crore) during the pandemic was followed by a strong recovery, with revenues reaching Rs. 2,133 crore in 2022-



23. This highlights the resumption of mobility and increased demand for personal vehicles post-pandemic.

2.3.7 Land Revenue

Land revenue, though a minor component, has shown steady growth from Rs. 460 crore in 2016-17 to Rs. 739 crore in 2022-23. Improvements in land valuation methods and better collection efficiency contributed to this trend. Despite its limited share in OTR, land revenue remains a stable and predictable source.

2.3.8 Taxes on Goods and Passengers (Entry Tax)

Entry Tax was a significant revenue source before GST, with collections peaking at Rs. 1,761 crore in 2016-17. However, GST subsumed Entry Tax in 2017-18, causing revenues to plummet to Rs. 218 crore. By 2022-23, Entry Tax contributions were negligible at Rs. 115 crore, reflecting its near-complete replacement by GST.

2.3.9 Other Taxes

Other minor taxes peaked at Rs. 225 crore in 2016-17 but declined to Rs. 115 crore in 2022-23. This decline is attributed to GST absorbing several smaller levies, streamlining the tax structure and reducing the reliance on fragmented revenue sources.

SGST emerged as a dominant component, showing a robust CAGR of 16.2% since its introduction in 2017-18, reflecting its critical role in the tax structure. In contrast, Sales Tax/VAT, with a long-term CAGR of 4.6%, declined significantly post-GST, recording a negative CAGR of -7.1% from 2016-17 to 2022-23, as its scope narrowed. State Excise displayed consistent growth, with a long-term CAGR of 12.9% and a slightly lower 8.9% in recent years, driven by steady alcohol demand. Taxes on Electricity rose sharply, with long-term and recent CAGRs of 10.3% and 10.8%, respectively, due to increased industrial energy usage. Stamps Duty and Registration Fees grew at 8.1% over the long term but slowed to 0.8% post-2016-17, reflecting real



estate market challenges. Vehicle taxes-maintained growth with a 6.0% CAGR long-term but moderated to 3.9% post-pandemic. Land revenue grew steadily at 6.7% long-term but slowed to 2.4% in recent years. Entry Tax, replaced by GST, saw a long-term CAGR of -7.5% and a steep decline of -40.0% post-2016-17. Other minor taxes, with a long-term CAGR of 5.5%, declined at -1.8% post-GST. OTR grew at 8.8% long-term, with a moderated 6.5% CAGR post-2016-17, highlighting the impact of GST reforms, economic shifts, and resilience in state finances.

The annual growth of OTR and its components from 2000-01 to 2022-23 reflects significant shifts, particularly with the implementation of GST in 2017-18 (Table 2.8). State GST, introduced in 2017-18, consistently showed robust growth, with an annual increase peaking at 70.9% in 2018-19 and maintaining steady growth thereafter, contributing significantly to the overall revenue. Conversely, Sales Tax/VAT, a dominant contributor pre-GST, faced sharp declines post-GST, with notable contractions of -17.9% in 2017-18 and -40% in 2018-19, stabilizing slightly in subsequent years as it became limited to items outside the GST framework. State Excise, driven by alcohol taxation, displayed steady growth over the period, with peaks such as 29.2% in 2015-16 and resilience during the pandemic, achieving 23% growth in 2021-22. Taxes on Electricity showed volatility, with significant spikes like 146.9% in 2014-15 and sustained growth post-2016-17, particularly in 2018-19 (56.4%), due to rising energy consumption.

**Table 2.8: Annual Growth of OTR (Base Year - 2011) (%)**

Year	State GST	Sales Tax/VAT	State Excise	Taxes and Duties on Electricity	Stamps Duty and Registration Fees	Taxes on Vehicles	Land Revenue	Taxes on Goods & Passengers (Entry Tax)	Other Taxes	OTR
2001-02	0.0	3.0	43.8	-8.0	-0.3	19.7	56.3	28.0	157.6	11.3
2002-03	0.0	7.0	16.4	17.5	15.7	11.1	-9.1	16.1	-17.0	8.8
2003-04	0.0	9.0	-2.2	9.2	5.7	2.1	17.9	13.0	5.2	7.9
2004-05	0.0	27.7	15.2	25.9	24.5	16.3	22.8	-1.7	21.1	21.9
2005-06	0.0	17.7	22.6	30.2	15.2	15.9	-48.9	16.2	-17.5	15.6
2006-07	0.0	17.9	4.2	-24.5	4.1	-0.9	206.6	16.8	31.0	14.4
2007-08	0.0	-4.4	6.7	1.3	35.8	-5.9	6.6	-4.5	1.6	-1.2
2008-09	0.0	9.4	18.0	4.6	14.9	7.1	18.5	-4.5	27.6	9.4
2009-10	0.0	7.3	22.5	20.0	-30.8	11.0	-20.2	21.7	10.6	7.0
2010-11	0.0	12.1	14.8	-11.3	2.9	6.1	19.1	21.4	-9.7	11.0
2011-12	0.0	12.1	17.4	12.1	11.5	0.8	24.3	10.0	-3.0	11.8
2012-13	0.0	9.9	1.1	-0.5	1.7	-11.9	-25.1	-4.8	-2.5	4.0
2013-14	0.0	6.8	14.5	9.4	7.2	11.1	-1.0	15.8	-4.4	8.4
2014-15	0.0	5.8	9.8	146.9	26.9	1.7	43.8	1.9	-11.8	12.7
2015-16	0.0	14.5	29.2	-27.4	178.4	18.4	-5.8	0.4	20.1	17.3
2016-17	0.0	-1.2	5.6	30.4	-38.9	12.5	-24.6	2.2	0.0	-2.1
2017-18	0.0	-17.9	10.4	14.9	-27.4	20.5	12.6	-31.7	-7.6	16.6
2018-19	70.9	-40.0	15.3	56.4	12.8	7.6	-10.9	-86.3	-10.7	2.7
2019-20	5.4	-2.8	9.2	-17.5	10.6	0.3	34.5	-30.2	0.6	1.6
2020-21	-3.8	1.6	-12.2	36.0	99.7	-19.0	-18.4	6.3	3.3	3.3
2021-22	13.3	15.9	23.0	-14.9	-25.9	-1.7	-0.8	-31.3	-1.3	7.2
2022-23	7.8	14.2	10.9	7.6	-21.6	21.7	5.6	-1.8	6.1	8.5
2023-24 (RE)	23.9	3.6	14.7	-1.1	7.9	7.7	-4.5	41.6	101.6	13.8
2024-25 (BE)	3.0	7.6	10.5	-3.7	5.8	7.6	24.1	24.8	-17.4	5.1

Note: The growth rate of different years is percentage change in previous year. Figures are calculated based on constant prices

Source: Finance Accounts, Govt. of Odisha.



Stamps Duty and Registration Fees reflected real estate activity, with fluctuating growth, such as a sharp 178.4% increase in 2015-16 followed by contractions post-pandemic (-25.9% in 2021-22 and -21.6% in 2022-23). Vehicle Taxes experienced consistent but moderate growth, recovering post-pandemic with a notable 21.7% increase in 2022-23. Land Revenue, a smaller contributor, had erratic growth, with peaks like 43.8% in 2014-15 and moderate growth of 5.6% in 2022-23. Entry Tax, phased out with GST, showed dramatic declines after 2017-18 (-86.3% in 2018-19), underscoring GST's impact. Other minor taxes also declined post-GST, reflecting streamlining under the unified tax regime. Overall, OTR grew steadily, with resilience during challenging periods, including the pandemic, achieving 8.5% growth in 2022-23, highlighting the adaptability of state revenue mechanisms to reforms and economic conditions.

Table 2.9: Trends in Components of OTR

(% GSDP)

Year	State GST	Sales Tax/VAT	State Excise	Taxes and Duties on Electricity	Stamps Duty and Registration Fees	Taxes on Vehicles	Land Revenue	Taxes on Goods & Passengers (Entry Tax)	Other Taxes	OTR
2000-01		2.7	0.3	0.3	0.2	0.4	0.1	0.4	0.1	4.4
2001-02		2.6	0.4	0.3	0.2	0.4	0.2	0.5	0.1	4.6
2002-03		2.8	0.4	0.3	0.2	0.5	0.1	0.6	0.1	5.1
2003-04		2.7	0.4	0.3	0.2	0.4	0.1	0.5	0.1	4.8
2004-05		3.0	0.4	0.3	0.2	0.4	0.2	0.5	0.1	5.1
2005-06		3.4	0.4	0.4	0.3	0.5	0.1	0.5	0.1	5.6
2006-07		3.5	0.4	0.3	0.2	0.4	0.2	0.5	0.1	5.7
2007-08		3.0	0.4	0.2	0.3	0.3	0.2	0.5	0.1	5.1
2008-09		3.1	0.4	0.2	0.3	0.3	0.2	0.4	0.1	5.1
2009-10		3.2	0.5	0.3	0.2	0.4	0.2	0.5	0.1	5.3
2010-11		3.3	0.5	0.2	0.2	0.4	0.2	0.5	0.1	5.4
2011-12		3.5	0.6	0.2	0.2	0.3	0.2	0.6	0.1	5.8
2012-13		3.7	0.6	0.2	0.2	0.3	0.2	0.5	0.1	5.7
2013-14		3.6	0.6	0.2	0.2	0.3	0.1	0.5	0.1	5.7
2014-15		3.8	0.6	0.5	0.3	0.3	0.2	0.5	0.1	6.3
2015-16		4.0	0.8	0.4	0.7	0.3	0.2	0.5	0.1	6.9
2016-17		3.4	0.7	0.4	0.3	0.3	0.1	0.4	0.1	5.8
2017-18	1.5	2.6	0.7	0.4	0.2	0.3	0.1	0.3	0.0	6.3
2018-19	2.4	1.5	0.8	0.7	0.2	0.4	0.1	0.0	0.0	6.1
2019-20	2.5	1.4	0.8	0.5	0.3	0.3	0.1	0.0	0.0	6.0
2020-21	2.4	1.4	0.8	0.7	0.5	0.3	0.1	0.0	0.0	6.3
2021-22	2.5	1.5	0.8	0.6	0.4	0.3	0.1	0.0	0.0	6.1
2022-23	2.5	1.6	0.9	0.6	0.3	0.3	0.1	0.0	0.0	6.2
2023-24 (RE)	2.8	1.5	0.9	0.5	0.3	0.3	0.1	0.0	0.1	6.5
2024-25 (BE)	2.7	1.5	0.9	0.5	0.3	0.3	0.1	0.0	0.1	6.4

Source: Authors' Own Calculation

The trends in the components of OTR as a percentage of GSDP from 2000-01 to 2022-23 highlight a steady contribution of taxes to state revenues, with distinct shifts observed during the implementation of GST and its aftermath. Over the period, State GST emerged as a dominant contributor post-2017-18,



accounting for 2.4%-2.5% of GSDP between 2018-19 and 2022-23, replacing Sales Tax/VAT, which declined sharply from 3.4% in 2016-17 to 1.6% in 2022-23, as its scope was reduced to non-GST items. State Excise maintained consistent contributions, increasing slightly from 0.4% in 2016-17 to 0.9% in 2022-23, reflecting the stability of alcohol taxation. Taxes on Electricity showed gradual increases, stabilizing around 0.6%-0.7% of GSDP during 2018-19 to 2022-23, supported by rising energy consumption.

Stamp Duty and Registration Fees, reflecting real estate dynamics, fluctuated but declined slightly post-2016-17, contributing 0.3%-0.5% of GSDP. Taxes on Vehicles, although modest, remained stable at 0.3% of GSDP in recent years. Land Revenue and Entry Tax became increasingly marginal, with Entry Tax effectively phased out after GST. The OTR hovered around 6% of GSDP during 2016-17 to 2022-23, reflecting fiscal resilience and adaptation to tax reforms, including GST's integration and the challenges posed by the pandemic during 2020-21.

2.4 Tax Capacity and Effort to raise Revenue through Taxation

The revenue capacity/potential of Odisha's overall tax system and its major individual taxes has been estimated by using regression approach (for detailed methodology see Annexure 1). The state's tax capacity and tax effort, assessed over a six-year average (2017-18 to 2022-23), reflect a mix of moderate and exemplary performances across various tax components. The state's aggregate capacity, or the estimation of its OTR potential, stands at Rs. 33,351 crore. This places Odisha in the lower-middle tier among Indian states, reflecting a balanced capacity given its economic structure. States like Maharashtra (Rs. 201,200 crore), Uttar Pradesh (Rs. 130,280 crore), and Tamil Nadu (Rs. 114,329 crore) significantly surpass Odisha in aggregate tax capacity due to their larger economic bases and diversified revenue streams. However, Odisha outperforms smaller states like Goa (Rs. 5,362 crore) and is on par with states like Punjab (Rs. 33,603 crore).

When comparing tax effort—how effectively a state collects taxes relative to its potential—Odisha achieves an overall OTR tax effort of 1.06, slightly above



the benchmark of 1.0. This indicates that Odisha has been relatively efficient in mobilizing its revenue potential, outperforming states like Jharkhand (0.96) and Gujarat (0.89) while being comparable to Rajasthan (1.08) and Andhra Pradesh (1.06). Below is a detailed analysis of Odisha's tax effort across key components, highlighting its strengths and areas for improvement.

2.4.1 Goods and Services Tax

Odisha's tax effort in Goods and Services Tax (GST) is 0.93, slightly below the benchmark of 1.0. This reflects a mild underperformance compared to its potential. States like Bihar (1.23) and Maharashtra (1.27) perform better in this category, indicating more efficient collection mechanisms or broader economic activity. Odisha's performance in GST collection aligns with states like Rajasthan (0.94) and Gujarat (0.88), demonstrating average efficiency. Improving GST compliance and enforcement could help Odisha bridge this gap.

2.4.2 Sales Tax

In the domain of sales tax, the state has achieved a tax effort of 1.08, exceeding the average benchmark of 1.0. This shows that the state is leveraging its potential in this category effectively. This performance is comparable to Haryana (1.08) and marginally better than Gujarat (1.00). However, it trails in comparison to Kerala, which demonstrates an outstanding effort of 1.62, indicating a scope for improvement in maximizing revenue from sales tax.

2.4.3 Taxes on Vehicles

Odisha's tax effort for vehicle taxation stands at 0.90, slightly below the average benchmark. While the state performs better than Tamil Nadu (0.81) in this category, it lags behind Haryana (1.60), which demonstrates exemplary efficiency. Considering the increasing number of vehicles in Odisha, particularly in urban areas, there is scope to improve revenue collection in this sector by revising tax rates or enhancing compliance.



2.4.4 Electricity Duties

Odisha stands out in electricity duties, achieving a remarkable tax effort of 5.43, one of the highest among Indian states which indicate that it has significantly outperformed its estimated potential in this sector. By leveraging its strong industrial and energy sector base, it surpasses states like Maharashtra (1.98) and Madhya Pradesh (1.57), which also exhibit high efforts. This exceptional performance highlights the state's strength in targeting niche sectors for revenue generation.

2.4.5 Excise Duties

In excise duties, Odisha records a tax effort of 1.25, reflecting slightly above-average efficiency. This performance is comparable to Rajasthan (1.75) and Haryana (1.44), which are among the better-performing states in this category. However, it falls short of Uttar Pradesh (2.95), which leads excise duty efforts. Strengthening enforcement mechanisms and expanding the excise base could further enhance Odisha's revenue from this source.

2.4.6 Stamp and Registration Fees

Odisha's tax effort in stamp and registration fees is 0.56, significantly below the average benchmark. This is one of the weaker components of the state's revenue collection, and the state is lagging behind states like Maharashtra (1.48) and Uttar Pradesh (1.49). The underperformance suggests a need for reforms in property registration processes, valuation of real estate, and enforcement of stamp duty compliance to unlock greater revenue potential.

2.4.7 Land Revenue

With a tax effort of 1.38, Odisha performs well in land revenue collection, exceeding the benchmark. The state's performance in this sector is stronger than that of Tamil Nadu (0.85) and Andhra Pradesh (0.27), indicating efficient revenue mobilization. Given its relatively good performance, Odisha could sustain this trend while exploring opportunities to diversify its land revenue streams.



2.4.8 Other Taxes

Odisha achieves a tax effort of 1.29 in the “other taxes” category, reflecting a solid performance. This effort is better than that of most states, though it falls short of outliers like West Bengal (2.17) and Maharashtra (1.67), which have diversified their tax bases more effectively. The state could also aim to improve this further by identifying additional non-conventional tax sources.

2.4.9 Comparative Position of Odisha

In comparison to other states, Odisha’s overall OTR tax effort of 1.06 places it slightly above average. This reflects a balanced approach to revenue mobilization, with standout performances in electricity duties and commendable efforts in excise duties and land revenue. However, Odisha’s underperformance in stamp and registration fees and moderate results in GST and sales tax highlight areas requiring attention.

Odisha’s fiscal potential is evident in its high tax effort in key sectors like electricity duties, where it leads most states and its consistent performance in land revenue and excise duties. To enhance its overall position among Indian states, Odisha should address gaps in areas like stamp duties and vehicle taxes. By leveraging its strengths and addressing inefficiencies, Odisha has the potential to further enhance its fiscal health and improve its standing relative to larger and more economically diverse states.

2.5 Productivity of Tax Revenue

The composition of tax revenue plays a significant role in revenue growth and stability, especially since taxes are mainly collected to fund both current and capital government expenditures. A tax system’s effectiveness is often judged by its revenue productivity, which is commonly assessed using the measures of tax buoyancy and tax elasticity. The revenue productivity of Odisha’s tax system, as well as that of its individual taxes, has been evaluated based on estimates of these two factors.



The tax buoyancy coefficients presented are computed using centered rolling regressions. This method smooths year-to-year volatility by using a window of 5 years, assigning the resulting buoyancy value to the central year in that window. While this improves trend detection, it means individual year estimates are approximate and may not reflect exact-year responsiveness. The results are thus best interpreted as medium-term trends rather than precise annual measurements (Table 2.10).

Table 2.10: Five-Year Centered Rolling Estimates of Buoyancy of OTR and its Components w.r.t GSDP for Odisha (2000–2024)

Year	State GST	Sales Tax/VAT	State Excise	Taxes and Duties on Electricity	Stamps Duty and Registration Fees	Taxes on Vehicles	Land Revenue	Taxes on Goods & Passengers (Entry Tax)	Other Taxes	OTR
2002		1.1	1.3	1.2	1.1	1.0	1.7	1.2	1.9	1.2
2003		1.5	1.0	1.8	1.4	1.0	-0.3	0.8	0.1	1.3
2004		1.6	1.0	1.1	1.2	0.9	1.3	0.9	0.7	1.4
2005		1.7	1.5	0.7	1.9	0.9	2.4	1.1	1.0	1.5
2006		1.0	1.1	-0.2	1.8	0.3	3.0	0.6	1.1	0.9
2007		0.6	1.2	-0.2	0.9	0.1	3.1	0.4	1.7	0.7
2008		0.6	1.9	0.4	0.0	0.5	0.3	0.8	1.0	0.7
2009		1.5	2.7	0.7	-1.0	1.0	0.9	2.0	0.6	1.4
2010		1.8	2.3	0.5	-0.6	0.2	0.2	2.1	-0.6	1.5
2011		1.4	1.6	0.3	0.8	-0.1	0.0	1.2	-0.9	1.2
2012		1.3	1.5	3.6	1.5	-0.2	0.1	0.8	-1.1	1.3
2013		1.5	2.2	3.7	5.2	0.9	0.5	0.8	-0.2	1.8
2014		0.8	1.7	2.7	3.3	1.3	0.0	0.5	0.2	1.1
2015		0.0	1.5	1.9	2.7	0.6	2.1	-2.8	4.4	1.0
2016		-1.3	1.4	1.9	2.4	0.4	2.6	-3.9	1.7	0.8
2017		-2.7	1.1	3.6	0.8	0.1	3.7	-4.6	-1.3	0.5
2018		-5.1	1.8	5.7	4.7	1.8	6.6	-6.5	-7.4	1.2
2019	3.7	-1.8	1.8	4.4	1.9	3.2	-0.8	0.1	-14.4	0.9
2020	1.3	1.8	1.7	1.7	0.3	0.2	0.2	0.3	-3.0	1.2
2021	1.5	1.4	1.6	1.6	0.2	-0.8	0.7	-0.3	-0.5	1.2
2022	1.4	1.2	1.6	1.6	-0.3	-1.3	1.1	0.5	0.7	1.1

Note: Buoyancy is estimated using a five-year centered rolling regression method, which smooths short-term fluctuations and reflects medium-term responsiveness. For each year, buoyancy is computed from a log-linear regression model estimated over a five-year window, with the resulting elasticity coefficient centered on the middle year. The model specification is: $\ln(\text{Real OTR}) = \alpha + \beta \times \ln(\text{Real GSDP}) + \varepsilon$. Here, both OTR and GSDP are log-transformed to estimate elasticity. The coefficient β captures revenue buoyancy—i.e., the percentage change in real revenue in response to a 1% change in real GSDP.

Source: Finance accounts, Govt. of Odisha; Reserve Bank of India; Authors' Own computation

Sales tax and VAT buoyancy was consistently above unity during the early 2000s, reflecting healthy tax responsiveness and administrative improvements in the post-tax reform period. A marked improvement occurred after the VAT rollout in 2005, with buoyancy peaking in 2009 and 2010 (2.7 and 2.3, respectively). This surge likely resulted from better compliance, improved coverage, and digitisation. However, following the implementation of GST in 2017, the buoyancy of VAT turned negative, especially by 2019 (-1.8), as a significant portion of the VAT base migrated to the GST framework. The negative buoyancy in later years is structural, as VAT collections are now



limited to residual commodities like petroleum and alcohol. The downward shift also coincided with a decline in GSDP in 2018–2020, amplifying base effects and volatility.

State excise buoyancy showed strong cyclical behaviour over the period. From 2000 to 2004, the coefficient remained in the range of 1.0 to 1.3, reflecting a proportional relationship to GSDP. A significant upswing was observed between 2012 and 2014, where buoyancy reached 3.6 in 2012 and 3.7 in 2013. These spikes likely reflect state-level revisions in excise duty rates on alcohol, enhanced enforcement, and higher consumption linked to income growth. In the post-GST period, excise buoyancy hit 5.7 in 2018, but this was partly due to a lower denominator effect caused by a temporary decline in GSDP. Subsequent years saw a reversion to around 1.5–1.6, reflecting more sustainable, policy-driven growth in excise revenues. Since excise remains outside the GST net, its buoyancy continues to reflect state-specific tax policy choices.

Taxes on electricity demonstrated moderate buoyancy during most of the study period, generally between 1.0 and 2.0 from 2000 to 2010. However, 2012 to 2014 marked a notable spike with values over 3.0, peaking at 3.3 in 2014. These values could be attributed to delayed tariff pass-throughs, reforms in energy accounting, and backlog recoveries. After 2017, the buoyancy of electricity duty rose again, with 4.7 recorded in 2018. This was likely due to a lower base (as GSDP declined in 2017–18), and the effect of ongoing reforms under UDAY and state-level fiscal consolidation. Since electricity duty remains with the state and outside the purview of GST, its continued high buoyancy suggests it is a reliable source of own revenue.

Stamp duty and registration fees buoyancy followed a steady path in the early 2000s, generally ranging from 0.9 to 1.2. A decline occurred between 2007 and 2012, in line with real estate stagnation and possibly limited valuation revisions. However, from 2013 onwards, buoyancy steadily recovered and maintained values around 1.3–1.5, reaching 1.9 in 2019. Post-2019, the impact of COVID and real estate disruptions was visible, with buoyancy



dipping slightly but remaining above unity. Importantly, this tax remains outside GST and shows high resilience and administrative autonomy, making it a strong candidate for local resource mobilisation.

Vehicle tax buoyancy has been among the most volatile of all components. In 2006–2007, buoyancy peaked at 3.0 and 3.1, possibly due to increased motorisation, base expansion, and vehicle registration reforms. However, it turned negative in 2013–2015, which may reflect either base erosion or weaker economic conditions. Post-2017, buoyancy rebounded sharply, touching 6.6 in 2018—a figure again driven by a low GSDP base during GST transition and initial economic slowdown. Subsequently, buoyancy moderated, falling below unity in 2021–2022, reflecting stagnation in vehicle registrations during the pandemic and a maturing tax base.

Land revenue buoyancy showed very limited responsiveness throughout the period, with high volatility and several years of negative buoyancy. The values remained below 1.0 in most years, and turned sharply negative between 2015 and 2017 (–2.8 to –4.6). Even though some marginal improvement was visible after 2020, the overall trend suggests that land revenue is a marginal and declining component of own tax revenue, with limited scope for expansion unless accompanied by major administrative reforms in land records and valuation.

Entry tax (formerly taxes on goods and passengers) showed highly erratic behaviour. While buoyancy was modestly positive in the early 2000s, it became unstable and even negative post-2011. Following the GST rollout, entry tax was abolished, and its buoyancy turned sharply negative in 2017 (–1.3) and 2018 (–7.4), capturing the transition shock and reclassification of revenues. The post-2017 values are statistical artefacts and do not carry fiscal policy relevance anymore, though they briefly affected the own-tax buoyancy average.

Other taxes followed a broadly positive but subdued buoyancy trend in the pre-GST period, remaining in the range of 0.9–1.5. After 2017, this category's buoyancy deteriorated significantly, turning negative in several years. In



2019, the value plummeted to -14.4 , indicating that either reclassification under GST or discontinuation of certain taxes distorted the post-GST series. These post-GST anomalies reflect the impact of accounting and transitional adjustments, rather than changes in tax effort per se.

GST buoyancy has been estimated from 2018 to 2024 using a centered 5-year rolling regression. The results show considerable volatility in the initial years. In 2019, buoyancy was relatively low at 0.3, rising to 1.1 in 2020 and peaking at 2.0 by 2022. This upward trend reflects increased compliance, technological integration (e.g., e-invoicing, GSTR matching), and base widening. However, the earlier years (2018–2020) were affected by implementation challenges and the economic impact of COVID-19, including a sharp decline in GSDP. The use of centered rolling regression means that 2018–2020 estimates are influenced by both preceding and succeeding years, which, combined with pandemic-related volatility, may distort the true elasticity. By 2024, the buoyancy stabilised, indicating the maturing of GST as a broad-based tax with growing alignment to GSDP growth.

OTR as a composite indicator showed relatively stable buoyancy between 1.1 and 1.5 across most of the study period. Peaks were observed around 2012–2014, coinciding with strong performance in excise and electricity taxes. A decline was evident in 2015–2017, potentially due to sluggish economic growth and the anticipation of GST. Post-GST, own tax buoyancy recovered gradually, staying above 1.0 even during COVID years (2020–2022), demonstrating both structural improvement in tax effort and resilience of certain tax sources. The recent buoyancy trends suggest a slow but consistent improvement in tax mobilisation relative to GSDP.



Table 2.11 Period-wise Buoyancy Estimates for OTR and its Components with respect to GSDP (2000–2024)

Period	State GST	Sales Tax/VAT	State Excise	Taxes and Duties on Electricity	Stamps Duty and Registration Fees	Taxes on Vehicles	Land Revenue	Taxes on Goods & Passengers (Entry Tax)	Other Taxes	OTR
2000-2005		1.5	1.5	1.7	1.4	1.2	0.4	1.3	1.3	1.4
2006-2012		1.0	2.0	0.4	0.0	0.2	0.4	1.0	0.4	0.9
2013-2017		0.0	1.5	1.9	2.7	0.6	2.1	-2.8	4.4	1.0
2018-2024	1.5	1.3	1.6	1.6	0.1	0.1	0.6	0.4	-0.1	1.2
2000-2024a	2.0	0.6	1.6	1.8	1.6	0.7	1.5	-0.1	0.1	1.2

Note: Buoyancy is estimated using regression method. For each period, buoyancy is computed from a log-linear regression model estimated over a five-year window, with the resulting elasticity coefficient centered on the middle year. The model specification is: $\ln(\text{Real OTR}) = \alpha + \beta \times \ln(\text{Real GSDP}) + \varepsilon$ Here, both OTR and GSDP are log-transformed to estimate elasticity. The coefficient β captures revenue buoyancy—i.e., the percentage change in real revenue in response to a 1% change in real GSDP.

a) In case of GST buoyancy has been calculated from 2017-2024

Source: Finance accounts, Govt. of Odisha; Reserve Bank of India; Authors' Own computation

During the period 2000–2005, Odisha's tax system was undergoing significant preparatory reforms, particularly in anticipation of the implementation of the VAT. This phase was also shaped by the pre-FRBM environment and the widespread usage of Entry Tax. Buoyancy with respect to GSDP during this period was robust across most tax components. State Excise and Sales Tax/VAT each registered a buoyancy of 1.5, while taxes on electricity (1.7), stamps and registration (1.4), and entry tax (1.3) also exhibited strong responsiveness to GSDP growth. Vehicle tax (1.2) and land revenue (0.4) recorded moderate buoyancy. These figures indicate that tax collections were growing at a healthy pace, often in line with or outpacing economic growth, aided by administrative strengthening and expanding tax bases.

Between 2006 and 2012, Odisha witnessed the formal rollout of VAT, implementation of the FRBM Act, and the fiscal consolidation measures recommended by the XIIFC. The introduction of VAT was expected to improve compliance and tax buoyancy; however, its impact appears uneven. Buoyancy for Sales Tax/VAT improved to 2.0, reflecting gains in indirect tax efficiency. However, other taxes experienced mixed results—State Excise showed limited buoyancy at 0.4, while taxes on electricity stagnated at 0.0. Stamps and



registration (0.2), vehicle tax (0.4), and land revenue (0.4) all recorded low buoyancy, suggesting that these sources were less responsive to GSDP growth despite structural reforms. Entry tax (1.0) retained reasonable buoyancy, likely due to improvements in enforcement.

Preparatory measures for the GST, alongside broader tax rationalization efforts were taken in the period 2013 to 2017. These included the pruning of distortionary taxes and improving administrative capacity. Despite these efforts, revenue buoyancy remained volatile. State Excise (1.9) and taxes on electricity (2.7) showed surge in buoyancy, likely due to better enforcement and rate revisions. Vehicle tax (2.1) also responded well to growth. However, other sources such as stamps and registration (0.6), land revenue (-2.8), and entry tax (4.4) displayed erratic trends. The negative buoyancy in land revenue suggests a shrinking or stagnant base, whereas the extremely high figure for entry tax likely reflects one-time collections or anomalies during the transitional period. Thus, this phase saw tax policy in flux, as the state prepared for the upcoming shift to a nationwide GST.

The period 2018–2024 marks the full implementation of GST, the associated compensation phase, and the impact of the COVID-19 pandemic. GST buoyancy from 2017–2024 averaged 1.5, indicating moderate responsiveness to GSDP. However, this was likely inflated by a low base in 2020 and erratic short-term movements in 2018–2020, as both GST collections and GSDP were affected by the economic disruptions due to COVID-19. Among legacy taxes, buoyancy declined in most categories. Sales Tax/VAT (1.3) and State Excise (1.6) maintained relatively stable growth. However, taxes on electricity (1.6), vehicle tax (0.1), land revenue (0.6), and entry tax (0.4) showed reduced responsiveness. The stagnation in vehicle taxes and negative buoyancy in other taxes (-0.1) point to structural shifts in the tax base and possibly reduced reliance on these sources due to GST subsuming several indirect taxes. The pandemic years likely distorted collection trends, adding volatility to otherwise stable tax behaviour.



In the period 2000–2024, average revenue buoyancy across all tax heads reveals a mixed picture. GST, measured from 2017–2024, posted a buoyancy of 2.0, reflecting both the low base in its initial years and recovery effects post-pandemic. Sales Tax/VAT, despite being gradually phased out, showed an average buoyancy of 0.6. State Excise and electricity taxes maintained strong buoyancy at 1.6 and 1.8, respectively, reflecting their continued relevance and relatively independent administration. Stamps and registration also performed well (1.6), while vehicle tax (0.7) and land revenue (1.5) showed moderate responsiveness. Entry tax (–0.1) and other taxes (0.1) performed poorly, consistent with their declining fiscal importance post-GST. These trends suggest that while newer tax regimes like GST have begun to stabilize, legacy taxes are gradually losing relevance or becoming less responsive to economic growth.

2.6 Benchmark on OTR

The benchmark of OTR for 2010-11, 2015-16 and 2022-23 shows that among the 18 states, Odisha occupies 7th position and constitutes 6.9% of its GSDP (Table 2.12). Odisha's OTR/GSDP ratio increased modestly from 5.7% in 2010-11 to 6.9% in 2022-23, with its ranking improving from 15th in 2010-11 to 7th in 2022-23. While this demonstrates progress, Odisha's growth in tax revenue is slower compared to top-performing states like Chhattisgarh, which leads with 7.6% in 2022-23, and Madhya Pradesh, which follows closely at 7.4%. These states have leveraged strong economic management, resource optimization, and effective tax policies to achieve higher rankings. Odisha's progress, though notable, remains uneven and highlights the need for sustained efforts to strengthen its tax collection mechanisms and diversify its revenue sources.

Compared to resource-rich peers like Chhattisgarh and Jharkhand, Odisha's improvement is more promising. While Jharkhand's OTR/GSDP ratio stagnated at 5.6% from 2010-11 to 2022-23, reflecting minimal progress, Odisha has managed to expand its fiscal capacity significantly. However,



states like Uttar Pradesh have made even more remarkable strides, rising from 12th rank in 2010-11 to 5th in 2022-23 with a 7.1% OTR/GSDP ratio. This improvement can be attributed to aggressive tax reforms, digitization, and economic formalization. Odisha could draw lessons from such examples, especially in terms of policy innovation and modernization of tax administration. Similarly, Kerala has maintained a steady OTR/GSDP ratio of 6.9% in 2022-23, tied with Odisha, due to its diversified economy and balanced reliance on direct and indirect taxes.

At the other end of the spectrum, some traditionally strong states like Gujarat and Delhi have seen significant declines. Gujarat's OTR/GSDP ratio fell from 7.1% in 2010-11 to 6.1% in 2022-23, with its rank slipping to 15th, while Delhi's dropped from 9.1% to 5.5%, placing it 17th in 2022-23. This decline in industrial and urban tax centres suggests challenges in maintaining tax collection efficiency amidst economic transformations. Odisha's upward trajectory contrasts with these trends, indicating a better adaptation to its economic realities. However, it still lags behind Goa, which consistently ranks among the top with a 7.2% OTR/GSDP ratio in 2022-23, highlighting the effectiveness of Goa's strong tax policies and fiscal discipline.

Table 2.12: OTR % GSDP for Major Non- Special Category States 2010-11, 2014-15, 2022-23

State	2010-11		2015-16		2022-23	
	OTR/GSDP (2010-11)	Rank (2010-11)	OTR/GSDP (2015-16)	Rank (2015-16)	OTR/GSDP (2022-23)	Rank (2022-23)
Andhra Pradesh	7.7	7	6.6	2	6.6	11
Bihar	4.5	17	6.8	16	6.8	8
Chhattisgarh	7.7	8	7.6	10	7.6	1
Delhi	9.1	3	5.5	11	5.5	17
Goa	9.5	1	7.2	1	7.2	3
Gujarat	7.1	11	6.1	11	6.1	15
Haryana	6.4	13	6.2	13	6.2	14
Jharkhand	5.6	16	5.6	17	5.6	16
Karnataka	9.5	2	7.2	3	7.2	4
Kerala	7.8	6	6.9	8	6.9	6
Madhya Pradesh	8.2	5	7.4	4	7.4	2
Maharashtra	7.3	9	6.4	12	6.4	12
Odisha	5.7	15	6.9	14	6.9	7
Punjab	7.3	10	6.8	7	6.8	9
Rajasthan	6.4	14	6.3	15	6.3	13
Tamil Nadu	8.7	4	6.8	6	6.8	10
Uttar Pradesh	7	12	7.1	6	7.1	5
West Bengal	4.5	18	5.3	9	5.3	18

Source: Reserve Bank of India; Authors' Own Computation



Odisha has outperformed some resource-rich and industrial states in recent years but continues to trail behind states like Chhattisgarh, Madhya Pradesh, and Uttar Pradesh in terms of maximizing its tax revenue potential. Its gradual rise in rankings suggests that the state is moving in the right direction, but there is significant scope for improvement. Odisha must focus on diversifying its revenue base, enhancing compliance, and implementing technology-driven tax reforms to match the fiscal efficiency of top-performing states. By adopting a more holistic approach, Odisha can achieve greater fiscal stability and emerge as a stronger player among India's major states.

2.7 Projections of TRR and its Components

The projections for GSDP and other revenue components were carried out using econometric model techniques, notably the Vector Autoregressive (VAR) model. This method is effective for time series forecasting, considering the interdependencies among the variables over time. The results and detailed methodology are provided in Annexure 2

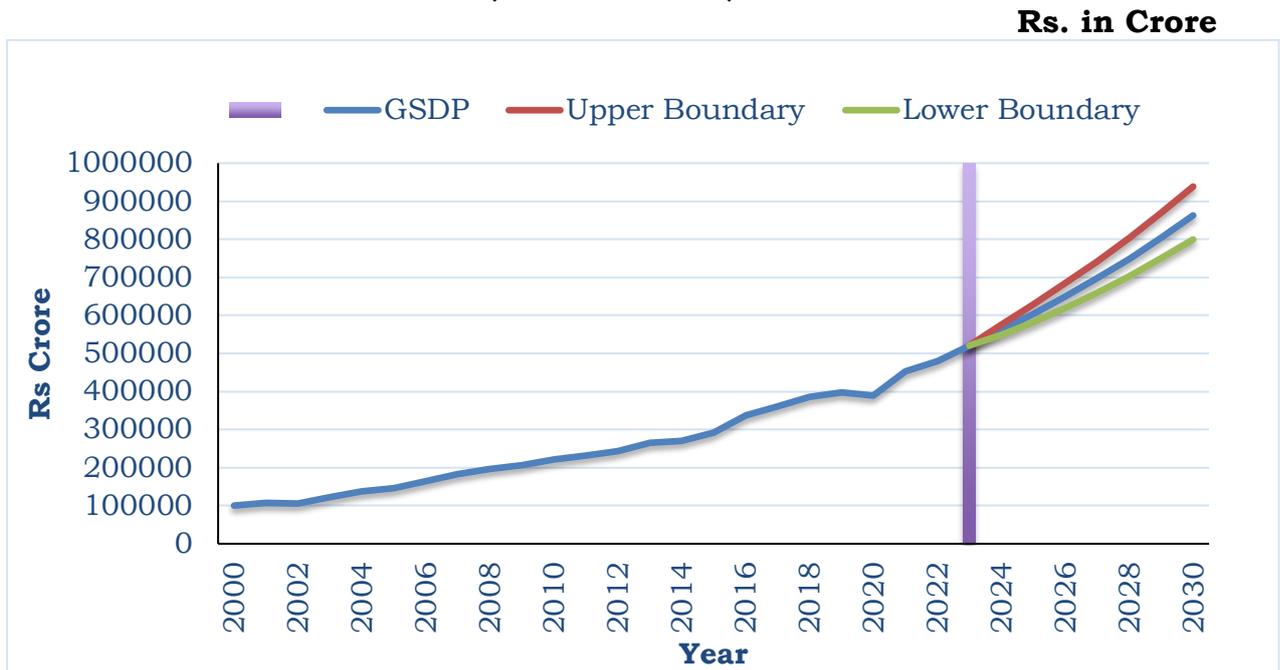
Table 2.13: Projected GSDP in Constant Prices(Base: 2011-12)

Year	Rs in Crore		
	Lower Boundary	Projected GSDP in Constant Prices	Upper Boundary
2024	548707	561799	575774
2025	581682	604526	629550
2026	618529	649722	684648
2027	658803	697809	742345
2028	702373	749079	803490
2029	749259	803956	868732
2030	799547	862767	938633

Source: Annexure 2



Figure 2.8: Actual and Projected GSDP in Constant Prices (Base 2011-12)



Source: Annexure 2

The forecasted GSDP values in 2011 current prices (assuming 4% inflation rate) are provided in the below table-2.14.

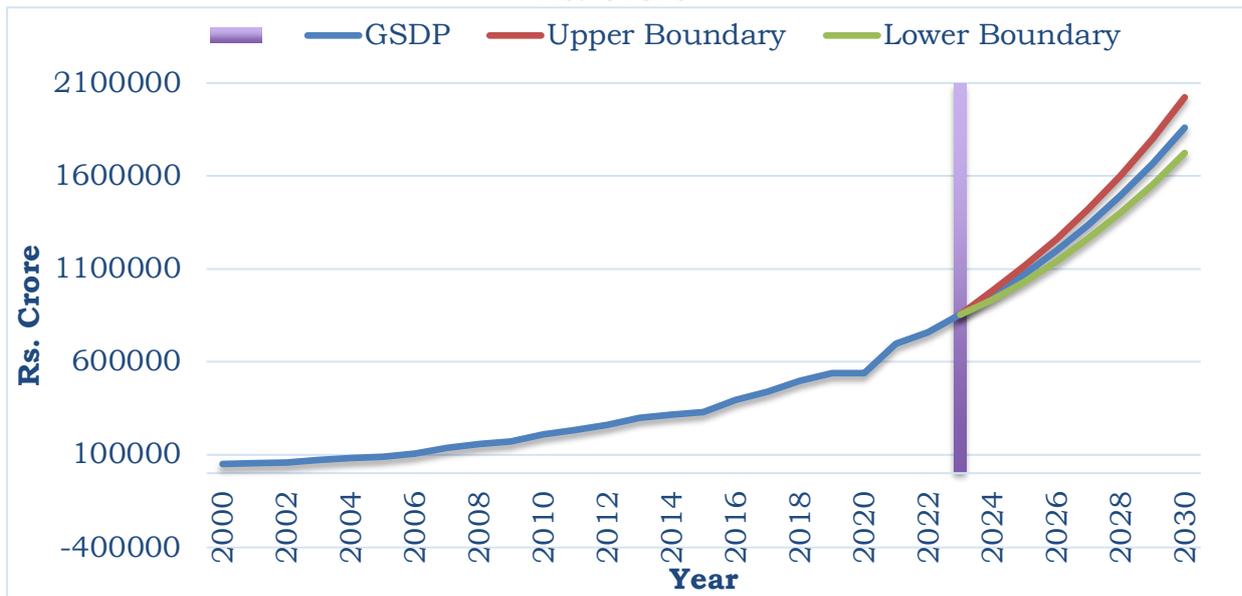
Table 2.14: Projected GSDP in Current Prices Rs. Crore

Year	Lower Boundary	Projected GSDP at Current Prices	Upper Boundary
2024	935031	957341	981154
2025	1030872	1071356	1115704
2026	1140020	1197512	1261884
2027	1262819	1337586	1422957
2028	1400189	1493299	1601767
2029	1553403	1666804	1801101
2030	1723968	1860283	2023865

Source: Annexure 2



**Figure 2.9 Actual and Projected GSDP in Current Prices
Rs. Crore**



Source: Annexure 2

In similar manner the study following Annexure 3, 4, 5, 6 has projected OTR, ONTR, TCT and GiA. has arrived at the projected TRR.

Table 2.15 Projected GSDP, TRR and its Major Components in Constant Prices

Year	Projected OTR (Rs. Crore)	Growth Rates (%)	Projected ONTR (Rs. Crore)	Growth Rates (%)	Projected TCT (Rs. Crore)	Growth Rates (%)	Projected GiA (Rs. Crore)	Growth Rates (%)	Projected TRR	Growth Rates (%)	Projected GSDP (Rs. Crore)	Growth Rates (%)
2023	31316	9.1	26446	0.4	29747	10.9	19843	76.8	107352	15.7	520911	8.4
2024	34052	8.7	28384	7.3	32939	10.7	21526	8.5	116901	8.9	561799	7.8
2025	36948	8.5	31383	10.6	36171	9.8	23353	8.5	127855	9.4	604526	7.6
2026	40025	8.3	35161	12.0	39506	9.2	25336	8.5	140028	9.5	649722	7.5
2027	43308	8.2	39623	12.7	42998	8.8	27485	8.5	153414	9.6	697809	7.4
2028	46819	8.1	44768	13.0	46691	8.6	29819	8.5	168097	9.6	749079	7.3
2029	50580	8.0	50639	13.1	50630	8.4	32351	8.5	184200	9.6	803956	7.3
2030	54618	8.0	57309	13.2	54847	8.3	35095	8.5	201869	9.6	862767	7.3

Source: Annexure

Table 2.16 Projected GSDP, TRR and its Major Components in Current Prices (Prices increase at the rate of 4% Year on Year basis)

Year	Projected OTR (Rs. Crore)	% TRR	% GSDP	Projected ONTR (Rs. Crore)	% TRR	% GSDP	Projected TCT (Rs. Crore)	% TRR	% GSDP	Projected GiA (Rs. Crore)	% TRR	% GSDP	Projected TRR (Rs. Crore)	% GSDP	Projected GSDP (Rs. Crore)
2023	51312	29.2	6.0	43332	24.6	5.1	48742	27.7	5.7	32514	18.5	3.8	175899	20.6	853524
2024	58027	29.1	6.1	48368	24.3	5.1	56129	28.2	5.9	36683	18.4	3.8	199206	20.8	957341
2025	65480	28.9	6.1	55618	24.5	5.2	64102	28.3	6.0	41388	18.3	3.9	226588	21.1	1071356
2026	73771	28.6	6.2	64805	25.1	5.4	72813	28.2	6.1	46698	18.1	3.9	258087	21.6	1197512
2027	83014	28.2	6.2	75951	25.8	5.7	82419	28.0	6.2	52685	17.9	3.9	294070	22.0	1337586
2028	93334	27.9	6.3	89246	26.6	6.0	93078	27.8	6.2	59444	17.7	4.0	335103	22.4	1493299
2029	104865	27.5	6.3	104988	27.5	6.3	104969	27.5	6.3	67072	17.6	4.0	381893	22.9	1666804
2030	117766	27.1	6.3	123570	28.4	6.6	118260	27.2	6.4	75670	17.4	4.1	435266	23.4	1860283

Source: Annexure

At constant prices, the GSDP growth rate of Odisha is projected to moderate from 7.8% in 2024 to 7.3% in 2030. The TRR, as a percentage of GSDP, is



expected to remain steady within the range of 20.8% to 23.4% during the forecast period, reflecting fiscal stability.

OTR is anticipated to grow at 8.7% in 2024, gradually moderating to 8.0% by 2030. As a percentage of GSDP, OTR is projected to contribute consistently between 6.0% and 6.3%, while its share in TRR is expected to range between 27% and 29%, underscoring its critical role in state revenues. TCT are projected to grow at rates ranging from 10.7% in 2024 to 8.3% in 2030 at constant prices. TCT's contribution to GSDP is expected to remain stable at around 5.7% to 6.4%, while its share in TRR is projected to be between 27% and 28%, reaffirming the importance of central transfers in sustaining state finances.

GIA are projected to grow steadily at 8.5% per annum during the forecast period at constant prices. GIA is estimated to contribute between 3.8% and 4.1% to GSDP and account for 17% to 18% of TRR at current prices, reflecting its vital role in supporting state-level fiscal needs. The TRR growth rate is expected to be 8.9% in 2024 and stabilize at 9.6% by 2027, demonstrating a sustainable revenue trajectory. The share of TRR in GSDP is forecasted to increase from 20.8% in 2024 to 23.4% in 2030, ensuring adequate fiscal capacity to meet the developmental needs of the state while maintaining financial discipline.

Odisha's fiscal outlook shows steady growth in key revenue sources, with a stable TRR-to-GSDP ratio and a diversified revenue structure. The consistent growth of OTR, ONTR, TCT, and GIA will support fiscal stability, while the projected increase in TRR as a percentage of GSDP ensures the state's capacity to meet developmental needs sustainably. Nevertheless, there is a requirement to improve the ORR to GSDP ratio through improvement of the tax base in order to enhance revenues.

2.8 Strategies for Improving the Tax-GSDP Ratio in Odisha

Improving Odisha's Tax-GSDP ratio requires a comprehensive approach that focuses on both expanding the tax base and enhancing tax effort. Tax effort,



which measures how effectively a state collects revenue relative to its potential, indicates areas where Odisha performs well and where it lags. While the state achieves a reasonable overall tax effort of 1.06, aligning its performance with higher-performing states requires strategic interventions to unlock its full revenue potential.

2.8.1 Overall Tax-GSDP Ratio

Odisha must prioritize broadening its tax base by including under-taxed sectors such as informal businesses, luxury services, and untapped economic activities. Simplifying tax compliance procedures and adopting advanced IT systems for data analytics and real-time monitoring can reduce evasion and improve efficiency. Public awareness campaigns to promote voluntary compliance and performance-based accountability in tax administration will further strengthen revenue collection. These measures will help Odisha align its revenue mobilization with its economic growth, ensuring a more robust Tax-GSDP ratio.

2.8.2 SGST

With a tax effort of 0.93, Odisha has room to improve its SGST collections. The state can enhance compliance by expanding registration coverage, particularly for small and medium enterprises, and leveraging technology for real-time invoice matching and advanced analytics. Effective audits, penalties for evasion, and better taxpayer education will also encourage compliance and boost revenues.

2.8.3 Sales Tax

The state demonstrates a tax effort of 1.08 in sales tax, reflecting efficient revenue mobilization. To further enhance this, the state can target high-consumption items such as petroleum and alcohol while regularly updating tax rates to reflect inflation. Strengthening monitoring and enforcement mechanisms for large transactions can ensure even better performance in this category.



2.8.4 Excise Duties

Excise duties, with a tax effort of 1.25, are a strong area for Odisha. The state can enhance revenue by curbing illegal alcohol production through improved enforcement and transparent licensing. Adjusting excise rates periodically to match inflation and demand trends will further optimize collections without negatively impacting consumption.

2.8.5 Taxes on Vehicles

A tax effort of 0.90 indicates underperformance in vehicle taxation. Odisha can improve collections by revising outdated rates and promoting the registration of electric vehicles through innovative tax incentives. Streamlining the tax payment process and enforcing compliance at the point of sale will also strengthen this revenue stream.

2.8.6 Stamp Duty and Registration Fees

With a tax effort of 0.56, stamp duty and registration fees represent an area with significant untapped potential. Odisha should focus on simplifying property registration processes, ensuring accurate valuation of real estate, and leveraging technology to prevent undervaluation. Promoting online registration platforms will enhance transparency and ease compliance, leading to higher collections.

2.8.7 Taxes on Electricity

Odisha excels in electricity duty collection, with a tax effort of 5.43. To sustain this exceptional performance, the state can implement dynamic pricing models based on usage and economic activity. Strengthening metering and monitoring systems will ensure compliance, particularly among industrial and commercial users, while maintaining consistent growth in this category.

2.8.8 Land Revenue

Odisha's tax effort of 1.38 in land revenue reflects effective mobilization. The state can build on this by modernizing land records, digitizing data, and



updating valuation methods to reflect current market conditions. Streamlining revenue collection processes and enforcing timely payments will further stabilize this source of revenue.

2.8.9 Other Taxes

With a tax effort of 1.29, miscellaneous taxes perform reasonably well. However, Odisha can explore innovative revenue streams such as environmental taxes, congestion fees, or service charges for urban infrastructure. Regularly updating rates and improving collection mechanisms will ensure sustained growth in this category.

2.9 Conclusion

Odisha's current tax effort demonstrates a commendable commitment to optimizing its revenue potential. However, strategic reforms across key components can unlock significant untapped capacity. By broadening its tax base, leveraging technology for better compliance, and strengthening administrative efficiency, Odisha can improve its Tax-GSDP ratio and fiscal sustainability. A targeted approach that addresses underperformance in specific areas, while sustaining strengths like electricity duties and excise collections, will position Odisha as a model of balanced and efficient revenue mobilization. Through these efforts, the state can ensure that its fiscal health remains robust, empowering it to invest in growth and development for its citizens.



CHAPTER 3

OWN NON-TAX REVENUE

3.1 Introduction

This chapter provides analysis of Odisha's ONTR, a vital component of the state's fiscal framework. Section 3.2 examines the composition and trends of ONTR, detailing its growth trajectory, contribution to GSDP, and its responsiveness to economic changes. Section 3.3 provides an analysis of revenue performance in critical sectors like mining, healthcare, education, irrigation, and other key areas. Section 3.4 gives the states' performance in comparison to its peers. Section 3.5 projects the ONTR. Section 3.6 outlines policy recommendations and strategies for enhancing ONTR, offering actionable insights to ensure fiscal sustainability and balanced growth and Section 3.7 provides conclusion.

3.2 Composition and Trends in State's ONTR

ONTR is one of the important constituents of the revenue receipts of Odisha, playing a vital role in the state's fiscal framework. During the period 2000-01 to 2022-23 as presented in Table-3.1, ONTR grew from Rs 685 crore to Rs 42719 crore (Real CAGR 14.3%), reflecting steady growth despite occasional fluctuations. Initially, ONTR accounted for modest proportions of GSDP, averaging around 1.5% to 2.0% until 2011-12, when it reached 2.8%. The percentage of ONTR to ORR also reflected a steady pattern, ranging from 23.9% in 2000-01 to around 27-33% in the following years, peaking in 2011-12 at 32.4%. However, after 2015-16, both ONTR as a percentage of ORR and GSDP declined. During the period 2016-17 to 2018-19, ONTR as a share of ORR fluctuated, dropping from 26.0% in 2016-17 to 23.1% in 2017-18, before surging again to 32.0% in 2018-19, reflecting heightened resource mobilization efforts during economic recovery. The period 2020-21 to 2021-22 marked the highest surge in ONTR's share of GSDP, reaching 3.6% and 8.2%, respectively, driven by emergency fiscal measures, contributing to a significant 150.6% growth rate in 2021-22.



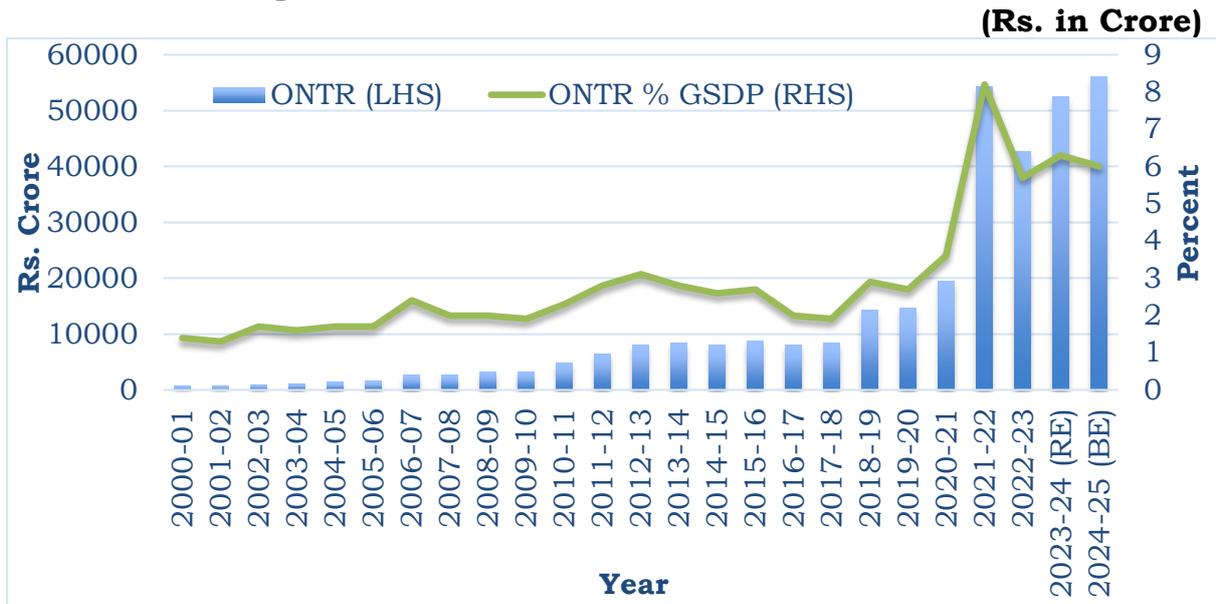
Table 3.1: Trends in ONTR

Year	ONTR	ONTR % ORR	ONTR % GSDP	YoY Buoyancy of ONTR with respect to GSDP	Year wise Growth (Base 2011)
2000-01	685	23.9	1.4		
2001-02	692	21.9	1.3	0.1	-0.5
2002-03	961	25.1	1.7	6.2	29.8
2003-04	1095	24.9	1.6	0.6	6.8
2004-05	1346	24.4	1.7	1.3	18.4
2005-06	1532	23.4	1.7	1.5	9.9
2006-07	2588	29.9	2.4	3.5	59.3
2007-08	2654	27.9	2.0	0.1	-10.4
2008-09	3176	28.4	2.0	1.3	12.3
2009-10	3212	26.3	1.9	0.1	-3.6
2010-11	4781	29.9	2.3	2.3	32.6
2011-12	6443	32.4	2.8	3.0	25.5
2012-13	8078	35.0	3.1	1.9	16.6
2013-14	8379	33.2	2.8	0.3	0.0
2014-15	8070	28.9	2.6	-0.6	-7.5
2015-16	8712	27.9	2.7	1.7	11.5
2016-17	8044	26.0	2.0	-0.4	-10.8
2017-18	8398	23.1	1.9	0.4	-0.3
2018-19	14276	32.0	2.9	5.3	60.8
2019-20	14647	31.2	2.7	0.3	-2.2
2020-21	19518	36.3	3.6	67.5	29.8
2021-22	54257	57.1	8.2	7.8	150.6
2022-23	42719	47.9	5.7	-1.6	-25.2
2023-24 (RE)	52500	49.3	6.3	2.2	20.5
2024-25 (BE)	56000	48.7	6.0	0.6	2.6

Note: (a) Buoyancy during 2000-01 to 2022-23 is 4.3 and from 2016-07 to 2022-23 is 4.7, (b) Annual compound growth rate during 2016-17 to 2022-23 is 25.0

Source: Finance accounts, Govt. of Odisha.

Figure 3.1: Trends in Own Non-tax Revenue



Source: Finance accounts, Govt. of Odisha.



The Year on Year (YoY) buoyancy of ONTR with respect to GSDP, a measure of its responsiveness to economic growth, varied widely over the years. The average buoyancy from 2000-01 to 2022-23 was 4.3, but individual years saw extremes. Exceptional buoyancy of 67.5 in 2020-21 highlighted the one-time surge in revenues despite a broader economic contraction, while negative buoyancy in certain years, such as 2022-23 (-1.6), reflected declining responsiveness and revenue contractions. The year-wise growth rate of ONTR was similarly uneven, with years like 2006-07 (59.3%) and 2021-22 (150.6%) marking exceptional growth, while several years, including 2016-17 (-10.8%) and 2022-23 (-25.2%), experienced declines. These fluctuations underscore the sensitivity of non-tax revenues to external factors and fiscal policies.

In 2016-17 ONTR stood at Rs 8044 crore which increased to Rs. 8,398 crore in 2017-18, ONTR stood at contributing 23.1% to ORR and 1.9% to GSDP. This period marked a phase of suppressed growth, with buoyancy at a low 0.4 and a slight negative growth rate of -0.3%. However, 2018-19 saw a significant recovery, with ONTR rising to Rs. 14,276 crore, its share in ORR increasing to 32%, and its contribution to GSDP improving to 2.9%. Buoyancy spiked to 5.3, and the year-on-year growth rate jumped to 60.8%, reflecting robust fiscal performance. In 2019-20, ONTR experienced modest growth, reaching Rs. 14,647 crore, with its share in ORR slightly declining to 31.2%. The buoyancy fell to 0.3, and the growth rate turned negative at -2.2%, indicating a slowdown in revenue collection.

In 2020-21 ONTR rose sharply to Rs. 19,518 crore despite the COVID-19 pandemic. It contributed 36.3% to ORR and 3.6% to GSDP, with buoyancy surging to 67.5 with a growth rate of 29.8%. This remarkable performance was driven by one-time revenues and fiscal adjustments in response to the pandemic. In 2021-22, ONTR soared to an all-time high of Rs. 54,257 crore, contributing 57.1% to ORR and 8.2% to GSDP. This represented an unprecedented growth rate of 150.6%, driven by robust fiscal measures and increased resource-related revenues. However, this momentum was not sustained in 2022-23, with ONTR declining to Rs. 42,719 crore. Its share in ORR fell to 47.9%, and its contribution to GSDP dropped to 5.7%. Buoyancy



turned negative at -1.6, and the growth rate was -25.2%, reflecting the challenges of sustaining high growth after an extraordinary year.

Revenue from interests, dividends and profits, general services, economic services and social services forms key constituents of the ONTR of Odisha. The sources of ONTR are analysed below figure and Table, in detail, in respect of their contribution to revenue.



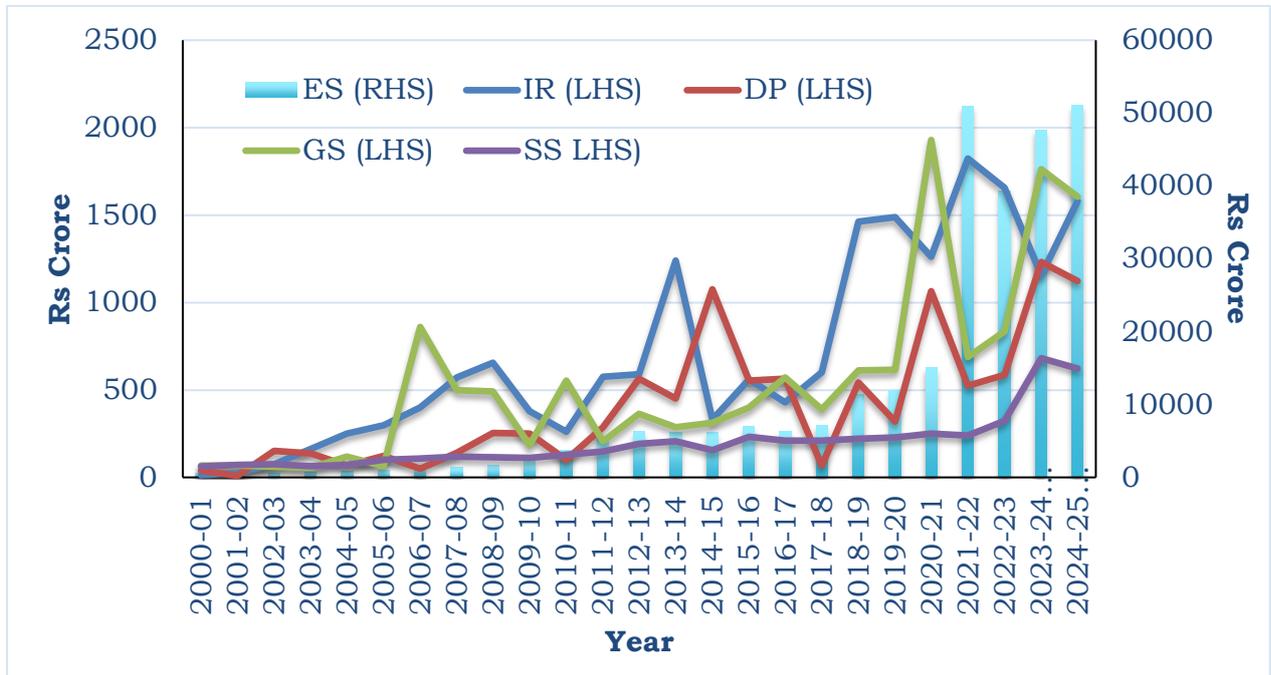
Table 3.2: Components of Own Non-Tax Revenue as percentage of GSDP

Year	Interest Receipts Rs., Crore	% GSDP	Dividends and Profits Rs., Crore	% GSDP	General Services Rs., Crore	% GSDP	Social Services Rs., Crore	% GSDP	Economic Services Rs., Crore	% GSDP	ONTR Rs., Crore	% GSDP	GSDP Rs. crore Base 2011-12
2000-01	13.1	0.0	37.9	0.1	69.4	0.1	62.8	0.1	502.4	1.0	685	1.4	49230
2001-02	25.3	0.0	8.8	0.0	68.3	0.1	71.9	0.1	517.5	1.0	692	1.3	53096
2002-03	76.1	0.1	152.2	0.3	60.1	0.1	75.4	0.1	597.3	1.1	961	1.7	56454
2003-04	164.4	0.2	138.1	0.2	56.2	0.1	64.6	0.1	671.3	1.0	1095	1.6	69281
2004-05	249	0.3	69.2	0.1	119.6	0.1	72.3	0.1	835.5	1.0	1346	1.7	81393
2005-06	298	0.3	120.6	0.1	63.6	0.1	100.7	0.1	949	1.1	1532	1.7	89108
2006-07	398.4	0.4	49.4	0.0	858.8	0.8	106.2	0.1	1175.3	1.1	2588	2.4	106640
2007-08	570.4	0.4	140.9	0.1	498	0.4	119.2	0.1	1325	1.0	2654	2.0	135368
2008-09	654.7	0.4	252.8	0.2	491.4	0.3	114.2	0.1	1663	1.1	3176	2.0	155490
2009-10	379.2	0.2	250.8	0.1	182.7	0.1	111	0.1	2288.4	1.3	3212	1.9	170627
2010-11	260.8	0.1	101.6	0.0	552.4	0.3	128.5	0.1	3737	1.8	4780	2.3	206841
2011-12	576.4	0.2	286.2	0.1	206	0.1	149.3	0.1	5225.1	2.3	6443	2.8	230987
2012-13	588.2	0.2	564.5	0.2	363.4	0.1	190.6	0.1	6371.2	2.4	8078	3.1	261700
2013-14	1241.2	0.4	452.4	0.2	287.9	0.1	207.1	0.1	6190	2.1	8379	2.8	296475
2014-15	330.7	0.1	1076.4	0.3	313.2	0.1	156.8	0.0	6193.7	2.0	8071	2.6	314250
2015-16	560.4	0.2	553.4	0.2	399.4	0.1	233.3	0.1	6964.7	2.1	8711	2.7	328550
2016-17	427.4	0.1	566	0.1	569.8	0.1	208.9	0.1	6270.9	1.6	8043	2.0	392804
2017-18	600.7	0.1	66.2	0.0	388.8	0.1	208.6	0.0	7134.1	1.6	8398	1.9	440395
2018-19	1462.2	0.3	543.9	0.1	612.5	0.1	221.7	0.0	11436.1	2.3	14277	2.9	498611
2019-20	1486.6	0.3	321.4	0.1	616.7	0.1	227.4	0.0	11995.1	2.2	14647	2.7	537502
2020-21	1261.8	0.2	1062.8	0.2	1929.3	0.4	251	0.0	15013.1	2.8	19518	3.6	540150
2021-22	1823.3	0.3	523.4	0.1	686.7	0.1	239.1	0.0	50984.3	7.7	54257	8.2	662886
2022-23	1656.5	0.2	584.5	0.1	834.9	0.1	323.3	0.0	39320.3	5.2	42720	5.7	753177
2023-24(RE)	1157	0.1	1231.4	0.1	1760.1	0.2	681.5	0.1	47670	5.7	52500	6.3	832790
2024-25(BE)	1580	0.2	1124.3	0.1	1604.6	0.2	621.4	0.1	51069.7	5.5	56000	6.0	926000

Source: Budget Documents, Govt of Odisha, Various Years; Authors' Own Computation

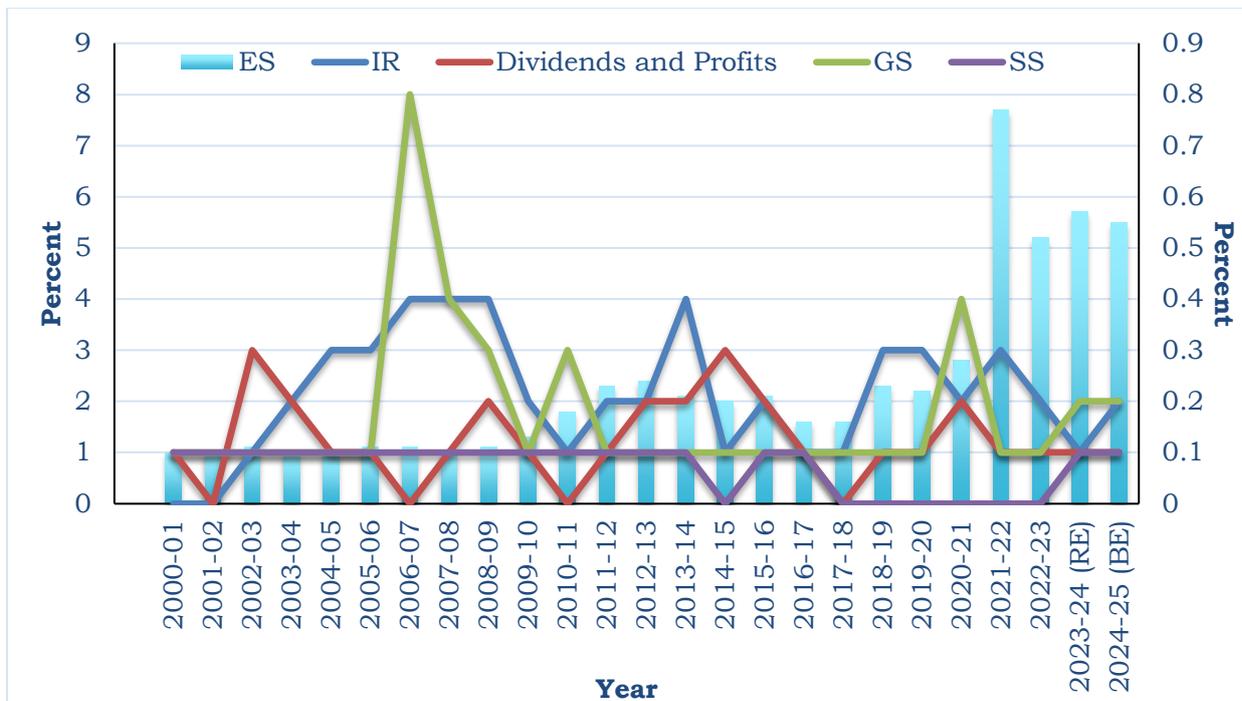


Figure 3.2 Components of ONTR



Source: Budget Documents, Govt of Odisha, Various Years

Figure 3.3: Components of ONTR % GSDP



Source: Budget Documents, Govt of Odisha, Various Years; Authors' computation



3.2.1 Interest Receipts

Interest receipts form a part of Odisha's ONTR, representing income generated from the state's interest-bearing financial assets such as loans, advances, and investments. Over the years, this component has exhibited a general upward trajectory, though with notable fluctuations. Starting from Rs.13.1 crore in 2000-01, interest receipts gradually increased over time, achieving significant milestones along the way. The period from 2016-17 onwards marked an era of steady growth, with Rs.427.4 crore in 2016-17 and Rs.600.7 crore in 2017-18, reflecting effective fund utilization and better recovery mechanisms. The rise continued, with receipts surging to Rs.1,462.2 crore in 2018-19 and further to Rs.1,486.6 crore in 2019-20. This period likely indicates improved financial management practices, better returns on investments, and efficient recovery of loans advanced by the state. However, this growth was interrupted in 2020-21, with a decline to Rs.1,261.8 crore, potentially caused by external economic disruptions, slower repayments, or reduced disbursement of interest-generating loans. Despite this dip, the state demonstrated resilience, with receipts rebounding to Rs.1,823.3 crore in 2021-22, marking the highest recorded level of interest income. This sharp increase could indicate improved management of debt instruments, better investment yields, or the state's ability to capitalize on interest rate fluctuations. Yet, the receipts fell again to Rs.1,656.5 crore in 2022-23, possibly reflecting reduced growth in interest-earning assets or shifting financial priorities. While the absolute figures of interest receipts have grown substantially, their proportional contribution to ONTR and GSDP has declined over the years. For instance, the share of interest receipts in ONTR fell dramatically, from 19.5% in 2005-06 to just 3.4% in 2021-22. Similarly, their contribution to GSDP has remained consistently below 0.3%, indicating that while this revenue source has expanded in nominal terms, its relative importance has diminished. This trend underscores a shift in the state's revenue composition, with increased reliance on other sources of ONTR, such as mining and industrial revenues. Overall, the fluctuating performance of interest receipts highlights the need for Odisha to adopt a balanced approach in managing its financial assets,



ensuring consistent returns while minimizing risks associated with external and macroeconomic factors.

3.2.2 Dividends and Profits

Dividends and profits, representing the state's share of earnings from public sector enterprises, have shown a highly variable trajectory over the years, underscoring the dynamic nature of their contribution to the state's ONTR. Beginning with a modest Rs.37.9 crore in 2000-01, this revenue component experienced significant growth in subsequent years, reflecting improved performance by state-owned enterprises. The peak was recorded in 2014-15, when dividends and profits reached Rs.1,076.4 crore. This exceptional performance could be attributed to better financial health, increased efficiency, or favourable market conditions that boosted the profitability of these enterprises. However, this upward trend was interrupted by a pronounced decline in subsequent years. In 2016-17, dividends stood at a relatively stable Rs.566 crore, but this was followed by a sharp decline to Rs.66.2 crore in 2017-18, marking one of the lowest contributions in recent years. The steep drop could have resulted from reduced profitability, operational inefficiencies, or adverse market conditions affecting the performance of public enterprises. Nevertheless, the state managed to recover quickly, with receipts rebounding to Rs.543.9 crore in 2018-19. This recovery was likely driven by improved governance and restructuring efforts within state-owned enterprises, as well as a focus on optimizing their financial operations. The period from 2019-20 to 2020-21 witnessed significant shifts in this revenue stream. Dividends and profits maintained a stable contribution of Rs.321.4 crore in 2019-20, but a remarkable surge to Rs.1,062.8 crore was observed in 2020-21, reaching 0.2% of Odisha's GSDP. This sharp increase could be attributed to strategic interventions such as restructuring of public sector enterprises, improved financial performance, or one-time dividend payouts by some entities. This period highlights the impact of proactive measures and favourable conditions on the revenue potential of dividends and profits. However, the upward momentum did not sustain, as receipts declined again to Rs.584.5 crore in 2022-23. This decline could



indicate challenges such as fluctuating profitability, increased competition, or structural inefficiencies in certain state-owned enterprises. Despite these fluctuations, dividends and profits have consistently remained a minor yet significant component of ONTR. Their contribution has often remained below 7% of ONTR, emphasizing the need for improved stability and reliability in the performance of public enterprises. The variability in dividends and profits over the years underscores the challenges faced by state-owned enterprises in maintaining consistent profitability. Fluctuations in market dynamics, operational efficiency, and financial management significantly impact this revenue stream. To enhance their contribution to ONTR, targeted policy interventions are essential. Measures such as strengthening corporate governance, incentivizing operational efficiencies, and exploring strategic partnerships or privatization opportunities could help stabilize and enhance the earnings from public enterprises. The period between 2018-19 and 2020-21 demonstrates that focused efforts can yield substantial improvements, offering a roadmap for future policy initiatives aimed at optimizing this revenue source.

3.2.3 Recoveries from Services

The above two sources of non-tax revenues, *i.e.* interest receipts, and profits and dividends can hardly be relied upon for the growth of non-tax revenue due to wide fluctuations noticed during the years under study. Other components of State's ONTR are recoveries from services rendered by the Government, which may be broadly grouped as (1) general services, (2) social services, and (3) economic services.

3.2.3.1 General Services

Receipts from general services originate from (a) public service commission, (b) police, (c) jails, supplies and disposals, (e) stationery and printing, (f) public works, (g) other administrative services, (h) contribution and recoveries towards pension and other retirement benefits, and (i) other miscellaneous general services.



Revenues from general services, an important yet relatively modest component of Odisha's ONTR, have displayed a steady growth trajectory with occasional fluctuations. Starting at Rs.69.4 crore in 2000-01, these revenues increased consistently over the years, driven by expanding administrative activities and better revenue collection mechanisms. By 2020-21, general services peaked at an impressive Rs.1,929.3 crore, contributing 0.4% of the GSDP. However, this remarkable spike was followed by a sharp decline to Rs.686.7 crore in 2021-22. The subsequent year, 2022-23, saw a partial recovery, with revenues reaching Rs.834.9 crore, indicating stabilization after the decline. Despite the growth over the years, general services have remained a moderate contributor to ONTR, rarely exceeding 10% of the total. A significant subcomponent within general services is public works, which has seen gradual but constrained growth. Starting at Rs.15.4 crore in 2000-01, revenues from public works demonstrated moderate progress, reaching Rs.77.5 crore by 2015-16. This upward trend reflected improved management of state-owned infrastructure and more effective utilization of resources. However, in the years that followed, growth in this subcomponent slowed down, with revenues fluctuating around Rs.63.4 crore in 2018-19. By 2022-23, public works revenues had reached Rs.71.9 crore, signaling marginal improvement but highlighting the need for greater efforts to boost this subcomponent's revenue potential. The modest pace of growth indicates untapped opportunities in areas like enhanced project execution, better lease management, and optimization of government assets. The period from 2016-17 onwards reveals an interesting pattern in the performance of general services. In 2016-17, revenues stood at Rs.569.8 crore, reflecting a significant increase from earlier years. However, this was followed by a slight dip to Rs.388.8 crore in 2017-18, before rebounding strongly in 2018-19 and 2019-20, with revenues of Rs.612.5 crore and Rs.616.7 crore respectively. This steady recovery could be attributed to improved efficiency in administrative functions and better compliance measures. The sharp spike in 2020-21, when revenues surged to Rs.1,929.3 crore, may have been influenced by extraordinary one-time receipts or a significant improvement in collection systems during the COVID-19 pandemic. This was likely a result of concerted



efforts to optimize revenues in the face of fiscal challenges posed by the pandemic. The decline to Rs.686.7 crore in 2021-22 marks a noteworthy setback, possibly caused by the normalization of extraordinary revenues recorded in 2020-21 or lower demand for certain administrative services. The slight recovery to Rs. 834.9 crore in 2022-23 suggests some stabilization, but it also points to the need for sustained focus on increasing revenue generation from this component. The relatively small share of general services in ONTR over the years highlights its untapped potential as a revenue source. Key areas like user charges for government services, fees for administrative functions, and monetization of state-owned assets could be explored to unlock additional revenue streams.

3.2.3.2 Social Services

The major items that fall under social services are: (a) education, sports, arts and culture, (b) medical, public health, and family welfare, (c) water supply and sanitation, (d) housing, (e) urban development, and (f) other social services.

Revenues from social services, encompassing critical areas such as education, healthcare, and water supply, have demonstrated consistent, albeit modest, growth over the years, reflecting Odisha's incremental focus on public welfare. Starting at Rs.62.8 crore in 2000-01, social services revenues steadily raised to Rs.323.3 crore by 2022-23. Although this category has historically contributed less than 5% to the state's ONTR, its growth underscores the state's gradual strengthening of its public welfare infrastructure. This sustained increase in revenues is indicative of a broader effort to enhance cost recovery from social services while simultaneously improving the quality and reach of public service delivery. One of the noteworthy subcomponents is health and family welfare, which has seen a significant rise in revenues. From Rs.33.3 crore in 2014-15, income from this subcomponent reached Rs.89.3 crore in 2022-23, reflecting the state's efforts to modernize healthcare facilities, increase user fees, or improve billing efficiency. This growth highlights Odisha's commitment to ensuring access to healthcare services



while also enhancing the revenue-generating potential of this critical sector. Similarly, water supply, another important subcomponent, has shown remarkable progress, with revenues increasing from Rs.86.4 crore in 2016-17 to Rs.150 crore in 2022-23. The steady rise in water supply revenues points to improved cost recovery mechanisms and possibly higher investments in water infrastructure, ensuring the sustainability of this essential service. Focusing on recent years, revenues from social services were Rs.208.9 crore in 2016-17, a slight dip to Rs.208.6 crore in 2017-18, followed by consistent increases in subsequent years. By 2018-19, revenues rose to Rs.221.7 crore, and in 2019-20, they reached Rs.227.4 crore. This period reflects a steady strengthening of revenue streams from social services, likely driven by a mix of policy measures and increased public participation in welfare programs. In 2020-21, revenues saw a significant jump to Rs.251 crore, which may have been influenced by increased demand for public welfare services during the pandemic, particularly in healthcare and sanitation. These increases indicate the state's efforts to respond effectively to emerging public welfare needs while maintaining financial sustainability. By 2022-23, revenues from social services further climbed to Rs.323.3 crore, marking a continued upward trend. Although the contribution of social services to Odisha's GSDP has remained marginal at 0.0%-0.1%, this growth signals a gradual scaling-up of cost recovery from essential services. The rising figures also reflect the state's increasing emphasis on ensuring that critical sectors like education, health, and water supply generate sufficient revenue to support their expansion and maintenance. Odisha's focus on this area highlights its recognition of the long-term importance of investing in social infrastructure, both for public welfare and for sustainable revenue growth.

Despite their relatively small share in ONTR, revenues from social services play a vital role in showcasing the state's commitment to public welfare. The steady rise in revenue over the years reflects the effectiveness of measures aimed at improving administrative efficiency, introducing user charges, and enhancing service delivery standards. However, the low overall contribution of social services suggests that there is considerable untapped potential in



this area. Steps such as improved fee collection systems, public-private partnerships, and expanded outreach of welfare services could significantly boost revenue without compromising accessibility for vulnerable sections of society.

3.2.3.3 Economic Services

The revenue from economic services comprises of receipts from different departments such as (a) crop husbandry, (b) animal husbandry, (c) fisheries, (d) forestry and wild life, (e) co-operation, (f) other agricultural and rural programmes, (g) major and medium irrigation, (h) minor irrigation, (i) village and small scale industries, (j) industries, (k) plantations, (l) power, (m) petroleum, (n) ports and light houses, (o) road transport, (p) tourism, and (q) others.

Economic services have been a cornerstone of Odisha's ONTR, consistently dominating with contributions exceeding 75% of the total revenue since 2000-01. The growth in this category has been both significant and transformative, with revenues increasing from Rs.502.4 crore in 2000-01 to a remarkable Rs.39,320.3 crore in 2022-23. This exceptional growth is primarily attributed to the robust performance of the non-ferrous mining and metallurgical industries, a sector that has driven the state's economic revenue trajectory. Mining revenues reached a historic peak of Rs.48,642 crore in 2021-22, accounting for an unprecedented 89.7% of ONTR that year. This reliance on mining underscores Odisha's strong position in natural resource extraction, but also highlights a critical dependency that poses potential risks in the face of market volatility. Between 2016-17 and 2017-18, economic services experienced consistent growth, with revenues increasing from Rs.6,270.9 crore to Rs.7,134.1 crore. This upward trajectory continued through 2018-19, when revenues rose significantly to Rs.11,436.1 crore, equivalent to 2.3% of the state's GSDP. By 2019-20, economic services had further expanded to Rs.11,995.1 crore, showcasing the sustained momentum of revenue growth in this sector. This period of steady increase reflects the effectiveness of policies aimed at maximizing the revenue potential from Odisha's rich mineral



resources, as well as improvements in the regulatory environment and enforcement mechanisms related to mining activities. The period 2020-21 marked a jump in revenues from economic services, with the total reaching Rs.15,013.1 crore, or 2.8% of GSDP. This surge can be attributed to favourable conditions in the mining sector, including high demand for minerals and metals. By 2021-22, revenues from economic services achieved an all-time high of Rs.50,984.3 crore, accounting for 7.7% of GSDP. This remarkable spike was driven by a combination of factors, including a global surge in commodity prices, increased production, and enhanced state-level revenue collection mechanisms. However, this extraordinary performance was tampered in 2022-23, when revenues from economic services moderated to Rs.39,320.3 crore, still a significant contribution but reflective of reduced mining revenues amidst fluctuating global market conditions. While mining and metallurgy remain the dominant contributors within economic services, other subcomponents such as forestry and wildlife and major irrigation have shown mixed trends. Forestry and wildlife revenues have declined over the years, dropping from Rs.130.6 crore in 2006-07 to just Rs.23.9 crore in 2022-23, indicating reduced earnings from forest-based activities. This decline may be linked to environmental regulations, shifts in resource utilization, or diminished focus on sustainable forestry initiatives. In contrast, revenues from major irrigation have demonstrated steady progress, growing from Rs.615.5 crore in 2014-15 to Rs.909.2 crore in 2022-23. This growth reflects the state's investments in irrigation infrastructure, which not only supports agriculture but also contributes modestly to the state's ONTR.

The heavy reliance on mining revenues has undoubtedly propelled Odisha's economic growth but has also exposed the state to risks associated with market volatility in commodity prices. Fluctuations in global demand, changes in environmental policies, and the finite nature of mineral resources underline the vulnerability of such a dependence. The moderation of economic services revenues in 2022-23 highlights the need for diversification to reduce this exposure and ensure long-term financial stability. Expanding revenue-generating opportunities within other economic services, such as tourism,



fisheries, and manufacturing, could complement the mining sector while fostering a more balanced economic framework.



Table 3.3: Own Non-Tax Revenue and Composition

Items	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
A. Interest Receipts (Rs. Crore)	13.1	25.3	76.1	164.4	249	298	398.4	570.4	654.7	379.2	260.8	576.4	588.2
% of ONTR	1.9	3.7	7.9	15	18.5	19.5	15.4	21.5	20.6	11.8	5.5	8.9	7.3
B. Dividends and Profits (Rs. Crore)	37.9	8.8	152.2	138.1	69.2	120.6	49.4	140.9	252.8	250.8	101.6	286.2	564.5
% of ONTR	5.5	1.3	15.8	12.6	5.1	7.9	1.9	5.3	8	7.8	2.1	4.4	7
C. General Services(out of which) (Rs. Crore)	69.4	68.3	60.1	56.2	119.6	63.6	858.8	498	491.4	182.7	552.4	206	363.4
% of ONTR	10.1	9.9	6.3	5.1	8.9	4.1	33.2	18.8	15.5	5.7	11.6	3.2	4.5
a.Public Works (Rs. Crore)	15.4	14	13.7	15.1	17.1	18.2	25	31.6	38.3	42	48.8	47.2	49.8
% of ONTR	2.2	2	1.4	1.4	1.3	1.2	1	1.2	1.2	1.3	1	0.7	0.6
D. Social Services(out of which) (Rs. Crore)	62.8	71.9	75.4	64.6	72.3	100.7	106.2	119.2	114.2	111	128.5	149.3	190.6
% of ONTR	9.2	10.4	7.8	5.9	5.4	6.6	4.1	4.5	3.6	3.5	2.7	2.3	2.4
a.Education,Sports,Art & Culture (Rs. Crore)	19.9	25	24.3	12	15.8	43	41.9	41.9	10.7	14.9	26	21.2	89.1
% of ONTR	2.9	3.6	2.5	1.1	1.2	2.8	1.6	1.6	0.3	0.5	0.5	0.3	1.1
b.Health and Family welfare (Rs. Crore)	10.1	10.3	11.3	7.5	13	9.3	13.1	14.5	32.4	13.1	19.9	37.2	10.6
% of ONTR	1.5	1.5	1.2	0.7	1	0.6	0.5	0.5	1	0.4	0.4	0.6	0.1
c.Water supply, sewerage & Sanitation (Rs. Crore)	17.3	19	23.3	24.2	25.2	29.3	32.1	40.2	48.7	54.9	54	56.7	56
% of ONTR	2.5	2.7	2.4	2.2	1.9	1.9	1.2	1.5	1.5	1.7	1.1	0.9	0.7
d.housing and urban development (Rs. Crore)	11.7	11.9	12.6	12.2	12.5	12.1	12.1	12.5	12.8	12.7	12.9	16.1	18.8
% of ONTR	1.7	1.7	1.3	1.1	0.9	0.8	0.5	0.5	0.4	0.4	0.3	0.3	0.2
E. Economic Services(out of which) (Rs. Crore)	502.4	517.5	597.3	671.3	835.5	949	1175.3	1325	1663	2288.4	3737	5225.1	6371.2
% of ONTR	73.3	74.8	62.1	61.3	62.1	62	45.4	49.9	52.4	71.2	78.2	81.1	78.9
a.Forestry and Wild life (Rs. Crore)	84.8	87.9	97	48.6	84.7	59.1	130.6	82.7	139.3	109	157.7	192.4	188.9
% of ONTR	12.4	12.7	10.1	4.4	6.3	3.9	5	3.1	4.4	3.4	3.3	3	2.3
b.Major & Medium irrigation (Rs. Crore)	18.7	16.5	22.5	75.7	36.4	39	49.8	43.7	47.4	65.5	133.7	323	387.6
% of ONTR	2.7	2.4	2.3	6.9	2.7	2.5	1.9	1.6	1.5	2	2.8	5	4.8
c.Minor Irrigation (Rs. Crore)	1.3	1.7	2	75.3	3.8	4.8	4.5	5	5.3	4.4	9.1	9.9	8.9
% of ONTR	0.2	0.2	0.2	6.9	0.3	0.3	0.2	0.2	0.2	0.1	0.2	0.2	0.1
d. Non ferrous mining & Metallurgical Industries (Rs. Crore)	360.3	378.6	443.6	552.1	670.5	805	936.6	1126.1	1380.6	2020.8	3329.3	4571.6	5695.7
% of ONTR	52.6	54.7	46.1	50.4	49.8	52.6	36.2	42.4	43.5	62.9	69.6	71	70.5
ONTR (Rs. Crore)	685	692	961	1095	1346	1532	2588	2654	3176	3212	4780	6443	8078

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Items	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24(RE)	2024-25(BE)	CAGR 2000-01 to 2022- 23 Base 2011-12	CAGR 2016-17 to 2022- 23 Base 2011-12
A. Interest Receipts (Rs. Crore)	1241.2	330.7	560.4	427.4	600.7	1462.2	1486.6	1261.8	1823.3	1656.5	1157	1580	18	18.6
% of ONTR	14.8	4.1	6.4	5.3	7.2	10.2	10.1	6.5	3.4	3.9	2.2	2.8		
B. Dividends and Profits (Rs. Crore)	452.4	1076.4	553.4	566	66.2	543.9	321.4	1062.8	523.4	584.5	1231.4	1124.3	7.3	-4.9
% of ONTR	5.4	13.3	6.4	7	0.8	3.8	2.2	5.4	1	1.4	2.3	2		
C. General Services(out of which) (Rs. Crore)	287.9	313.2	399.4	569.8	388.8	612.5	616.7	1929.3	686.7	834.9	1760.1	1604.6	6.1	0.9
% of ONTR	3.4	3.9	4.6	7.1	4.6	4.3	4.2	9.9	1.3	2	3.4	2.9		
a.Public Works (Rs. Crore)	69.7	88.6	77.5	66.3	68.1	63.4	46.4	59.7	60	71.9	151.7	138.3	1.6	-4.1
% of ONTR	0.8	1.1	0.9	0.8	0.8	0.4	0.3	0.3	0.1	0.2	0.3	0.2		
D. Social Services(out of which) (Rs. Crore)	207.1	156.8	233.3	208.9	208.6	221.7	227.4	251	239.1	323.3	681.5	621.4	2	1.8
% of ONTR	2.5	1.9	2.7	2.6	2.5	1.6	1.6	1.3	0.4	0.8	1.3	1.1		
a.Education,Sports,Art & Culture (Rs. Crore)	75.9	18.9	66.9	30.8	23.9	25.9	26.6	61.6	45.5	66.6	140.5	128.1	0.1	7.6
% of ONTR	0.9	0.2	0.8	0.4	0.3	0.2	0.2	0.3	0.1	0.2	0.3	0.2		
b.Health and Family welfare (Rs. Crore)	29.1	33.3	52.8	50.9	57.8	50	71.2	77	78.4	89.3	188.2	171.6	4.6	3.9
% of ONTR	0.3	0.4	0.6	0.6	0.7	0.4	0.5	0.4	0.1	0.2	0.4	0.3		
c.Water supply, sewerage & Sanitation (Rs. Crore)	62	66.8	74.2	86.4	85.4	96.5	67	52.8	71.7	71.2	150	136.8	1	-8.4
% of ONTR	0.7	0.8	0.9	1.1	1	0.7	0.5	0.3	0.1	0.2	0.3	0.2		
d.housing and urban development (Rs. Crore)	19.7	19.9	16.7	17.7	18.9	19.7	23	24.4	29.6	42.7	89.9	82	0.5	9.6
% of ONTR	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.2	0.1		
E. Economic Services(out of which) (Rs. Crore)	6190	6193.7	6964.7	6270.9	7134.1	11436.1	11995.1	15013.1	50984.3	39320.3	47670	51069.7	15.5	28.5
% of ONTR	73.9	76.7	80	78	84.9	80.1	81.9	76.9	94	92	90.8	91.2		
a.Forestry and Wild life (Rs. Crore)	95.1	61.5	153	131.6	62.8	31.7	28.3	32.9	38.9	23.9	50.5	46	-10.6	-28.8
% of ONTR	1.1	0.8	1.8	1.6	0.7	0.2	0.2	0.2	0.1	0.1	0.1	0.1		
b.Major & Medium irrigation (Rs. Crore)	436.3	615.5	686.2	722.3	663.5	668.6	701.5	796.1	790.1	909.2	894.5	1003.7	13	-1.7
% of ONTR	5.2	7.6	7.9	9	7.9	4.7	4.8	4.1	1.5	2.1	1.7	1.8		
c.Minor Irrigation (Rs. Crore)	15.1	13.7	20.6	53.2	25.4	8.5	8.4	11.7	14.2	14.8	14.5	16.3	5.8	-23.5
% of ONTR	0.2	0.2	0.2	0.7	0.3	0.1	0.1	0.1	0	0	0	0		
d. Non ferrous mining & Metallurgical Industries (Rs. Crore)	5518.8	5310.1	5799	4925.8	6131	10479.6	11020	13791.7	48642	37642.1	45171	48600	17	32.8
% of ONTR	65.9	65.8	66.6	61.2	73	73.4	75.2	70.7	89.7	88.1	86	86.8		
ONTR (Rs. Crore)	8379	8071	8711	8043	8398	14277	14647	19518	54257	42720	52500	56000	14.3	25

Table3.2 Contd....

Source: Finance Accounts, Various years, Govt. of Odisha.



3.2.4 User Charges

The analysis emphasizes the critical role of non-tax revenue in financing State expenditures. Non-tax sources have shown consistent growth, aligning with other revenue streams and displaying the necessary buoyancy for a robust fiscal system. Political and economic considerations play a significant role in driving the growth of non-tax revenues (Purohit and Purohit, 2006). Increasing user charges is often recommended as a way to reduce the burden of government subsidies.

The government offers a range of services, but not all allow for full cost recovery. Some services can cover their costs, while others only recover a portion of their expenses. Additionally, certain services are provided free of charge. The policy for cost recovery must be tailored to the type of service provided since a universal approach is impractical (Purohit and Purohit, 2006). Considering the political and economic realities of state economies, implementing a purely economic approach to user charges is challenging.

If service units operating outside the budget mechanism are required to maintain service standards, the government must compensate for any losses due to subsidized pricing. To maximize social welfare and utility, the government needs to share the financial burden. For instance, services like minor irrigation, education, and health are "merit goods" essential for economic and human resource development, contributing significantly to overall economic progress (Purohit and Purohit, 2006).

Utility pricing theories highlight that efficient resource allocation and equitable financing of government services are achievable (Purohit and Purohit, 2006). While focusing on cost recovery, particularly operational costs, it is vital to consider the unique features of government services, such as:



1. Externalities and Non-Rivalry: Government-provided goods and services generate societal benefits beyond individual consumption. These services often have the characteristic of "non-rivalry," meaning that one person's use does not reduce availability for others. They also benefit from economies of scale, making them unsuitable for small private producers. Consequently, these services are regarded as a natural monopoly for the government (Purohit and Purohit, 2006).
2. Public and Quasi-Public Goods: Not all government services qualify as pure public goods. Some provide benefits to both targeted and non-targeted groups, making it difficult to classify them strictly as public or mixed goods. Targeted groups often have better access, and therefore, part of the cost should be recovered through user charges (Purohit and Purohit, 2006).

The principle of "marginal cost pricing," commonly applied to private goods, is unsuitable for public services since it often results in minimal or zero recovery. Structural reforms have further encouraged reducing subsidies and introducing appropriate user charges for public services. These charges should be determined based on the user's economic status and the nature of the service, ensuring that costs are recovered without promoting over-consumption or resource waste (Purohit and Purohit, 2006).

From 2000-01 to 2022-23, the trends in ONTR as a percentage of Revenue Expenditure (RevEx) across various sectors provide a comprehensive picture of how different parts of the government have approached cost recovery and fiscal policies (Table-3.4). The role of user charges in generating revenue for public services has varied greatly across sectors, reflecting both strategic priorities and changing economic conditions. Some sectors have seen significant improvements in their revenue generation capabilities, while others have experienced stagnation or even a decline in reliance on user charges. These shifts are not only influenced by internal fiscal policies but also external factors like the COVID-19 pandemic, which altered government spending patterns and revenue mechanisms.



The contribution of user charges to total revenue expenditure varies considerably across sectors, shaped by the state's welfare orientation, federal schemes, and the operational design of economic services. In education, sports, arts, and culture, user charge recovery has remained very low—hovering between 0.1% and 0.2% of revenue expenditure in the early 2000s and has become negligible in several years between 2016 and 2020. This is consistent with Odisha's pro-poor policy framework that prioritizes access to education over cost recovery. Initiatives such as free schooling, uniforms, and scholarships—particularly targeting Scheduled Castes, Scheduled Tribes, and economically weaker sections—ensure that cost recovery through tuition or user charges remains politically and socially infeasible.

Similarly, health and family welfare has consistently shown only 0.1% as a share of revenue expenditure from user charges across two decades. Public health services in Odisha are predominantly free, supported through both state funding and central schemes like NHM. Outpatient and inpatient care, diagnostics, maternal health, and insurance-based schemes such as Biju Swasthya Kalyan Yojana have expanded access but not user fee recovery. Even during the COVID-19 pandemic, increased public expenditure did not translate into higher cost recovery, highlighting the state's continued commitment to equitable access over pricing-based sustainability.

In water supply, sewerage, and sanitation, user charge collection has remained modest—between 0.2% and 0.1% throughout the period. Although Odisha has made strides in household water tap connections under Jal Jeevan Mission and other urban missions, cost recovery through tariffs remains limited. Water supply in rural areas is treated as a public good, and in urban settings, low tariffs, poor metering, and limited municipal capacity to collect user fees constrain revenue realization. There is also reluctance to revise water charges due to affordability concerns and political economy constraints.



Housing and urban development similarly reflects almost negligible user charges, occasionally touching 0.1%. State-sponsored schemes such as Biju Pucca Ghar and PMAY (Urban) are grant-based, with no repayment or service charges from beneficiaries. Even in urban areas, municipalities struggle with enforcement of service fees for building permissions, waste management, and municipal services. The low fiscal autonomy of Urban Local Bodies in Odisha also contributes to poor user charge realization from this sector.

In the case of forestry and wildlife, Odisha once recorded a relatively high share of user charges—up to 1% of revenue expenditure in 2000–01—but this declined to a negligible percentage from 2015 onward. This trend reflects a shift in the forest sector from commercial extraction to ecological conservation. Historically, forest revenues were generated from timber, bamboo leases, and minor forest produce, particularly through the Forest Development Corporation and Van Sanrakshan Samitis. However, with stricter environmental regulations, conservation-focused management under the CAMPA framework, and increasing tribal rights under FRA, the monetization of forests has reduced significantly. While some revenue still accrues from forest-based products, it is largely redirected toward conservation or routed through autonomous funds, hence not showing up as user charges in the revenue budget.

Major and medium irrigation has shown relatively higher and more consistent user charges—peaking at around 1.2% in 2014–15 and maintaining 0.7%–1% levels for several years. Odisha has made deliberate efforts to promote participatory irrigation management, especially in canal irrigation, with Water User Associations helping in both operations and cost-sharing. Nonetheless, user fee recovery remains below potential due to socio-political resistance to charging farmers, weak collection systems, and drought-related waivers—especially in western and southern Odisha. Irrigation is still viewed more as a support to agriculture than a service to be priced commercially.



On the other hand, minor irrigation contribution is negligible. These systems—such as tanks, check dams, and tube wells—are either community managed or individually owned, and often built under schemes like MGNREGA or RIDF. As such, there is no systematic fee collection. These schemes are seen more as rural livelihood support infrastructure, with user fees neither expected nor enforced.

Non-ferrous mining and metallurgical industries constitute the most prominent component of user charge recovery in Odisha's budget—rising from 4% of revenue expenditure in the early 2000s to an unprecedented 44.4% in 2021–22. This is not user charge in the conventional public service sense, but mainly reflects royalties, lease rentals, DMF contributions, and premium payments collected under the Mines and Minerals (Development and Regulation) Act. Odisha, being a mineral-rich state with large deposits of iron ore, bauxite, coal, and chromite, has benefited significantly from mining auctions post-2015 and price surges during the commodity supercycle in the early 2020s. These revenues, largely routed through Odisha Mining Corporation (OMC) and the state exchequer, form a major non-tax revenue source and dominate the user charge profile, even though they stem from extractive rent rather than direct service fees.

The power sector, while monetized through electricity tariffs, contributes negligible user charges in the state's revenue budget. This is because electricity generation, transmission, and distribution in Odisha are handled by corporate entities like GRIDCo, OPTCL, and private discoms (e.g., TP Central Odisha). These agencies collect user charges directly from consumers as non-tax revenue, but outside the Consolidated Fund of the state. Hence, even though households and industries pay for electricity, the flows bypass the budget. Further, significant subsidies for agriculture and lower-income households dilute net recoveries at the discom level.



Table 3.4: ONTR/RevEx of Selected Social and Economic Services(in %)

Items	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24(RE)	2024-25(BE)
Education Sports Arts & Culture Rs crore	19.9	25	24.3	12	15.8	43	41.9	41.9	10.7	14.9	26	21.2	89.1	75.9	18.9	66.9	30.8	23.9	25.9	26.6	61.6	45.5	66.6	140.5	128.1
% RevEx	0.2	0.3	0.2	0.1	0.1	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0	0.1	0	0	0	0	0.1	0	0.1	0.1	0.1
Health and family welfare Rs crore	10.1	10.3	11.3	7.5	13	9.3	13.1	14.5	32.4	13.1	19.9	37.2	10.6	29.1	33.3	52.8	50.9	57.8	50	71.2	77	78.4	89.3	188.2	171.6
% RevEx	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Water supply sewerage & Sanitation Rs crore	17.3	19	23.3	24.2	25.2	29.3	32.1	40.2	48.7	54.9	54	56.7	56	62	66.8	74.2	86.4	85.4	96.5	67	52.8	71.7	71.2	150	136.8
% RevEx	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Housing and urban development Rs. crore	11.7	11.9	12.6	12.2	12.5	12.1	12.1	12.5	12.8	12.7	12.9	16.1	18.8	19.7	19.9	16.7	17.7	18.9	19.7	23	24.4	29.6	42.7	89.9	82
% RevEx	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0
Forestry and wild life Rs. crore	84.8	87.9	97	48.6	84.7	59.1	130.6	82.7	139.3	109	157.7	192.4	188.9	95.1	61.5	153	131.6	62.8	31.7	28.3	32.9	38.9	23.9	50.5	46
% RevEx	1	0.9	1	0.4	0.7	0.4	0.8	0.5	0.7	0.4	0.5	0.6	0.5	0.2	0.1	0.3	0.2	0.1	0	0	0	0	0	0	0
Major & Medium irrigation Rs. crore	18.7	16.5	22.5	75.7	36.4	39	49.8	43.7	47.4	65.5	133.7	323	387.6	436.3	615.5	686.2	722.3	663.5	668.6	701.5	796.1	790.1	909.2	894.5	1003.7
% RevEx	0.2	0.2	0.2	0.7	0.3	0.3	0.3	0.2	0.2	0.3	0.5	0.9	1	1	1.2	1.2	1.1	0.9	0.8	0.7	0.8	0.7	0.7	0.5	0.6
Minor Irrigation Rs. crore	1.3	1.7	2	75.3	3.8	4.8	4.5	5	5.3	4.4	9.1	9.9	8.9	15.1	13.7	20.6	53.2	25.4	8.5	8.4	11.7	14.2	14.8	14.5	16.3
% RevEx	0	0	0	0.7	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	0	0	0	0
Non ferrous mining & Metallurgical Industries Rs crore	360.3	378.6	443.6	552.1	670.5	805	936.6	1126	1381	2021	3329	4572	5696	5519	5310	5799	4926	6131	10480	11020	13792	48642	37642	45171	48600
% RevEx Rs crore	4.1	3.8	4.4	5.1	5.4	5.9	5.9	6.4	6.5	8	11.3	13.2	14.9	12.1	10.4	9.9	7.6	8.5	12.3	11.1	14.5	44.4	28.7	27.7	29.1
Power Rs crore	3.2	3.2	46.5	26.9	43.1	40	31.5	183.1	275.8	87.2	196.5	17.3	9.2	11.7	10.1	7.8	6.5	6.1	232.6	17.5	57.4	8.2	19.1	159.8	83
% RevEx	0	0	0.5	0.2	0.3	0.3	0.2	1	1.3	0.3	0.7	0	0	0	0	0	0	0	0.3	0	0.1	0	0	0.1	0
Road and Bridges Rs crore	10	13	11.2	12.9		18.1	27	41.5	58.4	54.7	70.7	73.2	59.1	69.1	58.8	57.4	72.6	66.3	66.7	44.2	54.5	47.9	43.2	91	83
% RevEx Rs crore	0.1	0.1	0.1	0.1	0	0.1	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0	0.1	0	0	0.1	0

Source: Calculated from Table 3.2



For roads and bridges, the share of user charges has remained persistently low at or below 0.1%. This under representation is partly structural: many road and highway projects in Odisha are implemented through PPP arrangements, such as under the Odisha State Roads Project or the State Highway Development Programme. Toll revenues from these roads are either collected by concessionaires or through dedicated road development agencies. Consequently, these collections do not reflect in the state's revenue budget. Moreover, many rural and district roads are toll-free by policy, and even in urban areas, municipal roads are maintained without direct cost recovery mechanisms, which explains the limited presence of user fees in the budget data.

The situation of the state reveals a mixed picture. While sectors like mining offer substantial resource rents (mainly through royalties), most social services are deeply subsidized, and monetized infrastructure services are often managed off-budget. Institutional arrangements—like parastatals in power and PPPs in roads—create fiscal blind spots where user payments exist in practice but remain invisible in the budget. This calls for more transparency in fiscal reporting, alongside a rethinking of cost recovery models where feasible and socially acceptable.

3.3 Productivity of Non-Tax Revenue

The revenue productivity of Odisha's non-tax revenues has been evaluated on the basis of estimates of buoyancies. Table 3.5 shows the buoyancy of selected non-tax revenue in Odisha. Interest receipts, a vital component of ONTR, have exhibited notable fluctuations over the years. Early in the period, buoyancy peaked at 31.7 in 2002-03, indicating a substantial increase in interest income relative to economic growth. However, this performance was not sustained, and interest receipts showed a downward trend, with buoyancy declining to 1.7 in 2006-07 and later becoming negative in some years. By 2016-17, interest receipts had a buoyancy of -1.2, reflecting reduced growth in revenues from interest payments despite an expanding economy. In 2017-18, buoyancy recovered modestly to 3.3



and further improved to 10.8 in 2018-19, signalling better recovery or adjustments in loan-related revenues. The year 2020-21 saw a dramatic decline in buoyancy to -30.7, likely due to the economic disruptions caused by the COVID-19 pandemic, which may have impacted loan repayments and interest inflows. In the following years, slight recoveries were observed, with buoyancy improving to 2.0 in 2021-22 but falling to -0.7 in 2022-23, underlining the inconsistent nature of this revenue source.

Dividends and profits, derived mainly from the performance of state-owned enterprises, have been another volatile component. In 2002-03, buoyancy peaked at an extraordinary 257.7, reflecting a period of high profitability for state enterprises. Over time, however, fluctuations became evident, with buoyancy turning negative in years such as 2017-18 (-7.3) due to lower earnings from public sector units (PSUs). A dramatic rebound occurred in 2018-19, with buoyancy surging to 54.6, potentially due to one-time dividends or improved performance. The pandemic year 2020-21 marked a historic high in buoyancy at 468.1, indicating extraordinary receipts, likely from special dividends or restructuring of PSUs. This exceptional performance was not sustained, as buoyancy fell to -2.2 in 2021-22, followed by a modest recovery to 0.9 in 2022-23, suggesting challenges in maintaining consistent growth from dividends and profits.

Revenues from general services, encompassing administrative fees, public works, and other related areas, have displayed mixed results. In the early 2000s, buoyancy fluctuated, reflecting the sporadic nature of growth in this category. By 2016-17, general services showed moderate buoyancy of 2.2, but this declined to -2.6 in 2017-18 due to reduced growth in administrative revenues. A notable improvement occurred in 2018-19 when buoyancy rose to 4.4, indicating enhanced efficiency in service delivery or revised service charges. However, 2020-21 saw an extraordinary spike in buoyancy to 431.9, likely driven by one-time receipts or administrative reforms implemented during the pandemic. This spike was short-lived, as buoyancy fell to -2.8 in 2021-22, normalizing to 1.6 in 2022-23, pointing to relatively stable but limited growth in this segment.



Education, sports, art, and culture, a minor component of ONTR, has experienced steady but unremarkable growth. Early years saw modest contributions, but by 2016-17, buoyancy turned negative at -2.8, reflecting limited investment returns from this sector. Recovery was gradual, with buoyancy improving to -1.8 in 2017-18 and further to 0.6 in 2018-19, indicating slight enhancements in revenue streams. The year 2020-21 saw a significant surge in buoyancy to 267.0, likely fuelled by extraordinary receipts or increased spending in response to the pandemic. The subsequent years showed stabilization, with buoyancy at 3.4 in 2021-22 and similar levels in 2022-23, highlighting sustained, albeit modest growth.

Health and family welfare revenues have exhibited gradual progress, supported by increasing attention to public health infrastructure. In 2016-17, buoyancy stood at -0.2, marginally improving to 1.1 in 2017-18 and reaching 5.4 in 2018-19. This growth reflects increased allocations and better collection mechanisms in the health sector. The pandemic year of 2020-21 saw a dramatic rise in buoyancy to 16.5, driven by heightened investments and increased revenues related to health services. Stability returned in subsequent years, with buoyancy recorded at 1.0 in both 2021-22 and 2022-23, pointing to consistent, if modest, growth.

Table 3.5 provides five-year centered rolling regression estimates of revenue buoyancy for Odisha's ONTR and its various components with respect to GSDP for the period 2000 to 2024. The buoyancy coefficients are calculated using a log-linear regression model over a five-year moving window, centered on each year, which estimates the elasticity of revenue items with respect to real GSDP. The use of five-year centered rolling regression provides a more stable estimate of buoyancy, reducing the noise from year-to-year fluctuations. However, it comes with methodological challenges. The estimates cannot be computed for the first and last two years due to the windowing approach, effectively shortening the usable time span. Moreover, the smoothing effect of rolling regression may delay the detection of structural breaks or important reforms, such as the impact of GST or the COVID-19



pandemic. Finally, the assumption that the relationship between revenue and GSDP remains stable within each five-year window may not hold in a dynamic policy environment, potentially leading to misleading elasticity estimates.

Interest Receipts show considerable volatility over the years. The buoyancy peaks at 7.8 in 2002 but declines steadily thereafter, turning negative in 2008 and 2009, likely due to reduced interest earnings on loans or advances to PSUs or local bodies. The coefficient stabilizes in the range of 2 to 3 post-2016 but fluctuates with noticeable dips, indicating that these receipts do not consistently grow in tandem with economic output and may be affected by ad hoc policy decisions or repayment schedules.

Dividends and Profits present one of the most erratic patterns of buoyancy among all components. There are occasional spikes such as 7.6 in 2012 and 8.7 in 2019, possibly due to large one-time dividend payouts from profitable PSUs. However, many years, including 2015 and 2016, show sharply negative buoyancies, reflecting either a decline in PSU profitability or delayed/non-receipt of dividends. These swings highlight the non-systematic and volatile nature of this revenue source.

General Services demonstrate relatively stable and moderate buoyancy over the years, with occasional peaks such as 6.3 in 2005. The component's buoyancy remains around 1 to 2 in most years, indicating a modest responsiveness to economic activity. The limited variation suggests that the revenue under this head, which likely includes administrative fees and service charges, has a weak and mostly policy-driven link to GSDP growth.



Table 3.5: Five-Year Centred Rolling Estimates of Buoyancy of ONTR and its Components w.r.t GSDP for Odisha (2000–2024)

Year	Interest Receipts	Dividends & Profits	General Services	Public Works	Social Services	Education, Sports, Art & Culture	Health and Family welfare	Water Supply, Sewerage & Sanitation	Housing & Urban Development	Economic Services	Forestry and Wild Life	Major & Medium irrigation	Minor Irrigation	Non ferrous mining & Metallurgical Industries	ONTR
2002	7.8	2.3	0.8	-0.2	-0.6	-2.3	-0.4	0.3	-0.6	0.8	-1.5	2.6	5.8	1.2	1.3
2003	5.6	2.5	0.3	0.2	0.0	0.0	-0.6	0.3	-0.6	1.0	-1.6	1.6	2.1	1.4	1.3
2004	3.4	-2.7	4.7	0.9	0.6	1.5	0.1	0.4	-0.5	1.2	0.3	0.6	-1.0	1.4	1.8
2005	2.7	-0.7	6.3	1.6	1.3	3.0	1.1	0.9	-0.3	1.4	1.3	-1.1	-5.8	1.5	2.1
2006	2.0	2.0	4.8	1.6	0.3	-1.7	1.7	0.9	-0.7	1.0	0.7	-0.1	-0.1	1.1	1.7
2007	0.5	2.3	1.8	1.5	-0.6	-4.8	1.1	0.9	-0.8	1.3	0.6	0.1	-0.9	1.4	1.1
2008	-2.7	1.9	-3.9	0.9	-0.9	-4.3	0.0	0.6	-1.1	2.5	-0.5	1.7	0.4	2.8	0.6
2009	-3.1	-0.8	-3.8	0.4	-0.5	-2.4	1.0	-0.1	-0.6	4.5	1.7	6.9	1.9	4.7	2.3
2010	-1.4	1.1	-2.0	-0.4	0.8	6.8	-3.6	-1.0	0.2	4.9	0.7	9.1	2.0	5.2	3.1
2011	3.8	2.9	-0.3	0.5	1.3	5.9	0.5	-0.9	0.6	2.7	-1.7	6.4	2.9	2.7	2.6
2012	1.8	7.6	-2.5	1.8	0.3	0.6	0.4	-0.2	0.8	0.9	-6.0	4.7	1.3	0.8	1.2
2013	-0.7	2.5	1.5	2.2	0.9	1.5	2.9	0.8	-0.2	0.5	-3.0	2.8	3.0	0.3	0.6
2014	-1.6	-0.4	1.5	0.4	0.2	-2.7	4.2	1.1	-0.6	-0.2	-0.2	1.7	5.2	-0.6	-0.2
2015	-1.0	-5.9	1.2	-0.8	0.2	-2.0	1.7	0.8	-0.4	0.1	-0.3	0.8	2.9	-0.1	-0.2
2016	2.7	-4.2	1.2	-1.1	0.3	-0.8	0.7	0.7	-0.2	0.9	-2.4	-0.1	-0.5	1.1	0.8
2017	2.9	-2.6	0.5	-1.9	-0.8	-3.7	-0.1	-0.6	0.2	1.2	-6.6	-0.7	-4.4	1.6	1.1
2018	7.3	2.4	2.8	-2.6	-0.2	0.2	0.8	-2.7	0.7	4.0	-10.6	-0.9	-12.7	5.0	4.0
2019	4.7	8.7	1.2	-2.2	-0.6	2.0	0.7	-2.3	1.3	9.8	-3.7	-0.3	-4.2	10.3	9.1
2020	0.3	-1.5	-2.0	0.2	0.6	2.4	1.0	-0.9	2.7	6.8	-1.9	0.3	1.8	7.0	5.8
2021	-1.1	1.3	0.2	2.9	2.9	3.6	2.4	2.4	4.2	4.4	0.4	0.0	0.8	4.5	3.8
2022	-0.6	0.4	-0.1	2.5	2.9	2.5	2.4	2.6	3.7	2.5	0.5	0.1	0.2	2.6	2.1

Note: Buoyancy is estimated using a five-year centered rolling regression method, which smooths short-term fluctuations and reflects medium-term responsiveness. For each year, buoyancy is computed from a log-linear regression model estimated over a five-year window, with the resulting elasticity coefficient centered on the middle year. The model specification is: $\ln(\text{Real ONTR}) = \alpha + \beta \times \ln(\text{Real GSDP}) + \varepsilon$ Here, both ONTR and GSDP are log-transformed to estimate elasticity. The coefficient β captures revenue buoyancy—i.e., the percentage change in real revenue in response to a 1% change in real GSDP.

Source: Finance Accounts, Government of Odisha; Authors' Own Computation



Public Works exhibit moderate buoyancy in the early years, with values ranging around 1.5 to 2 until 2007. However, from 2015 to 2018, the buoyancy turns negative, possibly due to delays in monetizing public infrastructure or poor cost recovery. A resurgence in the early 2020s indicates either revised cost recovery frameworks or better implementation of public asset utilization policies.

Social Services, encompassing welfare-oriented spending, show persistently low or near-zero buoyancy throughout most of the period. Occasional marginal increases, such as in 2011, may stem from fee adjustments or improved collection, but the overall trend suggests that this category does not generate significant revenue in proportion to GSDP growth, owing to its subsidized and non-commercial nature.

In the case of Education, Sports, Art & Culture, the buoyancy pattern is mixed. A major spike to 6.8 in 2010 likely corresponds to a policy shift or one-time revenue enhancement. However, many years record negative buoyancy, such as during 2006 to 2009, reflecting the limited ability of this sector to generate revenue despite growing educational activities. The erratic trend is indicative of a sector more influenced by welfare objectives than by revenue considerations.

Health and Family Welfare maintains a low buoyancy profile across the entire period, with figures hovering near zero or modestly positive. This pattern reflects limited revenue generation from health services, possibly due to low user charges and high public subsidy. Even with growing demand and health infrastructure, the state has not been able to significantly monetize these services, leading to weak responsiveness to GSDP.

Water Supply, Sewerage & Sanitation has fluctuating buoyancy with negative values in the mid-2010s, followed by gradual improvement post-2018. The earlier low values may result from inadequate pricing or poor collection efficiency. The positive trend in recent years indicates possible reforms in



tariff structures or enhanced service charges, though the values remain modest.

Housing and Urban Development consistently records negative or marginal buoyancy, suggesting low responsiveness of revenue to economic expansion. Despite urban growth, the state appears to struggle in leveraging revenue through property taxation, housing rents, or urban service fees. The slight upward movement in the last few years may reflect policy reforms aimed at improving revenue mobilization from urban sectors.

Economic Services display a relatively subdued buoyancy until around 2015, followed by sharp improvement, peaking at 9.8 in 2019. This jump likely reflects increased revenue from sectors such as transport, tourism, or energy, suggesting a policy shift toward commercializing these services or expanding user bases. However, the overall volatility indicates inconsistency in capturing economic value from these activities.

Forestry and Wildlife revenue buoyancy fluctuates considerably, with several years of negative values and a sharp dip to -10.6 in 2018. These variations may be due to changes in royalty rates, classification issues, or natural shocks. Given the modest scale of these revenues, even small changes can lead to large buoyancy variations, making the series quite unstable.

Major and Medium Irrigation shows large swings in buoyancy, with high positive values such as 9.1 in 2010 and sharp declines in later years. This pattern reflects an erratic relationship between irrigation service provision and cost recovery. Revenue outcomes in this sector may be affected by non-market pricing, subsidy policies, and irregular billing practices.

Minor Irrigation similarly demonstrates extreme volatility, with a significant dip to -12.7 in 2018 and peaks around 6.9 in 2009. Like its major counterpart, this category is heavily influenced by policy and institutional



factors rather than direct economic output, limiting the ability of buoyancy measures to reflect a consistent trend.

The component of Non-Ferrous Mining and Metallurgical Industries stands out with consistently high buoyancy, especially from 2015 onwards. A peak of 10.3 in 2019 highlights the strong linkage between GSDP and mining revenues, underpinned by Odisha's mineral wealth and royalty-based revenue mechanisms. However, the dependence on global commodity prices and regulatory changes introduces risks despite the high elasticity.

ONTR buoyancy shows a rising trend from the early 2000s to the late 2010s, reaching a peak of 9.1 in 2019 (due to COVID 19) before moderating slightly. This aggregate figure suggests that despite weakness in several components, strong performance in mining, economic services, and improved PSU dividends have lifted the overall buoyancy. The rising responsiveness of ONTR to economic growth is a positive sign, but it masks significant structural weaknesses in several sectors.

Table 3.6 Period-wise Buoyancy Estimates for ONTR and its Components with respect to GSDP (2000–2024)

Item/Period	2000-2005	2006-2012	2013-2017	2018-2024	2000-2024
Interest Receipts	6.9	-1.4	-1.0	-0.7	1.3
Dividends & Profits	2.5	3.0	-5.9	1.4	1.1
General Services	0.1	-3.9	1.2	1.2	1.0
Public Works	0.0	0.3	-0.8	2.3	0.5
Social Services	0.1	-0.3	0.2	2.6	0.4
Education, Sports, Art & Culture	-0.1	-0.9	-2.0	3.7	0.0
Health and Family welfare	-0.6	-0.8	1.7	2.6	0.9
Water supply, sewerage & Sanitation	0.5	0.0	0.8	1.5	0.3
Housing and Urban Development	-0.5	-0.5	-0.4	3.8	0.1
Economic Services	1.0	3.2	0.1	3.8	2.0
Forestry and Wild Life	-1.5	0.0	-0.3	0.4	-1.3
Major & Medium Irrigation	1.8	4.4	0.8	0.2	1.9
Minor Irrigation	3.4	0.7	2.9	0.9	0.3
Non ferrous Mining & Metallurgical Industries	1.5	3.5	-0.1	3.9	2.2
ONTR	1.5	1.5	-0.2	3.3	1.8

Note: Buoyancy is estimated using regression method. For each period, buoyancy is computed from a log-linear regression model estimated over a five-year window, with the resulting elasticity coefficient centered on the middle year. The model specification is: $\ln(\text{Real ONTR}) = \alpha + \beta \times \ln(\text{Real GSDP}) + \varepsilon$ Here, both ONTR and GSDP are log-transformed to estimate elasticity. The coefficient β captures revenue buoyancy—i.e., the percentage change in real revenue in response to a 1% change in real GSDP.

Source: Finance Accounts, Government of Odisha; Authors' Own Computation



The period-wise buoyancy estimates of ONTR and its major components with respect to GSDP provide insight into how Odisha's non-tax revenue system has responded to economic growth across four distinct policy phases between 2000 and 2024(Table-3.6). Using log-linear regression models, the elasticity coefficients in Table 3.6 reflect how revenue from each component changed in response to a 1% change in real GSDP. The results show how policy reforms, institutional strengthening, and economic shocks influenced the trajectory of ONTR across sectors.

During the period 2000–2005, ONTR buoyancy stood at 1.5, indicating moderate responsiveness to GSDP growth. This phase coincided with the beginning of fiscal reforms in Odisha, including the early steps toward PSU restructuring, the introduction of Entry Tax, and preparations for the FRBM Act enacted in 2003. Interest Receipts exhibited a buoyancy of 6.9—exceptionally high due to active debt restructuring and repayment by PSUs and urban local bodies. Dividends and Profits also performed well (2.5), reflecting dividend inflows from key state enterprises prior to deeper reforms. However, service-related components such as General Services (0.1), Public Works (0.0), Social Services (0.1), and Education (–0.1) exhibited minimal responsiveness, indicating weak user charges and poor cost recovery. Forestry, which recorded a buoyancy of –1.5, likely suffered from underpricing and lack of enforcement. In contrast, sectors like Major Irrigation (1.8), Minor Irrigation (3.4), and Economic Services (1.0) showed moderate elasticity, possibly due to some revenue generation through water charges or transport services. Overall, this period laid the foundation for structural reform but ONTR was yet to diversify beyond a few sources.

In the period 2006–2012, ONTR buoyancy remained at 1.5, but the internal composition of revenue sources changed significantly. This period was characterised by the implementation of VAT in 2005–06, active fiscal consolidation post-FRBM, and an intensified focus on improving mining royalties. The launch of the Odisha Mineral Bearing Areas Development Corporation (OMBADC) and enhanced royalty rates in the mining sector had



a significant impact. As a result, the buoyancy of Mining increased to 3.5 and Economic Services to 3.2, indicating stronger monetization of extractive and utility services. Dividends and Profits rose slightly to 3.0, likely due to better performance of restructured PSUs. However, Interest Receipts turned sharply negative (−1.4), reflecting reduced lending or restructuring of loans with softer terms. General Services declined drastically (−3.9), suggesting weakening administrative cost recovery. Similarly, Health (−0.8), Education (−0.9), and Housing (−0.5) recorded low or negative buoyancy, reflecting continued subsidy-based provision of public services with minimal revenue linkage. Despite these weaknesses, buoyancy in Major Irrigation (4.4) remained strong, potentially due to improved billing and irrigation cess enforcement. Overall, while the mining and economic service components strengthened, the period revealed institutional limitations in monetizing core social and urban services.

The period 2013–2017 was marked by administrative modernization and pre-GST adjustments but showed the weakest ONTR performance, with overall buoyancy falling to −0.2. Although the period witnessed the rollout of e-governance platforms, online license renewals, and the digitisation of records, these improvements did not immediately translate into enhanced non-tax revenue. Instead, policy attention shifted toward Goods and Services Tax (GST) preparation, which—though unrelated to ONTR—may have diverted institutional focus and caused inertia in ONTR reforms. Interest Receipts (−1.0) and Dividends and Profits (−5.9) deteriorated, reflecting declining PSU profitability and low repayments from state bodies. Several service components including Education (−2.0), General Services (1.2), and Forestry (−0.3) continued to show poor buoyancy, while even strong performers like Mining (−0.1) and Economic Services (0.1) recorded stagnation. A few components such as Health (1.7) and Minor Irrigation (2.9) showed isolated improvements, but the broader picture reflected policy drift, with limited cost recovery or monetization focus across the board. The absence of new pricing mechanisms or fee revisions likely contributed to the subdued responsiveness of ONTR to economic growth.



The final period, 2018–2024, witnessed a decisive turnaround in ONTR buoyancy, which rose sharply to 3.3—the highest among all four phases. This is because of COVID 19 pandemic which reduced the base through a disruption of GSDP. This was a period of significant policy action, including the introduction of the auction-based mineral allocation regime post-2015, implementation of National Mineral Index-based pricing, and reforms in user charges, licensing, and urban service delivery. The COVID-19 pandemic temporarily disrupted service revenues in 2020–21, but recovery was swift due to digitalisation and a push for automation in revenue administration. Due to disruption of GSDP because of Covid 19 pandemic in all sectors buoyancy increased phenomenally. Mining buoyancy surged to 3.9, confirming the sector’s role as the principal engine of ONTR growth. Economic Services also recorded 3.8, driven by transport, energy, and commercial licensing improvements. Service components saw marked improvements too—Education (3.7), Health (2.6), Social Services (2.6), and Housing (3.8)—reflecting reforms in user fee structures and digital collection platforms. Even components like Water Supply (1.5) and Public Works (2.3) showed stronger buoyancy. Interest Receipts (–0.7) remained low, consistent with the overall decline in state lending operations.

The average buoyancy of ONTR from 2000 to 2024, is 1.8, suggesting moderate elasticity with respect to GSDP. However, this aggregate conceals significant sectoral divergence. Mining (2.2) and Economic Services (2.0) are the most responsive components over the long run, underscoring Odisha’s natural resource advantage and its strategic monetization. Dividends and Profits (1.1) and Interest Receipts (1.3) remain volatile, influenced by ad hoc factors. On the other hand, key service delivery areas such as Forestry (–1.3), Education (0.0), and Housing (0.1) show long-term structural weaknesses in non-tax revenue generation. The analysis confirms that while ONTR buoyancy has improved the state’s ONTR remain heavily reliant on mineral rents and economic services. Sustaining high buoyancy will require continued focus on pricing reforms, digitisation, and better integration of service delivery with revenue strategy.



3.4 Benchmark of ONTR

The benchmark of OTR for the year 2010-11, 2015-16 and 2022-23 shows that among the 18 states, in 2022-23 Odisha occupies 1st position and it constitute 5.6% of its GSDP (Table 3.7). Odisha's ONTR/GSDP ratio increased impressively from 2.4% in 2010-11 to 5.6% in 2022-23, earning it the first rank among states. This substantial growth reflects Odisha's effective utilization of its natural resources, particularly from mining and related activities, which are primary contributors to non-tax revenue. Odisha's performance far outpaces that of states like Jharkhand (3.1%) and Chhattisgarh (3.3%), which rank fourth and third, respectively. This dominance underscores Odisha's strategic management of its resource wealth, positioning it as a leader in ONTR efficiency and highlighting the potential for other states to adopt similar strategies.

In contrast, Goa, which consistently held the top spot in earlier years, slipped to second place in 2022-23, with an ONTR/GSDP ratio of 4.3%. Despite this, Goa remains a strong performer due to its high reliance on tourism-related non-tax revenues and effective collection mechanisms. Jharkhand and Chhattisgarh, both resource-rich states like Odisha, maintained high ONTR ratios, underscoring the importance of mining royalties and fees in contributing to state finances. The state's exceptional growth trajectory suggests that the state has implemented more aggressive policies or reformed its non-tax revenue collection framework, enabling it to surpass other resource-rich states.

On the other hand, several states demonstrated weaker performances in ONTR/GSDP in 2022-23, with states like Delhi, West Bengal, and Maharashtra showing ratios of 0.1%, 0.1%, and 0.5%, respectively, ranking at the bottom of the table. These states, with their diverse economies, appear to rely less on non-tax revenue sources, possibly due to a focus on tax revenue or structural constraints in leveraging non-tax resources. Even large and industrialized states like Gujarat and Tamil Nadu show relatively modest ONTR/GSDP ratios of 0.8% and 0.7%, ranking 10th and 11th, respectively,



indicating a limited focus on maximizing non-tax revenues. This stark disparity between Odisha and other states highlights the potential for states with underutilized non-tax revenue sources to strengthen their fiscal frameworks.

Table 3.7: Benchmark on Own Non-Tax Revenue

State	2010-11		2015-16		2022-23	
	ONTR % GSDP (2010-11)	Rank (2010-11)	ONTR % GSDP (2015-16)	Rank (2015-16)	ONTR % GSDP (2022-23)	Rank (2022-23)
Andhra Pradesh	3.4	2	1	11	0.4	16
Bihar	0.5	16	0.7	15	0.6	13
Chhattisgarh	3.2	3	2.6	4	3.3	3
Goa	6.8	1	5.3	1	4.3	2
Gujarat	0.9	11	1.1	10	0.8	10
Haryana	1.3	10	2.1	7	0.9	8
Jharkhand	2.5	4	3.3	2	3.1	4
Karnataka	0.8	12	0.6	16	0.6	14
Kerala	0.7	15	1.9	9	1.5	7
Madhya Pradesh	2.2	7	2.1	6	1.6	5
Maharashtra	0.8	13	0.8	14	0.5	15
Odisha	2.4	5	3	3	5.6	1
Punjab	2.4	6	0.8	13	0.9	9
Rajasthan	1.9	8	2	8	1.5	6
Tamil Nadu	0.8	14	0.9	12	0.7	11
Uttar Pradesh	1.9	9	2.5	5	0.6	12
West Bengal	0.5	17	0.3	17	0.1	17

Sources: Finance account, Govt. of Odisha; Reserve Bank of India; Authors' Own Computation

Odisha's performance in 2022-23 sets a benchmark for non-tax revenue collection among Indian states. The state's ability to increase its ONTR/GSDP ratio to 5.6%, while other states either stagnated or declined, reflects the success of its policies and administrative efficiency in harnessing its resource wealth. The gap between Odisha and other states also emphasizes the need for tailored strategies to enhance non-tax revenue collection. Resource-rich states like Chhattisgarh and Jharkhand could study Odisha's approach to optimize their revenues further, while states with weaker performance might consider diversifying revenue streams through better asset management, user fees, and monetization of public resources. Odisha's leadership in this domain serves as a model for improving fiscal sustainability through non-tax revenue optimization.



3.5 Projections of ONTR

Using the method stated in Annexure 3 the study projects ONTR from 2023-2030. ONTR is forecasted to exhibit strong growth momentum, with growth rates increasing from 7.3% in 2024 to 13.2% in 2030. Its contribution to GSDP is projected to increase from 5.1% in 2024 to 6.6% by 2030, while its share in TRR is expected to vary between 24% and 28%, indicating its growing significance in revenue mobilization (Table 2.15 and 2.16).

3.6 Suggestions to Enhance Own Non-Tax Revenue

After the analysis it is deemed that by implementing the following measures, the state can significantly enhance their own non-tax revenues. This will not only reduce their reliance on central transfers and tax revenues but also enable them to achieve fiscal sustainability and fund essential public services effectively.

3.6.1 Maximize Revenue from Resource-Intensive Sectors

Non-ferrous mining and metallurgical industries hold immense potential to boost ONTR, as evidenced by states like Odisha that derive significant revenue from these sectors. To maximize returns, states should revise mining royalties periodically to reflect prevailing market conditions and ensure stricter compliance to prevent revenue leakage. Additionally, encouraging value addition through downstream industries can unlock further revenue potential. Similarly, forestry and wildlife, which have seen declining contributions, can be leveraged through sustainable ecotourism projects, increased sales of minor forest products, and exploring carbon credits or payments for ecosystem services.

3.6.2 Rationalize User Charges for Public Services

Several sectors, such as education, health, water supply, and urban development, contribute minimally to ONTR due to the absence of effective user charges. Introducing nominal fees for premium services like professional courses, diagnostic services in public hospitals, or urban infrastructure can



ensure fair cost recovery. For instance, urban water supply could adopt volumetric pricing models to encourage conservation while generating revenue. Public-private partnerships (PPPs) in education and health infrastructure can share the financial burden and improve service quality, while user charges for enhanced services can be rationalized.

3.6.3 Enhance Irrigation Revenue

The irrigation sector offers significant scope to improve ONTR, particularly through major and medium irrigation projects. Revising water usage charges based on consumption levels for both agricultural and industrial users can enhance revenue while promoting resource efficiency. Minor irrigation schemes, which currently contribute negligibly, can be better integrated with community-based water management systems, supported by user contributions for operational costs. These reforms can ensure both better utilization of resources and increased financial sustainability.

3.6.4 Streamline and Digitize Revenue Administration

Inefficiencies in revenue administration hinder ONTR growth. States should adopt e-governance platforms to digitize billing, licensing, and collection processes, ensuring transparency and reducing delays. Employing data analytics can help identify underperforming sectors and defaulters, enabling targeted interventions. Better coordination between departments can also close gaps in compliance, ensuring that royalties, fees, and licensing charges are collected efficiently.

3.6.5 Develop State-Specific Strategies

Each state should tailor its ONTR strategies to its unique strengths. Mining-heavy states like Odisha, Jharkhand, and Chhattisgarh should focus on optimizing royalties and fostering downstream industries. Industrial states like Gujarat and Tamil Nadu could enhance revenue through industrial licenses and urban service fees. Meanwhile, agricultural states like Punjab and Uttar Pradesh can prioritize irrigation charges and market fees. States



with persistently low ONTR/GSDP ratios, such as Bihar and West Bengal, should diversify their revenue streams by adopting successful models from high-performing states.

3.6.6 Expand Public-Private Partnerships (PPPs)

Public-private partnerships can unlock additional revenue in sectors like health, education, and urban development. States can collaborate with private investors to build diagnostic centers, specialty hospitals, or skill development institutes, sharing a portion of the revenue. Urban development projects such as parking facilities or waste management can also benefit from PPPs, where the state retains a share of the revenue while reducing operational costs.

3.6.7 Leverage Emerging Opportunities

Emerging opportunities in tourism, green economy initiatives, and digital services offer untapped potential to boost ONTR. States can monetize their natural and cultural heritage through entry fees, activity charges, and eco-tourism projects. Green initiatives, such as investing in renewable energy projects and trading carbon credits, can also yield sustainable revenue. Additionally, digital services provided by the government, such as e-filing platforms or data analytics for businesses, can be monetized to diversify revenue streams further.

3.7 Conclusion

The analysis presents a thorough examination of Odisha's ONTR, emphasizing its critical role in strengthening the state's fiscal framework while drawing attention to several structural challenges and policy inefficiencies. Over the years, ONTR has exhibited substantial growth in absolute terms, showcasing the state's ability to mobilize non-tax revenues. However, the data reveals significant volatility in revenue performance across its various components. Interest receipts and dividends from state-owned enterprises, for instance, have demonstrated sharp year-on-year fluctuations, with periods of



exceptional growth followed by steep declines. These patterns often reflect external economic shocks, policy adjustments, or one-time revenue streams rather than sustained fiscal planning. Such volatility undermines the predictability and stability required for effective financial management.

A critical issue highlighted is the state's heavy reliance on mining revenues, particularly from the non-ferrous mining and metallurgical industries. This sector has consistently dominated the ONTR composition, contributing as much as 89% in peak years. While mining has been instrumental in driving revenue growth, this dependency leaves the state vulnerable to global market volatility, commodity price fluctuations, and finite resource availability. The declining contributions from sectors such as forestry and wildlife and minor irrigation further underscore the lack of diversification in revenue sources. These sectors, which once played a more prominent role, have experienced stagnation or decline, reflecting both policy neglect and shifting state priorities.

Moreover, there are uneven sectoral performances within ONTR. Economic services, particularly mining, overwhelmingly dominate the revenue composition, overshadowing other sectors like social services and general administrative services. Social services, encompassing critical areas like health, education, and water supply, have shown modest growth but remain underutilized as potential revenue streams. Similarly, revenues from general services, such as public works and administrative fees, have not been fully optimized. This imbalance highlights the untapped potential of underperforming sectors, which, if adequately addressed, could provide a more stable and diversified revenue base.

The findings suggest that ONTR, while demonstrating significant growth potential, is constrained by an over-reliance on volatile sectors and underperformance in other areas. Thus there is an urgent need for a comprehensive revenue strategy aimed at diversifying the state's non-tax revenue base. This includes stabilizing high-performing sectors, revitalizing declining ones, and implementing targeted reforms to optimize revenue



generation from social and general services. Also, a shift towards more sustainable and predictable revenue streams, supported by robust policy frameworks, is essential to reduce fiscal vulnerability and ensure long-term financial stability. Thus, ONTR has been a vital fiscal tool for Odisha, realizing its full potential requires addressing the structural and policy challenges identified in this analysis.



CHAPTER 4

REVENUE AND CAPITAL EXPENDITURE

4.1 Introduction

Chapter 4 examines the Revenue and Capital Expenditure and provides an analysis of Odisha's expenditure framework, focusing on trends, composition and the efficiency of public spending. Examining expenditure allocation at the State Government level is particularly significant, as substantial expenditure responsibilities lie with the states. It is crucial to ensure that ongoing efforts toward fiscal correction and consolidation at the state level do not come at the expense of critical expenditures, particularly those directed toward developmental and social sectors (CAG, 2012). Section 4.2 discusses the composition of expenditure under major heads whereas Section 4.3, carries out a disaggregated analysis and looks at the functional composition of expenditure, examining trends in allocation across general, social, and economic services. Section 4.4 delves into committed expenditures, such as salaries, pensions, and interest payments, analyzing their growth and fiscal implications. Section 4.5 assesses the efficiency of public spending, evaluating both allocative and technical efficiency. Section 4.6 focuses on an interstate comparison of Odisha. Section 4.7 looks at public investment in infrastructure, highlighting its role in driving economic growth and public welfare. Section 4.8 provides insights into efficient fiscal management. Section 4.9 details future projections. Section 4.10 offers an assessment of expenditure management practices and provides recommendations for improving fiscal efficiency and ensuring long-term sustainable growth and Section 4.11 provides a brief conclusion.

4.2 Composition of Expenditure in terms of Economic Classification

The total expenditure (TotEx) of the State, as per its economic classification, comprises 'revenue expenditure' (RevEx), 'capital outlay' (CapEx), and 'loans and advances' (L&A). Table 4.1 provides a detailed breakdown of the state's



expenditure across these categories over a span of twenty-five years (2000-01 to 2024-25), while Figure 4.1 depicts trends in expenditure patterns over time.

Over the years, the TotEx of the State has shown significant growth, increasing from Rs. 10,304crore in 2000-01 to Rs. 1,66,513crore in 2022-23. This represents a robust CAGR of 7.5% (Base 2011-12) over the entire period. Focusing on the more recent years, significant milestones are evident. In 2016-17, the TotEx stood at Rs. 83,941crore, which rose to Rs. 94,821crore in 2017-18, and further to Rs. 1,10,008crore in 2018-19. By 2019-20, it reached Rs. 1,20,674crore, reflecting sustained growth year-on-year.

In 2021-22, the TotEx increased significantly to Rs. 1,33,999crore, continuing its upward trajectory to Rs. 1,66,513crore in 2022-23. This period demonstrates a compound growth rate of 6.1% from 2016-17 to 2022-23, underscoring the State's consistent investment in developmental and welfare-oriented initiatives despite fiscal challenges.

4.2.1 Revenue and Capital Expenditure

RevEx, encompassing operational costs, subsidies, and salaries, has experienced significant growth over the years. It rose from Rs. 8,834crore in 2000-01 to Rs. 1,31,006crore in 2022-23, registering a CAGR of 7.1% during this period (Table-4.1). As a proportion of TotEx, RevEx has consistently dominated, highlighting its essential role in managing recurring obligations. In 2000-01, it accounted for 85.7 percent of TotEx excluding debt repayment (DR). By 2016-17, this proportion stood at 77.5 percent, increased slightly to 81.8 percent in 2021-22, and then reduced to 78.7 percent in 2022-23. During the recent period, RevEx increased from Rs. 65,041crore in 2016-17 to Rs. 71,837crore in 2017-18, further reaching Rs. 85,356crore in 2018-19, Rs. 99,137crore in 2019-20, Rs. 1,09,588crore in 2021-22, and Rs. 1,31,006crore in 2022-23. In this period (2016-17 to 2022-23) the CAGR was 6.3%. Despite minor fluctuations, RevEx has consistently constituted the largest share of TotEx, reflecting its critical role in sustaining routine government functions and social welfare programs.



CapEx, which is crucial for infrastructure development and asset creation, has demonstrated faster growth compared to RevEx. It increased from Rs. 839crore in 2000-01 to Rs. 33,349crore in 2022-23, achieving a CAGR of 12.0 percent over the long term. Its share in TotEx has grown considerably, which indicates that the state is increasing emphasis on developmental investments. In 2000-01, CapEx constituted 8.1 percent of TotEx, a proportion that rose to 22.0 percent in 2016-17. While it remained steady at 22.3 percent in 2017-18, it slightly declined to 21.3 percent in 2018-19 but rebounded to 20.0 percent in 2022-23. CapEx grew from Rs. 18,471crore in 2016-17 to Rs. 21,109crore in 2017-18 and Rs. 23,482crore in 2018-19, peaking at Rs. 33,349crore in 2022-23. In this period the CAGR stood at 4.4%. The rising proportion and amount of CapEx underscore the State's commitment to long-term infrastructure and asset-building initiatives, even as RevEx remains a larger component of TotEx.

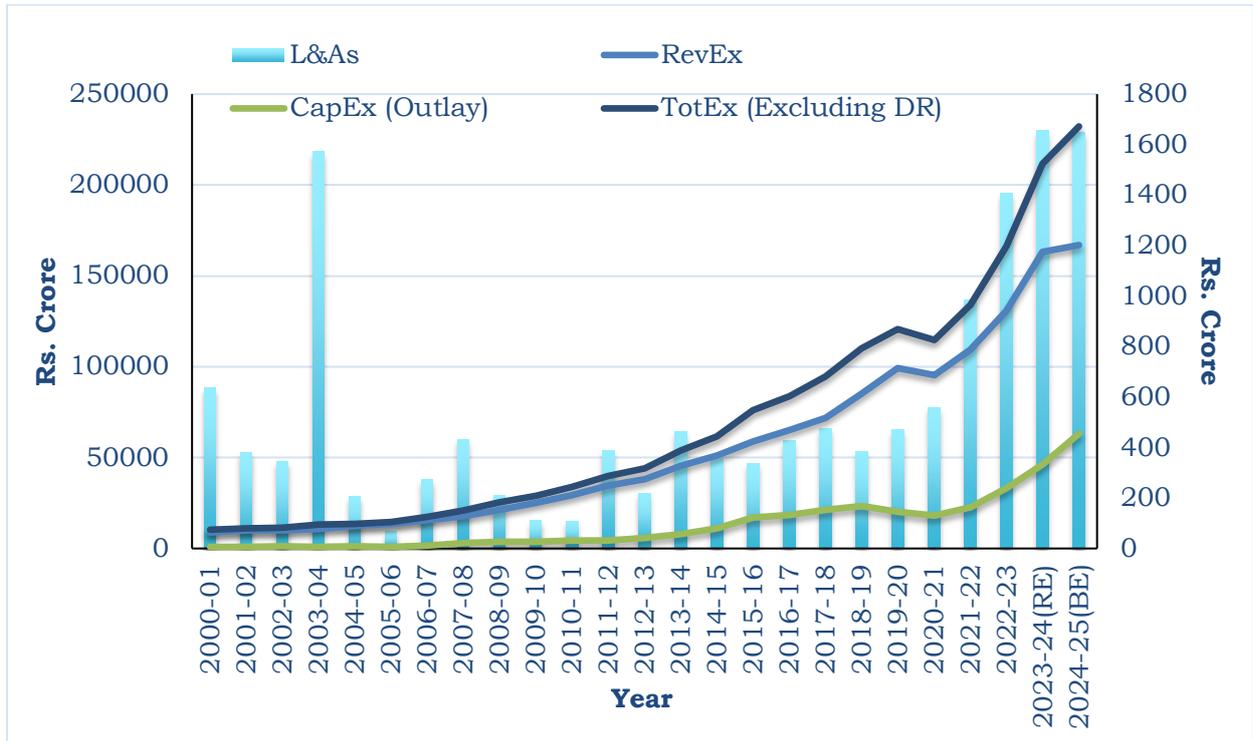
**Table 4.1: Economic Classification of Total Expenditure****Rs. in Crore**

Year	RevEx	% of TotEx (Excluding DR)	CapEx (Outlay)	% of TotEx (Excluding DR)	L&As	% of TotEx (Excluding DR)	TotEx (Excluding DR)
2000-01	8834	85.7	839	8.1	636	6.2	10304
2001-02	9882	88.6	887	8.0	379	3.4	11148
2002-03	10015	87.6	1074	9.4	343	3.0	11432
2003-04	10861	81.7	853	6.4	1572	11.8	13286
2004-05	12372	90.7	1056	7.7	205	1.5	13633
2005-06	13604	92.5	1038	7.1	67	0.5	14709
2006-07	15772	90.2	1451	8.3	272	1.6	17495
2007-08	17723	84.4	2843	13.5	433	2.1	20999
2008-09	21190	83.3	3779	14.9	211	0.8	25430
2009-10	25292	87.1	3648	12.6	110	0.4	29052
2010-11	29368	86.5	4285	12.6	109	0.3	33967
2011-12	34660	87.1	4496	11.3	389	1.0	39777
2012-13	38238	86.8	5622	12.8	218	0.5	44076
2013-14	45618	84.7	7756	14.4	464	0.9	53838
2014-15	51136	83.2	11075	18.0	358	0.6	61487
2015-16	58806	77.1	17090	22.4	337	0.4	76233
2016-17	65041	77.5	18471	22.0	429	0.5	83941
2017-18	71837	75.8	21109	22.3	475	0.5	94821
2018-19	85356	77.6	23482	21.3	384	0.3	110008
2019-20	99137	82.2	20277	16.8	470	0.4	120674
2020-21	95311	83.0	17949	15.6	559	0.5	114857
2021-22	109588	81.8	22725	17.0	986	0.7	133999
2022-23	131006	78.7	33349	20.0	1408	0.8	166513
2023-24(RE)	163089	77.1	46152	21.8	1655	0.8	211577
2024-25(BE)	166923	71.9	63162	27.2	1650	0.7	232234
CAGR 2001-02 to 2022-23	7.1		12.0		-1.8		7.5
CAGR 2016-17 to 2022-23	6.3		4.4		15.4		6.1

Source: Finance Accounts, Govt. of Odisha.



Figure 4.1: Trends in Economic Composition of Expenditure
Rs. In Crore)



Source: Finance Accounts, Govt. of Odisha.

Figure 4.2: Components of Expenditure as a percent of TotEx
(excluding DR)



Source: Finance Accounts, Govt. of Odisha.



L&As, while a smaller component of TotEx, play a supportive role by extending financial assistance to various sectors. This category has shown fluctuating trends, growing from Rs. 636crore in 2000-01 to Rs. 1,408crore in 2022-23, albeit with a negative CAGR of -1.8 percent over the long term. As a proportion of TotEx, L&As have decreased significantly from 6.2 percent in 2000-01 to just 0.8 percent in 2022-23, reflecting a shift in the State's fiscal priorities. During the more recent period, L&As rose modestly from Rs. 429crore in 2016-17 to Rs. 475crore in 2017-18, Rs. 986crore in 2021-22, and Rs. 1,408crore in 2022-23. During the period from 2016-17 to 2022-23, CAGR was 15.4%. Although they represent a minor share of TotEx, L&As highlight the State's efforts to provide targeted financial support for specific economic activities.

The expenditure trends of the Odisha as a proportion of GSDP from 2000-01 to 2022-23 reflect significant shifts in fiscal priorities and adaptations to economic challenges (Table-4.2). RevEx, the largest component, started at 17.9% in 2000-01 but showed a gradual decline in the early years, reaching 13.1% by 2007-08. This reduction points to efforts in controlling recurring expenses. However, from 2008-09 onwards, RevEx began rising steadily, peaking at 18.4% in 2019-20. A temporary decline occurred during the COVID-19 pandemic in 2020-21 and 2021-22 when RevEx dropped to 17.6% and 16.5%, respectively, before recovering to 17.4% in 2022-23, reflecting a post-pandemic normalization of expenditures.

CapEx displayed notable variability over the years. Initially at 1.7% in 2000-01, it remained subdued until 2008-09, after which there was a steady increase. Post-2014 saw a marked shift towards greater infrastructure spending, with CapEx peaking at 5.2% in 2015-16. The years following maintained elevated levels of CapEx, ranging between 4.7% and 4.8% from 2016-17 to 2018-19. Although there was a dip to 3.8% in 2019-20, likely reflecting a pause in infrastructure projects, the government resumed higher investments in subsequent years, bringing CapEx back to 4.4% by 2022-23, underscoring the focus on asset creation.



L&As formed a relatively small component of expenditure, starting at 1.3% in 2000-01 but stabilizing at 0.1% from 2005-06 onwards, with minor variations. By 2022-23, L&As showed a slight uptick to 0.2%, showing limited yet cautious credit extension policies by the government. The restrained approach in this component reflects a broader focus on direct expenditure as opposed to increasing state liabilities through loans.

Table 4.2: Expenditure as a Proportion of GSDP (%)

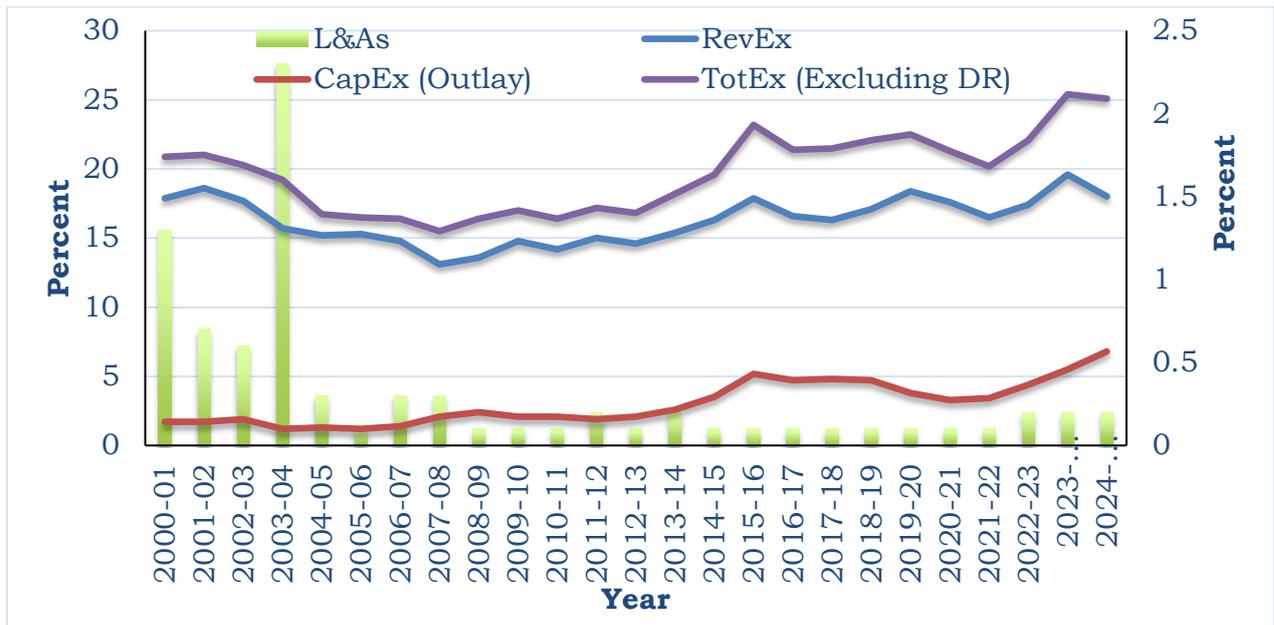
Year	RevEx	CapExp (Outlay)	L&As	TotExp (Excluding DR)
2000-01	17.9	1.7	1.3	20.9
2001-02	18.6	1.7	0.7	21.0
2002-03	17.7	1.9	0.6	20.3
2003-04	15.7	1.2	2.3	19.2
2004-05	15.2	1.3	0.3	16.7
2005-06	15.3	1.2	0.1	16.5
2006-07	14.8	1.4	0.3	16.4
2007-08	13.1	2.1	0.3	15.5
2008-09	13.6	2.4	0.1	16.4
2009-10	14.8	2.1	0.1	17.0
2010-11	14.2	2.1	0.1	16.4
2011-12	15.0	1.9	0.2	17.2
2012-13	14.6	2.1	0.1	16.8
2013-14	15.4	2.6	0.2	18.2
2014-15	16.3	3.5	0.1	19.6
2015-16	17.9	5.2	0.1	23.2
2016-17	16.6	4.7	0.1	21.4
2017-18	16.3	4.8	0.1	21.5
2018-19	17.1	4.7	0.1	22.1
2019-20	18.4	3.8	0.1	22.5
2020-21	17.6	3.3	0.1	21.3
2021-22	16.5	3.4	0.1	20.2
2022-23	17.4	4.4	0.2	22.1
2023-24(RE)	19.6	5.5	0.2	25.4
2024-25(BE)	18.0	6.8	0.2	25.1

Source: Finance Accounts, Govt. of Odisha.

TotExp (excluding DR), broadly mirrored trends in RevExp and CapExp, indicating the complementary nature of these components. Starting at 20.9% in 2000-01, it declined to 15.5% by 2007-08, reflecting austerity and fiscal consolidation efforts. The post-2008 period witnessed a resurgence, with TotExp peaking at 23.2% in 2015-16 due to simultaneous increases in both Revenue Exp and Capital Exp. Even during the pandemic years, TotExp remained robust at 21.3% in 2020-21, signaling the government's commitment to expenditure despite fiscal constraints. By 2022-23, TotExp returned to 22.1%, driven by recovery in CapExp and a steady RevExp.



Figure 4.3 RevEx and CapEx % GSDP



Source: Finance Accounts, Govt. of Odisha; Authors Computation

Between 2016-17 and 2022-23, the trends reflect resilience and strategic fiscal management. RevEx remained stable within a narrow range, except for the pandemic-induced dip in 2020-21 and 2021-22. CapEx remained a critical driver during this period, peaking at 4.8% in 2017-18 and showing a strong recovery post-pandemic. L&As consistently formed a minor share, maintaining fiscal discipline. TotEx demonstrated resilience, peaking in 2018-19 at 22.1% and recovering quickly from pandemic impacts to 22.1% in 2022-23. These years underscore the government’s ability to adapt its fiscal strategy, balancing developmental needs with economic challenges.

4.3 Functional Composition of Expenditure

From 2000-01 to 2022-23, the fiscal trends in Odisha reflect a deliberate and evolving strategy aimed at balancing governance, welfare, and economic growth. Over these two decades, the state's expenditure patterns underscored a strong emphasis on development and capital spending, alongside the operational stability maintained through general services. Total government expenditure demonstrated steady growth, rising from Rs. 19,824.5 crore in 2000-01 to Rs. 1,66,513 crore in 2022-23. This trajectory illustrates the state's dual focus on infrastructure development and social welfare



enhancement, even as it navigated economic challenges, including the COVID-19 pandemic.

General services remained a critical component of Odisha's expenditure, consistently accounting for a significant share of GSDP. Between 2000-01 and 2022-23, this category averaged 20-40% of the total budget, primarily funding governance, law and order, administrative expenses, and public debt servicing. In nominal terms, spending in general services grew from Rs. 4,062.1 crore in 2000-01 to Rs. 49,268 crore in 2022-23, with a compound annual growth rate (CAGR) of 6.1%. While revenue-driven activities dominated this category, CapEx remained minimal, around 2-4% of the general services budget, reflecting its administrative focus. The share of general services in GSDP showed a gradual decline over the years, from 8.3% in 2000-01 to 6.5% in 2022-23, aligning with efficiency improvements and a strategic shift towards developmental spending. Notable stabilization in the share of general services occurred after 2016-17, ranging between 4.4% and 6.5%, influenced by administrative necessities and fiscal adjustments during periods of expansion, including the pandemic years.

Development expenditure, comprising social and economic services, emerged as the cornerstone of Odisha's fiscal strategy, reflecting a growing emphasis on enhancing welfare and infrastructure. This category recorded a robust CAGR of 8.7% between 2000-01 and 2022-23, outpacing the growth of general services. Development spending rose from Rs. 6,253 crore in 2000-01 to Rs. 1,21,51 crore in 2022-23, underscoring the state's commitment to infrastructure, education, health, and public welfare. This upward trajectory was particularly evident after 2016-17, marked by a gradual shift towards CapEx, signifying investments in long-term projects aimed at economic and social infrastructure. The period from 2016-17 to 2019-20 witnessed sustained growth in development expenditure, averaging above 16% of GSDP, with a peak in 2016-17 at 96.4% due to a one-time accounting adjustment.

Social services, encompassing education, health, housing, and water supply, played a pivotal role in enhancing Odisha's human development indicators.



This category exhibited a strong upward trend, with expenditure growing from Rs. 3,239.1 crore in 2000-01 to Rs. 61,061 crore in 2022-23, reflecting a CAGR of 8.2%. Social services consistently accounted for 37-39% of total development expenditure, highlighting its critical role in welfare-focused policies. CapEx within social services saw an upward shift, particularly in recent years, rising to 14% by 2022-23. This shift indicated increasing investments in essential infrastructure such as schools, hospitals and housing projects crucial for long-term socio-economic improvements. During the COVID-19 pandemic, social services expenditure played a vital role, comprising 8.2% of GSDP in 2020-21, as the state focused on healthcare and relief efforts.

Economic services, including agriculture, industry, power, transport and rural development recorded the fastest growth among expenditure categories. The category's expenditure increased from Rs. 3,013.9 crore in 2000-01 to Rs. 60,452 crore in 2022-23, reflecting a CAGR of 9.4%. Economic services consistently accounted for a substantial portion of development expenditure, comprising 35-45% of the total in most years, with a peak share of 40.4% in 2019-20. CapEx within economic services grew from around 10% in the early 2000s to 15% in recent years, underscoring the state's commitment to infrastructure-led growth. Investments in roads, irrigation, and power projects were instrumental in driving industrialization and rural development, particularly in the years following 2016-17.



Table 4.3: Functional Composition of Total Expenditure (Rs. in Crore)

Year	General Services						Social Services						Economic Services						Development Expenditure (Social+ Economic)		Grants-in-aid		Loan & Advances		TotEx	
	Revenue	% Total	Capital	% Total	Total	% TotEx	Revenue	% Total	Capital	% Total	Total	% TotEx	Revenue	% Total	Capital	% Total	Total	% TotEx		% TotEx		% TotEx		% TotEx		
2000-01	4031	99.2	31	0.8	4062	39.4	3116	96.2	123	3.8	3239	31.4	1533	69.1	685	30.9	2218	21.5	5457	53	149	1.5	636	6.2	10304	
2001-02	4933	98.5	75	1.5	5008	44.9	3260	95.7	147	4.3	3407	30.6	1535	69.8	665	30.2	2200	19.7	5607	50.3	150	1.3	379	3.4	11148	
2002-03	4805	99.6	20	0.4	4825	42.2	3460	95.6	161	4.4	3620	31.7	1603	64.2	893	35.8	2496	21.8	6117	53.5	147	1.3	343	3	11432	
2003-04	5159	99.3	39	0.7	5197	39.1	3710	96.7	127	3.3	3836	28.9	1771	72	688	28	2459	18.5	6295	47.4	222	1.7	1572	11.8	13286	
2004-05	6481	99.6	29	0.4	6510	47.7	3980	98.1	76	1.9	4057	29.8	1753	64.8	950	35.2	2704	19.8	6760	49.6	159	1.2	205	1.5	13633	
2005-06	6826	99.2	53	0.8	6878	46.8	4678	97.5	119	2.5	4797	32.6	1953	69.3	866	30.7	2820	19.2	7616	51.8	147	1	67	0.5	14709	
2006-07	7503	99.2	64	0.8	7567	43.3	5221	96	220	4	5440	31.1	2777	70.4	1168	29.6	3944	22.5	9385	53.6	272	1.6	272	1.6	17495	
2007-08	7227	98.2	132	1.8	7360	35	6417	90.9	643	9.1	7060	33.6	3729	64.3	2068	35.7	5796	27.6	12856	61.2	351	1.7	433	2.1	20999	
2008-09	6962	97.4	185	2.6	7147	28.1	8284	90	924	10	9208	36.2	5551	67.5	2671	32.5	8222	32.3	17430	68.5	393	1.5	211	0.8	25430	
2009-10	9285	98.1	178	1.9	9463	32.6	9838	94.6	563	5.4	10401	35.8	5762	66.5	2907	33.5	8670	29.8	19071	65.6	406	1.4	110	0.4	29052	
2010-11	9937	97.7	234	2.3	10171	29.9	11922	93.8	785	6.2	12707	37.4	7078	68.4	3266	31.6	10344	30.5	23051	67.9	432	1.3	109	0.3	33967	
2011-12	10929	97.7	258	2.3	11187	28.1	14338	95.6	657	4.4	14995	37.7	8733	70.9	3581	29.1	12314	31	27308	68.7	661	1.7	389	1	39777	
2012-13	12423	97.3	351	2.7	12775	29	14977	92.6	1205	7.4	16182	36.7	10196	71.5	4066	28.5	14262	32.4	30444	69.1	642	1.5	218	0.5	44076	
2013-14	13689	96.7	470	3.3	14159	26.3	18722	91.6	1725	8.4	20446	38	12315	68.9	5562	31.1	17876	33.2	38323	71.2	892	1.7	464	0.9	53838	
2014-15	14529	97.4	390	2.6	14919	24.3	20964	90.2	2288	9.8	23253	37.8	14825	63.8	8396	36.2	23222	37.8	46474	75.6	817	1.3	358	0.6	61487	
2015-16	15059	97.3	425	2.7	15484	20.3	24643	89.4	2929	10.6	27572	36.2	18188	57	13737	43	31925	41.9	59497	78	916	1.2	337	0.4	76233	
2016-17	16714	97.8	374	2.2	17089	20.4	27600	90.2	3001	9.8	30601	36.5	19714	56.6	15096	43.4	34809	41.5	65411	77.9	1012	1.2	429	0.5	83941	
2017-18	20261	97.8	465	2.2	20726	21.9	29557	87.6	4201	12.4	33758	35.6	20757	55.8	16443	44.2	37200	39.2	70958	74.8	1263	1.3	475	0.5	94822	
2018-19	24053	97.1	730	2.9	24783	22.5	36427	88.9	4545	11.1	40972	37.2	23514	56.4	18207	43.6	41721	37.9	82693	75.2	1363	1.2	384	0.3	110009	
2019-20	28601	97.3	806	2.7	29407	24.4	43517	89.2	5264	10.8	48781	40.4	25586	64.3	14208	35.7	39794	33	88574	73.4	1434	1.2	470	0.4	120674	
2020-21	28271	97	868	3	29139	25.4	39901	89.8	4523	10.2	44424	38.7	25809	67.3	12558	32.7	38366	33.4	82791	72.1	1330	1.2	559	0.5	114857	
2021-22	32970	97.4	868	2.6	33839	25.3	47312	88.7	6002	11.3	53315	39.8	27792	63.7	15855	36.3	43647	32.6	96961	72.4	1513	1.1	986	0.7	133999	
2022-23	47321	96	1947	4	49268	29.6	52498	86	8563	14	61061	36.7	29603	56.4	22839	43.6	52443	31.5	113504	68.2	1584	1	1408	0.8	166513	
2023-24(RE)	44941	94.5	2591	5.5	47531	22.5	71656	86.9	10763	13.1	82419	39	44980	57.8	32799	42.2	77779	36.8	160198	75.7	1513	0.7	1655	0.8	211577	
2000-25(BE)	48482	93.9	3145	6.1	51627	22.2	72511	78.8	19517	21.2	92028	39.6	44304	52.2	40500	47.8	84804	36.5	176832	76.1	1626	0.7	1650	0.7	232234	

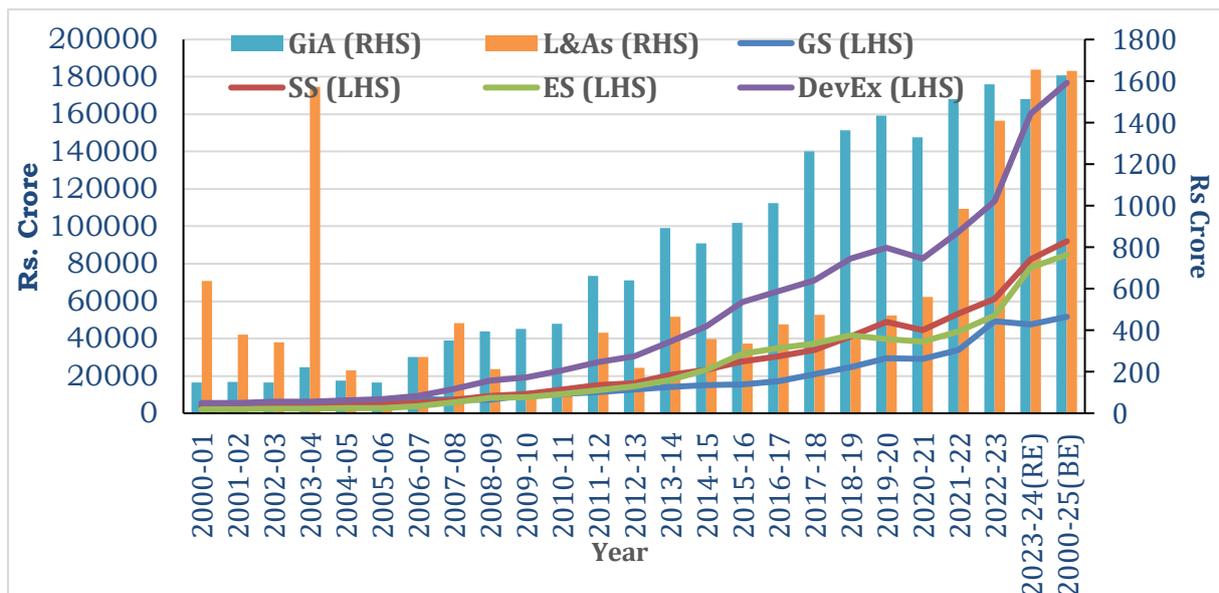
Source: Finance Accounts, Govt. of Odisha; Authors' Computation



The period between 2016-17 and 2022-23 was transformative for Odisha’s fiscal management. TotEx saw significant growth, reaching Rs. 83,941crore in 2016-17 and rising further to Rs. 1,66,513crore in 2022-23. Development expenditure comprised 41.5% of the budget in 2016-17 and grew consistently, supported by increasing allocations to social and economic services. By 2018-19, TotEx reached Rs. 1,10,008.5 crore, with development spending at Rs. 41,721crore, driven by a surge in economic services allocations. Capital spending within social services also gained prominence during this period highlighted critical infrastructure gaps in health and education.

The COVID-19 pandemic in 2020-21 disrupted expenditure trends, with TotEx contracted by 4.8% to Rs. 1,14,857.1 crore as fiscal priorities shifted towards immediate crisis management. RevEx dominated the budget, while development expenditure declined to Rs. 38,366crore. However, Odisha’s fiscal resilience was evident in 2021-22, with TotEx rebounding by 16.7% to Rs. 1,33,999crore, fuelled by renewed investments in infrastructure projects and increased capital spending in economic services. Social services also saw a rise in capital allocations during this recovery phase, signifying a return to balanced growth strategies.

Figure4.4: Trends in Functional Composition of Expenditure

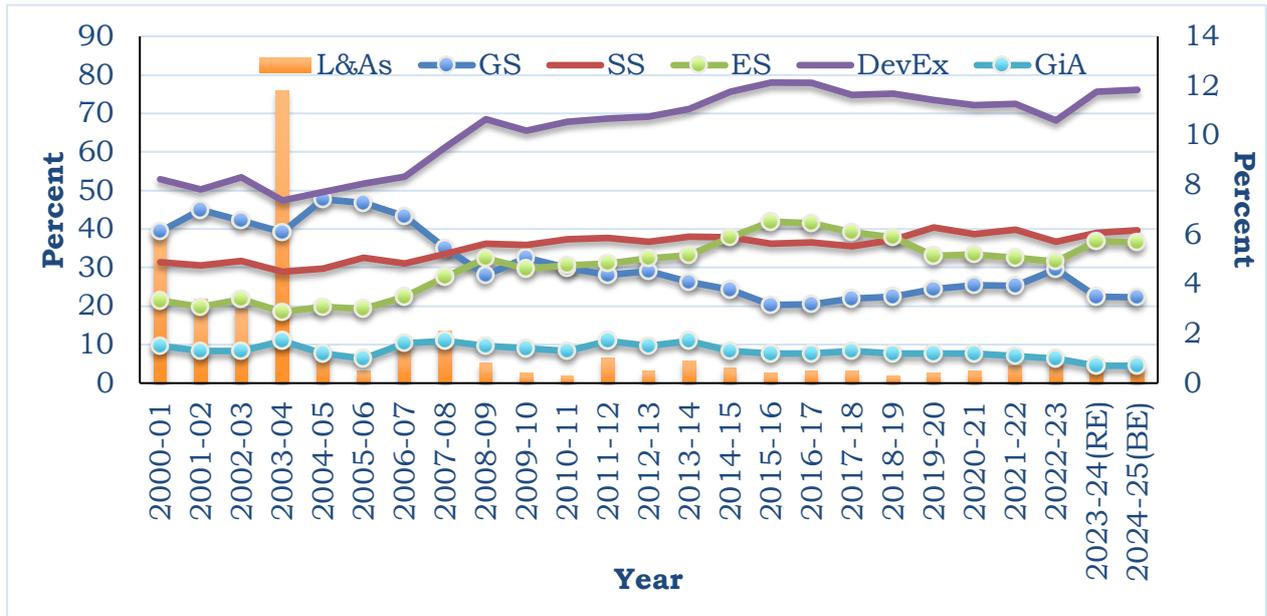


Source: Finance Accounts, Govt. of Odisha



By 2022-23, TotEx reached Rs. 1,66,513 crore, with development expenditure growing to Rs. 52,442.6 crore. Capital spending across social and economic services increased, highlighting the state’s focus on long-term welfare and infrastructure development. Economic services remained a key driver of growth, supported by strategic investments aimed at enhancing the state’s productive capacity.

Figure 4.5: Trends in Share of Components of TotEx (%)



Source: Finance Accounts, Govt. of Odisha

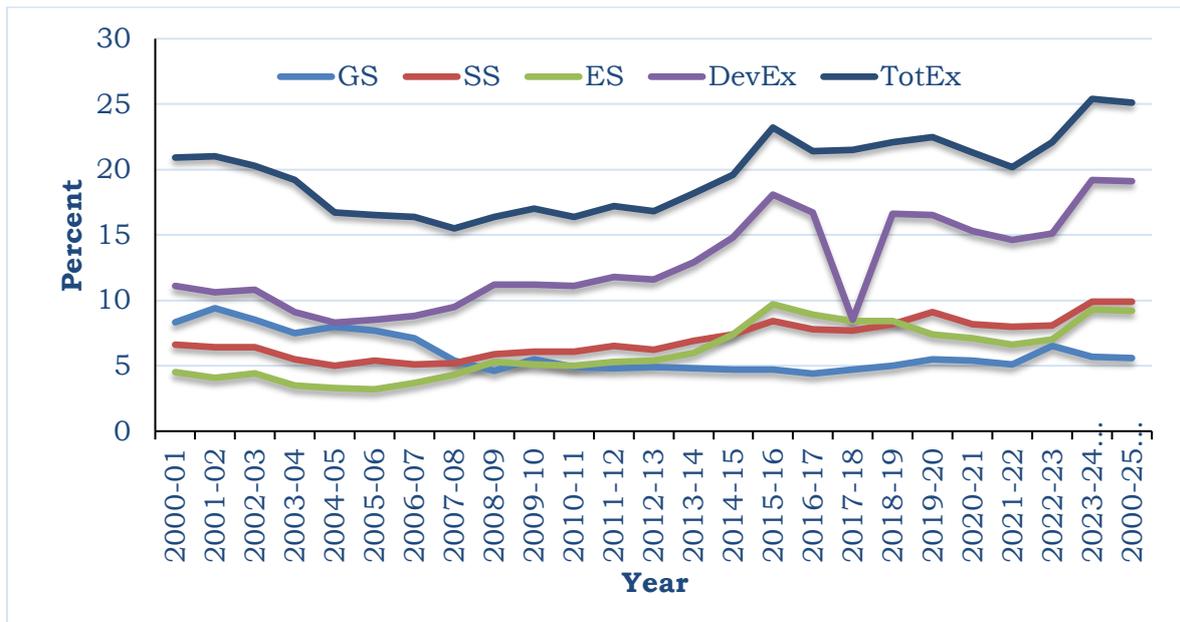


Table 4.4: Functional Composition of Expenditure %GSDP

Year	GS	SS	ES	DevEx	GiA	L&A	TotEx.
2000-01	8.3	6.6	4.5	11.1	0.3	1.3	20.9
2001-02	9.4	6.4	4.1	10.6	0.3	0.7	21.0
2002-03	8.5	6.4	4.4	10.8	0.3	0.6	20.3
2003-04	7.5	5.5	3.5	9.1	0.3	2.3	19.2
2004-05	8.0	5.0	3.3	8.3	0.2	0.3	16.7
2005-06	7.7	5.4	3.2	8.5	0.2	0.1	16.5
2006-07	7.1	5.1	3.7	8.8	0.3	0.3	16.4
2007-08	5.4	5.2	4.3	9.5	0.3	0.3	15.5
2008-09	4.6	5.9	5.3	11.2	0.3	0.1	16.4
2009-10	5.5	6.1	5.1	11.2	0.2	0.1	17.0
2010-11	4.9	6.1	5.0	11.1	0.2	0.1	16.4
2011-12	4.8	6.5	5.3	11.8	0.3	0.2	17.2
2012-13	4.9	6.2	5.4	11.6	0.2	0.1	16.8
2013-14	4.8	6.9	6.0	12.9	0.3	0.2	18.2
2014-15	4.7	7.4	7.4	14.8	0.3	0.1	19.6
2015-16	4.7	8.4	9.7	18.1	0.3	0.1	23.2
2016-17	4.4	7.8	8.9	96.4	0.3	0.1	21.4
2017-18	4.7	7.7	8.4	8.5	0.3	0.1	21.5
2018-19	5.0	8.2	8.4	16.6	0.3	0.1	22.1
2019-20	5.5	9.1	7.4	16.5	0.3	0.1	22.5
2020-21	5.4	8.2	7.1	15.3	0.2	0.1	21.3
2021-22	5.1	8.0	6.6	14.6	0.2	0.1	20.2
2022-23	6.5	8.1	7.0	15.1	0.2	0.2	22.1
2023-24(RE)	5.7	9.9	9.3	19.2	0.2	0.2	25.4
2000-25 (BE)	5.6	9.9	9.2	19.1	0.2	0.2	25.1

Source: Finance Accounts, Govt. of Odisha; Authors' computation

Figure 4.6: Functional Components of Expenditure % GSDP



Source: Finance Accounts, Govt. of Odisha; Authors' Computation



Odisha's expenditure trends from 2000-01 to 2022-23 underscore a progressive fiscal approach, balancing governance, developmental priorities, and economic aspirations. General services provided the necessary administrative stability, while increasing allocations to social and economic services reflected the state's commitment to human capital development and infrastructure-led growth. The growing share of CapEx, particularly in infrastructure and welfare sectors, signifies a long-term vision aimed at fostering sustainable and inclusive development.

4.4 Committed Expenditure

Committed expenditure, encompassing salary and wages, pensions, and interest payments, has played a pivotal role in Odisha's fiscal framework between 2000-01 and 2022-23 (Table-4.5). While these components are essential for administrative stability and debt servicing, they also constrain fiscal flexibility. Over this period, committed expenditure displayed substantial growth in absolute terms, increasing from Rs. 6,151 crore in 2000-01 to Rs. 49,868 crore in 2022-23. However, its share in revenue receipts (RR) decreased from 89.1% to 33.1%, reflecting improved revenue generation and fiscal management. The compound annual growth rate (CAGR) of total committed expenditure stood at 4.2%, with salaries growing at 4.4%, pensions at 9.1%, and interest payments witnessing a decline of -1.4%. This shift highlights Odisha's efforts to balance administrative requirements with developmental aspirations.

4.4.1 Salaries

The salary and wages component increased from Rs. 3,032 crore in 2000-01 to Rs. 25,771 crore in 2022-23, growing at a CAGR of 4.4%. Despite this rise, its share in RR declined from 43.9% to 17.1%, indicating a focus on fiscal discipline. Significant growth was observed in years like 2016-17, where salaries reached Rs. 15,035 crore (20.2% of RR), reflecting the impact of pay revisions. The subsequent years saw steady increases, with salaries growing to Rs. 19,399 crore (19.5% of RR) in 2018-19. By 2021-22, salaries surged to Rs. 23,456 crore (15.3% of RR), marking post-pandemic adjustments and



administrative expansion. In 2022-23, this component continued to grow, reaching Rs. 25,771crore, showcasing stable expansion within controlled proportions.

Table 4.5: Components of Committed Expenditure

Year	Salary & Wages	% RR	Pensions	% RR	Interest Payments	%RR	Total	% RR
2000-01	3032	43.9	832	12.1	2287	33.1	6151	89.1
2001-02	2975	42.2	1003	14.2	2835	40.2	6814	96.7
2002-03	3814	45.2	1030	12.2	2886	34.2	7730	91.6
2003-04	3903	41.3	1158	12.3	2860	30.3	7921	83.9
2004-05	3977	33.6	1260	10.6	3332	28.1	8569	72.3
2005-06	4002	28.4	1339	9.5	3697	26.2	9039	64.2
2006-07	4477	24.8	1485	8.2	3188	17.7	9150	50.7
2007-08	5501	25.0	1801	8.2	3170	14.4	10472	47.7
2008-09	6426	26.1	2075	8.4	2890	11.7	11391	46.3
2009-10	7828	29.6	3283	12.4	3044	11.5	14155	53.6
2010-11	8839	26.6	4011	12.1	3062	9.2	15912	47.8
2011-12	8746	21.7	4741	11.8	2576	6.4	16063	39.9
2012-13	9612	21.9	5380	12.2	2807	6.4	17799	40.5
2013-14	10713	21.9	5935	12.1	2888	5.9	19536	39.9
2014-15	12553	22.0	6416	11.3	2810	4.9	21779	38.2
2015-16	14188	20.6	6346	9.2	3343	4.8	23877	34.6
2016-17	15035	20.2	6843	9.2	4035	5.4	25913	34.9
2017-18	17527	20.6	8693	10.2	4988	5.9	31208	36.6
2018-19	19399	19.5	10520	10.6	5800	5.8	35719	35.9
2019-20	20683	20.4	14273	14.1	6063	6.0	41019	40.4
2020-21	21003	20.1	13629	13.1	6644	6.4	41275	39.5
2021-22	23456	15.3	16459	10.8	6342	4.1	46258	30.2
2022-23	25771	17.1	18596	12.4	5502	3.7	49868	33.1
2023-24(RE)	30290	16.3	19980	10.8	6724	3.6	56994	30.7
2024-25(BE)	34527	16.9	21940	10.8	7566	3.7	64033	31.4
CAGR 2000-01 to 2022-23 Base 2011-12		4.4		9.1		-1.4		4.2
CAGR 2016-17- to 2022-23 Base 2011-12		3.5		11.8		-0.3		5.5

Source: Finance Accounts, Govt. of Odisha.

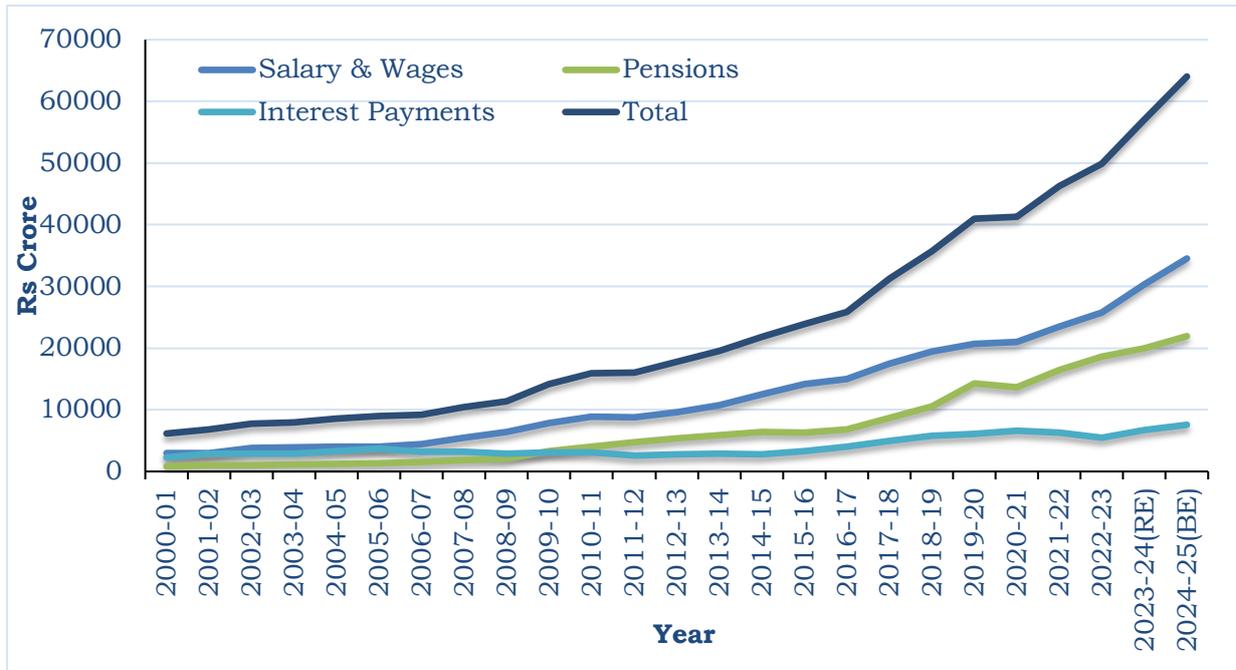
4.4.2 Interest Payments

Interest payments, the third component of committed expenditure, grew modestly from Rs. 2,287crore in 2000-01 to Rs. 5,502crore in 2022-23, reflecting a negative CAGR of -1.4%. Its share in RR fell significantly from 33.1% to 3.7% during this period, indicative of improved debt management and favourable borrowing conditions. Notable years include 2016-17, where



interest payments stood at Rs. 4,035 crore (5.4% of RR), reflecting stable debt servicing. By 2019-20, this figure increased to Rs. 6,063 crore but declined marginally in 2022-23 to Rs. 5,502 crore. This trend highlights the state’s focus on reducing debt servicing burdens while maintaining fiscal stability.

Figure 4.7: Trends in Committed Expenditure



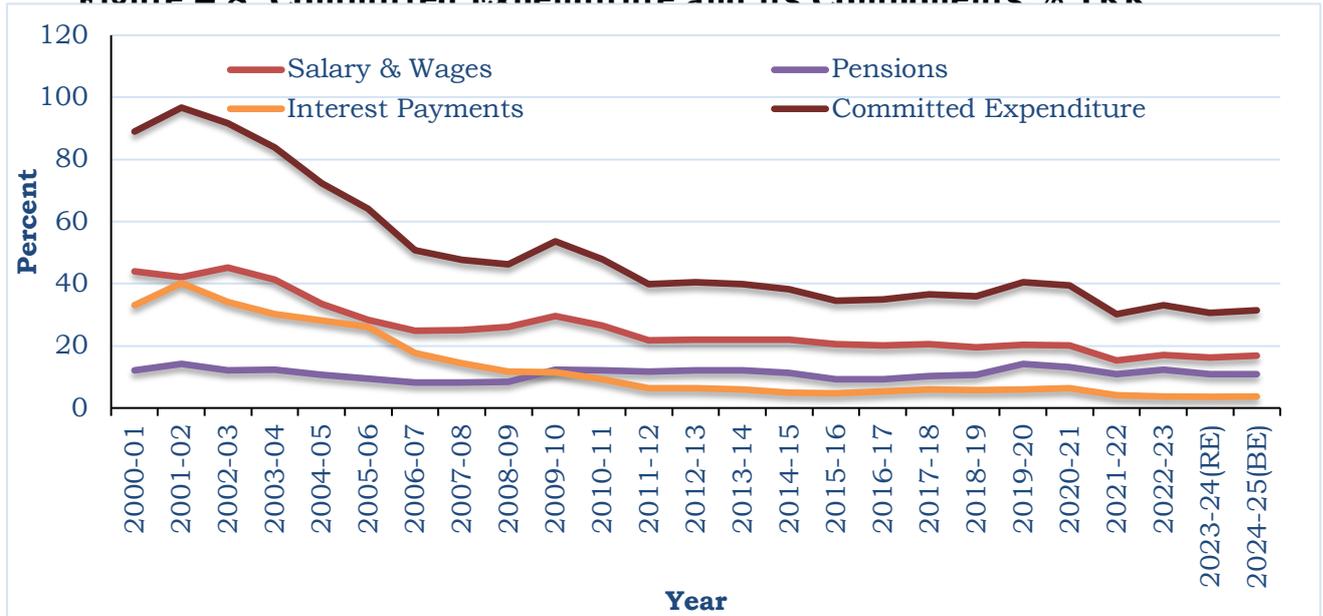
Source: Finance Accounts, Govt. of Odisha.

4.4.3 Pensions

Pension expenditure grew at the fastest pace among committed expenditure components, with a CAGR of 9.1%, rising from Rs. 832 crore in 2000-01 to Rs. 18,596 crore in 2022-23. Its share of RR varied, peaking at 14.1% in 2019-20 due to an aging workforce and increased benefits, before stabilizing at 12.4% in 2022-23. Key years such as 2016-17 saw pension payments at Rs. 6,843 crore (9.2% of RR), which grew to Rs. 14,273 crore in 2019-20, reflecting the cumulative impact of policy changes and a growing retiree base. By 2021-22, pensions rose further to Rs. 16,459 crore (10.8% of RR), as the state addressed welfare needs amidst economic recovery. In 2022-23, the figure reached Rs. 18,596 crore, underscoring a persistent upward trend driven by demographic and policy factors.



Figure 4.8: Committed Expenditure and its Components % TRP



Source: Finance Accounts, Govt. of Odisha.

4.5 Efficiency of Public Spending

The analysis of public expenditure efficiency often examines two primary dimensions: allocative efficiency and technical efficiency. Allocative efficiency refers to the optimal distribution of resources across different categories of public expenditure to maximize societal welfare. On the other hand, technical efficiency pertains to achieving the maximum possible output or outcome from a given level of resources within specific areas of expenditure (Mundle and Rao, 1997). The former can be said as allocative efficiency and latter can be said as technical efficiency. Evaluating these dimensions provides insights into how effectively public funds are being utilized to meet developmental goals and address pressing societal needs. This assessment becomes particularly crucial when examining shifts in expenditure patterns over time.

4.5.1 Measures for Allocative Efficiency

The efficiency of resource allocation among different lines of activity can be assessed through the share of different types of expenditure with respect to total public spending. Between 2016-17 and 2022-23, there were significant shifts in the functional composition of public expenditure in Odisha. One of the notable trends was the decline in the share of general services, which



include critical components such as interest payments, administrative services, and pensions. The share of general services in total public spending decreased from 20.4% in 2016-17 to 6.5% of GSDP in 2022-23, indicating improved fiscal management and a shift towards developmental priorities. A particularly noteworthy trend within this category was the consistent decline in interest payments, which indicated fiscal discipline and effective debt management. Lower interest payments imply that more fiscal space was available for development-oriented expenditures, enabling the state to prioritize growth-enhancing sectors.

Concurrently, the share of social services in TotEx showed a significant increase, highlighting a strategic reallocation of resources towards sectors that directly impact human development and welfare. Social services encompass critical areas such as education, health, water supply, sanitation, housing, and welfare programs targeting marginalized communities. In 2016-17, these services accounted for 36.5% of TotEx. By 2022-23 their share rose to 31.3%, underlining a growing commitment to addressing social inequities and improving quality of life. Education remained a dominant sub-sector within social services, with its share fluctuating between 14.5% in 2016-17 and 15.1% in 2022-23. Although this reflects sustained investment in education, the allocation remains below the recommended 6% of GSDP, a benchmark proposed by several national policy documents.



Table 4.6: Functional Composition of Major Heads % Total Govt. Expenditure

Year	General Services		Social Services							Economic Services						
	Total	Interest Payments	Total	Education, Sports, Art and Culture	Health and Family Welfare	Water supply & Sanitation	Housing and Urban Development	Welfare of SC, ST & OBC	Others	Total	Agriculture and Allied	Rural Development	Irrigation	Industry	Transport	Others
2000-01	39.4	22.2	31.4	17.1	4.5	2.1	0.9	0.5	6.4	21.5	5.6	4.0	5.9	1.0	2.8	2.2
2001-02	44.9	25.4	30.6	15.7	4.0	2.3	1.0	0.4	7.1	19.7	4.5	4.0	5.4	0.9	2.2	2.6
2002-03	42.2	25.2	31.7	16.6	4.4	2.2	1.2	0.5	6.8	21.8	4.9	4.1	5.8	0.4	4.0	2.6
2003-04	39.1	21.5	28.9	14.3	3.8	1.9	0.8	0.4	7.7	18.5	5.3	3.5	4.1	0.4	2.5	2.8
2004-05	47.7	24.4	29.8	14.7	4.6	2.0	0.8	0.3	7.3	19.8	4.3	3.4	4.8	0.3	3.7	3.2
2005-06	46.8	25.1	32.6	15.7	3.2	2.6	1.1	2.5	7.5	19.2	4.2	3.5	4.5	0.5	3.6	2.9
2006-07	43.3	18.2	31.1	14.2	3.5	2.2	1.0	2.5	7.7	22.5	4.1	3.5	5.1	0.6	5.5	3.8
2007-08	35.0	15.1	33.6	15.6	3.6	3.8	2.2	1.5	7.1	27.6	4.5	4.1	8.1	0.8	6.3	3.9
2008-09	28.1	11.4	36.2	17.7	3.7	3.9	1.5	0.9	8.6	32.3	7.5	4.8	7.2	0.7	7.4	4.8
2009-10	32.6	10.5	35.8	19.1	4.0	2.3	1.7	2.9	5.8	29.8	7.9	4.1	6.2	1.8	6.5	3.5
2010-11	29.9	9.0	37.4	19.5	3.7	1.7	1.6	3.6	7.4	30.5	8.4	4.4	6.1	0.8	6.9	3.8
2011-12	28.1	6.5	37.7	17.4	3.4	1.6	1.1	3.2	10.9	31.0	8.3	4.6	5.6	0.6	6.1	5.7
2012-13	29.0	6.4	36.7	16.6	4.0	1.8	1.6	3.8	9.0	32.4	9.4	4.9	5.8	0.6	7.0	4.6
2013-14	26.3	5.4	38.0	15.7	3.6	2.4	2.0	3.3	11.0	33.2	9.0	5.5	5.3	0.6	7.3	5.5
2014-15	24.3	4.6	37.8	16.6	5.2	2.6	1.9	3.0	8.6	37.8	9.4	7.2	5.5	0.6	10.5	4.6
2015-16	20.3	4.4	36.2	15.2	4.8	3.5	1.9	3.2	7.6	41.9	8.1	9.7	6.2	0.6	12.3	4.9
2016-17	20.4	4.8	36.5	14.5	5.6	3.8	2.0	2.9	7.5	41.5	8.0	9.5	7.4	0.6	10.4	5.5
2017-18	21.9	5.3	35.6	15.3	5.2	3.5	2.7	2.9	6.0	39.2	6.2	9.5	7.7	0.7	9.9	5.1
2018-19	22.5	5.3	37.2	15.5	5.2	4.6	2.4	2.8	6.7	37.9	7.3	10.2	5.4	0.7	9.9	4.4
2019-20	24.4	5.0	40.4	14.9	5.1	5.9	2.8	2.2	9.6	33.0	9.3	8.4	3.9	0.6	6.9	3.9
2020-21	25.4	5.8	38.7	15.5	6.9	3.9	2.7	2.1	7.6	33.4	7.7	9.9	3.2	0.7	7.8	4.1
2021-22	25.3	4.7	39.8	14.7	7.8	5.2	2.4	2.2	7.5	32.6	7.5	7.9	4.5	0.9	6.9	4.9
2022-23	29.6	3.3	36.7	15.1	7.4	3.5	2.8	2.0	6.0	31.5	6.7	6.1	5.2	1.0	8.1	4.3
2023-24(RE)	22.5	3.2	39.0	14.1	7.7	4.5	3.4	2.1	7.1	36.8	6.7	7.5	6.0	1.3	8.6	6.7
2024-25(BE)	22.2	3.3	39.6	13.2	8.6	4.9	3.6	2.2	7.0	36.5	6.2	5.6	5.1	1.3	9.6	8.7

Source: Finance Accounts, Govt. of Odisha; Authors' Computation



Health, another vital component of social services, experienced notable growth during this period. Its share in TotEx, which was below 4% for much of the period, increased to 5.2% in 2021-22. This improvement is significant in light of the COVID-19 pandemic, which underscored the importance of robust healthcare systems. However, Odisha's health expenditure, at 1.6% of GSDP in 2022-23, still falls short of the target set by the National Health Policy of 2017, which recommends allocating at least 2.5% of GDP to health. Similarly, investments in water supply and sanitation, which are critical for public health and environmental sustainability, peaked at 4.6% in 2018-19, reflecting efforts to improve access to clean water and sanitation facilities.

Economic services, which are pivotal for driving economic growth and development, also witnessed a significant reallocation of resources. The share of economic services in TotEx increased from 41.5% in 2016-17 to 36.8% in 2022-23. Within this category, sub-sectors such as agriculture, rural development, irrigation, and transport infrastructure received considerable attention. Agriculture and allied activities, essential for rural livelihoods and food security, consistently received higher allocations. Similarly, rural development expenditure, which was 9.5% of TotEx in 2016-17, rose to 10.2% in 2018-19, reflecting a focus on poverty reduction and rural prosperity. Investments in irrigation and transport infrastructure were also significant, supporting both agricultural productivity and connectivity, thereby enhancing overall economic efficiency.



Table 4.7: Major Heads of Functional Govt. Expenditure as a % of GSDP

Year	General Services		Social Services							Economic Services						
	Total	Interest Payments	Total	Education, Sports Art and Culture	Health and Family Welfare	Water supply & Sanitation	Housing and Urban Development	Welfare of SC, ST& OBC	Others	Total	Agriculture and Allied	Rural Development	Irrigation	Industry	Transport	Others
2000-01	8.3	4.6	6.6	3.6	0.9	0.4	0.2	0.1	1.3	4.5	1.2	0.8	1.2	0.2	0.6	0.5
2001-02	9.4	5.3	6.4	3.3	0.8	0.5	0.2	0.1	1.5	4.1	1.0	0.8	1.1	0.2	0.5	0.6
2002-03	8.5	5.1	6.4	3.4	0.9	0.4	0.2	0.1	1.4	4.4	1.0	0.8	1.2	0.1	0.8	0.5
2003-04	7.5	4.1	5.5	2.7	0.7	0.4	0.2	0.1	1.5	3.5	1.0	0.7	0.8	0.1	0.5	0.5
2004-05	8.0	4.1	5.0	2.5	0.8	0.3	0.1	0.0	1.2	3.3	0.7	0.6	0.8	0.1	0.6	0.5
2005-06	7.7	4.1	5.4	2.6	0.5	0.4	0.2	0.4	1.2	3.2	0.7	0.6	0.7	0.1	0.6	0.5
2006-07	7.1	3.0	5.1	2.3	0.6	0.4	0.2	0.4	1.3	3.7	0.7	0.6	0.8	0.1	0.9	0.6
2007-08	5.4	2.3	5.2	2.4	0.6	0.6	0.3	0.2	1.1	4.3	0.7	0.6	1.3	0.1	1.0	0.6
2008-09	4.6	1.9	5.9	2.9	0.6	0.6	0.2	0.1	1.4	5.3	1.2	0.8	1.2	0.1	1.2	0.8
2009-10	5.5	1.8	6.1	3.3	0.7	0.4	0.3	0.5	1.0	5.1	1.3	0.7	1.1	0.3	1.1	0.6
2010-11	4.9	1.5	6.1	3.2	0.6	0.3	0.3	0.6	1.2	5.0	1.4	0.7	1.0	0.1	1.1	0.6
2011-12	4.8	1.1	6.5	3.0	0.6	0.3	0.2	0.6	1.9	5.3	1.4	0.8	1.0	0.1	1.1	1.0
2012-13	4.9	1.1	6.2	2.8	0.7	0.3	0.3	0.6	1.5	5.4	1.6	0.8	1.0	0.1	1.2	0.8
2013-14	4.8	1.0	6.9	2.8	0.7	0.4	0.4	0.6	2.0	6.0	1.6	1.0	1.0	0.1	1.3	1.0
2014-15	4.7	0.9	7.4	3.2	1.0	0.5	0.4	0.6	1.7	7.4	1.8	1.4	1.1	0.1	2.1	0.9
2015-16	4.7	1.0	8.4	3.5	1.1	0.8	0.4	0.7	1.8	9.7	1.9	2.3	1.4	0.1	2.9	1.1
2016-17	4.4	1.0	7.8	3.1	1.2	0.8	0.4	0.6	1.6	8.9	1.7	2.0	1.6	0.1	2.2	1.2
2017-18	4.7	1.1	7.7	3.3	1.1	0.8	0.6	0.6	1.3	8.4	1.3	2.0	1.7	0.2	2.1	1.1
2018-19	5.0	1.2	8.2	3.4	1.1	1.0	0.5	0.6	1.5	8.4	1.6	2.2	1.2	0.2	2.2	1.0
2019-20	5.5	1.1	9.1	3.3	1.2	1.3	0.6	0.5	2.2	7.4	2.1	1.9	0.9	0.1	1.6	0.9
2020-21	5.4	1.2	8.2	3.3	1.5	0.8	0.6	0.4	1.6	7.1	1.6	2.1	0.7	0.1	1.7	0.9
2021-22	5.1	1.0	8.0	3.0	1.6	1.1	0.5	0.4	1.5	6.6	1.5	1.6	0.9	0.2	1.4	1.0
2022-23	6.5	0.7	8.1	3.3	1.6	0.8	0.6	0.4	1.3	7.0	1.5	1.4	1.2	0.2	1.8	0.9
2023-24(RE)	5.7	0.8	9.9	3.6	2.0	1.1	0.9	0.5	1.8	9.3	1.7	1.9	1.5	0.3	2.2	1.7
2024-25(BE)	5.6	0.8	9.9	3.3	2.2	1.2	0.9	0.6	1.8	9.2	1.6	1.4	1.3	0.3	2.4	2.2

Source: Finance Accounts, Govt. of Odisha; Authors' Own Computation



When measured as a percentage of GSDP, the allocations for social services showed a gradual improvement, rising from 7.8% in 2016-17 to 8.1% in 2022-23. Despite these gains, the combined expenditure on education and health remained insufficient compared to the recommended levels. In 2022-23, Odisha allocated only 3.3% of GSDP to education and 1.6% to health, falling short of the benchmarks of 6% and 2.5%, respectively. These gaps highlight the need for greater prioritization of human capital development, which is essential for achieving sustainable and inclusive growth.

The decline in the share of general services, coupled with the increased allocation for social and economic services, indicates a conscious effort by the government to reallocate resources towards sectors with a higher developmental impact. This strategic shift aligns with broader objectives of fostering long-term economic growth, enhancing social equity, and improving human development indices. However, the underinvestment in critical areas such as health, education, and irrigation underscores the need for further fine-tuning of expenditure priorities. Addressing these gaps will be crucial for overcoming structural deficiencies, promoting inclusive development, and ensuring that the benefits of growth are equitably shared across all sections of society.

4.5.2 Measures for Technical Efficiency

An important aspect of public expenditure efficiency relates to the efficiency within individual items of public spending or technical efficiency. This aspect can be analyzed through the cost recovery in the public provision of various goods and services(Table-4.8). The cost recovery trends for Odisha from 2000-01 to 2022-23 reveal a significant shift in the fiscal dynamics of social and economic services. The state's approach primarily focuses on public welfare, with minimal cost recovery in critical sectors, and fluctuations in revenue performance underline the challenges of balancing subsidies and operational costs.



The analysis of Odisha's cost recovery from 2000–01 to 2024–25 reveals a clear divergence in the technical efficiency of Social Services and Economic Services. Cost recovery, defined as receipts as a percentage of revenue expenditure, serves as a proxy for how effectively public services are able to finance themselves through user charges, tariffs, or other forms of departmental revenue.

In the case of Social Services—comprising education, health, housing, water supply, sanitation, and welfare—the cost recovery has remained consistently low over the 25-year period. It ranged between 0.5% and 2.2%, with the highest recovery recorded in 2005–06. In recent years, even as public spending on social sectors has grown substantially, cost recovery has remained marginal, averaging under 1%. This trend underscores the state's welfare-oriented approach, where services are intentionally subsidized to promote accessibility and inclusion. However, from a technical efficiency perspective, the persistently low and declining recovery ratios suggest limited improvement in financial discipline or monetization mechanisms. There appears to be little progress in implementing or revising user charges, improving billing systems, or recovering operational costs. Thus, while this pattern reflects social equity goals, it also points to chronic under-recovery and a reliance on budgetary support rather than sustainable financing.

In contrast, Economic Services—covering sectors such as mining, power, irrigation, transport, and industry—show a markedly different trajectory. Cost recovery for ES began in the range of 30–50% during the early 2000s, reflecting moderate technical efficiency. Over time, especially after 2020–21, there has been a dramatic improvement. The cost recovery ratio jumped from 58.2% in 2020–21 to 183.4% in 2021–22, indicating that receipts not only covered the entire expenditure but generated a surplus. This surplus recovery has persisted, with the cost recovery for Economic Services staying well above 100% through 2024–25. The primary drivers of this shift include substantial mining royalties, improved efficiency in the power sector, and better pricing and collection practices in irrigation and other infrastructure services. This improvement reflects a significant strengthening of fiscal technical efficiency, likely supported by better governance, enhanced valuation of natural



resources, and more disciplined financial management within revenue-generating departments.

Table 4.8: Cost Recovery of Social and Economic Services(Ratio of Non-Tax Revenue to Revenue Expenditure) (in %)

Year	Social Services	Economic Services
2000-01	2.0	32.8
2001-02	2.2	33.7
2002-03	2.2	37.3
2003-04	1.7	37.9
2004-05	1.8	47.7
2005-06	2.2	48.6
2006-07	2.0	42.3
2007-08	1.9	35.5
2008-09	1.4	30.0
2009-10	1.1	39.7
2010-11	1.1	52.8
2011-12	1.0	59.8
2012-13	1.3	62.5
2013-14	1.1	50.3
2014-15	0.7	41.8
2015-16	0.9	38.3
2016-17	0.8	31.8
2017-18	0.7	34.4
2018-19	0.6	48.6
2019-20	0.5	46.9
2020-21	0.6	58.2
2021-22	0.5	183.4
2022-23	0.6	132.8
2023-24 (RE)	1.0	106.0
2024-25 (BE)	0.9	115.3

Source: Finance Accounts, Govt. of Odisha.

The contrast between SS and ES points to a dual structure in Odisha's public finance scenario. While Social Services continue to prioritize coverage and accessibility over revenue generation, Economic Services have transitioned toward financially self-sustaining operations. From a policy standpoint, this creates both opportunities and challenges. The strong performance in Economic Services can offer fiscal space to continue subsidizing critical Social Services. However, improving cost recovery in Social Services—without compromising access—could help ease pressure on the state budget and encourage greater accountability in service delivery.



4.6. Benchmark on expenditure

Odisha has consistently performed well in terms of RevEx as a percentage of its GSDP, reflecting its focus on public welfare and infrastructure development. In 2010-11, Odisha spent 14.9% of its GSDP on RevEx, ranking 7th among Indian states (Table-4.9). By 2015-16, this figure increased to 17.8%, pushing Odisha to 4th place. Although it dipped slightly to 17.2% in 2022-23, Odisha maintained an impressive 3rd rank, showcasing its commitment to ensuring robust public spending.

When compared to other states, Odisha's performance is particularly commendable. Bihar, for instance, consistently led the rankings, increasing its RevEx from 18.8% in 2010-11 to 24.6% in 2022-23. Similarly, Chhattisgarh rose from 16.2% to 18.4% during the same period, securing the 2nd position. These states, along with Odisha, highlight the critical role of public spending in addressing developmental challenges. In contrast, developed states like Gujarat and Maharashtra followed a different trajectory. Gujarat's RevEx fell from 11.0% in 2010-11 to 8.1% in 2022-23, ranking 17th, while Maharashtra increased modestly from 10.1% to 11.2%, ranking 14th. This indicates a greater reliance on private sector-led growth and capital investments in these states.

Other states showed varied trends. Rajasthan improved from 13.3% to 16.7%, moving from 11th to 6th place between 2010-11 and 2022-23. Punjab also progressed steadily, ranking 5th in 2022-23 with 16.7% of GSDP allocated to RevEx. Uttar Pradesh consistently ranked in the top 10, demonstrating a significant commitment to public spending despite its vast population and resource constraints. Odisha's sustained focus on public services while maintaining fiscal discipline sets it apart. It ensures that essential services like healthcare, education, and welfare remain priorities while fostering steady economic growth.

**Table 4.9: Benchmark on RevEx**

State	RevEx% GSDP (2010-11)	Rank (2010-11)	RevEx % GSDP (2015-16)	Rank (2015-16)	RevEx % GSDP (2022-23)	Rank (2022- 23)
Andhra Pradesh	24.6	1	15.7	7	16.1	8
Bihar	18.8	2	21.9	1	24.6	1
Chhattisgarh	16.2	5	16.8	5	18.4	2
Goa	14.2	9	15.5	8	16.7	4
Gujarat	11.0	15	9.3	17	8.1	17
Haryana	10.9	16	12.2	13	10.8	15
Jharkhand	15.9	6	15.8	6	16.0	10
Karnataka	13.2	12	11.6	15	9.5	16
Kerala	13.1	13	14.1	10	13.9	12
Madhya Pradesh	17.1	4	18.8	3	16.0	9
Maharashtra	10.1	17	9.5	16	11.2	14
Odisha	14.9	7	17.8	4	17.2	3
Punjab	14.5	8	12.8	12	16.7	5
Rajasthan	13.3	11	15.5	9	16.7	6
Tamil Nadu	12.5	14	12.1	14	11.7	13
Uttar Pradesh	17.9	3	19.0	2	16.6	7
West Bengal	14.0	10	12.9	11	14.5	11

Sources: Finance account, Govt. of Odisha; Reserve Bank of India

Odisha's consistent performance underscores the importance of public spending as a tool for socio-economic development. By maintaining a high level of expenditure relative to its GSDP, Odisha has enhanced the quality of life for its citizens and built a strong foundation for future growth. This balanced approach serves as a model for states looking to align developmental goals with fiscal responsibility.

4.7 Fall out of Fiscal Consolidation on Public Service Delivery

The Odisha government has prioritized fiscal consolidation to control the state's revenue deficit, focusing on expenditure reduction due to limited short-term revenue generation potential. However, this focus on cutting both revenue and CapExs has adversely impacted the delivery of essential public services like health, education, and administration. One of the critical outcomes has been a significant shortage of manpower, with nearly 22.56% of sanctioned posts across various departments lying vacant. Departments such as higher education, health, and industries have particularly high vacancy rates, which affects service delivery and policy implementation.



In higher education, around half of the sanctioned teaching posts remain unfilled, leading to many colleges and university departments being run by single or ad-hoc faculty members. This shortage restricts the academic offerings and affects access to central grants under schemes like the UGC's Special Assistance Programme. Similarly, in the health and family welfare sector, nearly 30% of sanctioned posts remain unoccupied, straining the healthcare delivery system.

The government's policy of hiring contractual employees in many sectors has led to further challenges. Teachers in elementary and high schools are hired on contracts with significantly low starting salaries, often lower than wages for manual labor. This results in diminished motivation among educators, many of whom take up additional work to supplement their incomes, adversely affecting the quality of education in the state.

Efforts to address these issues include enhanced budgetary allocations in critical areas for 2024-25. For instance, Rs. 175crore has been allocated for infrastructure development in engineering and technological institutions, and Rs. 5,015crore for women and child-centric programs. However, the challenge of ensuring effective service delivery remains, as the recruitment and retention of skilled personnel need urgent attention. Initiatives like the Odisha State Employment Mission aim to address skill gaps, but a more systemic approach to filling vacancies and improving salary structures is crucial for long-term impact.

The state's fiscal management strategy reflects a delicate balance between achieving financial stability and maintaining public service quality. More robust reforms in resource allocation and personnel management could improve outcomes across sectors. For a detailed breakdown of the fiscal strategy and sector-specific allocations, refer to the Odisha budget documents and insights from recent analyses.



4.8 Recent Steps towards Efficient Fiscal Management

The Odisha government has continued to refine its fiscal management strategies for the fiscal year 2024-25, focusing on improving the efficiency, transparency, and impact of public spending. With an emphasis on outcome-based budgeting, the state aims to ensure that financial outlays directly translate into tangible and measurable results across various departments. The adoption of digital tools, such as the Budget Execution Technique Automation (BETA) system, has significantly enhanced real-time tracking and monitoring of expenditure outcomes, fostering accountability and better resource utilization.

A critical component of Odisha's strategy is its cash management system, implemented in 15 departments. This system ensures timely spending of allocated funds, reducing delays and optimizing fiscal discipline. Additionally, the annual maintenance plans have been updated to include technology-driven processes, improving the operational productivity and lifespan of infrastructure investments, such as roads and public buildings.

The 2024-25 budget also underscores a commitment to capital creation, with a capital outlay of Rs. 58,195crore—a 26% increase over the previous year. This is complemented by a sharp rise in subsidy allocations, particularly under the Samrudha Krushak Yojana, which received Rs. 5,000crore to boost agricultural productivity. Other sectors, including energy, education, and rural development, have seen increased allocations aimed at achieving physical and financial targets.

Despite these advancements, challenges remain in meeting physical targets in key sectors, as highlighted in reports by the Comptroller and Auditor General (CAG) and the Odisha government. For instance, projects under the Odisha State Road Project achieved only 32% of their physical targets despite significant financial investments. Similarly, rural development programs like the Mukhya Mantri Sadak Yojana and construction projects for Bailey bridges struggled with physical completion rates of approximately 40%. Such gaps



indicate the need for stronger implementation mechanisms and on-ground monitoring.

Thus, Odisha's 2024-25 fiscal policies reflect a robust framework for enhancing public spending efficiency, achieving better physical outcomes will require sustained efforts in program execution. The integration of technology and increased allocations to critical sectors signal progress, but continuous performance evaluations and interventions remain vital to fully realize the intended development outcomes.

4.9 Projections

Projections of Revenue Capital and Total Expenditure have been carried out in accordance to Annexure 8, 9 and 10. The summarised results are given in Table 4.10 and 4.11

Table 4.10: Projected RevEx, CapEx, TotEx in Constant Prices

Year	RevEx	Growth Rates %	CapEx	Growth Rates %	TotEx	Growth Rates %	GSDP	Growth Rates %
2023	88398	9.4	33203	8.9	121601	9.3	520911	8.4
2024	96211	8.8	36290	9.3	132501	9.0	561799	7.8
2025	104402	8.5	39779	9.6	144181	8.8	604526	7.6
2026	113097	8.3	43709	9.9	156805	8.8	649722	7.5
2027	122394	8.2	48108	10.1	170502	8.7	697809	7.4
2028	132376	8.2	53029	10.2	185405	8.7	749079	7.3
2029	143143	8.1	58519	10.4	201662	8.8	803956	7.3
2030	154740	8.1	64634	10.5	219374	8.8	862767	7.3

Source: Annexure 10

Table 4.11: Projected RevEx, CapEx, TotEx in Current Prices

Year	RevEx	% TotEx	% GSDP	CapEx	% TotEx	% GSDP	TotEx	% GSDP	GSDP
2023	144841	72.7	17.0	54404	27.3	6.4	199245	23.3	853524
2024	163950	72.6	17.1	61841	27.4	6.5	225790	23.6	957341
2025	185023	72.4	17.3	70498	27.6	6.6	255521	23.9	1071356
2026	208450	72.1	17.4	80560	27.9	6.7	289010	24.1	1197512
2027	234609	71.8	17.5	92215	28.2	6.9	326824	24.4	1337586
2028	263893	71.4	17.7	105715	28.6	7.1	369607	24.8	1493299
2029	296772	71.0	17.8	121324	29.0	7.3	418096	25.1	1666804
2030	333647	70.5	17.9	139363	29.5	7.5	473011	25.4	1860283

Source: Annexure 10

The projected growth rates for RevEx exhibits that it will grow at an annual rate ranging from approximately 8.1% to 9.4%, reflecting consistent fiscal expansion. CapEx demonstrates a higher growth trajectory, with rates escalating from 8.9% to a peak of 10.5%, underscoring the government's increasing investment focus. Consequently, TotEx is projected to grow steadily at rates between 8.7% and 9.3%.



Further RevEx consistently accounts for approximately 70-73% of TotEx, with its share of GSDP remaining stable at around 17-18%. In contrast, CapEx exhibits a rising share of TotEx, increasing from approximately 27% to nearly 30%, reflecting a strategic emphasis on developmental expenditure. CapEx's proportion of GSDP also grows from 6.4% to 7.5% over the period. TotEx as a percentage of GSDP increases modestly from 23.3% to 25.4%, demonstrating the government's sustained fiscal commitment in proportion to economic growth.

These projections emphasise the state's balanced approach, with RevEx maintaining fiscal stability and CapEx driving infrastructure and development priorities, along a steady economic growth path.

4.10 Suggestions for Improving Efficiency in Public Spending

The following recommendations, if implemented, can significantly enhance the efficiency of public spending in Odisha, fostering sustainable economic growth and improved living standards for its citizens.

4.10.1 Enhance Allocative Efficiency

Allocative efficiency refers to the optimal distribution of resources across different sectors to maximize societal benefits. To achieve this, Odisha must prioritize expenditures in critical areas such as health, education, and infrastructure, where the return on investment in terms of economic growth and human development is substantial. For example, despite education accounting for 15.1% of TotEx in 2022-23, it remains below the recommended 6% of GSDP, as proposed by the National Education Policy. Similarly, health expenditure, at 1.6% of GSDP in 2022-23, lags behind the National Health Policy's recommendation of 2.5%.

4.10.2 Increase Focus on Capital Expenditure

CapEx, which drives infrastructure development and long-term asset creation, has grown but remains an area for further enhancement. It rose to Rs. 33,349crore in 2022-23, constituting 20% of TotEx. Increasing this share,



especially in infrastructure-heavy sectors such as transport and irrigation, would enhance economic productivity and create multiplier effects across the economy.

4.10.3 Strengthen Expenditure in Social Sectors

Investment in social services is crucial for improving human development indicators. Social services expenditure grew to Rs. 61,061 crore in 2022-23, accounting for 36.7% of total spending. However, targeted allocations in underfunded areas like health (5.2% of TotEx) and water supply and sanitation (3.5%) are necessary to address gaps in public service delivery.

4.10.4 Improve Technical Efficiency

Technical efficiency involves maximizing outcomes for a given level of inputs. Odisha can achieve this by adopting technology-driven governance solutions, streamlining procurement processes, and reducing leakages in subsidy programs. For example, digitizing beneficiary records for welfare schemes can help ensure targeted delivery while reducing administrative costs.

4.10.5 Rationalize Committed Expenditure

Committed expenditure, including salaries, pensions, and interest payments, constituted 33.1% of revenue receipts in 2022-23, down from 89.1% in 2000-01. While this reflects fiscal prudence, continued efforts to rationalize salaries and pensions through productivity-linked incentives and introducing pension reforms are essential to free up fiscal space for developmental spending.

4.10.6 Enhance Revenue Mobilization

Efficient public spending requires adequate revenue generation. Odisha has demonstrated improved revenue performance, with RevEx covering 78.7% of TotEx in 2022-23. However, enhancing non-tax revenue sources, such as user fees for public utilities and monetizing state-owned assets, could further strengthen fiscal sustainability.



4.10.7 Focus on Rural and Agricultural Development

Agriculture and allied sectors accounted for 6.7% of TotEx in 2022-23, a decline from earlier years. Investments in rural development, irrigation, and allied services are vital to support rural livelihoods and ensure food security. Increasing allocations in these areas would align with the broader goal of inclusive growth.

4.10.8 Address Pandemic-Induced Challenges

The COVID-19 pandemic highlighted the need for resilient public health systems and robust social safety nets. Allocations for healthcare infrastructure, along with measures to strengthen pandemic preparedness, should remain a priority. Further, enhancing budgetary provisions for relief and disaster management will ensure the state's preparedness for future emergencies.

4.10.9 Institutionalize Outcome-Based Budgeting

To improve accountability and effectiveness, Odisha should institutionalize an outcome-based budgeting system. This involves linking budget allocations to specific, measurable outcomes, enabling better tracking of expenditure impact across sectors such as education, health, and infrastructure.

4.10.10 Strengthen Public Financial Management

Modernizing public financial management systems by leveraging technology and adopting accrual-based accounting practices can improve the transparency and efficiency of resource utilization. Regular audits and performance reviews of large-scale projects would ensure that funds are used effectively and align with developmental priorities.

4.11 Conclusion

Odisha's fiscal trends from 2000-01 to 2022-23 reflect a progressive strategy aimed at balancing fiscal discipline with developmental imperatives. The steady growth in TotEx, underpinned by a CAGR of 7.5%, highlights the



state's ability to expand its fiscal capacity despite economic challenges. Notably, the increase in CapEx, growing at a CAGR of 12%, signals a deliberate shift towards infrastructure development and long-term investments, critical for economic sustainability.

RevEx continues to dominate, accounting for over 70% of TotEx, implying its role in maintaining routine administrative functions and welfare programs. However, the growth in developmental spending, particularly in social and economic services, illustrates a strategic reallocation of resources toward sectors with higher socio-economic impact. Social services like education and health, despite showing upward trends, still fall short of national benchmarks (6% of GDP for education and 2.5% for health), limiting their potential to catalyse human capital development.

Economic services, particularly agriculture, rural development, and infrastructure, have emerged as key drivers of growth, with increased investments in irrigation and transport enhancing connectivity and productivity. The consistent reduction in the share of general services, especially in interest payments, indicates improved fiscal management and greater resource availability for developmental purposes.

The COVID-19 pandemic tested fiscal resilience, with a temporary contraction in expenditure, but Odisha's robust recovery in subsequent years highlights its adaptive fiscal strategy. Nevertheless, challenges remain, such as underinvestment in health and education and low cost recovery in essential services, which burden the fiscal system.

The state's fiscal trajectory reflects a careful balancing act between maintaining fiscal discipline and meeting developmental needs. Addressing inefficiencies and prioritizing critical sectors like health, education, and rural development will be pivotal for achieving equitable and sustainable growth in the long term.



CHAPTER 5

ANALYSIS OF DEFICITS

5.1 Introduction

This chapter explores the fiscal health and management of Odisha's state finances over recent decades. It offers an analytical perspective on various financial parameters, their trends, and implications for the state's economic governance. Section 5.2 examines the trends and patterns of deficits and surpluses, highlighting their evolution and significance. Section 5.3 explores the revenue deficit/surplus, analysing operational fiscal dynamics and their implications for state's policy. Section 5.4 focuses on fiscal deficit/surplus, emphasizing its impact on state borrowing and expenditure planning. Section 5.5 discusses the primary deficit/surplus, shedding light on borrowing needs beyond debt servicing. Section 5.6 assesses the quality of deficits and surpluses, evaluating their sustainability and fiscal prudence. Section 5.7 considers the adequacy of revenue for planned financing, particularly in the context of operational and developmental expenditure. Section 5.8 benchmarks Odisha's fiscal deficit against other Indian states, underscoring the state's fiscal discipline and management. Section 5.9 provides projections of deficits and surpluses, outlining anticipated fiscal trajectories and their implications for future governance. The conclusion is provided in Section 5.10. The analysis enables a nuanced understanding of the state's fiscal landscape and provides insights into its financial management strategies.

5.2 Trends in Deficits/Surpluses

The trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits during the period from 2000-01 to 2024-25 are presented in Table 5.1. The analysis of Odisha's deficits reveals significant progress in fiscal management, transitioning from large revenue and fiscal deficits in the early 2000s to sustained surpluses and controlled deficits. However, maintaining this



trajectory will require continued efforts in revenue mobilization, expenditure rationalization, and adherence to fiscal responsibility norms. This balanced approach will ensure fiscal sustainability while addressing developmental priorities.

Table 5.1: Deficit Indicators of Odisha

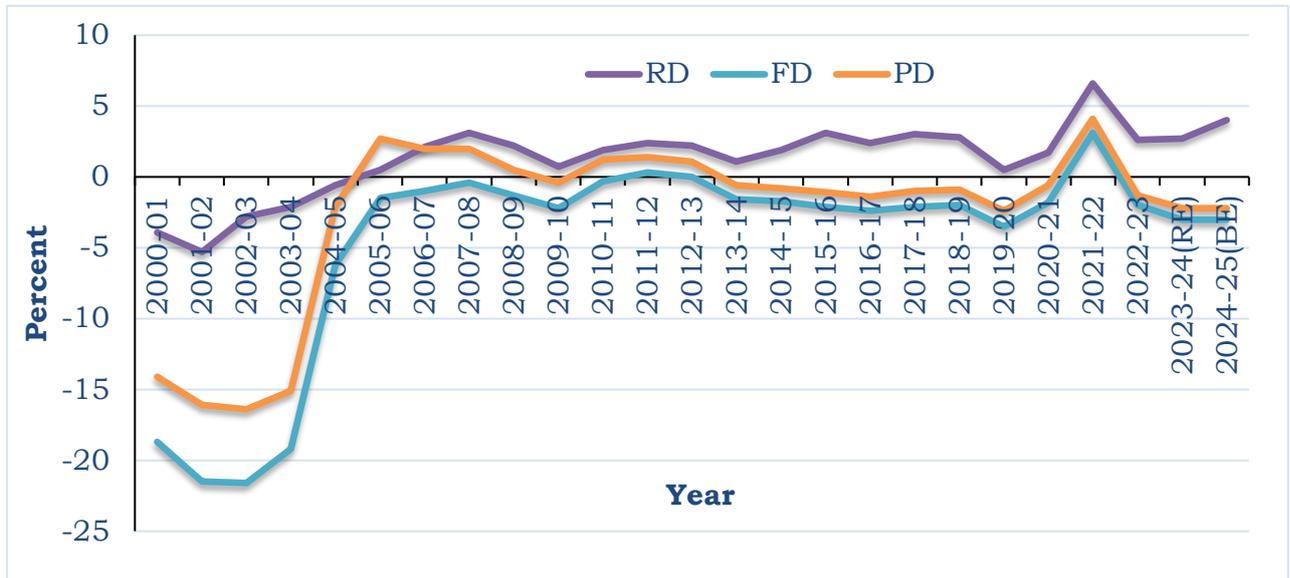
YEAR	RD Rs in Crore	FD Rs in Crore	PD Rs in Crore	RD % GSDP	FD %GSDP	PD % GSDP
2000-01	-1932	-9229	-6942	-3.9	-18.7	-14.1
2001-02	-2834	-11406	-8571	-5.3	-21.5	-16.1
2002-03	-1576	-12168	-9282	-2.8	-21.6	-16.4
2003-04	-1421	-13313	-10453	-2.1	-19.2	-15.1
2004-05	-522	-5069	-1737	-0.6	-6.2	-2.1
2005-06	481	-1314	2383	0.5	-1.5	2.7
2006-07	2261	-1028	2161	2.1	-1.0	2.0
2007-08	4244	-522	2648	3.1	-0.4	2.0
2008-09	3420	-2077	813	2.2	-1.3	0.5
2009-10	1139	-3754	-710	0.7	-2.2	-0.4
2010-11	3908	-658	2404	1.9	-0.3	1.2
2011-12	5607	622	3198	2.4	0.3	1.4
2012-13	5699	4	2811	2.2	0.0	1.1
2013-14	3329	-4634	-1746	1.1	-1.6	-0.6
2014-15	5862	-5479	-2668	1.9	-1.7	-0.8
2015-16	10136	-7063	-3720	3.1	-2.1	-1.1
2016-17	9259	-9377	-5342	2.4	-2.4	-1.4
2017-18	13367	-9359	-4371	3.0	-2.1	-1.0
2018-19	14190	-10157	-4357	2.8	-2.0	-0.9
2019-20	2430	-18819	-12756	0.5	-3.5	-2.4
2020-21	9076	-9786	-3142	1.7	-1.8	-0.6
2021-22	43472	20627	26970	6.6	3.1	4.1
2022-23	19456	-15219	-9717	2.6	-2.0	-1.3
2023-24(RE)	22411	-24982	-18258	2.7	-3.0	-2.2
2024-25(BE)	37077	-27750	-20184	4.0	-3.0	-2.2

Note: Deficit (-)/Surplus (+)

Source: Budget at a Glance of different years, Government of Odisha.



Figure 5.1: Deficit Indicators of Odisha % GSDP



Source: Budget at a Glance of different years, Government of Odisha.

5.3 Revenue Deficit/Surplus

Revenue deficit refers to the shortfall of revenue receipts compared to RevEx. It indicates that the state's operational expenses exceed its revenue income, necessitating borrowing to finance routine activities. A revenue surplus signifies that revenue receipts are sufficient to cover operational expenses, allowing funds to be redirected toward capital investments.

Revenue account exhibited a stark turnaround from persistent deficits in the early 2000s to consistent surpluses in the recent period. In 2000-01, the state recorded a revenue deficit of Rs. 1,932 crore (-3.9% of GSDP), which worsened to Rs. 2,834 crore (-5.3% of GSDP) in 2001-02. The situation improved steadily due to fiscal reforms and expenditure rationalization, culminating in a revenue surplus of Rs. 481 crore (0.5% of GSDP) in 2005-06. This trend of surpluses continued thereafter, with significant increases in subsequent years, reaching Rs. 13,36 crore in 2017-18 and peaking at Rs. 43,472 crore in 2021-22. The surplus moderated to Rs. 19,456 crore in 2022-23, reflecting



increased expenditure commitments. This trajectory underscores Odisha's ability to manage its revenue account efficiently, contributing to fiscal stability.

The state maintained a consistent revenue surplus throughout this period. In 2016-17, the revenue surplus was Rs. 9,259 crore, representing 2.4% of GSDP. This surplus increased to Rs. 13,367 crore in 2017-18 (3.0% of GSDP) and further to Rs. 14,190 crore in 2018-19 (2.8% of GSDP). However, it declined sharply to Rs. 2,430 crore in 2019-20 (0.5% of GSDP), primarily due to increased expenditure pressures. Despite the fiscal challenges posed by the COVID-19 pandemic, the surplus rebounded to Rs. 9,076 crore in 2020-21 (1.7% of GSDP). An extraordinary surplus of Rs. 43,472 crore was recorded in 2021-22 (6.6% of GSDP), driven by high revenue collections and reduced expenditure during the pandemic. In 2022-23, the revenue surplus moderated to Rs. 19,456 crore (2.6% of GSDP).

5.4 Fiscal Deficit/Surplus

Fiscal deficit is the excess of TotEx (including revenue and CapExs) over the sum of revenue receipts, recoveries of loans, and other receipts. It represents the borrowing requirement of the government to meet its TotEx.

Odisha's fiscal deficit journey highlights its evolution from fiscal stress to disciplined financial management. In 2000-01, the fiscal deficit was Rs. 9,229 crore (-18.7% of GSDP), worsening to Rs. 13,313 crore (-19.2% of GSDP) in 2003-04, reflecting high expenditure levels and inadequate revenue mobilization. Fiscal consolidation measures brought this under control, with the deficit narrowing to Rs. 1,314 crore (-1.5% of GSDP) in 2005-06. From 2016-17 to 2022-23, Odisha generally maintained fiscal deficits within the FRBM limit of 3% of GSDP, barring a few exceptions such as 2019-20 (-3.5% of GSDP). A rare fiscal surplus of Rs. 20,627 crore (3.1% of GSDP) was achieved in 2021-22, a testament to prudent fiscal management. By 2022-23, the fiscal deficit stood at Rs. 15,219 crore (-2.0% of GSDP), signalling the state's commitment to balancing fiscal discipline with developmental spending.



Fiscal deficit fluctuated within acceptable limits under the FRBM Act, generally staying below the 3% of GSDP threshold. In 2016-17, the fiscal deficit stood at Rs. 9,377 crore (-2.4% of GSDP). It decreased marginally to Rs. 9,359 crore in 2017-18 (-2.1% of GSDP) but widened to Rs. 10,157 crore in 2018-19 (-2.0% of GSDP). In 2019-20, the fiscal deficit surged to Rs. 18,819 crore (-3.5% of GSDP) due to increased developmental spending. It improved to Rs. 9,786 crore (-1.8% of GSDP) in 2020-21, reflecting a post-pandemic recovery in fiscal management. In 2021-22, Odisha recorded a fiscal surplus of Rs. 20,627 crore (3.1% of GSDP), a rare achievement attributed to strong revenue growth and contained spending. However, the fiscal deficit re-emerged in 2022-23 at Rs. 15,219 crore (-2.0% of GSDP), reflecting increased developmental expenditure commitments.

5.5 Primary Deficits/Surplus

Primary deficit is derived by subtracting interest payments from the fiscal deficit. It measures the borrowing required to meet current expenditures, excluding debt servicing costs.

Odisha's primary deficit trends reflect its progression from high borrowing needs to effective fiscal control. In 2000-01, the primary deficit stood at Rs. 6,942 crore (-14.1% of GSDP), peaking at Rs. 10,453 crore (-15.1% of GSDP) in 2003-04. With fiscal reforms and expenditure rationalization, the state achieved a primary surplus of Rs. 2,383 crore (2.7% of GSDP) in 2005-06. Between 2016-17 and 2022-23, the primary deficit remained under control, barring periods of increased spending, such as Rs. 12,756 crore (-2.4% of GSDP) in 2019-20. Odisha achieved an extraordinary primary surplus of Rs. 26,970 crore (4.1% of GSDP) in 2021-22, reflecting robust revenue performance and effective cost management. In 2022-23, the primary deficit widened slightly to Rs. 9,717 crore (-1.3% of GSDP), indicating increased investment in development-oriented expenditures.

Primary deficit exhibited controlled levels, aligning with fiscal discipline. In 2016-17, the primary deficit was Rs. 5,342 crore (-1.4% of GSDP). It improved to Rs. 4,371 crore (-1.0% of GSDP) in 2017-18 and further to Rs. 4,357 crore



(-0.9% of GSDP) in 2018-19. In 2019-20, it increased significantly to Rs. 12,756 crore (-2.4% of GSDP), driven by higher borrowing for developmental expenditure. During 2020-21, the primary deficit reduced to Rs. 3,142 crore (-0.6% of GSDP), reflecting fiscal adjustments during the pandemic. Odisha recorded a primary surplus of Rs. 26,970 crore in 2021-22 (4.1% of GSDP), a rare achievement linked to robust fiscal management and revenue gains. However, the primary deficit widened again to Rs. 9,717 crore (-1.3% of GSDP) in 2022-23, reflecting increased spending on developmental projects.

5.6 Quality of Deficit/ Surplus

The quality of deficit or surplus refers to the underlying factors driving the deficit or surplus, particularly whether the deficit is financed through borrowings or if it is the result of sustainable revenue generation and fiscal discipline. It assesses whether the surplus is driven by exceptional revenue collection or whether the deficit arises due to inefficiencies or unsustainable borrowing practices.

5.6.1 Revenue Deficit/Surplus Quality

Odisha's transition from consistent revenue deficits in the early 2000s to revenue surpluses in recent years reflects an improvement in the state's fiscal management. The state's revenue surplus has been a result of strong revenue growth and improved tax mobilization, particularly seen in the higher surpluses from 2016-17 to 2021-22. The exceptional surplus in 2021-22 of Rs. 43,472 crore (6.6% of GSDP) was due to a combination of high revenue receipts and reduced expenditure during the pandemic. This indicates that the surplus was not entirely based on one-off factors, but a sign of efficient revenue collection and fiscal management, allowing Odisha to allocate more funds for capital investments. The moderation in surplus in 2022-23 to Rs. 19,456 crore (2.6% of GSDP) is reflective of increased expenditure commitments, but still indicates sound fiscal management and control over recurring expenses.



5.6.2 Fiscal Deficit/Surplus Quality

Odisha's fiscal deficit trends show a significant improvement in the quality of its deficit. In the early 2000s, Odisha's fiscal deficit was alarmingly high, reaching Rs. 13,313 crore (-19.2% of GSDP) in 2003-04. This was primarily driven by high expenditure and low revenue generation, necessitating borrowing to cover the fiscal gap. However, as the state adopted fiscal consolidation measures, the fiscal deficit gradually came under control, reaching a rare fiscal surplus of Rs. 20,627 crore (3.1% of GSDP) in 2021-22. This fiscal surplus was achieved due to strong revenue growth and effective expenditure management, indicating an improvement in fiscal discipline. While the fiscal deficit re-emerged in 2022-23, the quality of the deficit remains better compared to previous periods, as it was driven by increased developmental spending rather than inefficiencies in fiscal management. The fiscal deficit remains within the prescribed limits of the FRBM Act in most years, reflecting responsible fiscal management.

5.6.3 Primary Deficit/Surplus Quality

The primary deficit trends in Odisha suggest that the state has largely managed its borrowing needs effectively, excluding interest payments. In 2000-01, the primary deficit stood at Rs. 6,942 crore (-14.1% of GSDP), indicating heavy reliance on borrowing for current expenditure. This improved over time, particularly after fiscal reforms, with Odisha achieving a primary surplus of Rs. 2,383 crore (2.7% of GSDP) in 2005-06, demonstrating improved fiscal health. The primary surplus reached an exceptional Rs. 26,970 crore (4.1% of GSDP) in 2021-22, reflecting strong fiscal discipline and efficient management of both revenue and expenditure. The slight increase in the primary deficit to Rs. 9,717 crore (-1.3% of GSDP) in 2022-23 is a result of increased investments in development projects, but it still indicates a more controlled deficit compared to the past. This suggests that the increase in borrowing was directed toward productive investments rather than being a consequence of fiscal mismanagement.



The quality of Odisha's deficit and surplus has improved significantly over the years. The shift from high fiscal deficits and revenue deficits to sustained surpluses and controlled deficits reflects prudent fiscal management, increased revenue mobilization, and a focus on developmental spending. The surpluses in recent years, especially in 2021-22, indicate a solid fiscal foundation driven by sound revenue policies and expenditure control. The primary deficit, though slightly widening in 2022-23, remains manageable and reflects investments in critical infrastructure and development. Therefore, Odisha's overall fiscal position demonstrates an improved quality of deficit and surplus, characterized by fiscal discipline, strategic investments, and a commitment to long-term economic growth.

5.7 Adequacy of Revenue for Plan Financing

The adequacy of revenue for financing in the context of Odisha's fiscal position can be understood through its revenue deficit/surplus trend, which indicates the state's ability to meet its operational expenditure from its revenue receipts. A revenue surplus signals that Odisha's revenue receipts are more than sufficient to meet its RevEx, allowing it to direct surplus funds towards capital investment or debt reduction. Conversely, a revenue deficit implies that the state is relying on borrowings to cover its day-to-day operational costs, potentially leading to fiscal strain in the long term.

From 2000-01 to 2005-06, Odisha faced revenue deficits, which clearly highlighted a shortfall in revenue generation relative to the state's operational expenditure. In these years, the state's ability to finance its regular expenditures was inadequate, leading to reliance on borrowings. For instance, in 2001-02, the revenue deficit was -28.7% of RevEx, showing a large gap between income and expenditure, which would have meant that significant borrowing was required to meet daily operational needs.

However, starting from 2005-06, Odisha made significant strides in revenue mobilization, and expenditure rationalization, which transformed the revenue deficit into a revenue surplus. By achieving a revenue surplus from 2005-06 onward, the state indicated that its revenue receipts had become adequate to



cover its operational expenditures. The surplus provided room for the state to reallocate resources toward development projects and reduce the dependence on borrowings.

The surplus continued to grow, peaking at 39.7% of RevEx in 2021-22, which suggests that Odisha had an exceptionally strong revenue generation capacity. This surplus was a sign of fiscal health and indicated that the state's revenue was more than sufficient to finance its operational costs, enabling greater allocations for infrastructure and capital investments. This period demonstrates the adequacy of revenue for financing, as the surplus could be channelled into developmental priorities rather than funding regular operational expenses.

Table 5.2: Adequacy of Revenue for Financing

Year	RD(in crore)	RevEx(in crore)	RD % RevEx
2000-01	-1932	8834	-21.9
2001-02	-2834	9882	-28.7
2002-03	-1576	10015	-15.7
2003-04	-1421	10861	-13.1
2004-05	-522	12372	-4.2
2005-06	481	13604	3.5
2006-07	2261	15772	14.3
2007-08	4244	17723	23.9
2008-09	3420	21190	16.1
2009-10	1139	25292	4.5
2010-11	3908	29368	13.3
2011-12	5607	34660	16.2
2012-13	5699	38238	14.9
2013-14	3329	45618	7.3
2014-15	5862	51136	11.5
2015-16	10136	58806	17.2
2016-17	9259	65041	14.2
2017-18	13367	71837	18.6
2018-19	14190	85356	16.6
2019-20	2430	99137	2.5
2020-21	9076	95311	9.5
2021-22	43472	109588	39.7
2022-23	19456	131006	14.9
2023-24(RE)	22411	163089	13.7
2024-25(BE)	37077	166923	22.2

Source: Finance Accounts Government of Odisha; Authors' Own Calculation

In the period between 2016-17 and 2022-23, the revenue surplus remained significant, suggesting that Odisha's revenue generation was adequate to finance its expenditure, with ample fiscal space for development. In 2016-17, the surplus of Rs. 9,259 crore (14.2% of RevEx) showed a healthy gap between



receipts and expenditure, indicating that the state was generating enough revenue to cover its operational costs. This positive trend continued in 2017-18 (Rs. 13,367 crore, 18.6% of RevEx) and 2018-19 (Rs. 14,190 crore, 16.6% of RevEx), allowing the state to accumulate savings or invest more in infrastructure.

However, in 2019-20, the surplus dropped to Rs. 2,430 crore (2.5% of RevEx), reflecting increased expenditure pressures, which reduced the adequacy of revenue for financing operational costs, though it still signified a surplus. This modest reduction was short-lived, as in 2020-21, the surplus rebounded to Rs. 9,076 crore (9.5% of RevEx), reaffirming that the state's revenue was once again adequate for financing its operational needs, despite the fiscal challenges posed by the pandemic.

In 2021-22, Odisha recorded a surplus of Rs. 43,472 crore (39.7% of RevEx), signaling an exceptional fiscal performance where revenue receipts far exceeded the expenditure, providing ample capacity for both operational and developmental financing. By 2022-23, the surplus moderated to Rs. 19,456 crore (14.9% of RevEx), but it remained a clear indication of sufficient revenue generation, suggesting that Odisha's fiscal health was still robust and that its revenue base was adequate to finance ongoing and future expenditures.

The consistent revenue surpluses observed in Odisha from 2005-06 onward demonstrate a clear improvement in the adequacy of revenue for financing operational expenditures. From 2000-01 to 2005-06, Odisha struggled with inadequate revenue, which required external borrowing to finance regular activities. However, since then, the state has been able to generate enough revenue to not only cover its routine operational expenses but also create surpluses for developmental investments. The strong surplus in 2021-22 shows the state's fiscal strength, reflecting an exceptional capacity to finance operations and long-term infrastructure investments. Even during periods of fiscal stress, such as 2019-20, Odisha's revenue remained relatively adequate, showing resilience in fiscal management.



5.8 Benchmark of Fiscal Deficit

Fiscal deficit, measured as a percentage of GSDP, is an important indicator of a state's financial health. It shows how much a state spends beyond its income. When we compare the fiscal performance of Indian states over 2010-11, 2015-16, and 2022-23, Odisha stands out as a state that has consistently managed its finances well, even as other states showed significant variations.

Table 5.3: Bench Mark of Fiscal Deficit

State	GFD % GSDP (2010-11)	Rank (2010-11)	GFD % GSDP (2015-16)	Rank (2015-16)	GFD/GS DP (2022-23)	Rank (2022-23)
Andhra Pradesh	-3.7	15	-3.6	13	-4	16
Bihar	-2	6	-3.2	12	-6	18
Chhattisgarh	0.3	1	-2.4	6	-1	3
Delhi	-9.9	18	0.2	1	0.4	1
Goa	-1.7	4	-2.7	9	-1.2	5
Gujarat	-2.9	12	-2.2	5	-0.8	2
Haryana	-2.8	9	-6.4	17	-3.2	11
Jharkhand	-3.8	16	-5.6	16	-1.1	4
Karnataka	-2.6	8	-1.8	3	-2.1	8
Kerala	-2.9	13	-3.2	11	-2.5	9
Madhya Pradesh	-2	7	-2.6	7	-3.3	13
Maharashtra	-1.8	5	-1.4	2	-1.9	6
Odisha	-0.3	2	-2.1	4	-2	7
Punjab	-3.2	14	-4.5	14	-5	17
Rajasthan	-1.2	3	-9.3	18	-3.8	15
Tamil Nadu	-2.8	10	-2.8	10	-3.4	14
Uttar Pradesh	-2.9	11	-5.1	15	-2.8	10
West Bengal	-4.2	17	-2.6	8	-3.3	12

Source: Reserve Bank of India; State Budgets; Authors' Own Calculation

In 2010-11, Odisha had a fiscal deficit of just -0.3%, ranking 2nd among all states. This reflected strong financial management, with controlled spending and efficient revenue collection. By 2015-16, Odisha's deficit increased slightly to -2.1%, but it maintained a high rank of 4th, showing continued financial discipline. In 2022-23, Odisha's fiscal deficit was -2.0%, placing it at 7th. This performance is notable because the deficit remained below the 3% threshold considered healthy for public finances, even amid post-pandemic economic pressures.

When compared to other states, Odisha's performance is impressive. States like Delhi and Chhattisgarh also showed strong fiscal discipline. Delhi



improved dramatically from a deficit of -9.9% in 2010-11 to a surplus of 0.4% in 2022-23, securing the 1st rank for fiscal health. Similarly, Chhattisgarh moved from a small surplus in 2010-11 (0.3%) to a low deficit of -1.0% in 2022-23, ranking 3rd. Gujarat also performed well, reducing its deficit to -0.8% in 2022-23, achieving the 2nd rank.

On the other hand, some states faced significant fiscal challenges. Bihar's deficit worsened from -2.0% in 2010-11 to -6.0% in 2022-23, dropping to the 18th rank. Punjab also struggled, with its deficit increasing to -5.0% in 2022-23, placing it at 17th. States like Haryana and Rajasthan showed volatility. Haryana consistently ran high deficits (-3.2% in 2022-23), while Rajasthan's deficit surged to -9.3% in 2015-16 before improving to -3.8% in 2022-23.

In this context, Odisha's steady performance stands out. While states like Delhi and Gujarat outperformed Odisha in terms of fiscal surplus and low deficits, Odisha has maintained stability and avoided the severe fiscal problems faced by states like Bihar and Punjab. Odisha's ability to consistently rank among the top states highlights its effective governance, careful spending, and sound revenue management. Its fiscal record is a strong example of balanced financial management. Its ability to keep the deficit below the 3% benchmark across years reflects a stable and sustainable approach to managing public finances, even in challenging times. This makes Odisha a model of fiscal responsibility among Indian states.



5.9. Projections of Deficits/Surplus

The projections of Revenue Deficit Fiscal Deficit and Primary Deficit have been carried out in the Annexure 11, 13 and 16 respectively

Table 5.4: Projections of Revenue Deficit, Fiscal Deficit and Primary Deficit

Year	Revenue Surplus (+)/ Deficit (-)	Growth Rates	Revenue Surplus (+)/ Deficit (-) in Current Prices	% GSDP	Fiscal Surplus (+)/ Deficit (-) in Constant Prices	Growth Rates %	Fiscal Surplus (+)/ Deficit (-) in Current Prices	% GSDP	Primary Surplus (+)/ Deficit (-) in Constant Prices	Growth Rates %	Primary Surplus (+)/ Deficit (-) in Current Prices	% GSDP
2023	18955	-2.6	31058	3.6	-6324	-32.6	-10362	-1.2	-2998	-50.0	-4913	-0.9
2024	20690	9.2	35257	3.7	-8165	29.1	-13913	-1.5	-4905	63.6	-8358	-1.5
2025	23454	13.4	41565	3.9	-9033	10.6	-16009	-1.5	-5836	19.0	-10342	-1.7
2026	26931	14.8	49637	4.1	-9434	4.4	-17389	-1.5	-6298	7.9	-11608	-1.8
2027	31020	15.2	59460	4.4	-9573	1.5	-18351	-1.4	-6496	3.1	-12451	-1.8
2028	35721	15.2	71210	4.8	-9543	-0.3	-19024	-1.3	-6523	0.4	-13004	-1.7
2029	41057	14.9	85122	5.1	-9389	-1.6	-19465	-1.2	-6425	-1.5	-13320	-1.7
2030	47129	14.8	101619	5.5	-9082	-3.3	-19582	-1.1	-6172	-5.4	-13308	-1.5

Source: Annexure 11,13 and 16

The future fiscal projections for Odisha reveal a mixed scenario of fiscal management and economic planning. The state anticipates consistent improvements in its revenue surplus as a percentage of GSDP, expected to grow from 3.6% in 2023 to 5.5% in 2030. This reflects an encouraging trend of enhanced revenue mobilization and expenditure efficiency.

However, concerns arise from the persistent fiscal deficit, which, although improving slightly, remains above -1.1% of GSDP by 2030, posing a risk to long-term sustainability. The primary deficit mirrors this challenge, declining only marginally from -1.2% in 2023 to -1.5% in 2028, before modest improvement to -1.5% by 2030.

The growth rates in constant prices indicate fluctuating fiscal performance. For instance, revenue surplus growth rates show strong upward momentum, while fiscal deficit and primary deficit growth rates, though decreasing, display intermittent volatility. The projections signal challenges in aligning fiscal discipline with developmental objectives.



Policy attention is required to address the structural causes of fiscal and primary deficits to ensure a more balanced and sustainable fiscal framework. Enhancing efficiency in public spending is essential to achieving a stable fiscal path, reducing wastage, and maximizing the impact of expenditures. Furthermore, it is imperative to maintain fiscal responsibility while pursuing economic growth objectives, ensuring that developmental goals are achieved without compromising fiscal health. By prioritizing these measures, the state can build a robust foundation for long-term fiscal resilience and foster inclusive economic development.

5.10 Conclusion

The analysis of Odisha's fiscal performance reveals a commendable trajectory of fiscal consolidation and sustainable financial management. Over the past decades, the state has successfully transitioned from persistent revenue and fiscal deficits to sustained surpluses, driven by strategic revenue mobilization, prudent expenditure management, and adherence to fiscal responsibility norms. The revenue surplus has enabled greater investments in developmental projects, reinforcing its commitment to inclusive growth and economic resilience. Despite these achievements, challenges remain in balancing developmental aspirations with fiscal prudence, particularly in the face of rising expenditure pressures and evolving economic conditions. To ensure long-term fiscal sustainability, Odisha must continue its focus on enhancing revenue generation, optimizing public expenditure, and leveraging innovative financial strategies. Strengthening fiscal governance, improving transparency, and adopting data-driven policy interventions will further reinforce the state's financial stability. As Odisha moves forward, maintaining a delicate balance between fiscal discipline and developmental priorities will be crucial to achieving sustainable and inclusive economic growth.



CHAPTER 6

DEBT SCENARIO

6.1 Introduction

In order to have economic growth the public debt should be under control else the government will not be able to make large social or CapEx. The FCs earmarked the levels of debt to 25 percent of GSDP. However, many states have failed to maintain the same due to Covid 19 pandemic or high committed expenditure. In this chapter the study examines the level and nature of public debt of Odisha. The level of public debt and other obligations of the state is elaborated in Section 6.2. provides the level of outstanding public debt. Section 6.3 discusses the composition of debt. Section 6.4 exhibits the use of public debt while Section 6.5 provides a comparison of states with respect to public debt. Section 6.6 accounts for the path to debt reduction where Section 6.7 gives a conclusion to the chapter

6.2 Level of Outstanding Public Debt and Other Obligations

Odisha's public debt and outstanding liabilities from 2000-01 to 2022-23 showcase significant trends in fiscal management and economic resilience. The analysis includes insights into public debt, other obligations, total liabilities, debt-to-GSDP ratios, and debt servicing indicators. Each aspect highlights the state's trajectory in balancing fiscal sustainability with economic growth.

Public debt has been the dominant component of Odisha's outstanding liabilities. From 2000-01 to 2010-11, it consistently accounted for more than 60% of total liabilities, reflecting the state's reliance on borrowing for developmental expenditures. In 2000-01, public debt stood at Rs. 16,179 crore, making up 67.7% of total liabilities, and it grew steadily to Rs. 25,592 crore by 2010-11, constituting 60.7%.



During the period 2016-17 to 2022-23, public debt exhibited stabilization and notable shifts. In 2016-17, it formed 58.7% of total liabilities at Rs. 42,018crore. This declined to 53.7% in 2017-18 and 53.8% in 2018-19, reflecting improved fiscal policies. The COVID-19 pandemic disrupted this trend, pushing the share of public debt to 64.8% in 2020-21, as borrowing increased to counter revenue shortfalls. By 2022-23, public debt declined to 57.1% of total liabilities, signalling a return to fiscal prudence.

Other obligations, encompassing liabilities beyond direct borrowing, formed a significant but smaller share of outstanding liabilities. In 2000-01, these obligations accounted for 32.3% of total liabilities, amounting to Rs. 7,732crore. Over the years, their share fluctuated, with notable increases during periods of fiscal diversification, such as 46.3% in 2017-18 and 46.2% in 2018-19.

During the pandemic, other obligations declined to 35.2% in 2020-21, as the state relied more heavily on public debt to manage fiscal challenges. However, by 2022-23, their share rebounded to 42.9%, indicating a more balanced debt composition. The absolute value of other obligations increased from Rs. 29,605crore in 2016-17 to Rs. 48,047crore in 2022-23, highlighting the state's ability to sustain liabilities while ensuring fiscal stability.

The total outstanding liabilities have grown significantly since 2000-01, driven by infrastructure investments and economic growth. From Rs. 23,911crore in 2000-01, the liabilities increased to Rs. 42,191crore in 2010-11 and further to Rs. 71,623crore in 2016-17. By 2019-20, the figure crossed Rs. 1 lakh crore, reaching Rs. 1,26,084crore. The pandemic caused total liabilities to peak at Rs. 1,22,774crore in 2020-21, reflecting higher borrowing needs. In the post-pandemic period, liabilities declined to Rs. 1,11,952crore in 2022-23, showcasing prudent fiscal management.

The debt-to-GSDP ratio, a key indicator of debt sustainability, demonstrated a declining trend over the years. It fell from 32.9% in 2000-01 to 12.4% in 2010-11, reflecting robust economic growth and better revenue generation.



During 2016-17 to 2019-20, the ratio remained relatively stable, ranging from 10.7% in 2016-17 to 12.7% in 2019-20.

The pandemic caused a temporary spike, with the ratio reaching 14.7% in 2020-21, as GSDP growth slowed and borrowing increased. However, by 2022-23, the ratio had reduced to 8.5%, underscoring Odisha's economic recovery and efficient debt management.

Similar to public debt, the obligations-to-GSDP ratio declined significantly over the years. From 15.7% in 2000-01, it fell to 8.0% in 2020-21 and further to 6.4% in 2022-23, reflecting reduced reliance on non-debt liabilities as the state strengthened its revenue streams.

Table 6.1: Public Debt and Outstanding Liabilities as % of GSDP

(as on 31st March)

Year	Public Debt	% Total Outstanding Debt and Other Obligations at the end of the Year	Obligations	% Total Outstanding Debt and Other Obligations at the end of the Year	Total Outstanding Debt and Other Obligations at the end of the Year	Debt % GSDP	Obligations % GSDP	Outstanding Debt and Other Obligations % GSDP	Interest Payments % RR
2000-01	16179	67.7	7732	32.3	23911	32.9	15.7	48.6	33.1
2001-02	18531	66.5	9322	33.5	27853	34.9	17.6	52.5	40.2
2002-03	20662	67.2	10073	32.8	30735	36.6	17.8	54.4	34.2
2003-04	23814	70.0	10201	30.0	34014	34.4	14.7	49.1	30.3
2004-05	25673	71.1	10420	28.9	36093	31.5	12.8	44.3	28.1
2005-06	26730	69.5	11738	30.5	38468	30	13.2	43.2	26.2
2006-07	26925	68.2	12541	31.8	39466	25.2	11.8	37.0	17.7
2007-08	25587	66.4	12938	33.6	38525	18.9	9.6	28.5	14.4
2008-09	25246	64.5	13922	35.5	39168	16.2	9.0	25.2	11.7
2009-10	25408	62.6	15206	37.4	40613	14.9	8.9	23.8	11.5
2010-11	25592	60.7	16600	39.3	42191	12.4	8.0	20.4	9.2
2011-12	24618	58.0	17849	42.0	42467	10.7	7.7	18.4	6.4
2012-13	23318	53.8	20027	46.2	43344	8.9	7.7	16.6	6.4
2013-14	23314	52.1	21399	47.9	44714	7.9	7.2	15.1	5.9
2014-15	26849	53.2	23645	46.8	50493	8.5	7.5	16.1	4.9
2015-16	33757	56.5	25996	43.5	59753	10.3	7.9	18.2	4.8
2016-17	42018	58.7	29605	41.3	71623	10.7	7.5	18.2	5.4
2017-18	52190	53.7	44974	46.3	97164	11.9	10.2	22.1	5.9
2018-19	58253	53.8	50005	46.2	108258	11.7	10.0	21.7	5.8
2019-20	68438	54.3	57646	45.7	126084	12.7	10.7	23.5	6.0
2020-21	79503	64.8	43270	35.2	122774	14.7	8.0	22.7	6.4
2021-22	72485	60.3	47655	39.7	120140	10.9	7.2	18.1	4.1
2022-23	63905	57.1	48047	42.9	111952	8.5	6.4	14.9	3.7
2023-24	72793	54.7	60296	45.3	133089	8.7	7.2	16.0	3.6
2024-25(BE)	69300	55.2	56250	44.8	125550	8.7	6.1	13.6	3.7

Source: Finance Accounts, Govt. of Odisha; Authors' computation



The total debt and obligations-to-GSDP ratio highlight overall fiscal health. It decreased from 48.6% in 2000-01 to 20.4% in 2010-11. During the pandemic, the ratio peaked at 22.7% in 2020-21, driven by higher borrowing and reduced economic activity. By 2022-23, it had declined to 14.9%, reaffirming Odisha's commitment to fiscal discipline and economic recovery.

Interest payment as a share of revenue receipts (RR) is an important measure of debt-servicing capacity. In 2000-01, this stood at 33.1%, highlighting significant fiscal stress. By 2016-17, it had declined to 5.4%, demonstrating improved revenue generation and efficient debt servicing. During 2020-21, it temporarily increased to 6.4% due to pandemic-induced fiscal pressure but fell to 3.7% in 2022-23, reflecting efficient fiscal management and reduced debt-servicing costs.

Thus, from 2000-01 to 2022-23, Odisha's public debt and outstanding liabilities highlight notable progress in fiscal management, characterized by a consistent decline in debt-to-GSDP ratios and a reduction in the burden of interest payments. Despite the challenges posed by the pandemic, the state demonstrated resilience, as evidenced by decreasing liabilities and strengthening economic indicators by 2022-23. Odisha's fiscal approach exemplifies its dedication to balancing developmental priorities with fiscal prudence, fostering strong economic growth while ensuring sound financial governance. Moreover, key metrics such as the debt-to-GSDP ratio and the interest payment ratio remain well within the benchmarks set by the XIIIth, XIVth, and XVth Finance Commissions.

6.3 Composition of Debt

Odisha's debt composition reveals a nuanced and evolving fiscal strategy, highlighting its shift toward autonomous and diversified funding sources. the central government Following the recommendations of the Twelfth Finance Commission (XIIFC), disintermediated State Governments borrowing from 2005-06 onwards, resulting in a sharp decline in the inflows of loan from



centre in the subsequent years which remains vivid (Table 6.2). The analysis captures trends across internal debt, loans and advances from the central government, small savings and provident funds, and other obligations such as reserve funds and deposits, with a particular focus on the transformative period between 2016-17 and 2022-23.

Internal debt (which includes Market Loans, WMA from RBI, Bonds, Loans from Financial Institutions, Special Securities issued to National Small Saving Funds and other Loans) has consistently served as a cornerstone of Odisha's fiscal strategy, showcasing its adaptability to changing economic conditions. In 2000-01, internal debt comprised 29.3% of the state's outstanding liabilities, reflecting its growing role in the state's borrowing framework. Over time, this share increased, peaking at 48.2% in 2016-17, highlighting a reliance on flexible, market-driven funding mechanisms. During 2017-18 and 2018-19, internal debt-maintained stability at 45.9% and 46.6%, respectively, supporting Odisha's developmental needs.

The pandemic-induced economic disruptions in 2020-21 saw internal debt's share rise sharply to 55%, underlining its role as a critical tool for fiscal response and economic recovery. By 2022-23, the state strategically reduced this reliance to 40.7%, signalling a return to pre-pandemic norms and demonstrating fiscal discipline.

Odisha's dependence on loans and advances from the central government has steadily declined, underscoring the state's progress toward fiscal autonomy. Central loans, which accounted for 38.4% of liabilities in 2000-01, experienced a continuous reduction due to policy changes and Odisha's increasing reliance on internal debt and other mechanisms. By 2016-17, central loans had reduced to 10.4%, reflecting a significant shift.

This trend continued through 2017-18 and 2018-19, with central loans contributing only 7.8% and 7.2%, respectively, to total liabilities. However, during the pandemic, temporary fiscal support saw this share increase to 9.8% in 2020-21. By 2022-23, central loans stabilized at 16.4%, reflecting their judicious use in complementing internal resources.



**Table 6.2: Composition of Debt and Other Liabilities in Odisha
(as on 31st March)**

Year	Internal Debt of State Govt (Rs in crore)	Internal Debt % Outstanding Debt	Loan & Advances from Central Govt. (Rs in crore)	Loans & Advances % Outstanding Debt	Small Savings Provident Funds etc (Rs in crore)	Small Savings % Outstanding Debt
2000-01	6995	29.3	9184	38.4	5836	24.4
2001-02	9816	35.2	8715	31.3	6747	24.2
2002-03	11109	36.1	9553	31.1	7589	24.7
2003-04	14465	42.5	9349	27.5	7822	23.0
2004-05	16346	45.3	9327	25.8	8381	23.2
2005-06	17946	46.7	8784	22.8	9729	25.3
2006-07	18180	46.1	8745	22.2	10327	26.2
2007-08	17185	44.6	8402	21.8	10727	27.8
2008-09	16770	42.8	8476	21.6	11185	28.6
2009-10	17178	42.3	8230	20.3	12323	30.3
2010-11	17999	42.7	7593	18.0	13546	32.1
2011-12	17338	40.8	7279	17.1	13972	32.9
2012-13	16109	37.2	7209	16.6	14663	33.8
2013-14	16073	35.9	7242	16.2	15353	34.3
2014-15	19728	39.1	7121	14.1	16425	32.5
2015-16	26525	44.4	7232	12.1	18261	30.6
2016-17	34553	48.2	7465	10.4	20118	28.1
2017-18	44584	45.9	7606	7.8	21675	22.3
2018-19	50421	46.6	7832	7.2	23423	21.6
2019-20	60595	48.1	7843	6.2	24338	19.3
2020-21	67521	55.0	11982	9.8	24949	20.3
2021-22	53977	44.9	18508	15.4	25258	21.0
2022-23	45532	40.7	18373	16.4	24756	22.1
2023-24	50985	38.3	21808	16.4	23955	18.0

Sources: Finance Accounts, Govt. of Odisha.

Small savings and provident funds have been a stable source of fiscal support, albeit with fluctuations in their share of total liabilities. Starting at 24.4% in 2000-01, these funds saw a consistent rise, reaching 33.8% in 2012-13, as Odisha actively mobilized internal public savings. However, this share gradually declined, standing at 21.6% in 2018-19, as other funding sources gained prominence.

During the pandemic years, the contribution of small savings and provident funds remained stable at 20.3% in 2020-21, showcasing their reliability. By 2022-23, these funds accounted for 22.1% of total liabilities, reaffirming their importance as a sustainable funding source within Odisha's fiscal framework.

Other obligations, which include reserve funds bearing and not bearing interest, as well as deposits bearing and not bearing interest, have shown



remarkable growth in Odisha's debt portfolio. These obligations accounted for a modest 8% of liabilities in 2000-01 but steadily grew as the state diversified its funding mechanisms.

By 2016-17, other obligations constituted 28.1% of liabilities, reflecting the state's innovative use of these flexible instruments. Their share peaked at 46.3% in 2019-20, driven by increased reliance on reserve funds and deposits to manage fiscal pressures during the pandemic. Reserve funds, particularly those bearing interest, provide earmarked funding for developmental activities and emergencies, while non-interest-bearing funds offer cost-effective financial resources. Similarly, deposits mobilized from public and institutional sources serve as a stable funding base, with interest-bearing deposits incentivizing public participation. By 2022-23, the share of other obligations stabilized at 22.1%, indicating effective fiscal management and a balanced approach to resource mobilization.

From 2000-01 to 2022-23, Odisha's debt composition reflects a dynamic approach to fiscal management, emphasizing sustainability and adaptability. Internal debt has consistently emerged as the primary funding source, supported by a steady decline in dependence on central loans and robust contributions from small savings and provident funds. The increased reliance on other obligations, including reserve funds and deposits, highlights Odisha's innovative resource mobilization strategies.

The period between 2016-17 and 2022-23 demonstrates Odisha's resilience in navigating fiscal challenges, especially during the pandemic, while maintaining its commitment to sustainable debt management. These trends underscore the state's capacity to balance development imperatives with fiscal discipline, ensuring long-term economic stability and growth.

The composition of Odisha's public debt, as detailed in Table 6.3 outlines the structural framework and the evolution of liabilities over the years. This table provides an in-depth analysis of key components like internal debt, loans from the central government, small savings, provident funds, deposits, and reserve



funds. Below is an expanded discussion focusing on the composition and trends:

**Table 6.3: Nature of Borrowing by Govt. of Odisha****(Rs in crore)**

	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11	31-Mar-12
A. Public Debt												
Internal Debt of the Government	6994.7	9816.1	11109	14465	16346.1	17946.4	18180	17185.3	16770.2	17178.2	17998.6	17338.5
<i>Market Loans</i>	4953.5	5629	7003.9	8697.4	9597	9700.1	8910.7	8024.3	7354	6783	6160.2	5114.1
WMA	1012.2	1243	448.4						0	0	0	0
<i>Bonds</i>	0.3	0.3	0.3	1103.1	1103.1	1103.1	992.9	882.6	772.3	662	551.7	441.4
<i>Loans from Financial Institution</i>	528.6	660.1	662.4	683.4	394	559.2	724.9	895	1162	1646.9	2180.5	2750.8
<i>Special Securities Issue to NSSF</i>		1483.5	2098.2	3112.7	4431	5826.5	6862.7	6756.2	6822.3	7432.6	8456	8482.4
<i>Other Loans</i>	500.2	800	895	869.2	820	757.9	690.2	628.2	659.6	653.7	650.2	549.7
Loans and Advances from the Central Government	9184.2	8715	9552.7	9348.6	9326.6	8783.8	8745.2	8401.9	8476.1	8229.5	7593.1	7279.2
Non-Plans Loans	2844.7	1797.6	1948.8	1018.3	855.5	657.8	40.8	37.7	36.8	34	31.5	29.1
Loans for State Plan Scheme	5418.8	6107.5	6893.8	7711	8039.1	7826.5	8542.5	8206.5	8293.4	8061.5	7439.3	7202
Loans for Central Plan Scheme	44.9	48	44.5	41	37.6	34.2	30.8	27.4	24	20.6	17.5	0
Loans for Centrally Sponsored Scheme	95.1	90.5	83.6	78.3	77.6	74.8	74.9	75.8	69	62	55.3	0
WMA	200	200	200	200	99							
Pre 84-85 loans	575.6	471.4	382	299.9	217.9	190.5	56.2	54.6	52.9	51.3	49.7	48.1
Other Loans for States/Union Territory with Legislature Schemes												
Total Public Debt	16178.8	18531.1	20661.7	23813.6	25672.7	26730.1	26925.3	25587.2	25246.3	25407.7	25591.7	24617.7
B. Other liabilities	16173.9	18531	20660.9	23814.3	25671.7	26730.5	26926.6	25588.2	25246.3			
Small Savings, Provident Fund etc	5836.2	6747	7588.9	7821.6	8380.8	9728.9	10326.7	10726.6	11185.3	12323.4	13546	13972.4
Reserve Fund Bearing Interest	68.2	177.4	138.5	138.5	54	4.8	4.8	4.8	4.8	4.8	27.3	296.1
Reserve Fund not Bearing Interest	131	13.1	274.7	274.3	1262.6	-112	3677.5	4421.1	16.8	18.2	12.6	12.6
Deposits Bearing Interest	239.9	259.2	18.1	18.9	18.8	18.7	18.6	20	23.7	30.2	57.9	78.4
Deposits not Bearing Interest	1395.8	2359.8	2187.2	2187.2	1953.2	2102	2036	2118	2690.9	2829.2	2955.8	3489.6
Total Other liabilities	7732.3	9322.1	10073.1	10200.5	10420.5	11737.9	12540.7	12938.2	13921.5	15205.8	16599.6	17849.1
Total public debt and other liabilities	23911.1	27853.2	30734.8	34014.1	36093.2	38468	39466	38525.4	39167.8	40613.5	42191.3	42466.8

Continued



	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24
A.Public Debt												
Internal Debt of the Government	16108.5	16072.9	19727.9	26524.8	34553.4	44584.2	50421	60595.3	67521.4	53977.2	45531.7	50985.3
Market Loans	3806.1	2921.2	4564.9	8128.1	15092.9	23530.9	28030.9	34530.9	35030.9	28558.1	21058.1	16401.3
WMA	0	0	0	0	0	0	0	0	0	0	0	0
Bonds	331.1	220.9	110.6	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Loans from Financial Institution	3368.4	3939.9	4972.6	6706.7	8531.4	10945.3	13106.4	14588.4	15942.6	16739.9	17996.1	19299.4
Special Securities Issue to NSSF	8597.1	8985.1	10074.7	11650.1	10842.2	10021.7	9173	8290.5	7407.9	6525.4	5642.9	4760.3
Other Loans	5.9	5.9	5.1	39.6	86.7	86.1	110.4	3185.3	9139.7	2153.7	834.4	10524
Loans and Advances from the Central Government	7208.9	7241.6	7120.7	7232.3	7465	7605.6	7831.7	7842.6	11982	18507.8	18373.3	21808
Non-Plans Loans	27.2	26.1	24.1	22.2	19.9	17.6	15.4	13.5	11.6	9.7	7.9	6.1
Loans for State Plan Scheme	7135.2	7167.4	7096	7209.5	7444.6	6739	5985.5	5120.2	4280.3	3462.6	2617.3	2165
Loans for Central Plan Scheme	0	0	0	0	0	0	0	0	0	0	0	
Loans for Centrally Sponsored Scheme	0	0	0	0	0	0.2	2.4	2.4	1.6	1.1	0.7	0.2
WMA												
Pre 84-85 loans	46.5	48.1	0.6	0.6	0.6	0.6	0.6	0.6	0.4	0.4	0.4	0.4
Other Loans for States/Union Territory with Legislature Schemes						848.1	1827.9	2706	7688	15034	15747.1	19636.4
Total Public Debt	23317.4	23314.4	26848.6	33757.1	42018.5	52189.8	58252.8	68437.9	79503.4	72485.1	63905	72793.4
B.Other liabilities												
Small Savings, Provident Fund etc	14663.5	15352.5	16425.3	18260.8	20117.5	21675.3	23423.1	24337.9	24949.4	25257.6	24755.7	23955.5
Reserve Fund Bearing Interest	189.2	59.4	23.4	308.9	1451.3	1363.8	447.5	3753.4	1805.2	5133.6	3200.5	5590.3
Reserve Fund not Bearing Interest	12.6	12.6	305.8	305.8	308.4	310.2	307.1	299	290.6	285.5	308.6	5319.6
Deposits Bearing Interest	79.8	47.8	40.8	46.7	53.6	39.1	35.8	42.6	24.4	26.2	47.1	50
Deposits not Bearing Interest	5082.1	5927	6849.4	7074.1	7674	21585.8	25791.4	29213.7	16200.6	16951.7	19734.9	25380.3
Total Other liabilities	20027.1	21399.4	23644.8	25996.3	29604.8	44974.2	50004.9	57646.4	43270.2	47654.6	48046.8	60295.6
Total public debt and other liabilities	43344.5	44713.8	50493.3	59753.3	71623.2	97164.1	108257.7	126084.3	122773.6	120139.7	111951.8	133089

Concluded

Source: Finance Accounts, Govt. of Odisha



6.3.1 Internal Debt

Odisha's internal debt has demonstrated consistent growth over the years, from Rs. 6,994.7 crore in 2000-01 to Rs. 50,985.3 crore in 2022-23. This steady increase reflects the state's rising borrowing needs, driven primarily by its expanding developmental projects and fiscal obligations. Within internal debt, market loans emerged as the dominant component, supported by loans from financial institutions and special securities issued to the NSSF.

6.3.1.1 Market Loans grew significantly during the period, peaking at Rs. 34,530.9 crore in 2019-20, reflecting increased reliance on market borrowings to finance infrastructure and welfare programs. Post-2020, there was a decline to Rs. 16,401.3 crore by 2022-23, indicating fiscal consolidation efforts.

6.3.1.2 Loans from Financial Institutions surged from Rs. 528.6 crore in 2000-01 to Rs. 19,299.4 crore in 2022-23. The increase was especially notable post-2016-17, fueled by intensified spending on state enterprises and capital-intensive projects.

6.3.1.3 Special Securities to NSSF saw consistent growth until 2016-17 (Rs. 11,650.1 crore), driven by its use in funding public programs. A sharp decline was observed thereafter, reducing to Rs. 4,760.3 crore in 2022-23, as other borrowing options gained traction

6.3.2 Loans and Advances from the Central Government

Central government loans declined in importance over time, from Rs. 9,184.2 crore in 2000-01 to Rs. 21,808.0 crore in 2022-23. Despite the growth in absolute terms, these loans represent a smaller share of Odisha's total liabilities, reflecting changes in fiscal federalism and Odisha's increasing reliance on other sources of financing.

6.3.2.1 Non-Plan Loans steadily decreased, reflecting reduced central government contributions for non-plan expenditures, as Odisha adopted greater fiscal responsibility.



6.3.2.2 Plan Scheme Loans remained the dominant component until recent years, although their contribution shrank due to changes in the plan finance structure.

6.3.2.3 pre-1984-85 Loans: These legacy loans, though minimal in quantum, have been steadily serviced and reduced, indicating Odisha's long-term debt resolution strategy.

6.3.3 Other Liabilities

The category of other liabilities forms a crucial segment of Odisha's overall public debt and reflects obligations beyond internal and central loans. This component primarily includes small savings, provident funds, reserve funds, and deposits, which collectively signify liabilities arising from the state's role in mobilizing resources from the public and institutional stakeholders. From 2001 to 2022-23, other liabilities in Odisha have shown a consistent and significant upward trend, reflected the state's evolving fiscal structure and borrowed practices. In 2001, the total of other liabilities stood at Rs. 7,732.3 crore, and by 2022-23, this figure had surged to Rs. 60,295.6 crore, highlighting an expansion of approximately 7.8 times over the period. This increase was driven by various factors, with prominent contributors being Small Savings and Provident Funds, Deposits, and Reserve Funds.

6.3.3.1 Small Savings, Provident Funds, and Deposits grew significantly, from Rs. 5,836.2 crore in 2000-01 to Rs. 23,955.5 crore in 2022-23. These liabilities indicate public contributions toward government savings schemes, showcasing Odisha's effective mobilization of domestic savings. Small Savings and Provident Funds has steadily increased, with consistent public participation in savings schemes contributing to this growth.

6.3.3.2 Deposits (Bearing and Non-Bearing Interest) exhibits significant surge was observed in deposits not bearing interest, which increased from Rs. 1,672.8 crore in 2000-01 to Rs. 25,380.3 crore in 2022-23. This growth underscores Odisha's dependence on these low-cost liabilities for fiscal support.



6.3.3.3 Reserve Funds exhibited fluctuating trends, reflecting changes in government policies and fund utilizations. Reserve funds bearing interest remained modest, while reserve funds not bearing interest surged in recent years. Reserve Funds Bearing Interest peaked intermittently, reflecting Odisha's targeted allocation for specific contingencies and developmental needs. Reserve Funds Not Bearing Interest witnessed a sharp rise in 2022-23, reaching Rs. 5,319.6 crore. This highlights Odisha's focus on maintaining non-interest-bearing reserves to manage liquidity during fiscal crises.

Table 6.4 provides a clear transformation in the composition of Odisha's public debt over the past two decades. In the early 2000s, a substantial portion (more than 50%) of total public debt comprised of loans and advances from the Central Government, particularly for state plan schemes. However, from 2005-06 onward, internal debt increasingly dominated the debt structure, peaking at 88.5% in 2019-20. Within internal debt, market loans grew steadily, rising from 30.6% in 2000-01 to a high of 50.5% in 2019-20, before tapering off slightly. Simultaneously, the share of loans from financial institutions and special securities issued to the NSSF fluctuated but remained important, particularly between 2010 and 2017. During the COVID 19 period from 2020-21 to 2023-24 "Other Loans for States/Union Territory with Legislature Schemes," rose sharply from 9.7% to 27.0% by 2023-24, indicating a new debt component's growing significance. The progressive decline in Central Government loans—falling below 5% after 2016-17—reflects the fiscal decentralization trends and the state's increasing reliance on market-based borrowing mechanisms.

**Table 6.4: Components of Public Debt to Total Public Debt**

Year	Internal Debt of the Government	Market Loans	WMA 2	Bonds	Loans from Financial Institution	Special Securities Issue to NSSF	Other Loans	Loans and Advances from the Central Government	Non-Plans Loans	Loans for State Plan Scheme	Loans for Central Plan Scheme	Loans for Centrally Sponsored Scheme	WMA1	Pre 84-85 loans	Other Loans for States/Union Territory with Legislature Schemes
2000-01	43.2	30.6	6.3	0.0	3.3	0.0	3.1	56.8	17.6	33.5	0.3	0.6	1.2	3.6	0.0
2001-02	53.0	30.4	6.7	0.0	3.6	8.0	4.3	47.0	9.7	33.0	0.3	0.5	1.1	2.5	0.0
2002-03	53.8	33.9	2.2	0.0	3.2	10.2	4.3	46.2	9.4	33.4	0.2	0.4	1.0	1.8	0.0
2003-04	60.7	36.5	0.0	4.6	2.9	13.1	3.6	39.3	4.3	32.4	0.2	0.3	0.8	1.3	0.0
2004-05	63.7	37.4	0.0	4.3	1.5	17.3	3.2	36.3	3.3	31.3	0.1	0.3	0.4	0.8	0.0
2005-06	67.1	36.3	0.0	4.1	2.1	21.8	2.8	32.9	2.5	29.3	0.1	0.3	0.0	0.7	0.0
2006-07	67.5	33.1	0.0	3.7	2.7	25.5	2.6	32.5	0.2	31.7	0.1	0.3	0.0	0.2	0.0
2007-08	67.2	31.4	0.0	3.4	3.5	26.4	2.5	32.8	0.1	32.1	0.1	0.3	0.0	0.2	0.0
2008-09	66.4	29.1	0.0	3.1	4.6	27.0	2.6	33.6	0.1	32.8	0.1	0.3	0.0	0.2	0.0
2009-10	67.6	26.7	0.0	2.6	6.5	29.3	2.6	32.4	0.1	31.7	0.1	0.2	0.0	0.2	0.0
2010-11	70.3	24.1	0.0	2.2	8.5	33.0	2.5	29.7	0.1	29.1	0.1	0.2	0.0	0.2	0.0
2011-12	70.4	20.8	0.0	1.8	11.2	34.5	2.2	29.6	0.1	29.3	0.0	0.0	0.0	0.2	0.0
2012-13	69.1	16.3	0.0	1.4	14.4	36.9	0.0	30.9	0.1	30.6	0.0	0.0	0.0	0.2	0.0
2013-14	68.9	12.5	0.0	0.9	16.9	38.5	0.0	31.1	0.1	30.7	0.0	0.0	0.0	0.2	0.0
2014-15	73.5	17.0	0.0	0.4	18.5	37.5	0.0	26.5	0.1	26.4	0.0	0.0	0.0	0.0	0.0
2015-16	78.6	24.1	0.0	0.0	19.9	34.5	0.1	21.4	0.1	21.4	0.0	0.0	0.0	0.0	0.0
2016-17	82.2	35.9	0.0	0.0	20.3	25.8	0.2	17.8	0.0	17.7	0.0	0.0	0.0	0.0	0.0
2017-18	85.4	45.1	0.0	0.0	21.0	19.2	0.2	14.6	0.0	12.9	0.0	0.0	0.0	0.0	1.6
2018-19	86.6	48.1	0.0	0.0	22.5	15.7	0.2	13.4	0.0	10.3	0.0	0.0	0.0	0.0	3.1
2019-20	88.5	50.5	0.0	0.0	21.3	12.1	4.7	11.5	0.0	7.5	0.0	0.0	0.0	0.0	4.0
2020-21	84.9	44.1	0.0	0.0	20.1	9.3	11.5	15.1	0.0	5.4	0.0	0.0	0.0	0.0	9.7
2021-22	74.5	39.4	0.0	0.0	23.1	9.0	3.0	25.5	0.0	4.8	0.0	0.0	0.0	0.0	20.7
2022-23	71.2	33.0	0.0	0.0	28.2	8.8	1.3	28.8	0.0	4.1	0.0	0.0	0.0	0.0	24.6
2023-24	70.0	22.5	0.0	0.0	26.5	6.5	14.5	30.0	0.0	3.0	0.0	0.0	0.0	0.0	27.0

Source: Finance Accounts, Govt. of Odisha; Authors' Computation



The evolution of Odisha's public debt and liabilities over the last two decades reveals a strategic approach to fiscal management. The state has effectively utilized various debt instruments, such as market loans, borrowings from financial institutions, and small savings, to support its developmental priorities. The period from 2016-17 to 2022-23 is particularly notable for Odisha's resilience in navigating fiscal challenges, including those posed by the COVID-19 pandemic, while ensuring continuity in public investment. However, the trends also emphasize the need for sustainable debt management, focusing on fiscal discipline and minimizing reliance on high-cost borrowings to secure the state's long-term financial health.

6.4 Use of Public Debt

The public debt taken by the Government of Odisha over the years has served as a critical instrument for financing developmental priorities, managing fiscal deficits, and responding to economic challenges. The trends in public debt reflect the state's evolving strategies to address its economic and social needs while striving for fiscal sustainability. A significant portion of Odisha's public debt has been directed toward capital outlay and infrastructure development. Investments in roads, irrigation systems, power generation, urban development, and rural connectivity have been essential for boosting economic growth and improving the standard of living. During the early 2000s, a large share of borrowings was used to maintain basic infrastructure in a fiscally constrained environment. From 2016-17 onward, increased public debt was targeted toward long-term projects such as urban housing, rural electrification, and industrial parks, as evidenced by rising capital outlay figures, which grew from Rs. 18,471 crore in 2016-17 to Rs. 33,349 crore in 2022-23.

Public debt has enabled Odisha to significantly expand its social sector programs, particularly in health, education, and sanitation. The state's ambitious programs, such as universal healthcare initiatives, school infrastructure development, and affordable housing schemes, often required debt financing due to their scale and impact. For example, the rise in



borrowing from Rs. 7,646 crore in 2014-15 to Rs. 12,862 crore in 2017-18 coincided with increased allocations to social services under schemes like “Mo School Abhiyan” and expanded healthcare initiatives. In years of fiscal imbalance, public debt has been essential to bridge the gap between revenue and expenditure. During periods of low revenue collection or increased spending needs, borrowing provided a mechanism to ensure continuity of governance and development. Between 2019-20 and 2020-21, the COVID-19 pandemic caused a significant decline in revenues due to economic disruption. Public debt during this period rose sharply, from Rs. 14,679 crore in 2019-20 to Rs. 20,318 crore in 2020-21, enabling the state to fund healthcare, social relief measures, and other pandemic-related expenditures.

Odisha, being prone to natural disasters such as cyclones and floods, often faces unforeseen financial burdens. Borrowing has been crucial in enabling disaster recovery and reconstruction efforts. After Cyclone Fani in 2019, the state had to mobilize significant resources for relief and rebuilding efforts, which contributed to an increase in borrowings. The state’s borrowing strategy is also tied to its vision for long-term economic growth. Public debt has been used to fund key initiatives in agriculture, irrigation, industrial development, and technology adoption, which have multiplier effects on the economy. For instance, borrowing was pivotal in financing large irrigation projects like the Upper Indravati and Subarnarekha multipurpose projects, enhancing agricultural productivity and water security.

The state has adopted a counter-cyclic fiscal approach during economic slowdowns. By increasing public debt during periods of low economic activity, the state has been able to stimulate demand and maintain growth. This is evident during the pandemic years when borrowing increased significantly to counteract economic disruption. Despite its reliance on public debt, Odisha has made efforts to ensure that borrowing remains sustainable. The state has maintained compliance with the FRBM Act by keeping its debt-to-GSDP ratio within manageable limits. For example, even as borrowings rose during challenging years, prudent fiscal management helped reduce the share of borrowing as a percentage of TotEx to just 3% by 2022-23.



The public debt taken by Odisha has been a critical enabler of its developmental and fiscal strategies. The state has strategically used debt to address infrastructure deficits, enhance social services, and manage economic challenges while maintaining fiscal discipline. These investments have not only addressed immediate needs but also laid the foundation for sustained growth and resilience.

The borrowing trends of the Government of Odisha from 2000-01 to 2022-23 (Table 6.5) demonstrate the state's evolving fiscal strategies. In the early 2000s, Odisha faced significant fiscal stress, with borrowing and other liabilities accounting for a substantial share of TotEx. In 2000-01, borrowing stood at Rs. 8,748 crore, constituting 54% of TotEx, which increased further to 56% in 2003-04. This reliance was indicative of high deficits and limited revenue-generating capacity. However, fiscal reforms and stringent expenditure control measures brought the share of borrowings down significantly. By 2007-08, borrowing had dropped to Rs. 506 crore, or just 2.2% of TotEx, reflecting improved fiscal management and resource efficiency.

From 2008-09 onward, the state's borrowing needs began to rise again, though at a more controlled pace. This was driven by the need to finance developmental projects while maintaining fiscal discipline. Borrowing increased to Rs. 1,650 crore in 2009-10 (5.4% of TotEx) and further to Rs. 2,268 crore in 2010-11 (6.3%). The trend continued upward, with Rs 7,646 crore in 2014-15 (11.5%) and Rs. 9,790 crore in 2015-16 (12.4%), driven by infrastructure expansion and social sector spending.

From 2016-17 onward, borrowing levels reflected the state's focus on financing its expanding developmental needs. Borrowings accounted for 12.9% of TotEx in 2016-17 and rose to 13.2% in 2017-18. The state showed restraint in subsequent years, reducing the share to 8.8% in 2018-19, before increasing it again to 16.4% during the pandemic in 2020-21 to address fiscal pressures. By 2022-23, borrowings had sharply declined to 3%, showcasing the state's recovery and prudent fiscal planning.

**Table 6.5: Borrowing, Capital Outlay and Expenditure**

Year	Borrowing and other liabilities during the year (Rs. in crore)	Borrowing %TotEx	Capital outlay (Rs. in Crore)	Capital Outlay %TotEx	CapEx (Rs. in Crore)	CapEx %TotEx	TotEx
2000-01	8748	54.0	839	5.2	7373	45.5	16207
2001-02	9790	52.7	887	4.8	8704	46.8	18585
2002-03	11482	55.2	1074	5.2	10769	51.8	20784
2003-04	12892	56.0	853	3.7	12165	52.8	23026
2004-05	5562	32.1	1056	6.1	4964	28.6	17336
2005-06	2095	13.3	1038	6.6	2143	13.6	15746
2006-07	2046	10.6	1451	7.5	3574	18.5	19346
2007-08	506	2.2	2843	12.4	5121	22.4	22844
2008-09	1152	4.3	3779	14.0	5733	21.3	26923
2009-10	1650	5.4	3648	11.9	5249	17.2	30541
2010-11	2268	6.3	4285	11.9	6683	18.5	36051
2011-12	1354	3.2	4496	10.7	7445	17.7	42105
2012-13	1880	4.0	5622	11.9	9018	19.1	47256
2013-14	2290	4.1	7756	13.8	10513	18.7	56131
2014-15	7646	11.5	11075	16.6	15544	23.3	66680
2015-16	9790	12.4	17090	21.6	20308	25.7	79114
2016-17	11223	12.9	18471	21.3	21862	25.2	86903
2017-18	12862	13.2	21109	21.6	25674	26.3	97511
2018-19	10003	8.8	23482	20.6	28592	25.1	113948
2019-20	14679	11.7	20277	16.2	26030	20.8	125168
2020-21	20318	16.4	17949	14.5	28798	23.2	124109
2021-22	12780	8.3	22725	14.8	44209	28.7	153797
2022-23	5347	3.0	33349	18.5	49434	27.4	180440
2023-24	32405	14.1	46152	20.1	66911	29.1	230000
2024-25	39515	15.5	63162	24.8	88077	34.5	255000

Source: Finance Accounts, Govt. of Odisha.

Capital outlay, a crucial indicator of investment in infrastructure and productive assets, exhibited a gradual but steady increase over the years. In the early 2000s, Odisha's focus on CapEx was relatively low. Capital outlay accounted for just Rs. 839 crore (5.2% of TotEx) in 2000-01 and Rs. 853 crore (3.7%) in 2003-04, reflecting limited investment capacity due to fiscal constraints. However, by 2007-08, capital outlay had increased substantially to Rs. 2,843 crore (12.4%), signaling the beginning of a shift toward developmental priorities.

This upward trajectory continued in subsequent years, with notable growth in absolute terms. Capital outlay rose to Rs. 3,779 crore in 2008-09 (14%) and Rs. 4,285 crore in 2010-11 (11.9%), driven by increasing investments in infrastructure and rural development. By 2015-16, capital outlay had surged to Rs. 17,090 crore, comprising 21.6% of TotEx, demonstrating the state's commitment to building a strong physical and social infrastructure base.

From 2016-17 onward, the focus on capital outlay remained strong. In 2016-17, it reached Rs. 18,471 crore (21.3%), growing steadily to Rs. 21,109 crore



in 2017-18 (21.6%) and Rs. 23,482 crore in 2018-19 (20.6%). Despite the challenges posed by the pandemic, the state maintained its investment focus, with capital outlay peaking at Rs. 33,349 crore in 2022-23, reflecting 18.5% of TotEx.

CapEx, encompassing capital outlay and related developmental spending, has demonstrated Odisha's long-term focus on growth and infrastructure development. In 2000-01, CapEx was Rs. 7,373 crore, representing 45.5% of TotEx, largely driven by revenue deficits. However, with improving fiscal health, CapEx was progressively redirected toward developmental projects. By 2007-08, it had grown to Rs. 5,121 crore (22.4%), showcasing the state's ability to balance fiscal correction with capital investments.

From 2008-09 to 2015-16, CapEx expanded steadily. e.g it increased from Rs. 5,733 crore in 2008-09 (21.3%) to Rs. 20,308 crore in 2015-16 (25.7%), indicating enhanced allocations for infrastructure, rural development, and social services. This upward trend continued, with CapEx reaching Rs. 21,862 crore in 2016-17 (25.2%) and further to Rs. 28,592 crore in 2018-19 (25.1%). Despite the financial strain caused by the pandemic, CapEx was maintained at a high level, culminating in Rs. 49,434 crore in 2022-23 (27.4%), underscoring Odisha's commitment to long-term growth.

Odisha's TotEx has grown significantly over the years, reflecting the expansion of government activities and rising developmental ambitions. Starting at Rs. 16,207 crore in 2000-01, TotEx rose steadily, crossing Rs. 36,051 crore in 2010-11 and Rs. 66,680 crore in 2014-15. This period marked the transition from fiscal consolidation to developmental spending, particularly in infrastructure and social services.

Between 2016-17 and 2022-23, TotEx witnessed robust growth, climbing from Rs. 86,903 crore in 2016-17 to Rs. 1,80,440 crore in 2022-23. This growth highlights the state's strategic emphasis on expanding public services and developmental investments while maintaining fiscal discipline.



6.5 Benchmark of Debt

Odisha has consistently demonstrated a strong commitment to fiscal discipline, reflected in its improving debt-to-GSDP ratio over the years. In 2010-11, Odisha's debt level was 21.4% of its GSDP, ranking it 6th among the 17 analysed states. By 2015-16, this figure had significantly reduced to 18.2%, positioning Odisha as the 5th lowest state in terms of debt burden relative to its economic output. In 2022-23, Odisha's debt-to-GSDP ratio further declined to an impressive 14.7%, the second-lowest among all states, surpassed only by Delhi, which maintained the lowest ratio at 4.1%. Odisha's sustained reduction in debt-to-GSDP ratio over the years indicates a well-planned and executed fiscal management strategy.

Comparatively, other states have shown varied trajectories in managing their debt burdens. States like Punjab and West Bengal, for instance, have persistently high debt-to-GSDP ratios. Punjab's ratio increased to a worrying 46.1% in 2022-23, making it the highest among all states, reflecting chronic fiscal imbalances and challenges in revenue generation. Similarly, West Bengal's ratio was 38.3%, indicating high levels of indebtedness. Rajasthan (37.2%) and Kerala (37.6%) also rank among states with high debt burdens, underscoring significant fiscal stress. These states contrast sharply with Odisha, where proactive fiscal measures have enabled the state to achieve better debt management outcomes.

Fiscally conservative states like Gujarat and Maharashtra have maintained relatively low debt levels. Gujarat's debt-to-GSDP ratio stood at 17.3% in 2022-23, while Maharashtra's was 18.1%, both reflecting sound fiscal management. However, Odisha's remarkable progress over time places it ahead in terms of consistent improvement and alignment with fiscal benchmarks.

Odisha's fiscal achievements are noteworthy in light of the targets set under the FRBM Act, which mandates states to maintain sustainable debt levels. It has not only complied with these targets but has outperformed many states



in achieving a debt-to-GSDP ratio well below the thresholds recommended by the XVFC for 2020-2025. The Commission suggests that states should aim to maintain a debt-to-GSDP ratio below 25%. Odisha's 14.7% ratio in 2022-23 underscores its strong commitment to fiscal prudence and effective public finance management.

Table 6.6: Benchmark of Debt

States	Debt % GSDP (2010-11)	Rank (2010-11)	Debt % GSDP (2015-16)	Rank (2015-16)	Debt % GSDP (2022-23)	Rank (2022-23)
Andhra Pradesh	42.2	17	28.8	17	33	11
Bihar	30.9	12	31.4	12	34.5	12
Chhattisgarh	14	1	16.8	1	21.9	4
Goa	23.5	8	24.2	8	34.9	13
Gujarat	26	9	21.5	9	17.3	2
Haryana	17.8	2	27.4	2	31	10
Jharkhand	22.5	7	27.4	7	28.4	6
Karnataka	22.4	6	16.8	6	23.6	5
Kerala	31.2	13	28.6	13	37.6	15
Madhya Pradesh	28.7	10	35.6	10	29.2	9
Maharashtra	21.1	4	17.9	4	18.1	3
Odisha	21.4	5	18.2	5	14.7	1
Punjab	33.1	14	33.2	14	46.1	17
Rajasthan	29.3	11	30.7	11	37.2	14
Tamil Nadu	19.1	3	19	3	28.9	7
Uttar Pradesh	37.4	15	32.3	15	29	8
West Bengal	40.7	16	38.4	16	38.3	16

Source: Reserve Bank of India; Author's Computation

The state's ability to achieve these outcomes can be attributed to several strategic measures. First, Odisha has focused on strengthening revenue mobilization through improved tax administration and expanding its tax base. This has allowed the state to increase its ORR while reducing reliance on borrowings. Second, the state has prioritized expenditure rationalization, ensuring that resources are allocated to productive sectors and avoiding excessive unproductive spending. Additionally, Odisha has emphasized capital investments with high economic returns, particularly in infrastructure, which has helped sustain economic growth without accumulating unsustainable debt levels.

Odisha's fiscal prudence also reflects its ability to manage external shocks and economic uncertainties. Unlike states with high debt burdens that face



challenges in maintaining fiscal sustainability, Odisha's conservative debt policies have provided the fiscal space to invest in critical sectors, respond to crises, and ensure macroeconomic stability.

The state stands as a model for effective fiscal management and responsible debt practices. While states like Punjab, West Bengal, and Rajasthan face the challenges of high indebtedness, Odisha has consistently adhered to fiscal responsibility norms and surpassed expectations under the FRBM and XVFC frameworks. Its journey from a debt-to-GSDP ratio of 21.4% in 2010-11 to 14.7% in 2022-23 reflects a success story of sound governance and fiscal discipline. This positions Odisha not only as an outperformer among Indian states but also as an example of how prudent fiscal strategies can foster economic resilience and sustainable growth.

6.6 The Path to Debt Reduction

The Government of Odisha has consistently demonstrated its commitment to reducing its outstanding debt through a combination of fiscal discipline and central government support. The process began with initiatives such as the Debt Swap Scheme (DSS) and the Debt Consolidation and Relief Facility (DCRF) under the XIIFC. These initiatives were instrumental in enabling the state to restructure its debt, reduce high-interest burdens, and adhere to fiscal responsibility norms. Over the years, successive Finance Commissions, including the XIIIFC, XIIIIFC, XIVIFC, and XVFC, have provided frameworks and recommendations to ensure debt sustainability, each contributing uniquely to Odisha's fiscal health.

During the XIIFC period (2005-2010), Odisha benefited from the DCRF, which included two major components: debt consolidation and debt write-off. All central loans contracted by the states before March 31, 2004, and outstanding as of March 31, 2005, were consolidated into fresh loans for a 20-year term at a reduced interest rate of 7.5%. Additionally, states could qualify for debt write-offs based on their success in reducing the revenue deficit during the award period. Odisha's adherence to fiscal discipline and its



enactment of the FRBM Act allowed it to secure debt relief of Rs. 1,909.45 crore, at Rs. 381.89 crore per annum from 2005-06 to 2009-10.

Building on this foundation, the XIIIIFC introduced further debt relief measures. It recommended the waiver of central loans administered by ministries other than the Ministry of Finance, subject to certain conditions. Odisha benefited from this provision, receiving a waiver of Rs. 63.1 crore, which contributed to reducing its overall debt burden. The XIIIIFC also emphasized prudent borrowing, fiscal deficit reduction, and adherence to FRBM targets as critical elements for states to achieve long-term financial sustainability. Odisha's fiscal prudence during this period was evidenced by its growing ability to fund developmental activities through internally generated resources rather than high-cost borrowings.

The XIVFC marked a shift in focus, emphasizing fiscal consolidation and financial discipline over direct debt relief measures. The commission recommended that states adhere to fiscal deficit targets and manage their borrowing within FRBM limits. It also discouraged borrowing from high-cost sources such as the National Small Savings Fund (NSSF). Odisha acted on this recommendation by opting out of NSSF borrowing from 2016-17 onward, which helped the state reduce its overall interest burden. Instead, Odisha diversified its funding sources, relying on lower-cost market borrowings to meet its developmental needs. In this period, the state maintained a robust fiscal position, with its debt-to-GSDP ratio well below the prescribed limits, reflecting the state's commitment to sound financial management.

The XVFC continued to stress the importance of fiscal discipline and debt sustainability. It recommended that states maintain their debt-to-GSDP ratio within 25% to ensure fiscal stability. Odisha, already compliant with its FRBM Act provisions, adhered to these guidelines, maintaining its debt levels within manageable limits. The state also used the fiscal space created by prudent borrowing practices to invest in critical sectors such as health, education, and infrastructure. Despite the financial challenges posed by the COVID-19



pandemic, Odisha was able to balance its immediate relief efforts with long-term developmental goals, showcasing its fiscal resilience.

6.7 Conclusion

Odisha's journey toward debt reduction underscores the effectiveness of a multi-pronged strategy combining central support, fiscal responsibility, and strategic borrowing. The state's ability to leverage initiatives like the DCRF and its adherence to Finance Commission recommendations have played a crucial role in managing its debt profile. Additionally, by focusing on fiscal consolidation, prudent borrowing, and strategic investments, Odisha has not only reduced its debt burden but also laid the groundwork for sustained economic growth and financial stability.



CHAPTER 7

IMPLEMENTATION OF FRBM ACT AND ANALYSIS OF MTFP

7.1 Introduction

The study in this chapter explores the fiscal management practices and achievements of Odisha within the framework of the FRBM Act. Section 7.2 discusses the objectives of the FRBM Act, emphasizing fiscal discipline, debt sustainability, and transparency. It highlights Odisha's achievements, such as sustained revenue surpluses and controlled deficits, while addressing challenges like dependence on central transfers and primary surplus management. Section 7.3 provides the analysis of Actual Fiscal Performance vs. MTFP Projections. Section 7.4 provides MTFP Projections for Odisha (2024-25 to 2029-30 and finally the conclusion is provided in Section 7.5

7.2 FRBM Act and Fiscal Targets

The FRBM Act, enacted by the Odisha government in 2005, is a legislative framework aimed at ensuring fiscal discipline, improving management of public funds, and achieving sustainable growth. Odisha's adoption of the FRBM Act aligns with the broader national framework set by the Union Government.

7.2.1 Key Objectives of FRBM Act

Fiscal Discipline: To ensure the state government limits fiscal deficits and manages borrowings sustainably.

Revenue Surplus: To eliminate revenue deficits by improving revenue generation and reducing unproductive expenditures.

Debt Sustainability: To ensure the state's debt remains within manageable levels.

Transparency and Accountability: To improve transparency in budgetary processes and enhance public accountability through regular reporting.

**Table 7.1 Compliance with provisions of State FRBM Act**

Fiscal Parameter	Fiscal Target	2018-19	2019-20	2020-21	2021-22	2022-23	Achievement
Revenue Deficit/Surplus (Rs. crore)	Revenue Surplus	14,190	2,430	9,076	43,471	19,456	Achieved
Fiscal Deficit % GSDP	≤ 3% (5% in 2020-21)	-2.04	-3.5	-1.81	3.07	-1.96	Achieved (except 2019-20)
Outstanding Liabilities to GSDP (%)	≤ 25%	21.71	23.46	22.02	16.37	13.12	Achieved
Interest Payment % Revenue Receipts	≤ 15%	5.83	5.97	6.36	4.14	3.66	Achieved
Salary to State's Own Revenue (%)	≤ 80%	43.5	44.39	39.34	24.86	28.87	Achieved
Primary Surplus as % of GSDP	≥ 2%	-0.87	-2.37	-0.58	4.02	-1.25	Not achieved (except 2021-22)

Source: Finance Accounts, Govt. of Odisha. Authors' Computation and Compilation

Odisha has followed the FRBM Act's principles through the years, while periodically amending it to adapt to evolving economic conditions and recommendations from the Finance Commissions. The major amendments are as follows:

Relaxation for Capital Spending: Odisha is allowed to breach the fiscal deficit limit of 3% by an additional **0.5%**, provided the extra borrowing is used for productive CapEx.

Natural Calamities Clause: The state's vulnerability to natural disasters such as cyclones and floods prompted a provision for fiscal relaxation to deal with disaster-related expenditures.

Post-Pandemic Adjustments: During the COVID-19 pandemic, Odisha, like other states, was permitted higher borrowing limits as part of the central government's fiscal stimulus measures.

7.2.2 Odisha's Performance Under the FRBM Act

Odisha's fiscal performance during the period 2018-2023 reflects a strong commitment to fiscal prudence and compliance with the targets set under the FRBM Act. The state consistently recorded a revenue surplus, with



substantial improvements observed in 2021-22 when it reached Rs. 43,471 crore, the highest during the analysed period. This demonstrates Odisha's ability to efficiently manage its revenue streams, driven by strong growth in state taxes and non-tax revenue sources, including mining royalties, which have historically played a crucial role in the state's finances. Maintaining a revenue surplus allowed Odisha to allocate resources toward developmental and CapEx, fostering economic growth.

The fiscal deficit as a percentage of GSDP generally stayed within the prescribed limit of 3%, except in 2019-20, when it slightly exceeded the target due to higher expenditure commitments. In 2020-21, the fiscal deficit rose to -1.81% of GSDP, benefiting from the relaxed limit of 5% allowed under the FRBM Act to address the economic challenges posed by the COVID-19 pandemic. By 2021-22, the fiscal deficit turned into a marginal surplus of 3.07%, underscoring the state's swift fiscal recovery post-pandemic. This performance highlights Odisha's agility in managing short-term fiscal shocks while adhering to long-term sustainability.

The ratio of outstanding liabilities to GSDP consistently remained below the threshold of 25% during this period, reflecting effective debt management. The state achieved a remarkable reduction in this ratio, bringing it down to 13.12% by 2022-23, the lowest in the five-year period. This reduction was facilitated by Odisha's strategic reliance on low-cost borrowing options and enhanced revenue generation, which reduced the need for high-interest market borrowings. Additionally, the state's proactive measures, such as utilizing central government assistance and special funds like CAMPA (Compensatory Afforestation Management and Planning Authority), contributed to this achievement.

Interest payments as a percentage of revenue receipts were maintained well below the maximum limit of 15%, consistently ranging between 3.66% and 6.36% during the period. This reflects Odisha's efficient management of its debt portfolio, with a focus on minimizing high-cost liabilities. Lower interest



payments provided the state with additional fiscal space to channel resources into critical sectors such as education, health, and infrastructure.

Another critical indicator, the ratio of salary expenditure to the state's own revenue, remained significantly below the 80% limit. This ratio ranged from 24.86% to 44.39%, showcasing effective cost control in administrative expenses. The controlled salary burden allowed the state to prioritize programmatic and CapExs, aligning with its development-oriented fiscal strategy.

Odisha has prioritized capital investments in infrastructure, health, and education while controlling RevEx. This aligns with FRBM's emphasis on creating long-term productive assets.

Despite these successes, the state faced challenges in achieving the primary surplus target of 2% of GSDP, managing to meet it only in 2021-22. This parameter highlights the balance between revenue generation and expenditure before accounting for interest payments. The inability to consistently achieve this target indicates a need for greater efficiency in expenditure management and diversification of revenue sources. Addressing these challenges will be crucial for ensuring long-term fiscal sustainability.

Transparency and Accountability Measures

Under the FRBM Act, Odisha is required to publish various reports to ensure transparency:

Medium-Term Fiscal Policy (MTFP): Outlines the fiscal targets and policies for the next 3-5 years.

Fiscal Policy Strategy Statement (FPSS): Provides a roadmap for achieving fiscal goals.

Budget Management Reports: Regular disclosure of fiscal outcomes and deviations, if any.



The state's adherence to these reporting requirements has enhanced fiscal transparency and accountability.

7.2.3 Challenges in Implementation

Natural Disasters: Odisha's high vulnerability to cyclones and floods often leads to unplanned expenditures that strain fiscal targets.

Dependence on Central Transfers: While Odisha has improved its own tax revenues, a significant share of its resources still comes from central transfers, exposing it to risks from national-level fiscal policies.

Post-Pandemic Recovery: Although the state maintained fiscal discipline during the pandemic, balancing growth with fiscal consolidation remains a challenge.

7.2.4 Key Outcomes of Odisha's FRBM Implementation

Sustainable Finances: Odisha's adherence to FRBM norms has led to sustained revenue surpluses, low debt levels, and controlled deficits.

High Development Spending: The state's focus on CapEx has supported growth in critical sectors like infrastructure and education.

Recognition as a Fiscally Responsible State: Odisha is frequently cited as a model of fiscal prudence among Indian states.

Odisha's implementation of the FRBM Act has been exemplary. The state's ability to maintain revenue surpluses, control fiscal deficits, and manage debt sustainably reflects strong fiscal discipline and governance. While natural disasters and central dependency pose challenges, Odisha has successfully balanced fiscal consolidation with growth-oriented policies, setting a benchmark for other states to follow.



7.3 Analysis of Actual Fiscal Performance vs. MTFP Projections for Odisha in FY 2022-23

The Odisha government presented projections for key fiscal indicators in its MTFP for FY 2022-23. Actual performance was analysed against these projections, highlighting variations and identifying contributing factors.

Table 7.2: Actuals vs. Projections in MTFP for FY 2022-23

Sl. No.	Fiscal Variable	MTFP Projection	Actuals (2022-23)	Variation (%)
1	Tax Revenue	82,978	89,543	7.91
1.i	Own Tax Revenue	46,000	46,554	1.2
1.ii	Share of Central Taxes	36,978	42,989	16.26
2	Non-Tax Revenue	48,200	42,720	-11.37
3	Grants-in-Aid from GoI	32,789	18,199	-44.5
4	Revenue Receipts	163967	150462	-8.24
5	Revenue Expenditure	144349	131006	-9.24
6	Revenue Surplus (+)	19,618	19456	-0.83
7	Fiscal Deficit (-)	21,588	15219	-29.5
8	Debt-GSDP Ratio (%)	15.62	13.12	-16
9	GSDP Growth Rate (%)	12.73	15.5	21.76

Source: MTFP, Government of Odisha; Finance Account Government of Odisha

7.3.1 Performance Analysis

7.3.1.1 Revenue Receipts and Components

The TRR fell short of the MTFP projection by 8.24%, primarily due to a decline in non-tax revenue (-11.37%) and grants-in-aid from the Government of India (-44.50%). While OTR slightly exceeded projections (1.20%), and the share of central taxes showed a robust increase (16.26%), these gains were insufficient to offset shortfalls in other categories.

7.3.1.2 Revenue Expenditure

RevEx fell short of the projection by 9.24%. This reduction corresponded to the lower-than-expected revenue inflows. Despite this shortfall, the state maintained its developmental and operational priorities, reflecting its efforts to optimize resource allocation.



7.3.1.3 Revenue Surplus

The state continued to maintain a revenue surplus of Rs.19,456 crore, slightly below the MTFP projection of Rs.19,618 crore by a marginal 0.83%. After adjusting for misclassification and deferred liabilities (e.g., non-credit of interest to reserve funds and deposits, non-transfer of cess and contributions), the adjusted revenue surplus stood at Rs.16,112 crore (2.08% of GSDP).

7.3.1.4 Fiscal Deficit

Odisha achieved the fiscal deficit target prescribed under the FRBM Act, maintaining it within 3% of GSDP. The fiscal deficit for FY 2022-23 was Rs.15,219 crore (1.96% of GSDP), significantly lower than the MTFP projection of Rs. 21,588 crore. After adjusting for deferred liabilities, the fiscal deficit increased slightly to Rs.15,911 crore (2.05% of GSDP), still within the prescribed limit.

7.3.1.5 Primary Deficit

The state reported a primary deficit of Rs. 9,717 crore (1.25% of GSDP), missing the target of achieving a primary surplus of 2% of GSDP set under the FRBM (Amendment) Act, 2021. This contrasts with the primary surplus of Rs. 26,967 crore (4.02% of GSDP) achieved in the previous year, highlighting challenges in balancing non-debt revenue and primary expenditure.

7.3.1.6 Debt and Economic Growth

The debt-to-GSDP ratio decreased to 13.12%, significantly lower than the projected 15.62%, demonstrating Odisha's effective debt management. The state's GSDP growth at current prices was robust at 15.50%, exceeding the MTFP projection of 12.73% by 21.76%, showcasing the resilience of Odisha's economy.

While Odisha faced challenges in achieving some revenue targets due to external factors such as lower grants-in-aid and non-tax revenues, it



managed to adhere to fiscal deficit and debt-to-GSDP targets. The continued revenue surplus reflects the state's strong fiscal management, but the primary deficit underscores the need for enhanced revenue mobilization and expenditure efficiency. Overall, Odisha's fiscal performance highlights its commitment to balancing growth with fiscal sustainability.

7.4 MTFP Analysis for Odisha (2024-25 to 2029-30)

The Medium-Term Fiscal Framework (MTFF) of Odisha is structured to strengthen fiscal sustainability while addressing developmental priorities. The analysis below highlights departmental expenditure trends and aggregate fiscal indicators over the medium term.

Table 7.3: Department wise allocation under MFTP

Department	2023-24 (RE)	2024-25 (BE)	2029-30 (Projection)	Key Focus Areas
Education	29,969	35,536	47,000	PM SHRI schools, infrastructure, teacher training
Health	21,200	24,800	40,000	Universal health coverage, health infrastructure
Social Security	22,844	25,000	42,000	Pension schemes, housing, welfare programs
Agriculture & Irrigation	15,200	17,800	25,000	Irrigation expansion, farm support initiatives
Rural Development	10,500	12,000	18,000	Rural roads, connectivity, sanitation
Urban Development	9,800	11,500	20,000	Smart cities, urban amenities
Transport	8,200	10,000	16,000	Roads, bridges, urban transit
Energy	5,600	6,800	10,000	Renewable energy, grid upgrades
Industry & MSME	4,300	5,200	8,000	MSME support, startup ecosystem, industrial parks

Source: Fiscal Strategy Report, 2024-25

7.4.1 Education Sector

The education sector has seen a significant increase in allocations, with spending projected to grow from Rs. 35,536 crore in 2024-25 to Rs. 47,000 crore by 2029-30, marking a nominal growth of 32.4% in five years. This reflects the state's commitment to enhancing educational infrastructure and improving the quality of learning environments. Key initiatives include the



implementation of the PM SHRI schools and PM Uchhatar Shiksha Abhiyan, alongside state-driven programs like “Godabarisha Mishra Adarsha Vidyalaya,” aimed at empowering students and teachers with better facilities and resources.

7.4.2 Health Sector

Health sector spending is set to rise sharply from Rs. 24,800 crore in 2024-25 to Rs. 40,000 crore in 2029-30, a 61.3% nominal increase in a 5 year period. This substantial growth underscores the state’s focus on universal health coverage and improving healthcare infrastructure. Programs like Ayushman Bharat and Gopabandhu Jana Arogya Yojana will address critical gaps in healthcare accessibility, particularly in rural and underserved areas. The enhanced budget allocation aims to strengthen health infrastructure and ensure equitable access to quality healthcare services.

7.4.3 Social Security and Welfare

Social security is poised for a 68% increase in nominal expenditure, growing from Rs. 25,000 crore in 2024-25 to Rs. 42,000 crore in 2029-30. This increase highlights Odisha’s focus on welfare programs for vulnerable groups, including pensions for the elderly, housing for the poor, and other support mechanisms. Initiatives targeting women’s empowerment and direct benefit transfers for marginalized communities will further enhance social equity.

7.4.4 Agriculture and Irrigation

Agriculture and irrigation spending are set to grow from Rs. 17,800 crore in 2024-25 to Rs. 25,000 crore in 2029-30, reflecting a 40.4% increase in nominal terms. The state prioritizes investments in irrigation infrastructure to boost agricultural productivity and resilience against climate variability. Programs aimed at crop diversification and sustainable farming practices are expected to ensure long-term growth in the agricultural sector, which remains vital to the rural economy.



7.4.4 Rural Development

Rural development allocations will increase from Rs. 12,000 crore in 2024-25 to Rs. 18,000 crore by 2029-30, reflecting a 50% growth in nominal terms. These investments focus on improving rural connectivity through road and bridge construction and upgrading sanitation facilities. The thrust on rural infrastructure aims to enhance economic activity and living conditions in Odisha's villages, thereby addressing regional disparities.

7.4.5 Urban Development

Urban development expenditure is expected to rise significantly, from Rs. 11,500 crore in 2024-25 to Rs. 20,000 crore in 2029-30 which is a 73.9% nominal increase in 5 years. The focus is on upgrading urban infrastructure, including affordable housing, public amenities, and smart city initiatives. These projects aim to cater to the growing urban population and improve the quality of life in Odisha's cities and towns.

7.4.6 Transport

The transport sector will see spending increase from Rs. 10,000 crore in 2024-25 to Rs. 16,000 crore in 2029-30, a nominal growth of 60%. Major initiatives include the construction of highways, bridges, and improved urban transit systems. The state is prioritizing road connectivity in tribal and remote areas to promote inclusivity and regional integration.

7.4.7 Energy

Energy sector investments will grow from Rs. 6,800 crore in 2024-25 to Rs. 10,000 crore in 2029-30, marking a nominal increase of 47.1% in the next 5 years. The Odisha Renewable Energy Policy aims to boost solar and other green energy initiatives. Upgrades to the power grid and efforts to ensure reliable electricity supply reflect the state's vision for a sustainable energy future.



7.4.8 Industry and MSME

Spending on industry and MSME development will rise from Rs. 5,200 crore in 2024-25 to Rs. 8,000 crore in 2029-30, which remains a 53.8% increase in nominal terms. Initiatives like PROSPER-Odisha aim to foster industrial clusters and strengthen the startup ecosystem. Programs supporting MSMEs will promote entrepreneurship and drive job creation, contributing to economic growth.

Odisha's fiscal strategy emphasizes a balanced approach to administrative efficiency, programmatic initiatives, and capital investment. The expenditure trends from 2023-24 to 2029-30 highlight the state's focus on growth-oriented spending while maintaining fiscal discipline.

Table: 7.4 Aggregate Allocation of Expenditure(in Rs)

Category	2023-24 (RE)	2024-25 (BE)	2029-30 (Projection)
Total Administrative Expenditure	1,01,000	1,15,000	1,70,000
Total Program Expenditure	1,55,000	1,85,000	2,70,000
Capital Outlay	51,683	58,195	1,00,000

Source: Fiscal Strategy Report, 2024-25

7.4.9 Administrative

Administrative expenditure, which includes costs related to governance, maintenance, and operational functions, is set to increase from Rs. 1,01,000 crore in 2023-24 (RE) to Rs. 1,70,000 crore by 2029-30, reflecting a 47.8% growth over the five-year period. This controlled growth indicates a focus on improving efficiency within administrative functions while allocating more resources to development-oriented spending.

7.4.10 Program expenditure

These expenditures are primarily targeted towards various welfare schemes and developmental initiatives, shows a robust growth trajectory, rising from Rs. 1,85,000 crore in 2024-25 to Rs. 2,70,000 crore in 2029-30, an increase of 45.9%. This trend underscores the state's commitment to enhancing socio-economic outcomes through targeted interventions in areas such as



education, health, and rural development. The steady increase in programmatic spending ensures that the benefits of fiscal policies reach the broader population, contributing to improved quality of life and human capital development.

7.4.11 Capital Outlay

It is a critical component for infrastructure development and long-term economic growth, demonstrates the highest growth among expenditure categories, soaring from Rs. 58,195 crore in 2024-25 to Rs. 1,00,000 crore in 2029-30, a remarkable 71.8% increase. This significant allocation reflects the state's strategic emphasis on creating durable assets, including roads, bridges, schools, and healthcare facilities, which are expected to generate multiplier effects on economic activities and employment.

The state's expenditure framework effectively balances operational needs with developmental and infrastructural priorities. The substantial growth in programmatic and capital spending highlights a forward-looking approach aimed at fostering sustainable development, boosting economic productivity, and improving the overall standard of living. By maintaining fiscal discipline and focusing on asset creation, the state ensures that its financial resources are deployed strategically to maximize long-term gains.

7.5 Conclusion

Odisha's fiscal trajectory under the FRBM framework showcases a commendable journey toward fiscal prudence and sustainability. The state has successfully achieved revenue surpluses and maintained fiscal discipline, reflecting its commitment to sound financial management. This progress is underpinned by robust expenditure rationalization, effective resource mobilization, and a series of institutional reforms aimed at improving fiscal governance.

Despite these achievements, challenges remain, including the need to reduce dependence on central transfers and to ensure the sustainability of primary



surpluses. Additionally, external economic fluctuations and evolving development needs necessitate adaptive and forward-looking fiscal policies. Addressing these issues will require a balanced approach that aligns fiscal stability with the demands of inclusive and sustainable growth.

The Odisha experience highlights the importance of fiscal responsibility, proactive planning, and institutional innovation in achieving long-term economic stability. By continuing to strengthen its fiscal framework and addressing emerging challenges, Odisha can serve as a model for other states striving to achieve financial resilience and development.



CHAPTER 8

FISCAL DECENTRALISATION

8.1 Introduction

Fiscal decentralisation serves as a critical pillar for empowering local governance in Odisha, fostering participatory democracy, and ensuring the effective delivery of services. This chapter aims to provide an in-depth analysis of the mechanisms and processes that underpin this fiscal framework, highlighting both achievements and challenges. Sections 8.2, 8.3, and 8.4 specifically cover the historical evolution of PRIs, decentralisation of power, and fund transfer mechanisms, respectively, offering a comprehensive insight into these critical areas of governance. Section 8.5 discusses the revenue account for PRIs and ULBs while 8.6 and 8.7 examines effects of GST and property tax. Section 8.8 discusses about the reforms in audit mechanisms and role of SFC in PRIs and ULBs. Section 8.9 provides the list of functions devolved to PRIs and ULBs respectively. Section 8.10 and 8.11 provides policy suggestions and concluding remarks respectively.

8.2 History of PRIs in Odisha

Panchayati Raj Institutions in Odisha got the first legal entitlement in the year 1948 with the legislation of Odisha Grama Panchayat Act which prescribed for the constitution of Grama Panchayats and described the power and functioning of Grama Panchayats. Provisions of the Act were to be extended to different areas of the State from time to time and could be withdrawn when necessary, as circumstances warranted. The experiment however did not succeed because in many villages people were misled the propaganda that people had to pay some of additional taxes, fees etc. to the Panchayats without getting appreciable amenities in lieu thereof. Government, therefore, adopted a scheme of establishing Panchayat covering an entire district or Panchayat from certain areas was deleted by the Odisha Grama Panchayats (2nd amendment) Act, 1957. Initially, a Panchayat was being formed in a single



village having minimum of population of 155 or a group of villages having minimum of population 1000.

It was soon noticed that such a small unit is not operationally viable. Therefore, some of the Panchayats established in such year 1950-51 were merged in the neighbouring Panchayats in order to make them financially viable units. During the period 1958 to 1961, Blocks were established in the State in selected areas. Among the three tiers of Panchayats, the intermediate tier namely Panchayat Samiti was made the implementing agency. All the funds for Community Development were given as grant-in-aid to the Samiti. Grama Panchayat was treated as the unit for formulation of developmental programme. Zilla Parishad functioned as the Supervisory Body. Zilla Parishads were abolished in the year 1968. The Panchayat Samiti emerged as the important institution for implementing developmental programmes, poverty alleviation programmes and social security schemes. However, Panchayat Samities and Grama Panchayats could not emerge as the institution of Self-Government.

Similarly, the 74th constitutional amendment empowered the Urban Local Bodies (ULBs) with more power. Article 243W provides the legislature of a state may, by law, endow the Municipalities with such powers and authority as may be necessary to enable them to function as institution of self-government and such law may contain provisions for the devolution of Powers and responsibilities upon municipalities. The 73rd constitutional amendments empowered the Panchayats further with regularization of election and devolution of more power. The Constitution (73rd Amendment) Act, 1992 described that through the Panchayat Raj Institutions have been in existence for a long time, it has been observed that these institutions have not been able to acquire the status and dignity of viable and responsive people's bodies due to a number of reasons including absence of regular elections, prolonged supersession, insufficient representation of weaker sections like Scheduled Castes, Scheduled Tribes and women, inadequate devolution of powers and lack of financial resources.



Article 243G of Indian Constitution provided that the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such condition as may be specified therein, with respect to- (a) the preparation of plans for economic development and social justice; (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

8.3 Decentralisation of Power

Pursuant to the mandate of the 73rd Amendment, various Acts governing PRIs were amended in 1994 and functions in 29 areas were assigned to PRIs in the Eleventh Schedule. These functions include activities, the administration of which was being looked after by the respective line departments of the State Government. Panchayat Raj Institutions were as more as independent elected bodies, not having allegiance to any line department and not amenable to the commands of its hierarchical structure. There was a lot of scepticism, unwillingness and even resistance to place functionaries at the disposal of PRIs and the same situation continues. Functions have been entrusted to them to perform by law without placing the functionaries at their command. Bureaucracy, for obvious reasons is concerned about financial administration. Release of Funds, availing central share of a scheme and submission of utilisation certificates in time to avoid surrender of budgeted amount are some of the key concerns of routine administration. Release of Funds, availing central share of a scheme and submission of utilisation certificates in time to avoid surrender of budgeted amount are some of key concerns of routine administration.

Notification No.8430/PR, dt.25.10.05 was practically the first effective measure for decentralisation and devolution of powers and functions to PRIs through activity mapping in nine departments. The activity mapping spells



out the activities in respect of each devolved function to be performed at various levels of 3-tier Panchayat Raj systems. The guiding principle here is the principle of subsidiary i.e. activities which can be performed at a lower level should be undertaken only at that level and should not be scaled up to a higher level.

The Third State Finance Commission (IISFC) recommends that- (i) the activity Mapping relating to agriculture should be finalized jointly by the Panchayat Raj and Agriculture Departments without further delay and accordingly; (ii) functionaries of Agriculture Department should be made accountable to the Panchayat Raj Institutions for successful implementation of agriculture policy of the Government; (iii) a part of the fund which will be made available to the Grama Panchayats under livelihood may be utilized for agricultural activities including supply of seedlings, pesticides, holding of crop demonstration etc.

One more anomaly is also observed in the transfer of power. Although the Panchayat Raj department and the report of state finance commission mentioned that 21 subjects out of the 29 subjects listed in the Schedule-XI are not transferred, those are as follows: 1) Social Forestry and farm forestry, 2) Small Scale Industries, including food processing industries, 3) Khadi, village and cottage industries, 4) Fuel and fodder, 5) Rural electrification, including distribution of electricity, 6) Technical training and vocational education; 7) Libraries; 8) Cultural activities; 9) Social welfare, including welfare of the handicapped and mentally retarded.

The Fourth State Finance Commission (IVSFC) recommends that the State Government should constitute a committee headed by the Chief Secretary with Development Commissioner, Finance Secretary, PR Secretary and H&UD Secretary as members to meet quarterly to recommendations in a time bound manner. The committee may be serviced by Finance Department.

In P.R. Department, the District Rural Development Agency (DRDA) has emerged as a powerful parastatal and all the centrally sponsored programmes/schemes of the Ministry of Rural Development are routed through them in contrary to the spirit of 73rd Constitutional amendment. The



Commission feels that dichotomy in the way of empowerment of PRIs will come to an end if DRDA is dissolved and its office merges in ZP. This will not only convey a determined attitude of the State Government to strengthen local governance, but will also inspire the line departments to realign their schemes, programmes and administrative structure in tandem with the new reality.

In order to make the Gram Panchayats more effective in providing services in a meaningful way and to ensure accountability of the key functionaries, services of Executive Officers, Junior Engineers, Rojagar Sahayaks, Jogan Sahayaks and Officials involved in disbursement of pension should be placed by the Panchayats. Further all users' committees like the ones for primary schools, anganwadis and health centres work under the guidance of specially created parastatals under the direct supervision of departmental officers in contravention to Eleventh Schedule of the Constitution. As a first step services of ANMs and anganwadi workers can be placed with the GPs to make them an integral part of the institution of Gram Panchayat.

In order to make Panchayats viable units of local self-governance, number of Panchayats should be contained; each shall be a viable unit of local self-governance. Spitting of a Gram Panchayat always may not be in its best interest. The Commission is of the view that, lesson should learnt from experience of Kerala for evolving strong and efficient panchayats; and

- (i) New Panchayat should be created where population has exceeded 10,000.
- (ii) The existing panchayats having more than 7,500 population should be strengthened by placing technical and other functionaries exclusively for them while smaller panchayats may continue to share functionaries for the time being as the practice now.



8.4 Transfer of Funds to PRIs and ULBs

Article 243-I of the Indian Constitution provides for the Constitution of Local Finance Commission by the Governor of the State to review the financial position of the Panchayats and to make recommendations of the Governor as to improve their financial position. In accordance to this constitutional provision the Governor of Odisha has appointed Six State Finance Commissions.

The First State Finance Commission (ISFC), as per the mandate of the Constitution was constituted on 21st August 1996 with Justice Shri Subhranshu Kumar Mohanty as Chairman. The date by which the First State Finance Commission would submit their report/recommendations was fixed on 31st March 1998. The Commission could not complete the work assigned to it and so the Commission was reconstituted by the Government on 24.8.1998 with Dr. Baidyanath Misra as Chairman. The Commission completed its job in time and submitted its Report with recommendations to the Governor on 30th December 1998. The Second State Finance Commission (IISFC) was constituted on 5.6.2003 under the chairmanship of Sri Trilochan Kanungo and submitted its report on 29th September, 2004. The IISFC was constituted on 10th September, 2008 under the Chairmanship of Professor Sudhakar Panda in order to determine the principles for transferring the financial resources from State Government to the Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and submitted its final report on 27th January, 2010. The IVSFC was constituted by the State Government vide Notification dated October 13, 2013 with Sri Chinmay Basu as Chairman. The Commission submitted its report to Governor on 30th September, 2014. The Fifth State Finance Commission (VSFC) has been constituted by the State Govt. vide a notification dated 5th May 2018 with Shri Rabi Narayan Senapati as the Chairman. It has submitted its in August, 2019 covering all aspects of its mandate. In its recommendations, the Commission has addressed the issue of transfer of resources to the Local Bodies of the State out of the State's Taxes and Consolidated Fund. The Commission has also emphasized on strengthening resource base of the Local Bodies to help them to evolve into



responsible units of Local Self Governance. The Sixth State Finance Commission has been constituted on 27th January, 2025 under the chairmanship of Sri Arun Kumar Panda and is yet to submit its report.

In keeping with the spirit of the Constitutional provisions, the Commission has treated transfer of resources to the PRIs and ULBs under the recommendations of the Central Finance Commission as a supplementation to the amount recommended by the State Finance Commission. Accordingly, the Commission recommends to the Central Finance Commission to provide for the gap in the estimated resource requirements of the State. The Commission is sensitive to the cost of disadvantage suffered by the remote Tribal Sub-Plan (TSP) areas to provide equal level of services. Institutions in these areas tend to spend more amount because of low level of access, higher transportation cost etc. Therefore, the Commission proposed to provide 20 % additional fund to the TSP areas for different components of grants.

The Commission has recommended to limit the total transfer to 10 % of the net total tax revenue forecasted for the period 2015-20. After recommending the funds towards devolution and assignment of taxes, the Commission recommended grants-in-aid to meet the fund requirement partly or fully for the selected focus areas. It has decided to exclude Entry Tax, Entertain Tax and Motor Vehicle Tax from the sharable pool and assign a part of these taxes to the Local bodies directly. The net tax revenue, thus available for devolution during the period 2015-20 is estimated at Rs.109750.01 crore. The Commission has recommended that 3% of the above amount be devolved and distributed between PRIs and ULBS.

The approaches of the Commission with regard to the devolution are as follows-

- (i) The devolution is to be united.
- (ii) It is to be divided between RLBs and ULBs in the proportion of 75:25.



(iii) *Inter se* distribution amongst three tiers of PRIs & ULBs is based on population, category and number of units like GPs, PSs etc.

The amount to be devolved to the PRIs and ULBs is based on the criteria of size and density of population, percentage of persons below poverty line (Tendulkar Methodology), literacy rate and SC & ST concentration. Devolution to PRIs and ULBs are Rs.2468.9 crore and Rs.823 crore respectively out of total of Rs.3291.9 crore. The fund to be devolved to 6227 Gram Panchayats comes to Rs.1743.3 crore. The Commission has allotted an additional amount of 20% to the Panchayats under the TSP areas. Allocation to Panchayat Samities has been made on the basis of number of Gram Panchayats in a Panchayat Samiti and for each of the G.Ps. Rs.1.5 lakh crore per year provided over the award period. The total amount is Rs. 498.2 crore. The Commission has accordingly recommended Rs. 498.2 crore for the 314 Panchayat Samities. The total devolution recommended are Rs.1852.9 crore to Gram Panchayats, Rs.498.2 crore to Panchayat Samities and Rs. 117.8 crore to Zilla Parishads during the award period. The distribution of devolution amongst the three tiers of the PRIs works out to be in the ratio of 75:20:5.

The major criterion based on which the municipal bodies are categorised is the population. Problems, complexities, quality and nature of services of the ULBs are all dependent on population size. Fund transfers to different levels of ULBs, therefore has been based on population criterion as per 2011 census. The Commission recommends Rs.258 crore to Municipal Corporation, Rs.430.5 crore to Municipalities and Rs.133.7 crore to NACs. The Commission is of the opinion that devolved fund is the right of the Local Bodies to be used as per their own priority and decision. The administrative departments should desist from giving any direction indicating the purposes for which such fund should be utilised. The utilisation of fund should not be limited to only construction related activities. The Local Bodies should consider areas in health services, primary education, anganwadi, children park and other sectors while taking decision to use the devolved fund. Only purposes for which the fund should not be utilised are donation to any organisation or any religious activity or related construction.



The assignment policies followed for decades have lost their importance and fraud placed has so little that it has rather become symbolic. Therefore, the Commission recommended discontinuance of such assignments, like Kendu Leaf, Cess, Sairat, Minor Forest produce Grants etc. for rural areas. The stamp duty, which is being erroneously projected as grants to urban local bodies but goes to special planning authorities etc. should not be part of the assignment. The Commission emphasized on assigning Entertainment Tax to the rural and urban local bodies to enable them to levy and collect the taxes. The total requirement of funds towards salary, establishment and enhanced entitlements of elected representatives of the local bodies during the period 2015-20 works out to Rs.2234.1 crore for PRIs and Rs.2100 crore for the ULBs.

According to Article 280(3) (b) and (c) of the Constitution, the Central Finance Commission has to supplement the resources of the rural and urban local bodies in addition to transfer recommended by the State Finance Commission from the State's resources. The total fund requirement assessed for the five years period of 2015-20 is Rs.25325.03 crore. Total fund proposed for transfer from the State's Taxes and Consolidated Fund is Rs.12740.1 crore. This leaves a gap of Rs.12584.9 crore which is required to be met in next five years period. The IVSFC therefore, recommends that the Forteenth Finance Commission (XVIFC) may consider to augment the State's Consolidated Fund by Rs.12584.9 crore, to supplement the resources of the Local Bodies over and above the fund recommended for transfer from the State's resources.

8.4.1 Transfers by State Government

The State Government has decided to accept the recommendations of the State Finance Commission and to transfer a total sum of Rs.12792.77 crore. A sum of Rs.2468.85 core under the devolution mechanism will be given to the Panchayat Raj Institutions (PRIs) for the period 2015-2020. During this 5 year, each year a sum of Rs.493.77 crore will be allocated. Similarly, for Urban Local Bodies (ULBs), a sum of Rs.823 crore will be allocated during the same



period. Each year Rs.164 crore will be provided to the ULBs. The total amount for PRIs & ULBs will be Rs.3291.85 crore.

Under the mechanism of assignment of taxes, the State Govt. has decided to allocate a sum of Rs.2675.93 crore. For PRIs in 2015-2020. On the other hand, for ULBs, it will be Rs.3907.26 crore for the same period. The total amount including PRIs and ULBs will be a sum of Rs.6583.19 crore.

Similarly, a sum of Rs.2234.52 crore, the State Govt. has decided to allocate to PRIs as grant-in-aid. For ULBs, it will be a sum of Rs.683.21 crore. The total fund allocated under this mechanism to PRIs and ULBs will be Rs.2917.73 crore. The resources allocated to PRIs will be Rs.7379.30 crore and for ULBs, it will be Rs.5413.47 crore.

8.4.2 Transfers by Union Government

By taking into account the recommendation of XIVFC, the Union Govt. has decided to allocate the resources as basic grants for Rural Local Bodies (RLBs) of Odisha State a sum of Rs.7965.28 crore for 2015-20. Similarly for ULBs the basic grants will be Rs.1417.98 crore for the same period.

The Union Govt. has also allocated resources to RLBs & ULBs under performance grants a sum of Rs.865.03 crore and Rs.354.50 crore respectively for period 2015-20. For 2016-17, 2017-18, 2018-19 & 2019-20 the funds are Rs.173.55 crore, Rs.196.40 crore, Rs.223.04 crore and Rs.292.05 crore respectively for RLBs and for ULBs allocated funds are Rs.69.52 crore, Rs.78.67 crore, Rs.89.34 crore and Rs.116.98 crore respectively.

The table below illustrates a steady increase in fiscal transfers from both the State Finance Commission (SFC) and the Central Finance Commission (CFC) to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Odisha over a five-year period:

At first glance, the upward trajectory in total transfers may indicate a positive trend in state and central support for local governance. However, a deeper



analysis reveals that this increasing volume of intergovernmental fiscal transfers, while crucial, does not necessarily translate into strengthened local autonomy or improved service delivery outcomes. The effectiveness of these transfers is marred by several systemic issues, which are critically discussed below:

Table 8.1: Transfers from CFC and SFC(Rs. crore)

Year	SFC Transfers (Rs. crore)	CFC Transfers (Rs. crore)	Total Transfers (Rs. crore)
2016-17	1401.80	1496.64	2898.44
2017-18	1569.05	1725.11	3294.16
2018-19	1705.81	1991.48	3697.29
2019-20	1806.28	2681.59	4487.87
2020-21	2653.63	2258.00	4911.63

Source: CAG Audit Report 2021

The system of linking certain grants to performance metrics has introduced a compliance-heavy paradigm, where local bodies must meet specified reform criteria to access full funding. This model, while intended to incentivise good governance, has instead exposed capacity deficits within local institutions e.g. an amount of Rs 286.25 crore was forfeited in performance grants under the XIVFC by ULBs. These losses were primarily due to their failure to meet predefined benchmarks related to budgeting, auditing, and transparency. This highlights a capacity-performance mismatch, wherein resource-starved ULBs are expected to operate with high efficiency without adequate investment in institutional development.

The data shows that local bodies are significantly reliant on SFC and CFC transfers, with minimal contribution from their Own Source Revenue (OSR). Such dependence makes local governance vulnerable to changes in higher-tier government policies, affecting both fund predictability and planning cycles. Moreover, this dependency limits innovation. Local bodies often prioritize eligibility for grants over tailoring governance to local needs, leading to top-down compliance behaviour rather than bottom-up, citizen-centric governance. Thus, transfers increased year-over-year, actual fund utilization has not kept pace. This discrepancy points to structural weaknesses viz (i) Lack of skilled personnel in PRIs and ULBs to prepare Detailed Project Reports



(DPRs) and monitor schemes. (ii) Delays in fund disbursement and utilisation due to procedural bottlenecks and (iii) Absence of integrated IT systems for budget tracking, expenditure, and audit compliance. These capacity issues dilute the impact of even generous financial transfers, often resulting in idle funds, unfruitful expenditures, or suboptimal outcomes.

The impressive figures also mask inequities in allocation across regions e.g. TSP areas — which inherently have higher per-unit service delivery costs — may not receive proportionate enhancements despite policy provisions. Additionally, blanket performance benchmarks often ignore local contextual challenges, particularly in marginalized or resource-constrained areas.

Ironically, increasing financial dependence on upper tiers contradicts the spirit of the 73rd and 74th Constitutional Amendments that sought to empower local self-government. Fiscal decentralisation should ideally enable local resource mobilisation, flexibility in fund usage, and enhanced accountability to local constituents — objectives that are compromised when local governments are mere conduits of centrally dictated schemes.

8.5 Revenue Account of PRIs and ULBs

Over the span of 25 years, from 2000–01 to the projected estimates of 2024–25, the Government of Odisha has consistently increased its financial allocations to Urban Local Bodies (ULBs) such as Municipal Corporations (MCs), Municipalities, Notified Area Councils (NACs), and to the three tiers of Panchayati Raj Institutions (PRIs)—Zilla Parishads, Block Panchayats, and Gram Panchayats. These allocations have come in the form of compensation, grants-in-aid, and material and equipment support, demonstrating the state's ongoing commitment to strengthening grassroots governance and decentralized administration.

In the early years, between 2000–01 and 2004–05, the total annual expenditure on these heads remained below ₹1,300 crore. However, from 2005–06 onwards, there was a steady upward trend in fund allocations, reflecting growing responsibilities of local bodies in development and service



delivery. By 2009–10, total expenditure had reached ₹2,529.16 crore. This period primarily focused on foundational support to PRIs and ULBs, including administrative grants and minor infrastructure support.

The period between 2010–11 and 2014–15 saw a more structured approach to devolution, influenced by the recommendations of successive State Finance Commissions. Total expenditure more than doubled during this time, with ₹5,113.57 crore spent in 2014–15. The increased funding focused not only on basic grants but also began addressing sector-specific and institutional strengthening needs. Notably, assistance to Zilla Parishads and Gram Panchayats gained greater emphasis, reflecting efforts to empower the lower tiers of the PRIs.

From 2015–16 onwards, Odisha witnessed a marked acceleration in fund transfers to local bodies. In 2015–16, a significant increase in assistance to Block Panchayats, with over ₹1,20,000 lakh allocated, contributed to an overall expenditure of ₹5,880.57 crore. This upward trend continued annually, with consistent increases across all local body categories. In particular, the introduction of larger grants for infrastructure, sanitation, and capacity building played a crucial role in boosting these numbers.

In the most recent years, from 2020–21 to 2023–24, total grants and expenditure surpassed ₹9,500 crore annually, peaking at ₹16,308.94 crore in 2023–24. The projections for 2024–25 further reflect the government's sustained focus on local governance, with a planned expenditure of ₹16,692.26 crore. During these years, there was also an uptick in compensations and material/equipment support, along with additional allocations for emerging needs.



Table 8.2: Revenue Account Grants-In-Aid and Contribution to the Urban and Local Bodies

Year	Compensation and Assignments to Local Bodies & PRIs											Total Expenditure
	Assistance to M.C's	Assistance to Municipalities/ M.C's	Assistance to NAC's	Assistance to Zilla Parishad	Assistance to Block Panchayat	Assistance to Gram Panchayat	Other Misc. Compensation &	Deduct-Recovery of Overpayments	Total-3604	Aid Materials & Equipment	Total Grants-in-aid	
2000-01							11998371		12012347		14942.8	882878.8
2001-02							12638085		12658.0	2297.0	14956.9	987753.7
2002-03							14557429		14557.4	151.9	14709.3	1001468.0
2003-04				..	..	..	15346.8		15346.8	6806.3	22153.02	1086115.6
2004-05	..	..	..	207.3	453.1	1754.8	11980.8		14396.0	1451.8	15847.9	1237248.5
2005-06	..	..	..	185.1	302.7	1112.6	14537.0		16137.4	-1451.8	14685.6	1360351.6
2006-07	6323.4	7864.6	5514.2	647.4	737.3	5823.9	315.3		27226.0	..	27226.0	1577202.0
2007-08	7351.2	8585.9	6332.1	681.1	2842.1	5497.6	3800.0		35090.0	..	35090.0	1772326.8
2008-09	9050.1	10350.4	6961.5	714.6	3260.7	7138.9	1800.0		39276.1		39276.1	2119012.2
2009-10	10876.7	10917.2	7413.0	807.9	3302.3	6965.4	300.0		40582.4		40582.4	2529158.8
2010-11	12389.3	11371.0	7742.1	823.9	3497.4	7067.4	300.0	-30.1	43161.0		43161.0	2936794.5
2011-12	13604.6	15864.6	9540.0	858.1	19301.3	6711.5	300.0	-68.3	66111.5		66111.5	3466023.6
2012-13	14762.2	16999.5	10154.1	881.7	15450.9	5592.6	415.1	-106.7	64149.4		64149.4	3823755.5
2013-14	23455.7	24093.3	13993.3	978.8	17863.6	6331.1	4000.0	-1496.1	89219.7		89219.7	4561774.9
2014-15	23607.0	23653.6	14109.2	1014.4	12871.2	6315.1	300.0	-133.3	81737.2		81737.2	5113574.2
2015-16	34757.7	34099.7	17561.7	589.4	120529	3369.6	0	-7.4	91575.8		91575.8	5880570.8
2016-17	36482.1	42226.9	15968.9	443.4	1534.0	4594.9	0	-10.3	101239.8		101239.8	6504052.9
2017-18	47026.8	45322.2	19104.8	399.4	1530.3	4887.1	8000.0	-5.1	126265.6		126265.6	7183730.5
2018-19	47428.8	49014.3	23145.5	410.2	1479.2	4851.4	10000.0	-27.9	136301.5		136301.5	8535640.6
2019-20	48175.1	55179.1	24993.8	453.0	1543.0	5051.6	801500	-5.3	143405.2		143405.2	9913730.0
2020-21	40236.9	45348.1	18219.3	554.8	2078.4	5413.7	12748.0	-425.7	132979.2		132979.2	9531084.7
2021-22	45232.3	52157.7	20566.9	563.1	2053.6	5496.4	13748.0	-7.4	151342.5		151342.5	10958754.3
2022-23	47657.2	54289.2	22298.6	566.1	2047.1	5497.1	13750.0	-18.7	158388.4		158388.4	13100613.1
2023-24	47824.4	51955.4	21839.2	600.0	2100.0	5600.0	13750.0	..	151270.5		151270.5	16308942.0
2024-25	50385.4	54786.0	22857.6	1300.0	7600	17900.0	13752.0	..	162581.0		162581.0	16692258.4

Source: Finance Accounts, Government of Odisha.



A significant concern noted by the CAG is the underperformance in OSR by PRIs. Despite constitutional and legal empowerment, PRIs rely heavily on transfers for basic service delivery.

Table 8.3: Revenue Receipts and Expenditure of PRIs
(Rs. in crore)

Year	Revenue Receipts	Own Revenue	Revenue Expenditure	Capital Expenditure
2016-17	8,057.33	Minimal	6320	1,737.33
2017-18	9,113.10	Minimal	7200	1,913.10
2018-19	12,182.52	Minimal	9000	3,182.52
2019-20	12,797.25	Minimal	9900	2,897.25
2020-21	13,066.76	Minimal	10000	3,066.76

Source: CAG Audit Report 2021

OSR, which includes property tax, user fees, and local levies, is reported to be abysmally low. The CAG report highlighted that 19 GPs lost Rs 68.66 lakh of performance grants due to their inability to increase OSR.

The expenditure trend shows a rise in capital expenditure, mainly for infrastructure schemes funded under CSS like PMAY-G, MGNREGS, and SBM-G. However, the increase is grant-driven rather than OSR-driven, undermining fiscal autonomy.

ULBs in Odisha are more diversified in their revenue sources compared to PRIs. Still, a review shows that own revenue mobilisation is inadequate.

Table 8.4: Receipts and Expenditure of Test-Checked ULBs
(Rs. In crore)

Year	Total Receipts	Own Revenue	Revenue Expenditure	Capital Expenditure
2015-16	1290.53	325.38	1291.21	247.2
2016-17	1591.64	417.39	1592.22	318.7
2017-18	1718.96	392.47	1719.48	357.1
2018-19	2120.23	457.25	2120.72	498.8
2019-20	2261.92	447.36	2263.07	527.2

Source: CAG Audit Report 2021



Own revenue as a share of revenue expenditure declined from 25.19% in 2015-16 to 19.78% in 2019-20, indicating growing reliance on external transfers. Moreover, arrears in holding tax collection (Rs 14.72 crore) and non-implementation of revised rents have led to large unrealised revenues.

The data highlights consistent and growing financial commitment toward empowering local self-governments. The upward trajectory of grants and compensations across two decades underlines a robust policy shift towards decentralization, with particular emphasis on building institutional capacities and enabling ULBs and PRIs to deliver on developmental mandates effectively. However, the analysis exhibit overtly that the essence of fiscal decentralisation is yet to be achieved as both the PRIs and ULBs has nominal amount of OSR and rely heavily on grants from centre and state.

8.6 GST and its Implications on Local Finance

GST, while unifying tax administration, subsumed local taxes such as entertainment tax, advertisements, and entry tax. In the absence of a revenue sharing mechanism directly benefiting ULBs/PRIs, the GST regime has heightened dependence on compensation and assigned revenues. The general consensus is that PRIs have been adversely affected due to ambiguous revenue sharing protocols and absence of direct accruals.

8.7 Property Tax Administration: Challenges and Backlogs

Property tax, the backbone of municipal finance, continues to suffer from valuation lags, weak enforcement, and obsolete databases in Odisha. The Central Valuation Board (CVB) is responsible for guiding valuation, yet several gaps persist. These are as follows:

- No annual or triennial revisions of rates.
- Absence of GIS-based databases.
- Arrears of Rs 14.72 crore in holding tax across key ULBs.
- Weak tracking of Demand, Collection and Balance (DCB) data.



In the absence of reforms, property tax remains stagnant and fail to reflect urban growth.

8.8 Role of State Finance Commissions

The 4th and 5th State Finance Commissions made comprehensive recommendations, emphasising fund transfer, OSR enhancement, institutional capacity, and accountability. The status of the SFCs are provided in the Table 8.5.

Table 8.5: Recommendation and Status of SFC

SFC	Period	Recommended Transfers (Rs. in crore)	Status
IV	2015-2020	9137	Partially Released
V	2021-2026	20772	ATR submitted on February 2020
VI	2026-2031	Constituted on January 2025	Ongoing

Source: CAG Audit Report 2021

Table 8.5, shows that the IVSFC covered the period from 2015 to 2020 and recommended a transfer of Rs 9137 crore, of which only a partial release was made. The 5th SFC, which spans 2021 to 2026, recommended a significantly higher transfer of Rs. 20772 crore, and the Action Taken Report (ATR) for these recommendations was submitted in February 2020. The 6th SFC, constituted in January 2025 for the 2026–2031 period, is currently in progress.

Table 8.6 highlights that the government has taken considerable action on the recommendations of the SFCs. Key fiscal recommendations such as capping total transfers to local bodies at 10% of the State's own net tax revenue from 2020–21 to 2024–25, devolving 3% of net OTR to local bodies in a 75:25 ratio between PRIs and ULBs and providing these devolved funds as untied grants were all accepted and implemented.

**Table 8.6: Recommendation and ATR of VSFC**

Recommendation	Action Taken by the Government
Cap total transfer to local bodies at 10% of the State's own net tax revenue (2020–21 to 2024–25).	Accepted. Total transfers capped at 10% of State's own net tax revenue.
Devolve 3% of net OTR to local bodies; distribute 75% to PRIs and 25% to ULBs.	Accepted. Funds devolved as per the recommended ratio.
Make devolved funds untied to allow local bodies discretion in spending.	Accepted. Funds provided as untied grants.
Inter-se distribution among PRIs: 70% to GPs, 20% to PSs, 10% to ZPs.	Modified. Distribution adjusted to 60% to GPs, 30% to PSs, and 10% to ZPs.
Additional 25% allocation to GPs located in Scheduled Areas.	Accepted. Additional allocation approved.
Assign a share of SGST to local bodies in lieu of Entry Tax.	Accepted. SGST share allocated to cover administrative expenses.
Assign a portion of Motor Vehicle Tax to local bodies for road maintenance and development.	Accepted. Share of Motor Vehicle Tax earmarked for local infrastructure.
Provide sector-specific grants-in-aid to PRIs and ULBs based on assessed needs.	Accepted. Grants provided to improve infrastructure and service delivery.
Extend award period to synchronize with 15th Central Finance Commission (up to 2025–26).	Accepted. ₹23,848.12 crore allocated for 2025–26 based on extended award period.
Strengthen institutional capacity, human resources, and financial management in local bodies.	Acknowledged. Government committed to institutional strengthening and capacity building measures.

Source: ATR VSFC, 2020

The inter-sector distribution among PRIs was modified from the recommended 70:20:10 split (GPs:PSs:ZPs) to 60:30:10, indicating a shift in emphasis within the PRI hierarchy. An additional 25% allocation to GPs in Scheduled Areas was approved, highlighting attention to regional equity.

Further fiscal measures included assigning a share of the SGST to local bodies in place of Entry Tax and allocating a portion of Motor Vehicle Tax for road maintenance and infrastructure development. Sector-specific grants-in-aid were also provided based on assessed needs to enhance infrastructure and service delivery. Importantly, the government accepted the recommendation to extend the award period to align with the XVFC's timeline, allocating Rs. 23848 crore for 2025–26. The government also acknowledged the need to strengthen institutional capacity, human resources, and financial management in local bodies, committing to ongoing capacity-building initiatives. The actions taken reflect a robust effort to implement the SFCs' recommendations, although partial fund releases and modifications in allocation ratios suggest areas where full alignment is still in progress.



8.8 Audit Mechanism of PRIs and ULBs

In view of voluminous transactions, particularly in the Panchayat Samitis, maintenance of accounts by the PRIs has become a measure concern on account of manpower shortage, lack of capacity and non-implementation of IT in GPs. Introduction of PAMIS software by the State Govt. has brought some improvement in account keeping system of Panchayat Samitis. In compliance with the recommendations of the XIIIIFC, the Govt. has engaged Accountant Firms from among those empanelled with the CAG for the compilation of Gram Panchayat accounts since 2012-13. Besides, the State Govt. has taken decision to engage an Accountant-cum-Computer Asst. in each GP. Substantial changes have been made in the methods and structure of audit system for the local bodies as per the recommendations of the 13th Finance Commission. The CAG has been entrusted with technical guidance and supervision (TGS) and of accounts of PRIs and ULBs. The statutory audition of the local bodies i.e. the examiner of local accounts has been given the status of an independent directorate with necessary support system. The Directorate of Local Fund Audit (DLFA) is the primary auditor of PRIs. However, systemic deficiencies persist:

- 32% shortfall in planned GP audits (FY 2020-21).
- 16,072 audit paras pending across 3,472 inspection reports.
- Idle funds in schemes like PMAY-G and SBM-G.

Social audits, though mandated, were found to be irregular. No such audits were conducted in test-checked GPs during FY 2020-21.

8.9 List of Functions Devolved to PRIs

On 21 subjects the State Govt. has devolved functions to the PRIs. These are given below.

1. Agriculture, including Agricultural Extension
2. Land Improvement, Implementation of land reforms, land consolidation and soil conservation



3. Minor irrigation, water management and watershed Development
4. Animal Husbandry, dairying and poultry
5. Fisheries
6. Minor Forest Produce
7. Rural Housing
8. Drinking water
9. Roads, culverts, bridges, ferries, waterways, and other means of communication
10. Non-conventional energy sources
11. Poverty Alleviation Programme
12. Primary Education
13. Adult and non-formal education
14. Markets and Fairs
15. Health and sanitation, including hospitals, primary health centres and dispensaries
16. Family welfare
17. Women and Child Development
18. Social welfare, including welfare of the handicapped and mentally retarded
19. Welfare of the weaker sections, and in particular, of the Scheduled Castes and Scheduled Tribes
20. Public distribution system
21. Maintenance of community assets

8.9.1 Number of functions has been devolved to ULBs

List of functions devolved to ULB under the Twelfth Schedule of the Indian Constitution are as follows.

1. Regulation of land use and construction of land buildings.
2. Urban planning including the town planning.
3. Planning for economic and social development
4. Urban poverty alleviation
5. Water supply for domestic, industrial and commercial purposes
6. Public health sanitation, conservation and solid waste management



7. Slum improvement and Up-gradation
8. Safeguarding the interests of the weaker sections of society, including the physically handicapped and mentally unsound
9. Urban forestry, protection of environment and promotion of ecological aspects
10. Constructions of roads and bridges
11. Provision of urban amenities and amenities and facilities such as parks, gardens and playgrounds
12. Promotion of cultural, educational and aesthetic aspects
13. Burials and burials grounds, cremation and cremation grounds and electric playgrounds
14. Cattle ponds, prevention of cruelty to animals
15. Regulation of slaughter houses and tanneries
16. Public amenities including street lighting, parking spaces, bus stop and public conveniences
17. Vital statistics including registration of births and deaths



8.10 Recommendations

To strengthen PRIs and ULBs, a series of focused policy interventions are essential. One of the primary strategies is enhancing their own revenue generation. This can be achieved by implementing GIS-based property mapping to ensure accurate identification and assessment of taxable properties. In addition, automating demand and collection systems will improve efficiency, reduce leakages, and enhance compliance. Revising outdated property tax rates and user charges in line with current market conditions is also necessary to boost revenue potential and fiscal autonomy.

Another critical policy is the introduction of performance-linked transfers. Devolution of funds should be tied to the performance of local bodies in mobilising their OSR and adhering to recommended reforms. Such a strategy would incentivise better financial management and accountability while encouraging innovation and proactive governance at the grassroots level.

Capacity building is equally important in empowering local governments. There is an urgent need to recruit skilled personnel, particularly in the areas of engineering, accounting, and project management. Training programs should be designed to equip staff with the knowledge and tools required to efficiently plan, implement, and monitor development projects. Strengthening human resource capabilities will not only enhance service delivery but also ensure the optimal utilisation of devolved funds.

Finally, improving transparency and audit mechanisms is crucial to building trust and ensuring accountability. Strengthening the DLFA and increasing the coverage and depth of financial audits will help in identifying inefficiencies and irregularities. Additionally, institutionalising social audits will empower communities to participate in the oversight of local development activities, fostering a culture of transparency and citizen engagement. Together, these policies form a comprehensive approach to reinforcing the governance, financial sustainability, and service delivery capacity of PRIs and ULBs.



8.11 Conclusion

Fiscal decentralisation in Odisha has undergone significant evolution, driven by constitutional amendments, state-level reforms, and central government support. While substantial progress has been made in empowering PRIs and ULBs, challenges such as fund allocation, administrative alignment, and capacity building persist. Enhanced transparency, equitable resource distribution, and robust audit mechanisms are essential for strengthening local governance and achieving sustainable development.

The state's commitment to fiscal decentralisation is evident in its policies and initiatives, which aim to empower local bodies, foster participatory democracy, and improve service delivery. By addressing existing challenges and building on past successes, Odisha can further strengthen its local governance framework and contribute to the overall development of its communities.



CHAPTER 9

FINANCIAL HEALTH OF STATE PUBLIC ENTERPRISES

9.1 Introduction

Odisha's public enterprises have served as pillars of economic development, contributing significantly to industrial growth, job creation, and state revenue generation. Spanning diverse sectors such as mining, energy, transport, and agriculture, these entities have faced various operational and financial challenges over the years. The period from 2000-01 to 2022-23 has seen significant shifts in their roles, financial performance, and governance structures. This chapter provides a comprehensive analysis of the public enterprises in Odisha, highlighting their achievements, challenges, and reforms undertaken to enhance their efficiency and contribution to the state's economy.

9.2 Overview of Public Sector Undertakings in Odisha

Odisha's public sector undertakings (PSUs) include a mix of profit-generating and loss-incurring enterprises. Notable among these are the Odisha Mining Corporation (OMC), Odisha Power Generation Corporation (OPGC), Odisha Hydro Power Corporation (OHPC), Odisha State Road Transport Corporation (OSRTC), and Odisha State Cashew Development Corporation. These enterprises, especially in sectors like mining and energy, have consistently been among the top contributors to the state's revenue. For instance, the Odisha Mining Corporation reported significant profits throughout the period under review, with its revenues peaking at INR 16,000 crore in 2022-23 and profits amounting to INR 8,500 crore in the same year. This reflects not only the enterprise's operational efficiency but also its strategic importance in leveraging Odisha's rich mineral resources.

The period from 2000-01 to 2010-11 marked a phase of consolidation for many of these enterprises, as the state government focused on stabilizing their financial positions through operational restructuring and governance reforms. For instance, OMC experienced a steady increase in revenues during



this period, driven by enhanced mineral production and exports. In contrast, the Odisha State Road Transport Corporation (OSRTC) faced declining performance due to mounting operational inefficiencies and competition from private operators. Similarly, the Odisha State Cashew Development Corporation struggled with scalability and outdated processes, which led to consistent financial losses (Appendix 17).

9.3 Challenges and Strategies for Loss-Making Enterprises

While profit-making entities like OMC and OHPC have significantly contributed to Odisha's state revenues, loss-making institutions have imposed a fiscal burden. Enterprises such as the Odisha State Road Transport Corporation and the Odisha State Cashew Development Corporation have experienced persistent losses due to inefficiencies in operations, outdated infrastructure, and limited market competitiveness. These losses are not merely operational challenges but represent systemic inefficiencies that demand significant intervention.

The cumulative losses of these enterprises have required consistent budgetary support from the state government, redirecting funds from potential development initiatives. For instance, OSRTC's operational inefficiencies, exacerbated by high maintenance costs and outdated fleet infrastructure, have constrained its ability to generate sufficient revenue. Similarly, the Odisha State Cashew Development Corporation has struggled to modernize its operations, leading to suboptimal productivity and poor market reach.

The state government has implemented several measures to address the challenges faced by loss-making enterprises. Key strategies include:

1. **Operational Restructuring:** OSRTC underwent a fleet modernization program, which involved replacing outdated buses with energy-efficient models to reduce maintenance costs and attract more passengers.



2. **Process Digitization:** The introduction of automated ticketing systems and route optimization technologies has helped reduce revenue leakage and improve operational efficiency.
3. **Targeted Investments:** Odisha State Cashew Development Corporation has invested in modern processing facilities to enhance production capacity and quality standards, aiming to tap into export markets.
4. **Strategic Partnerships:** Loss-making enterprises have also explored collaborations with private players to leverage external expertise and capital. For instance, OSRTC initiated public-private partnerships for specific routes to improve service delivery and reduce operational deficits.
5. **Disinvestment and Consolidation:** In some cases, the government has opted for disinvestment or merging smaller, non-performing units with larger, profitable entities. This approach has freed up resources for reinvestment in priority sectors.

9.4 A Case Study

The disinvestment of Odisha Power Generation Corporation Ltd. (OPGC) represents a significant step in the Odisha government's ongoing efforts to reform and revitalize its PSUs. OPGC, a key player in the state's energy sector, operates a 1,740 MW thermal power station at Banharpali in Jharsuguda district. Initially, it functioned as a joint venture between the Government of Odisha and the US-based AES Corporation, with the latter holding a 49% stake. In 2020, the Odisha government bought back AES's stake, thus bringing the company under full state ownership. However, in January 2023, recognizing the need for increased efficiency, private sector innovation, and capital investment, the state government announced its decision to undertake strategic disinvestment by selling 49% of its stake to private investors.



The objectives behind this disinvestment were multifaceted. It aimed to infuse private capital into OPGC to support modernization, improve operational efficiency through professional management, and reduce the financial and administrative burden on the state. Importantly, the government intended to retain 51% ownership, ensuring continued control over strategic decisions and safeguarding public interest. To implement this plan, the government appointed SBI Capital Markets Limited as the transaction advisor and launched a two-stage disinvestment process. Expressions of Interest (EOIs) were invited from technically and financially sound entities with proven experience in operating thermal power plants. This global invitation indicated Odisha's openness to both domestic and international participation, underscoring the strategic nature of the initiative.

A key element of the disinvestment strategy was the inclusion of safeguards in the shareholder agreement to protect minority investors and ensure alignment with the state's energy policy. The decision to opt for partial disinvestment rather than full privatization reflects a calibrated approach, balancing the need for private sector efficiency with the public sector's social responsibilities. Through this model, the government sought to introduce corporate discipline into OPGC's operations, enhance service delivery, and pave the way for future investments in cleaner and more sustainable energy sources.

Although the disinvestment process is still ongoing, it has already generated interest among potential investors, indicating confidence in OPGC's future potential. The move is expected to bring significant benefits to the power sector in Odisha, including better management of power supply, improved infrastructure, and the possibility of leveraging private expertise for renewable energy transitions. Furthermore, this initiative aligns with broader national trends where state and central governments are increasingly looking to unlock the value of public assets through strategic partnerships with the private sector.



However, the process has not been without challenges. The government had to address concerns raised by employee unions regarding job security and potential shifts in corporate culture. Ensuring transparency and competitiveness in the bidding process was also critical to maintaining public trust. Additionally, regulatory clearances and due diligence posed typical hurdles in a complex disinvestment procedure. Despite these challenges, the OPGC disinvestment is a landmark initiative that underscores the Odisha government's commitment to PSU reform. It demonstrates how a well-planned and carefully executed disinvestment can enhance the performance, financial sustainability, and service delivery of public enterprises, serving as a model for other states considering similar reforms.

9.4 Broader Fiscal Impact

The financial impact of loss-making enterprises extends beyond direct monetary losses. It also includes opportunity costs, as funds used for bailouts or subsidies could otherwise be allocated to high-impact areas like healthcare, education, or infrastructure. Recognizing this, Odisha's strategic approach to PSU reform has focused on enhancing accountability, improving governance, and ensuring a sustainable fiscal environment for public enterprises.

By continuing to address inefficiencies and fostering innovation, Odisha aims to transform its loss-making PSUs into viable entities capable of contributing positively to the state's fiscal health and developmental goals. This approach not only mitigates the immediate fiscal burden but also lays the foundation for a more resilient and diversified economic base for the state.

Odisha's public enterprises have significantly contributed to the state's economic development, hence, addressing the challenges posed by loss-making institutions remains critical. By implementing targeted reforms, fostering innovation, and exploring collaborative opportunities, the state aims to minimize fiscal drains and maximize the economic and social contributions of its public sector undertakings. The performance of public enterprises from 2000-01 to 2022-23 proves the importance of balanced governance and strategic realignment in achieving long-term sustainability.



CHAPTER 10

IMPACT OF POWER SECTOR REFORMS ON STATE'S FISCAL HEALTH

10.1 Introduction

The power sector in Odisha has undergone significant reforms over the past few decades, transforming it from an inefficient and state-controlled system to a more market-oriented and decentralized one. These reforms were aimed at improving the financial health of the sector, ensuring reliable power supply, and promoting competition and efficiency.

10.2 A Brief History

Odisha was one of the first states to unbundle its electricity sector in 1998, following the model of the Electricity Act, 2003. The unbundling process involved dividing the Odisha State Electricity Board (OSEB) into separate entities for:

- **Generation:** Orissa Power Generation Corporation (OPGC).
- **Transmission:** Odisha Power Transmission Corporation Limited (OPTCL).
- **Distribution:** Odisha Electricity Distribution Companies (DISCOMs), including the Southco, Northco, Cesu, and Wesco companies.

Odisha was also the first state in India to privatize its electricity distribution sector. In 1999, the state entered into a franchise arrangement, handing over the distribution of electricity to private companies. This was done to improve operational efficiency, reduce transmission and distribution losses, and provide quality services to consumers.

The power sector reforms in Odisha have had a significant impact on the state's fiscal health, with both positive and negative outcomes. The reforms



were primarily aimed at improving the efficiency, sustainability, and financial viability of the power sector. However, the overall effect on the state's fiscal health has been shaped by the implementation of these reforms, the challenges encountered, and the evolving dynamics of the energy sector. Here's a breakdown of how these reforms have impacted Odisha's fiscal health:

10.2.1 Positive Impacts

10.2.1.1 Reduction in Financial Burden on the State Government

10.2.1.1.1 Privatization of Distribution: One of the major reforms in Odisha was the privatization of electricity distribution in 1999. This allowed private companies to take over the distribution of power, reducing the financial burden on the state government. Previously, the state had to heavily subsidize the distribution sector, which was a significant drain on its finances. Before 1996, the state was providing subsidy worth Rs. 250 crore annually although, after reform, the state has not been providing any subsidy for last 25 years.

10.2.1.1.2 Unbundling of the State Electricity Board: The unbundling of the Odisha State Electricity Board (OSEB) into separate entities for generation, transmission, and distribution has led to more efficient and transparent financial operations. The generation and transmission entities became more focused on cost recovery and revenue generation, thereby reducing the need for state subsidies. Table 10.1 shows the installed and contracted capacity of power generation at different sources.

Table 10.1: Installed and contracted capacity (in MW)

	Installed Capacity (MW)	Contracted Capacity (MW)
State Hydro (OHPC)	2159.8	2094.8
State Thermal (OPGC)	1740	1410
Independent Power Producers (IPPs)	4710	1134
Central Sector Hydro Stations		256
Central Sector Thermal (NTPC)	4600	1709.2
Total Conventional	13209.8	6604
Total Renewable	565	1461.5
Total	13774.8	8065.5

Source: Annual report, 2022-23



10.2.2.1 Increased Revenue Generation and Financial Sustainability

10.2.2.1.1 Efficiency Gains: The introduction of competition and the focus on improving operational efficiency within distribution companies (DISCOMs) led to a reduction in Transmission and Distribution (T&D) losses, which were a significant financial drain. Over time, this improved the overall financial health of the sector, allowing DISCOMs to become more self-sufficient and reduce their dependence on state funding. Figure 1 shows the transmission loss trajectory over past 10 years from 2007-08 to 2021-22.

Figure 10.1: Transmission loss trajectory



Source: Annual report, 2022-23

The actual and approved transmission loss was 4.82% and 5.0% respectively in FY 2007-08 which reduced gradually and reached to 3.15% and 3.0 respectively in FY 2021-22.

10.2.3 Revenue from Power Generation: With the unbundling and establishment of entities like the Orissa Power Generation Corporation (OPGC), the state began generating more revenue from power generation. This



contributed positively to the state's fiscal health by increasing the income from power sales.

Odisha is one of the few states of India which is surplus in electricity production: only 33% of the produced electricity is consumed within the states and the rest exported to other states. Clearly, selling electricity is a source of revenue for the state, revenue received from Taxes and Duties on Electricity in Odisha was Rs. 393846.21 lakh in 2020-21 (NCAER, Apr 23, 2023).

10.2.4: Regulatory Oversight and Cost-Reflective Tariffs

The establishment of the Odisha Electricity Regulatory Commission (OERC) allowed the state to set cost-reflective tariffs that helped utilities recover their costs and improve financial viability. By adjusting tariffs periodically, the state was able to ensure that the utilities were not financially dependent on state subsidies, improving the overall fiscal situation.

A domestic consumer now pays Rs 2.90 per unit for the first 50 units, Rs 4.70 per unit for consumption of 51-200 units, Rs 5.70 per unit for consumption between 201 to 400 units and Rs 6.10 per unit for consumption beyond 400 units. Consumers who opt for e-bill will get a rebate of Rs 10 per bill and those with prepaid meters will get four per cent rebate on the amount. The low transmission (LT) domestic and single-phase general-purpose consumers continue to get four per cent digital payment rebate. Rural domestic consumers get a rebate of 10 paise per unit if the bill is paid by due date. The fixed monthly charges for BPL consumers have also been reduced from Rs 80 to Rs 70 per month. In a bid to promote green energy and electric vehicles, the commission has reduced the green energy tariff from 25 paise to 20 paise per unit.

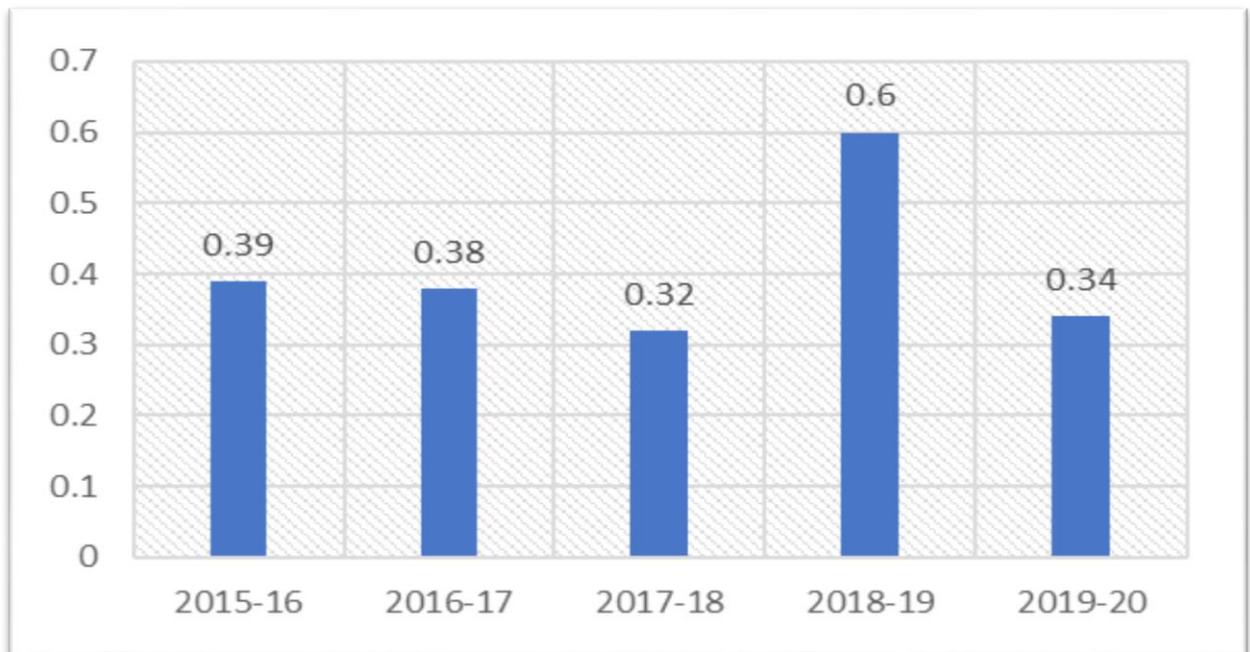
There was a surplus revenue of Rs 785.46 crore after truing up of the aggregated revenue requirement (ARR) of the four distribution companies up to 2022-23 out of which the commission allowed Rs 555 crore to be adjusted in the ARR.



10.2.5: Participation in National Schemes

Odisha's participation in national initiatives like Ujjwal Discom Assurance Yojana (UDAY) helped to reduce the financial burden on the state government. UDAY aimed to reduce the debt of state-owned DISCOMs by restructuring their liabilities, which helped to improve the fiscal situation at the state level. Through UDAY and similar schemes, Odisha was able to mitigate some of the financial stress in the power sector and reduce the fiscal deficits associated with power subsidies. Figure 2 shows the ACS-ARR GAP on Tariff Subsidy received under UDAY for loan takeover for Odisha from FY 2015-16 to FY 2019-20.

Figure 10.2: ACS-ARR GAP



Source: PIB, Aug 02, 2023

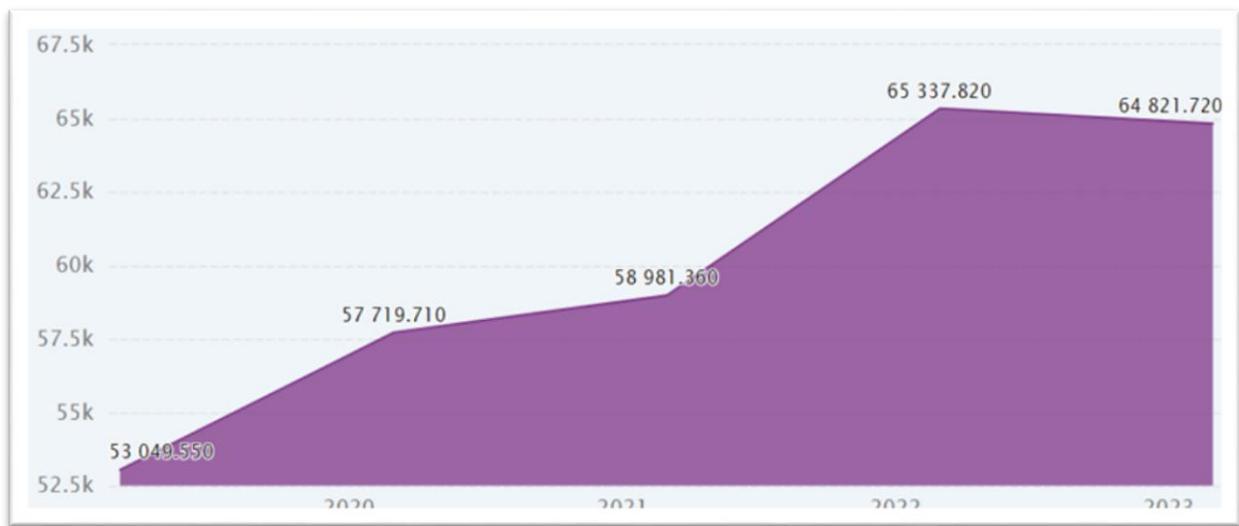
The ACS-ARR GAP on Tariff Subsidy received under UDAY for loan takeover has been gradually reduced from 0.39 in FY 2015-16 to 0.34 in FY 2019-20.



10.2.6: Improved Power Supply and Economic Growth

Better quality and more reliable power supply helped in the economic growth of the state. It enabled industries to function efficiently, leading to greater economic activity, which in turn contributed to higher tax revenues for the state. Increased industrial growth has a cascading effect on the state’s overall fiscal health. Figure 10.3 shows the trend of electricity consumption by industries of Odisha from FY 2019 to FY 2023.

Figure 10.3: Industrial Consumption of Electricity (2019-23)



Source: CEIC data

There is a gradual increasing trend of industrial electricity consumption in Odisha. In FY 2019, it was 53,049.5 GWh that rose to 64,821.7 GWh in FY 2023.

10.3 Negative Impacts

10.3.1 Subsidy Burden for Rural Electrification

While privatization and other reforms have improved urban power distribution, rural areas still face challenges in ensuring continuous power supply. The government continues to subsidize rural electrification and power consumption in underprivileged areas. This ongoing subsidy burden impacts



the state's fiscal health, as rural subsidies are often significant. Though subsidies have been reduced for urban consumers, they are still prevalent in rural sectors, particularly for agricultural users, which strains state resources.

While Odisha is not giving direct subsidies to consumers in the agricultural sector, the State has cross-subsidized the unit rate by Rs 1.5 for LT consumers and Rs 1.4 for HT consumers. Electricity consumption in the agriculture sector of Odisha is one of the lowest in the country. Against the total power consumption of 27,000 MU in 2021-22, the actual consumption in the agriculture sector was 806 MU.

10.3.2 Tariff Hike Resistance

The move towards cost-reflective tariffs, although necessary for the financial health of utilities, has often faced resistance from consumers. Frequent tariff hikes may not be politically feasible, especially in times of economic distress, and this can lead to fiscal stress if utilities are unable to recover costs through tariffs. The state government sometimes steps in to provide subsidies to make electricity more affordable, increasing the fiscal burden.

10.3.3 Accumulation of Debt in Distribution Companies

Despite the unbundling and privatization efforts, Odisha's DISCOMs (distribution companies) have continued to face financial difficulties, particularly due to high transmission and distribution losses in rural areas and slow recovery of costs through tariffs. At times, the state had to intervene to ensure the solvency of these entities, which put pressure on the state's fiscal position.

In some instances, the state had to take over the liabilities of the distribution companies, which added to the state's debt burden and negatively affected its fiscal health. Four electricity distribution companies of Odisha owe a staggering Rs 6,587 crore to the state. The breakdown of the dues is as



follows: CESU owes Rs 2,651 crore, NESCO owes Rs 958 crore, WESCO owes Rs 1,676 crore, and SOUTHCO owes Rs 1,300 crore.

10.3.4 Need for Infrastructure Investments

While reforms have reduced some costs, Odisha still requires substantial investment in power infrastructure, including transmission lines, smart metering, and renewable energy generation. These investments often come with high upfront costs, and although they may improve long-term fiscal health, they can be a strain on the state's budget in the short term.

A Single Window Committee (SWC) has accorded in-principle approval for investment proposals worth Rs. 4671.81 crore in the renewable energy sector in Odisha. It constitutes the approval to 749.5MW of renewable energy projects consisting of a 600MW pumped storage plant (PSP) project by OHPC in Kalahandi district, three wind power projects totalling 148.5 MW by ONGC Tripura Power Company Limited in Nabarangpur, Khordha and Jagatsinghpur districts and a 1.4MW rooftop solar project in Bhubaneswar. To date, the SWC has accorded in-principle approval for investment proposals worth Rs. 8395.38 crore for a total capacity of 1,249.38 MW in the renewable sector.

10.4 Conclusion

The impact of power sector reforms on Odisha's fiscal health has been a mixed one. On the positive side, the reforms have significantly reduced the fiscal burden of subsidies, improved revenue generation from the power sector, and brought in operational efficiency, which has stabilized the financial situation. On the negative side, challenges such as rural subsidies, tariff hike resistance, and accumulated debts of DISCOMs continue to put pressure on state finances. Moreover, substantial investments are still needed in infrastructure and capacity building.



CHAPTER 11

ANALYSIS OF SUBSIDY

11.1 Introduction

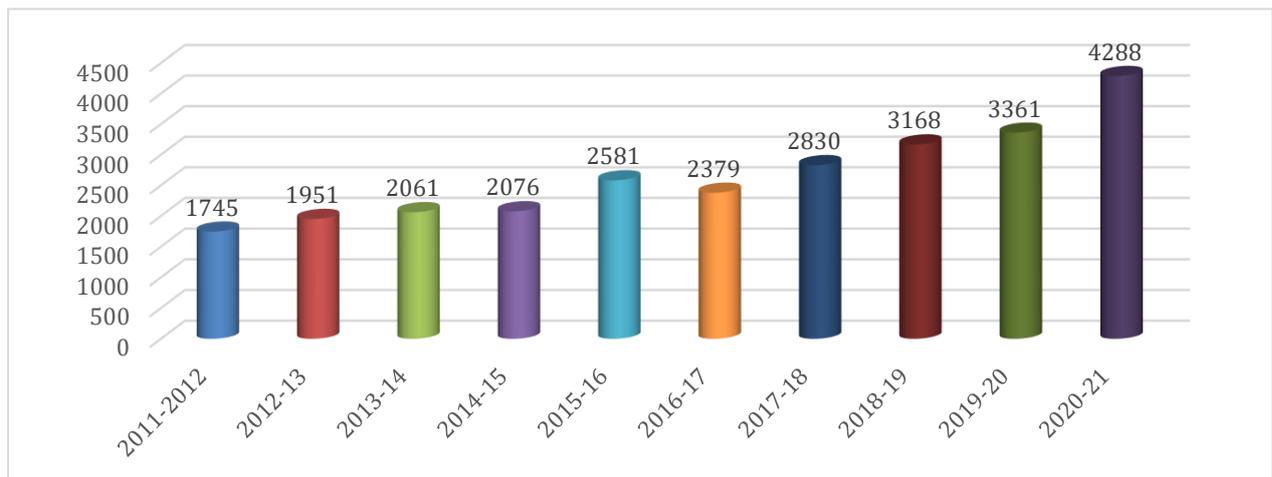
Subsidies are a cornerstone of government efforts to enhance socio-economic equity and stimulate targeted economic activities. In Odisha, subsidies have been utilized to promote welfare among vulnerable communities, support disaster relief efforts, and strengthen key economic sectors. This analysis explores the trends, distribution, and impact of subsidies from 2011 to 2021, highlighting their role in shaping the state's development trajectory.

11.2 Overview of Subsidy

Before we analyse the sectoral analysis of subsidy, it is important to provide the overview of subsidy for the state, which is given in Figure 1. It can be noted from the figure that total subsidy in Odisha has increased from ₹ 1745 crore in 2011-12 to ₹ 4288 crore in 2020-21.

Figure 11.1: Total subsidy in Odisha

(Rs. in crore)

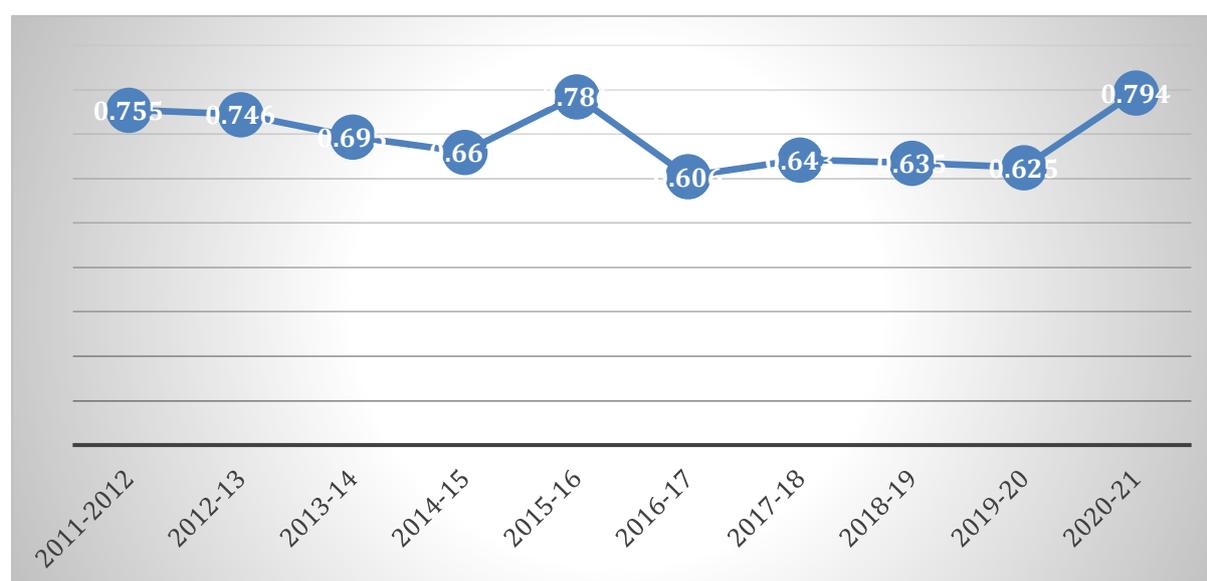


Source: Finance Accounts, Govt. of Odisha.



At the outset, this increase in subsidy seems to be significant, but it should also be noted that since all the values are given at current prices and therefore, they do not reflect the actual increase. In order to analyse the actual change, we have calculated subsidy as a percentage of GSDP, which is shown in Figure 2. As can be observed from the figure that there has not been any significant change in subsidy; subsidy as a percentage of GSDP has increased marginally from 0.755 percent in 2011-12 to 0.794 percent in 2020-21

Figure 11.2: Subsidies % GSDP



Source: Finance Accounts, Govt. of Odisha.

11.3 Sectoral Analysis of Subsidy Distribution

Sectoral distribution of subsidy is given in Table 11.1 and Table 11.2. The subsidy allocation can be categorized into Social Services and Economic Services, reflecting the state's dual focus on welfare and growth.

Subsidies under social services address welfare programs for Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OBC), labor welfare, and social security initiatives. These allocations are often influenced by the state's socio-economic challenges and disaster vulnerabilities. For example, relief on account of natural calamities constituted a significant portion of this category, underscoring Odisha's susceptibility to cyclones and floods. The overall allocation for social services peaked in 2015-16 at ₹746.7



crore, but this share declined to ₹411.8 crore by 2020-21, reflecting a potential shift in priorities.

Economic services dominate the subsidy framework in Odisha, driven by substantial support to agriculture, allied activities, and other economic sectors. Agriculture and allied activities consistently received the lion's share of subsidies, growing from ₹1210.6 crore in 2011-12 to ₹3736.3 crore in 2020-21. Food subsidies, a major component of agricultural support, highlight the government's focus on food security. Over time, there has also been increased diversification, with co-operative sectors and fisheries gaining higher allocations.

**Table 11.1: Sector-wise subsidy****(Rs. in Crore)**

	2011-2012	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
A. SOCIAL SERVICES	458.3	343.3	46.4	307.3	746.7	365.7	757.8	474.4	320.4	411.8
1. Welfare of SCs, STs& OBCs	2	1.6	1.6	1.6	2.1	2.1	2.5	5.0	7.0	4.5
2. Labour & labour Welfare	0	0	0	0	0		0.1			
3. Social welfare & nutrition	456.3	341.7	44.8	305.7	744.5	363.6	755.2	469.4	313.4	407.3
(a) Social security & Welfare	0.7	0.6	0.6	0.6	1.5	0.9	1.0	1.0	1.0	183.0
(b) Relief on Account of Natural Calamities	455.6	341.1	44.2	305.1	743.1	362.6	754.2	468.4	312.4	224.3
B. ECONOMIC SERVICES	1286.2	1607.8	2014.7	1768.5	1834.8	2012.9	2071.8	2693.7	3040.9	3875.7
1. Agriculture & Allied Activities	1210.6	1507.3	1776.3	1678.1	1664	1902.0	1841.7	2422.7	2784.2	3736.3
(a) Crop Husbandry	123.3	112.6	166.5	150.1	212.1	503.2	467.8	807.1	1017.0	975.4
(b) Food subsidy	978.5	1189.8	1288.6	1217.7	1123.4	969.9	885.8	981.0	1088.1	2085.3
(c) Co-operation	102	200.3	308.2	304.3	323.4	426.4	431.6	584.9	634.2	595.0
(d) Fisheries	6.8	4.6	12.9	6	5.2	2.4	56.5	49.7	44.9	80.6
2. Irrigation & Flood Control	30	30	186.7	30	32.4	35.0	8.0	20.8		
3. Energy	0	0	0	0	0					
4. Industry & minerals	44	64.3	50.1	58.8	138.3	76.0	220.5	249.9	255.1	137.8
(a) Village & SSIs	43.6	64.1	50.1	43.4	73.8	48.7	50.1	49.9	77.6	90.5
(b) Other Industries and Minerals	0.4	0.2	0	15.3	64.5	27.3	170.4	200.0	177.5	47.4
5. Transport	1.6	6.1	1.6	1.6	0	0.0	1.6	0.3	1.6	1.6
TOTAL (A+B)	1744.5	1951.1	2061.1	2075.8	2581.4	2378.6	2829.6	3168.2	3361.2	4287.5

Sources: Finance Accounts, Govt. of Odisha.



Table 11.2: Sector wise Percentage Share of Subsidy

	2011-2012	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
A. SOCIAL SERVICES	26.3	17.6	2.3	14.8	28.9	15.4	26.8	15.0	9.5	9.6
1. Welfare of SCs, STs & OBCs	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1
2. Labour & labour Welfare	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Social welfare & nutrition	26.2	17.5	2.2	14.7	28.8	15.3	26.7	14.8	9.3	9.5
(a) Social security & Welfare	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	4.3
(b) Relief on Account of Natural Calamities	26.1	17.5	2.1	14.7	28.8	15.2	26.7	14.8	9.3	5.2
B. ECONOMIC SERVICES	73.7	82.4	97.7	85.2	71.1	84.6	73.2	85.0	90.5	90.4
1. Agriculture & Allied Activities	69.4	77.3	86.2	80.8	64.5	80.0	65.1	76.5	82.8	87.1
(a) Crop Husbandry	7.1	5.8	8.1	7.2	8.2	21.2	16.5	25.5	30.3	22.7
(b) Food subsidy	56.1	61.0	62.5	58.7	43.5	40.8	31.3	31.0	32.4	48.6
(c) Co-operation	5.8	10.3	15.0	14.7	12.5	17.9	15.3	18.5	18.9	13.9
(d) Fisheries	0.4	0.2	0.6	0.3	0.2	0.1	2.0	1.6	1.3	1.9
2. Irrigation & Flood Control	1.7	1.5	9.1	1.4	1.3	1.5	0.3	0.7	0.0	0.0
3. Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Industry & minerals	2.5	3.3	2.4	2.8	5.4	3.2	7.8	7.9	7.6	3.2
(a) Village & SSIs	2.5	3.3	2.4	2.1	2.9	2.0	1.8	1.6	2.3	2.1
(b) Other Industries and Minerals	0.0	0.0	0.0	0.7	2.5	1.1	6.0	6.3	5.3	1.1
5. Transport	0.1	0.3	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0
TOTAL (A+B)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Finance Accounts, Govt. of Odisha.



11.4 Trends in Subsidy Allocations

The decade-long analysis reveals several notable trends. Total subsidies rose significantly, from ₹1744.5 crore in 2011-12 to ₹4287.5 crore in 2020-21, reflecting growing fiscal investment in welfare and development. The proportion of economic services in total subsidies increased steadily, reaching 90.4% by 2020-21. In contrast, the share of social services dropped to 9.6%, signaling a recalibration toward growth-oriented spending. Within economic services, agriculture remained the primary beneficiary. Crop husbandry and co-operation experienced notable growth, while food subsidies continued to play a critical role in ensuring basic sustenance.

11.5 Subsidies as a percentage of GSDP

Subsidies as a proportion of the GSDP highlights their fiscal and developmental significance, which is shown in Table 11.3. Subsidies constituted around 0.606% to 0.794% of the GSDP during the period, showcasing sustained fiscal support. Economic services dominated the GSDP linkage, driven by agriculture and allied sectors. For example, the share of agriculture-related subsidies in GSDP rose from 0.524% in 2011-12 to 0.692% in 2020-21. Social services, though critical for welfare, contributed a smaller fraction, peaking at 0.227% in 2015-16.



11.1 Sectoral Analysis of Subsidy Distribution

The subsidy allocation in Odisha can be categorized into Social Services and Economic Services, reflecting the state's dual focus on welfare and growth.

Subsidies under social services address welfare programs for Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OBC), labour welfare, and social security initiatives. These allocations are often influenced by the state's socio-economic challenges and disaster vulnerabilities e.g. relief on account of natural calamities constituted a significant portion of this category, underscoring Odisha's susceptibility to cyclones and floods. The overall allocation for social services peaked in 2015-16 at Rs. 746.7 crore, but this share declined to Rs. 411.8 crore by 2020-21, reflecting a potential shift in priorities.

Economic services dominate the subsidy framework in Odisha, driven by substantial support to agriculture, allied activities, and other economic sectors. Agriculture and allied activities consistently received the lion's share of subsidies, growing from Rs. 1210.6 crore in 2011-12 to Rs. 3736.3 crore in 2020-21. Food subsidies, a major component of agricultural support, highlight the government's focus on food security. Over time, there has also been increased diversification, with co-operative sectors and fisheries gaining higher allocations.

**Table 11.3: Subsidies share in GSDP (in %)**

	2011-2012	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
A. SOCIAL SERVICES	0.198	0.131	0.016	0.098	0.227	0.093	0.172	0.095	0.060	0.076
1. Welfare of SCs, STs& OBCs	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
2. Labour & labour Welfare	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3. Social welfare & nutrition	0.198	0.131	0.015	0.097	0.227	0.093	0.171	0.094	0.058	0.075
(a) Social security & Welfare	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.034
(b) Relief on Account of Natural Calamities	0.197	0.130	0.015	0.097	0.226	0.092	0.171	0.094	0.058	0.042
B. ECONOMIC SERVICES	0.557	0.614	0.680	0.563	0.558	0.512	0.470	0.540	0.566	0.718
1. Agriculture & Allied Activities	0.524	0.576	0.599	0.534	0.506	0.484	0.418	0.486	0.518	0.692
(a) Crop Husbandry	0.053	0.043	0.056	0.048	0.065	0.128	0.106	0.162	0.189	0.181
(b) Food subsidy	0.424	0.455	0.435	0.387	0.342	0.247	0.201	0.197	0.202	0.386
(c) Co-operation	0.044	0.077	0.104	0.097	0.098	0.109	0.098	0.117	0.118	0.110
(d) Fisheries	0.003	0.002	0.004	0.002	0.002	0.001	0.013	0.010	0.008	0.015
2. Irrigation & Flood Control	0.013	0.011	0.063	0.010	0.010	0.009	0.002	0.004	0.000	0.000
3. Energy	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4. Industry & minerals	0.019	0.025	0.017	0.019	0.042	0.019	0.050	0.050	0.047	0.026
(a) Village & SSIs	0.019	0.024	0.017	0.014	0.022	0.012	0.011	0.010	0.014	0.017
(b) Other Industries and Minerals	0.000	0.000	0.000	0.005	0.020	0.007	0.039	0.040	0.033	0.009
5. Transport	0.001	0.002	0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL (A+B)	0.755	0.746	0.695	0.661	0.786	0.606	0.643	0.635	0.625	0.794

Sources: Finance Accounts, Govt. of Odisha.



11.6 Cost-benefit analysis of subsidy

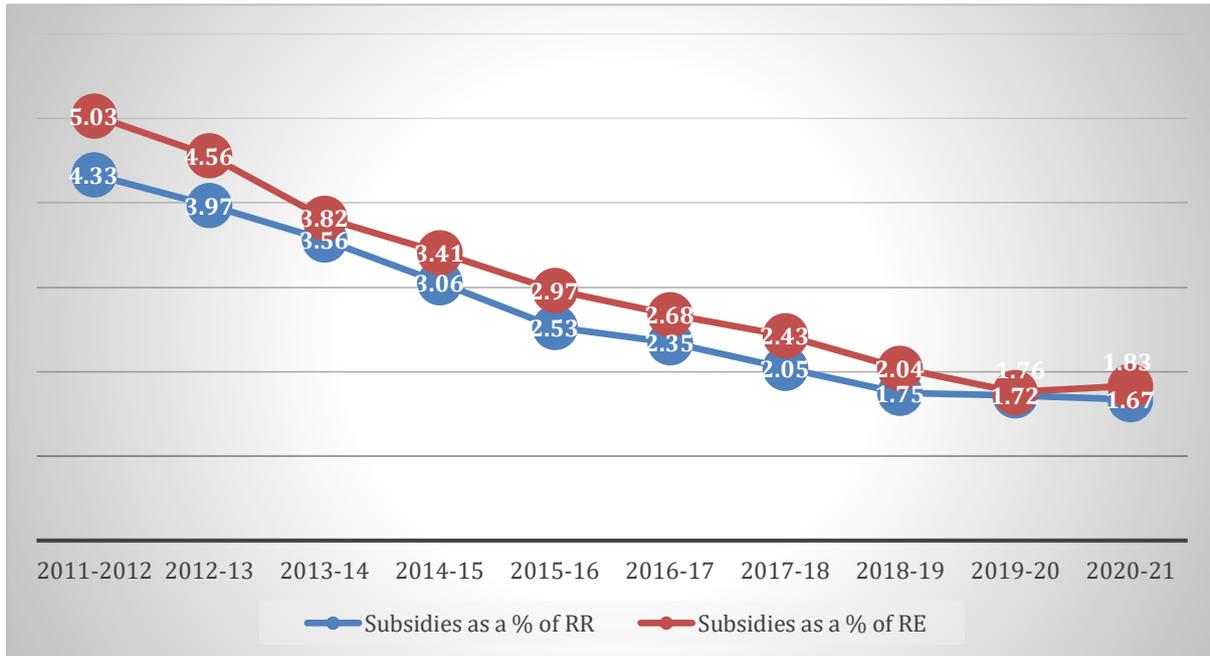
While analysing the subsidy, it is also important to do the cost-benefit analysis, which will demonstrate the effectiveness of subsidy. However, due to data constraints, we cannot do the cost-benefit analysis for subsidy. Nonetheless, we can still use two indicators, viz. subsidies as a percentage of revenue receipts and subsidies as a percentage of non-tax revenue receipts, which will give us a clue as to what extent these subsidies are giving return.

11.7 Subsidies in RR and RevEx

In the previous section, we analysed the trends of subsidy as a percentage of GSDP and it was found that there was not much variation in it over the period, which indicated that subsidy and the GSDP increased at the same pace over the period. In this section, we have analysed how subsidies vary in relation to RR and RevEx. As can be observed from Figure 3, there is continuous decline in both subsidies as a percentage of RR and subsidies as a percentage of RevEx. Subsidies as a percentage of RR has declined from 4.33 percent in 2011-12 to 1.67 percent in 2020-21, which indicates that the increase in revenue receipt is more than the increase in subsidy. It gives us a clue that subsidies are better targeted in the state and returns of the subsidy are positive and fruitful for the state.



Figure 11.3: Subsidies % in RR and RevEx



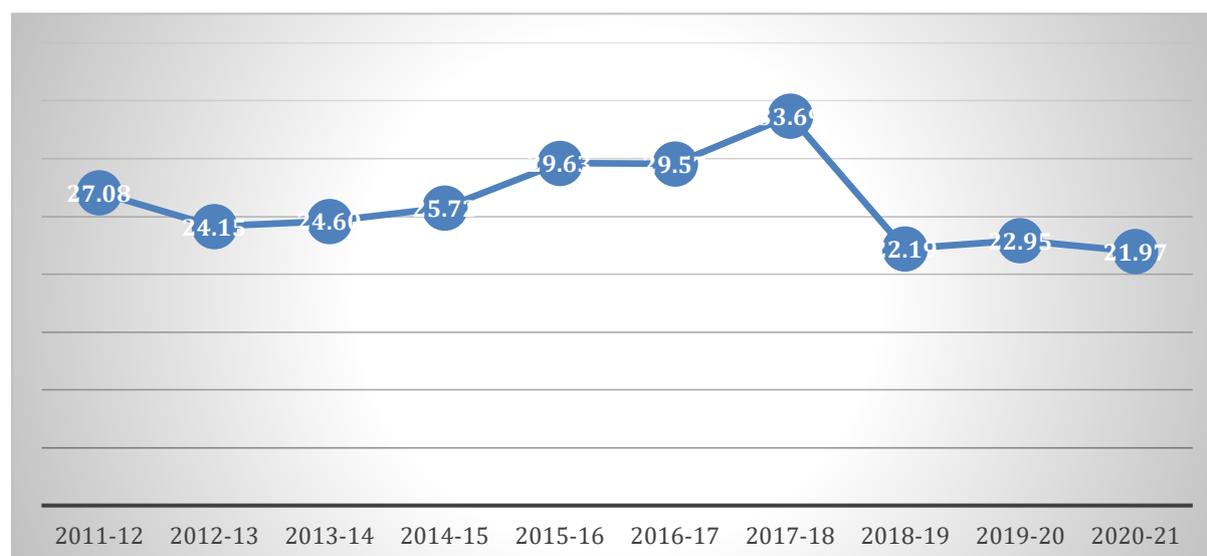
Source: Finance Accounts, Govt. of Odisha.

11.8 Subsidies as a percentage of ONTR

As mentioned earlier, subsidies as a percentage of non-tax revenue, which is shown in Figure 11.4, will give us an idea about how effective subsidies have been in generating the revenue. We can notice from the figure that there is no specific pattern in it. Subsidies as a percentage of own non-tax revenue was 27.08 percent in 2011-12; it reached the peak value of 33.69 percent in 2017-18 and it further declined to 21.97 percent in 2020-21.



Figure 11.4: Subsidies % in ONTR



Source: Finance Accounts, Govt. of Odisha.

Table 11.4: Proportion of Food Subsidy (%)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Proportion of food subsidy to total agriculture and allied activities	80.8	78.9	72.5	72.6	67.5	51.0	48.1	40.5	39.1	55.8
Proportion of food subsidy to total economic services	76.1	74.0	64.0	68.9	61.2	48.2	42.8	36.4	35.8	53.8
Proportion of food subsidy to total subsidy	56.1	61.0	62.5	58.7	43.5	40.8	31.3	31.0	32.4	48.6

Sources: Finance Accounts, Govt. of Odisha

11.9 Food Subsidies: A Key Component

Food subsidies emerged as a major focus, illustrating the government's emphasis on food security (Table 11.4). As a proportion of agriculture-related subsidies, food subsidies declined from 80.8% in 2011-12 to 55.8% in 2020-21, indicating diversification within agricultural support. In the broader context, food subsidies accounted for 48.6% of total subsidies by 2020-21, demonstrating their critical role in the economic and welfare ecosystem.



11.10 Challenges & Recommendations in Subsidy Allocation

Despite its pivotal role, Odisha's subsidy framework faces several challenges. The declining share of social services highlights a need for better balance to ensure inclusivity and support for marginalized groups. The impact of subsidies on productivity and welfare must be regularly assessed to optimize allocations. Given Odisha's vulnerability to natural calamities, sustained investment in disaster relief and climate adaptation is essential. The increasing fiscal burden of subsidies necessitates innovative solutions, such as targeted disbursements and leveraging technology.

To address these challenges and enhance the effectiveness of subsidies, certain steps are recommended. Data-driven approaches should be used to ensure that subsidies reach the intended beneficiaries, particularly marginalized communities. Robust mechanisms should be implemented to evaluate the impact of subsidies and reallocate resources based on performance outcomes. Investments in emerging sectors like renewable energy and modernized irrigation should be encouraged to complement existing allocations. Relief programs should be strengthened, and long-term strategies for climate resilience developed.

11.11 Conclusion

Subsidies have played a transformative role in Odisha's socio-economic development. Our analysis of subsidy revealed that food subsidy has been major component of the subsidy and subsidy on social sector is on the continuous decline. While economic services, particularly agriculture, have been the primary focus, there is a need to realign priorities to ensure inclusivity and sustainability. By leveraging data, improving targeting, and fostering innovation, Odisha can maximize the impact of subsidies and achieve balanced growth



CHAPTER 12

ANALYSIS OF CONTINGENT LIABILITIES

12.1 Introduction

Contingent liabilities of a state refer to potential obligations or liabilities that may arise in the future, depending on the occurrence of uncertain events. These liabilities are not recorded as immediate expenses or debts in a state's accounts because they are conditional and depend on specific outcomes. However, they can pose significant fiscal risks if they materialize.

12.2 Explicit Contingent Liabilities

The explicit contingent liabilities of Odisha contain

- **Loan Guarantees:** The state provides guarantees for loans taken by various state-owned enterprises (SOEs), municipal bodies, and cooperative institutions. Examples include guarantees for loans to power distribution companies (DISCOMs) or water supply and sanitation boards.
- **Public-Private Partnerships (PPPs):** The state supports infrastructure projects (roads, bridges, healthcare, etc.) under PPP models, often offering guarantees for revenue shortfalls or operational risks.
- **Legal Disputes:** Pending litigation against the state related to land acquisition, contractual disputes, or labor issues could result in financial liabilities.
- **Bond Guarantees:** Guarantees are provided for bonds issued by state-owned entities to raise capital for developmental projects.



12.3 Implicit Contingent Liabilities

The implicit contingent liabilities of the state includes

- Bailouts for State-Owned Enterprises: Many SOEs in Odisha, particularly in sectors like power (e.g., Odisha Power Transmission Corporation Limited) or mining, face financial difficulties. The state may feel compelled to provide financial support to prevent their collapse.
- Natural Disaster Relief: Odisha is highly vulnerable to cyclones, floods, and other natural disasters. While disaster funds are pre-budgeted to some extent, the state often incurs additional unforeseen expenses in disaster relief and rehabilitation efforts.
- Pension and Social Security Commitments: While pensions for government employees are explicit liabilities, other social commitments, such as assistance during health or economic crises, fall into the implicit category.
- Support for Cooperative Banks: The state might intervene to stabilize cooperative banks or rural financial institutions in case of financial crises or insolvencies.
- Rural Development and Welfare Schemes: Implicit obligations may arise to expand or fund welfare schemes like subsidized food distribution, housing, or healthcare during economic distress.

For its award period of 2015-20, XIVFC recommended that the fiscal deficit of all States should be maintained at an annual limit of 3% of their GSDP over and above this ceiling, States can be eligible for an extra 0.25% for any given year if their debt to GSDP ratio is less than or equal to 25% in the preceding year. Additionally, another 0.25% can also be availed if interest payments are less than or equal to 10% of revenue receipts in the preceding year. Thus, a state can have a maximum fiscal deficit of 3.5% of their GSDP for any given year.



12.4 Off budget borrowings

Off-budget borrowings are debts that are incurred by public sector units or special purpose vehicles, rather than the government directly. The principal and interest are serviced from the budget, and these borrowings are not subject to legislative scrutiny. In 2024-25, Odisha's off-budget borrowings are Rs 42,495 crore. The state's public debt is expected to reach Rs 1,12,882 crore by the end of 2023-24. In 2024-25, Odisha is expected to repay Rs 21,092 crore in debt. The state's expenditure (excluding debt repayment) in 2024-25 is estimated to be Rs 2,43,908 crore.

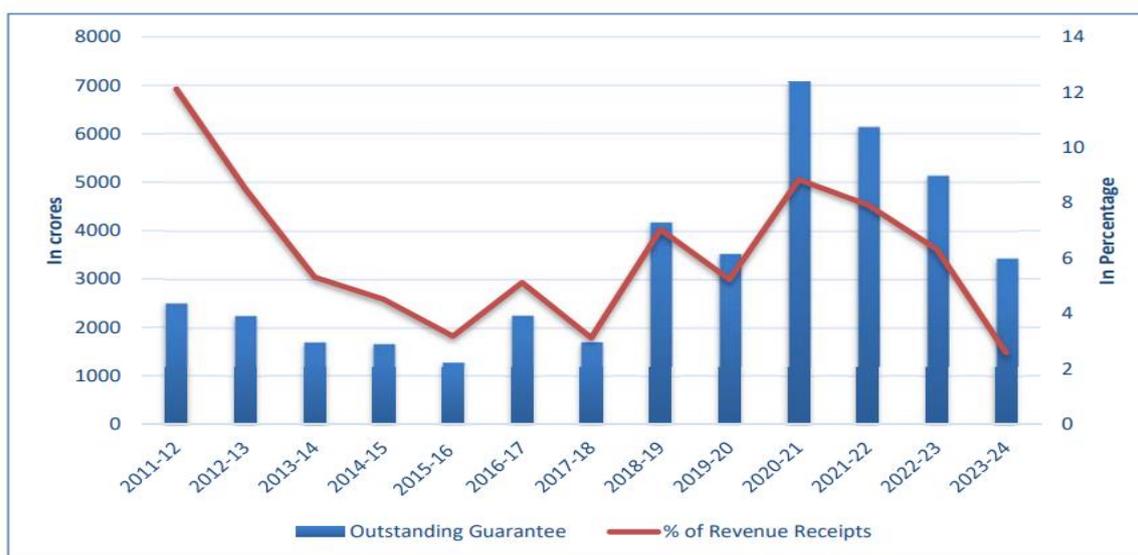
12.5 Guarantees provided by the Government of Odisha

Figure 12.1 shows the outstanding guarantee loan and as a percentage of revenue receipt from FY 2011-12 to 2023-24.

The government of Odisha guarantees more than 18% of revenue receipt in FY 2020-21, that gradually decreased to 6.03% in FY 2023-24. The outstanding guarantee loan has also significantly declined from FY 2020-21 onwards. In FY 2020-21, it was more than Rs. 7,000 crore which fell to half at around Rs. 3,435 crore in FY 2023-24. The public sector undertakings have a highest contribution of more than 98% to the guarantee loan, followed by Co-operatives (1.5%), and Urban local bodies (0.4%) in FY 2023-24. The guarantee loan as a percentage of the revenue receipt follows the same downward trend, and in FY 2023-24, it was only 2.58%. Therefore, it is concluded that the contingent liabilities have fallen over years and expected to fall further



Figure 12.1: Outstanding guarantee loan and % RR



Source: Finance Accounts (2023-24), Govt. of Odisha

Table 12.1 shows sector-wise guarantee provided by the government of Odisha.

Table 12.1: Sector-wise Guarantee

Year	Power Sector	Co-operative	State financial corporation	Urban development and housing	Any other	Total
2020-21	6,985.30	67.33	29.15	0.85	2.89	7,085.52
2021-22	6,062.57	67.33	28.25	0.85	0.89	6,159.89
2022-23	5,071.58	26.89	11.11	0.85	0.89	5,111.31
2023-24	3,395.69	26.89	11.11	0.85	0.89	3,435.42

Source: Finance Accounts, (2023-24), Govt. of Odisha

The power sector has always been the highest receiver of state’s guarantee, followed by the Co-operative, State financial corporation, and urban development and housing. However, guarantee has been reduced over years, especially in the FY 2022-23 and 2023-24, a significant fall in guarantee has been observed, but sectors have maintained their similar positions in guarantee receipts as they had four years ago.



12.6 One Time Settlement (OTS)

Table 12.2: OTS by the Finance Department due to Invocation of Guarantee

Year	PSU Sector	Co-operative Sector	ULB Sector	Total
Up to 1999-2000	19.79	65.01	1.00	85.80
2000-01	0.00	0.00	0.00	0.00
2001-02	4.92	0.00	0.00	4.92
2002-03	27.24	17.85	0.00	45.09
2003-04	21.03	17.09	0.00	38.12
2004-05	105.89	4.04	0.00	109.93
2005-06	44.50	3.35	0.00	47.85
2006-07	140.85	0.00	17.65	158.50
2007-08	47.46	0.12	141.18	188.76
2008-09	55.83	0.00	6.69	62.52
2009-10	0.00	0.00	0.00	0.00
2010-11	3.50	0.00	0.00	3.50
2011-12	0.00	0.00	0.00	0.00
2012-13	0.00	0.00	0.00	0.00
2013-14	0.00	0.00	0.00	0.00
2014-15	0.00	8.09	0.00	8.09
2015-16	0.00	3.63	0.00	3.63
2016-17	0.00	0.00	0.00	0.00
2017-18	0.00	0.00	0.00	0.00
2018-19	0.00	15.14	0.00	15.14
2019-20	0.00	0.00	0.00	0.00
2020-21	0.00	0.00	0.00	0.00
Total	471.01	134.32	166.52	771.85

Source: Budget at a Glance 2023-24, Govt. of Odisha

The table presents financial allocations across three sectors—PSUs, Co-operative, and ULBs—over multiple years, up to 2020-21. The cumulative total funding across all years stands at Rs. 771.85 crore, distributed among the PSU Sector (Rs. 471.01 crore), Co-operative Sector (Rs. 134.32 crore), and ULB Sector (Rs. 166.52 crore). The trends over time reveal fluctuations in investments, with periods of high allocations followed by years of little to no funding.

12.7 Pre-2000 Trends

Before the year 2000, Rs. 85.80 crore was allocated, with the majority (Rs. 65.01 crore) directed towards the Co-operative Sector, while the PSU Sector received Rs. 19.79 crore, and the ULB Sector had minimal funding of Rs. 1.00 crore.



12.8 Post 2000 onwards: Fluctuating Investments and High Allocations

The early 2000s saw varying levels of funding, with significant investments in certain years:

- 2000-01: No funding across any sector.
- 2001-02: A small allocation of Rs. 4.92 crore was directed exclusively to the PSU Sector.
- 2002-03: A notable increase, reaching Rs. 45.09 crore, largely attributed to PSU (Rs. 27.24 crore) and Co-operative Sector (Rs. 17.85 crore).
- 2003-04: A decline in total allocation (Rs. 38.12 crore), with funds primarily directed to PSU (Rs. 21.03 crore) and Co-operative Sector (Rs. 17.09 crore).
- 2004-05: A major spike in funding to Rs. 109.93 crore, primarily driven by PSU (Rs. 105.89 crore).
- 2005-06: The total dropped to Rs. 47.85 crore, with PSU still receiving the majority (Rs. 44.50 crore).
- 2006-07: Another significant peak at Rs. 158.50 crore, primarily due to a large PSU allocation of Rs. 140.85 crore, along with ULB (Rs. 17.65 crore).
- 2007-08: This year marked the highest allocation (Rs. 188.76 crore), driven by a sharp increase in ULB Sector funding (Rs. 141.18 crore), along with PSU (Rs. 47.46 crore).
- 2008-09: Funding reduced to Rs. 62.52 crore, with the PSU Sector receiving Rs. 55.83 crore and ULB Rs. 6.69 crore.
- 2009-10: No recorded allocations.
- 2010-2020: Declining Investments and Sectoral Shifts
- After 2010, funding allocations became sporadic and significantly lower than in the previous decade:
- 2010-11: A small allocation of Rs. 3.50 crore in the PSU Sector.
- 2011-12 to 2013-14: No funding in any sector.
- 2014-15: A re-emergence of funding (Rs. 8.09 crore), entirely directed to the Co-operative Sector.



- 2015-16: A minimal allocation of Rs. 3.63 crore to the Co-operative Sector.
- 2016-17 to 2017-18: No funding in any sector.
- 2018-19: A noticeable allocation (Rs. 15.14 crore) to the Co-operative Sector.
- 2019-20 to 2020-21: No funding recorded.

12.9 Sectoral Analysis

PSU Sector (Rs. 471.01 crore, 61% of total funding): The PSU Sector received the highest total allocation, particularly in 2004-05, 2006-07, and 2007-08, indicating a strong role in government-funded projects in earlier years. However, post-2010, PSU funding dropped drastically, with negligible allocations.

Co-operative Sector (Rs. 134.32 crore, 17% of total funding): The Co-operative Sector had substantial funding before 2000 and saw periodic investments in later years, notably in 2002-03, 2003-04, 2004-05, and 2018-19. However, its funding remained inconsistent.

ULB Sector (Rs. 166.52 crore, 22% of total funding): The ULB Sector saw its peak in 2007-08 with Rs. 141.18 crore, contributing to the highest annual allocation. However, its role remained limited beyond that year, with only occasional investments.

12.10 Overall Trends

Initial Investments (Pre-2000): The focus was on the Co-operative Sector, likely aimed at rural development and community-based initiatives.

Growth Phase (2000-2010): PSU funding dominated, with major investments in infrastructure, industry, or large-scale government initiatives. The ULB Sector saw a significant spike in 2007-08, possibly due to urban development projects.



Decline Phase (Post-2010): Funding diminished across all sectors, with only a few isolated instances of investment, mostly in the Co-operative Sector (2014-15, 2015-16, and 2018-19).

The sharp decline in funding after 2010 could indicate a shift in policy focus, budget constraints, or reallocation of resources to alternative funding mechanisms. The discontinuation of investments in the PSU Sector after 2010 and the ULB Sector after 2008-09 further suggests a reduced government emphasis on these areas.

12.11. Conclusion

This pattern reflects broader economic and policy changes, such as fiscal restructuring, changing priorities in economic development, or shifts towards private sector-driven growth. The analysis reveals a complex fiscal landscape with both explicit and implicit obligations. The state's management of these liabilities has shown positive trends in recent years, particularly in reducing outstanding guarantee loans. From FY 2020-21 to FY 2023-24, the guarantee loan as a percentage of revenue receipts decreased significantly from 18% to 6.03%, indicating improved fiscal management. The power sector consistently receives the highest state guarantees, followed by cooperatives and urban development. However, there has been a notable reduction in overall guarantees, especially in FY 2022-23 and 2023-24, suggesting a more cautious approach to contingent liabilities. The OTS data from pre-2000 to 2020-21 shows fluctuating investments across PSUs, Cooperatives, and ULBs). The funding patterns reflect changing policy priorities, with a shift away from heavy PSU investments post-2010 towards more sporadic, sector-specific allocations. While Odisha has made progress in managing its contingent liabilities, continued vigilance is necessary. The state should maintain its prudent fiscal approach, carefully monitor its guarantees, and strategically allocate resources to balance development needs with fiscal stability. Future policies should focus on further reducing contingent liabilities while ensuring sustainable growth across all sectors.



CHAPTER 13

OUTCOME EVALUATION OF STATE FINANCES

13.1 Introduction

Chapter 13 evaluates the fiscal outcomes of Odisha in light of the recommendations made by the XIVFC and XVFC. It examines how Odisha has utilized the fiscal resources allocated by the XVFC to enhance its development, maintain fiscal discipline, and address key challenges in sectors like health, infrastructure, disaster management, and human development. The chapter also highlights the state's progress in achieving financial stability, improving governance, and effectively using grants for sustainable growth.

13.2 Recommendations of the XVFC

As per the recommendations of the XVFC, the share of states in the net proceeds of shareable central taxes has been retained at 41%, slightly lower than the 42% recommended by the XIVFC. This adjustment accounts for the fiscal impact of the reorganization of Jammu and Kashmir into two Union Territories. Odisha's share in the divisible pool remains at 4.64%, unchanged from the XIVFC.

The XVFC emphasized a balance between equity, efficiency, and sustainability in resource distribution. The following parameters and their weightages were used to determine Odisha's share:

1. **Income Distance:** 45%

Odisha's relatively lower per capita income ensures it receives additional resources under this criterion.

2. **Population (2011 Census):** 15%

Odisha's population contributes to its share, reflecting demographic realities.

3. **Area:** 15%

Odisha's geographical size is accounted for, addressing challenges in governance and development of larger states.



4. **Forest and Ecology:** 10%

Odisha's substantial forest cover is recognized, incentivizing conservation and ecological sustainability.

5. **Demographic Performance:** 12.5%

Rewards Odisha's progress in improving demographic indicators, particularly fertility and health outcomes.

6. **Tax Effort:** 2.5%

Encourages Odisha to enhance its revenue generation efforts.

The XVFC recommended Rs. 3,30,810 crore as Odisha's share in the net proceeds of central taxes and duties for the period 2021–26. It also allocated sector-specific grants to address critical developmental priorities:

1. **Revenue Deficit Grants:** Odisha does not qualify for these grants, as it maintains a revenue surplus.
2. **Local Body Grants:** Allocations were made to strengthen urban and rural governance, with a focus on basic service delivery.
3. **Disaster Risk Management:** Higher allocations to the State Disaster Response Fund (SDRF), along with flexibility in fund utilization, are crucial for managing Odisha's vulnerability to natural calamities.
4. **Health Sector Grants:** Incentivized spending on public health infrastructure and services.
5. **Sectoral and Performance-Based Grants:** Allocations for education, agricultural reforms, and power sector efficiency improvements.

With a strong focus on fiscal prudence and efficient utilization of resources, Odisha is well-positioned to leverage the opportunities provided by the XV-FC recommendations to drive sustainable development and improve socio-economic indicators.

The XVFC provided recommendations for Odisha, focusing on fiscal sustainability, equitable resource distribution, and developmental priorities. Table 13.1 summarizes the key recommendations and their relevance to Odisha:

**Table 13.1: State's Fiscal Transactions and XVFC Recommendations**

Area	Recommendation	Implications for Odisha	Financial Allocations
Revenue Deficit Grants	Odisha was not recommended for revenue deficit grants as it is a revenue surplus state.	Encourages Odisha to continue maintaining a revenue surplus and fiscal prudence.	0 (Not eligible)
Tax Devolution	Recommended a vertical tax devolution of 41% to states, with Odisha's share at 4.64% of the divisible pool.	Odisha receives a fair share based on its socio-economic indicators and fiscal needs.	Rs. 1,00,245 crore (2021–26 period)
Disaster Risk Management	Increased allocation to the State Disaster Response Fund (SDRF); allowed flexibility in fund usage.	Odisha, prone to cyclones and floods, benefits from higher disaster management funds and flexibility.	Rs. 3,250 crore (Rs.2,000 crore Central + Rs. 1,250 crore State share for SDRF)
Health Sector	Incentivized states to increase health expenditure to 8% of their total budget.	Encourages Odisha to enhance allocations for public health infrastructure and services.	Rs. 1,597 crore (2021–22 to 2025–26 health grants allocation)
Grants for Local Bodies	Focused on improving municipal services and rural infrastructure through tied and untied grants.	Supports Odisha's efforts in strengthening PRIs and ULBs.	Rs. 6,542 crore (Rural: Rs. 5,344 cr, Urban: Rs. 1,198 cr for 2021–26)
Agriculture & Irrigation	Suggested increasing efficiency in irrigation and adopting climate-resilient agricultural practices.	Relevant for Odisha, given its vulnerability to erratic monsoons and reliance on agriculture.	Indirect — No specific grant, but CapEx& sectoral schemes may support efforts
CapEx	Emphasized higher capital outlay for infrastructure development.	Aligns with Odisha's focus on expanding roads, bridges, and urban infrastructure.	Rs. 4,436 crore (2021–22 to 2025–26 under 50-year interest-free loan window)
Power Sector Reforms	Linked additional borrowing space to reforms in power distribution companies (DISCOMs).	Encourages Odisha to improve the efficiency and financial health of its DISCOMs.	Rs. 1,521 crore (Additional borrowing allowed against reforms)
Forest and Ecology	Allocated grants for forest conservation and management under the Compensatory Afforestation Fund.	Acknowledges Odisha's significant forest cover and incentivizes sustainable forest management.	Rs. 516 crore (Forest grants for 2021–26)

Source: Authors' Compilation



13.3 Review of the Fiscal Situation

13.3.1 State's Own Resources

The State's own resources comprise revenue receipts from its own tax and non-tax sources. Table 7.2 details the actual receipts under the State's Tax and Non-Tax revenue in comparison with the assessments made by the XVFC and the State Government in the Medium-Term Fiscal Plan (MTFP).

In the fiscal year 2022-23, the State's Tax Revenue receipts reached Rs. 46,554 crore, marking a significant increase of 14% from Rs. 40,747 crore in 2021-22. Non-Tax Revenue for the same year stood at Rs. 42,719 crore, showing a reduction of 21% from the exceptionally high Rs. 54,257 crore recorded in 2021-22, which included one-time mining receipts. Combined, the State's own resources contributed approximately 11.9% of GSDP in 2022-23, reflecting steady recovery post-pandemic despite global economic uncertainties.

13.3.2 OTR

OTR during 2022-23 was Rs. 46,554 crore, showing robust growth of 14% over the previous year. Taxes on sales, trade, and goods continued to be the largest component, contributing Rs. 21,578 crore, registering a growth rate of 15%. This recovery was driven by increased economic activity and improved tax compliance mechanisms.

Other significant contributors included:

State Excise revenue, which stood at Rs. 6,421 crore, showed a growth of 13%. Taxes on Vehicles contributed Rs. 2,341 crore, with a year-on-year increase of 11%. Stamp Duty and Registration Fees reached Rs. 3,871 crore, demonstrating a rise of 18% due to increased real estate transactions. These increases pushed the OTR to GSDP ratio to approximately 6.2%, closer to the FC-XV's target of 6.5%.



13.3.3 ONTR

In 2022-23, ONTR amounted to Rs. 42,719 crore, down from Rs. 54,257 crore in the previous year. The decrease was primarily due to a normalization of mining receipts, which had surged during 2021-22. However, mining still remained the largest contributor to ONTR, accounting for Rs. 30,132 crore. Interest Receipts increased marginally to Rs. 1,457 crore. While the ONTR share of Revenue Receipts dropped from 35.5% in 2021-22 to 28.4% in 2022-23, it remains a critical component of the State's own resources.

13.3.4 GiAs

GiAs from the Government of India (GoI) were Rs. 18,200 crore in 2022-23, a decline of 8.6% compared to Rs. 19,910 crore in 2021-22. This reduction was attributed to a decrease in funds allocated for Centrally Sponsored Schemes. Consequently, GiAs constituted 12.1% of the State's Revenue Receipts, down from 13% in the previous year.

13.3.5 Payment of Penal Interest

In 2022-23, the State ensured timely transfer of funds to local bodies, avoiding any penal interest payments. This adherence to procedural efficiency highlights an improvement in financial governance compared to previous years.

13.3.6 TCTs

TCTs to the State increased to Rs. 42,989 crore in 2022-23, reflecting a year-on-year growth of 12% due to improved national tax collections. Corporation Tax, GST, and Union Excise Duty were key contributors to this increase. The State's share in the divisible pool remained at 6.2%, ensuring stable revenue inflows.

13.3.7 Capital Receipts, Recoveries of Loans and Advances, Debt, etc.

Capital Receipts in 2022-23 stood at Rs. 20,318 crore, a substantial increase from Rs. 14,966 crore in 2019-20. Public Debt receipts contributed Rs. 19,652



crore, reflecting a rise of 25% over the three-year period. Non-debt receipts, including recoveries of loans, remained steady at Rs. 666 crore. The debt-to-GSDP ratio for 2022-23 was 12%, well within the FRBM Act's prescribed limit, showcasing fiscal prudence and debt sustainability.

13.3.8 State's Expenditure

TotEx for 2022-23 rose to Rs. 1,80,440 crore, up from Rs. 1,25,168 crore in 2019-20. This increase was driven by a 21% rise in RevEx and a 16% increase in CapEx. The state continued to prioritize investments in infrastructure and social sectors.

13.3.9 RevEx

RevEx in 2022-23 was Rs. 1,31,006 crore, marking a 32% increase over 2019-20. Major allocations included Rs. 28,432 crore for Education, Rs. 15,762 crore for Health and Family Welfare, and Rs. 22,145 crore for Rural Development. This expansion highlights the State's focus on human development and welfare.

13.3.10 CapEx

CapEx increased to Rs. 49,434 crore in 2022-23, supported by significant investments in infrastructure projects. Allocations included Rs. 15,712 crore for Roads and Bridges, Rs. 8,560 crore for Power Projects, and Rs. 5,230 crore for Irrigation. The CapEx-to-total expenditure ratio improved to 27.4%, underscoring the State's commitment to long-term development. These investments have boosted rural connectivity and agricultural productivity, reducing crop failure rates by 12% in irrigated regions. The recommendations for sustaining infrastructure growth include:

- Forming dedicated teams to prevent project delays.
- Investing in renewable energy projects, which currently account for 18% of Odisha's energy mix.



- Attracting private capital through incentives for public-private partnerships (PPPs). Projections show a 2% increase in GSDP with a 10% rise in infrastructure investment.

13.3.11 Committed Expenditure

Committed expenditure accounted for 42% of TRR in 2022-23. This included Rs. 30,512 crore for Salaries and Wages, Rs. 13,608 crore for Pensions, and Rs. 5,312 crore for Subsidies, largely directed towards agriculture, food security, and rural welfare programs.

13.3.12 Fiscal Discipline

In 2022-23, the State recorded a Revenue Surplus of Rs. 19,456 crore, a substantial improvement from Rs. 2,430 crore in 2019-20. The Fiscal Deficit was Rs. 24,982 crore, equivalent to 3% of GSDP, aligning with the FCXV's prescribed limit. The Primary Deficit stood at Rs. 18,258 crore, reflecting improved fiscal discipline and expenditure management. While challenges remain, the state demonstrated resilience in maintaining fiscal stability and optimizing resource utilization. The debt-to-GSDP ratio also remained at 12%, well within the FRBM Act's prescribed limit. The state's reliance on its own resources contributed 11.9% of GSDP, reducing dependency on central grants. The major recommendations for the state are:

- Establishing a Fiscal Discipline Fund to reward efficient departments.
- Optimizing borrowing by prioritizing low-interest loans for developmental projects.
- Studies indicate that maintaining a revenue surplus improves credit ratings, attracting foreign investments by up to 15%.

13.4 Disaster Risk Management

Odisha's annual disaster-related economic losses average Rs. 9,000 crore due to its vulnerability to cyclones and floods. The increased allocation to the State Disaster Response Fund (SDRF) has enabled effective responses, as evidenced during Cyclones Fani and Yaas. Odisha utilized 90% of its SDRF allocation in



2022-23, showcasing efficiency in fund utilization. In order to enhance disaster risk management:

- Odisha could partner with the private sector to improve disaster-resilient infrastructure.
- AI-based forecasting tools can help reduce response times by up to 30%.
- Community-based disaster management programs have been shown to reduce evacuation times by 40% in pilot initiatives.

13.5 Health and Human Development

The FC-XV encourages states to allocate at least 8% of their total budget to health, and Odisha has increased its health expenditure from Rs. 12,456 crore in 2019-20 to Rs. 15,762 crore in 2022-23. The state's efforts have led to a 15% decline in maternal mortality rates and a 20% increase in institutional deliveries over five years. Additionally, Odisha's immunization coverage expanded to 92%, contributing to reduced child mortality rates. The major actions of the state include:

- Developing monitoring frameworks for real-time health outcome tracking.
- Expanding telehealth centres in remote regions to cover over 500,000 households.
- Launching preventive healthcare awareness drives to reduce non-communicable diseases by 10%.

13.6 Forest and Ecology Grants

Grants for forest and ecology incentivize states to adopt sustainable forest management practices. Odisha's forest cover increased by 1.3% over the last decade, driven by afforestation initiatives that created 50,000 jobs in rural areas. Eco-tourism projects attracted 1.2 million visitors in 2022-23, generating Rs. 240 crore in revenue. In order to maximize benefits:

- Partner with academic institutions for innovative conservation strategies.



- Train local communities in sustainable forestry practices, increasing income levels by 15%.
- Explore global markets for trading carbon credits, with the potential to generate Rs. 500 crore annually.

13.7 Performance-Based and Sector-Specific Grants

The XVFC emphasizes performance-linked grants, and Odisha has effectively utilized sector-specific funds for education, agriculture reforms, and health sector improvements. For example, literacy rates improved from 73% to 77% due to targeted education initiatives, while crop productivity increased by 18% in regions adopting modern irrigation techniques. The additional actions taken by the state are:

- Creating public dashboards to display progress linked to grants, improving transparency.
- Conducting independent audits to ensure optimal fund utilization.
- Evidence shows that performance-linked grants boost sectoral performance by 18% on average.

13.8 Strengthening Local Bodies

Strengthening governance through grants for rural and urban local bodies has been a priority of the XVFC. Odisha's Panchayati Raj institutions now deliver improved sanitation services to 80% of households, while urban local bodies upgraded water supply infrastructure, benefiting 2.3 million residents. The major recommendations include

- Conducting workshops for capacity building in local governance, targeting 2,000 officials annually.
- Developing model panchayats that can be replicated across districts.
- Enhancing financial autonomy for urban local bodies to improve service delivery efficiency.



13.9 Conclusion

Odisha has leveraged the recommendations of the XVFC to achieve significant milestones in fiscal prudence, infrastructure development, and human capital growth. Health indicators, disaster resilience, and rural development have shown marked improvements. Further strengthening technology integration, public-private partnerships, and outcome monitoring will enable the state to sustain its development trajectory and achieve equitable growth. With robust data-driven insights and actionable strategies, this enhanced document aligns Odisha's fiscal and developmental goals with the XVFC framework, ensuring long-term socio-economic benefits for its citizens.



CHAPTER 14

SUSTAINABLE DEBT ROADMAP

14.1 Introduction

This chapter examines Odisha's debt trajectory and fiscal management strategies, focusing on maintaining debt sustainability from 2022-23 to 2030-31. It evaluates the trends in tax and non-tax revenue forecasts and provides the projects of debt upto 2030-31. Section 14.2 provides the past and the current trends in public debt. Section 14.3 provides future projections of Debt both in absolute figures and as a percentage to GSDP. Section 14.4 illustrates Odisha's alignment with the FRBM principles with respect to debt and Section 14,5 gives conclusion.

14.2 Status of Debt

From being one of the most fiscally stressed States at the turn of the millennium, Odisha has become among the least indebted State by the end of FY24. The fiscal position of the state has undergone several phases: a favourable position prior to 1997-98, followed by significant deterioration and fiscal stress until 2003-04, then improvement since 2004-2005. A marginal decline has been observed in recent times. While the debt liabilities of the state increased substantially during 1997-98 to 2003-04, the subsequent consolidation is attributed, inter alia, to the implementation of the FRBM act at the state level during the last decade. These initiatives were complemented by debt and interest relief measures by the Central Government and supported by a favourable macroeconomic environment. Government faces severe constraints as its non-debt receipts are often insufficient for fulfilling its developmental obligations. Consequently, the State Government resorts to market borrowings to bridge the resource gap. Over time, such borrowing may result in the accumulation of debt liabilities which, if unchecked, could pose major challenges for macroeconomic and financial stability. The evolving debt position of most states adheres to the debt targets set by the XIIIFC and XIVFC



for the period 2010-2025; however, some breached their target and were burdened with unsustainable debt positions.

Odisha's public debt and liabilities between 2000-01 and 2022-23 have undergone significant changes, reflecting the state's evolving fiscal strategies and economic conditions. In 2000-01, the public debt stood at Rs. 23,911.1 crore, accounting for 48.6% of the GSDP. This marked a period of fiscal stress, and the debt-to-GSDP ratio further climbed to 54.4% in 2002-03 as the state grappled with limited revenue and increased expenditures. Recognizing the need for fiscal reforms, after implementation of corrective measures that the debt burden, gradually reduced bringing the ratio down to 16.6% in 2012-13, even as public debt rose to Rs. 43,344.5 crore due to steady economic growth.

From 2013-14 to 2015-16, Odisha's public debt increased moderately, reaching Rs. 59,753.3 crore in 2015-16, which corresponded to 18.2% of GSDP. This period saw investments in infrastructure and social development that sets the stage for sustained economic growth.

In 2016-17, public debt surged to Rs. 71,623.2 crore, maintaining a debt-to-GSDP ratio of 18.2%. This rise was primarily due to increased borrowing to fund critical infrastructure projects and welfare programs aimed at boosting the state's economic development. By 2017-18, public debt had further escalated to Rs. 97,164.1 crore, pushing the debt-to-GSDP ratio to 22.1%. This increase reflected the state's enhanced focus on developmental activities, including investments in industrial infrastructure, health, and education.

In 2018-19, Odisha's public debt continued to grow, reaching Rs. 1,08,257.7 crore. However, the debt-to-GSDP ratio slightly declined to 21.7% due to robust economic performance, which increased the overall GSDP and offset some of the debt impact. By 2019-20, public debt had climbed to Rs. 1,26,084.3 crore, with the debt-to-GSDP ratio peaking at 23.5%. This rise was influenced by increased public spending to address economic challenges in the pre-pandemic period.



The state demonstrated effective fiscal management during the pandemic and subsequent recovery. In 2021-22, Odisha's public debt decreased to Rs. 1,20,139.7 crore, with the debt-to-GSDP ratio dropping sharply to 18.1%. This significant improvement was driven by prudent expenditure control and improved revenue collection as the economy recovered. By 2022-23, the state reduced its public debt further to Rs. 1,11,951.8 crore, achieving an impressive debt-to-GSDP ratio of 14.9%. This reduction reflected Odisha's commitment to fiscal discipline and resilience in managing public finances, even in the face of external economic challenges.

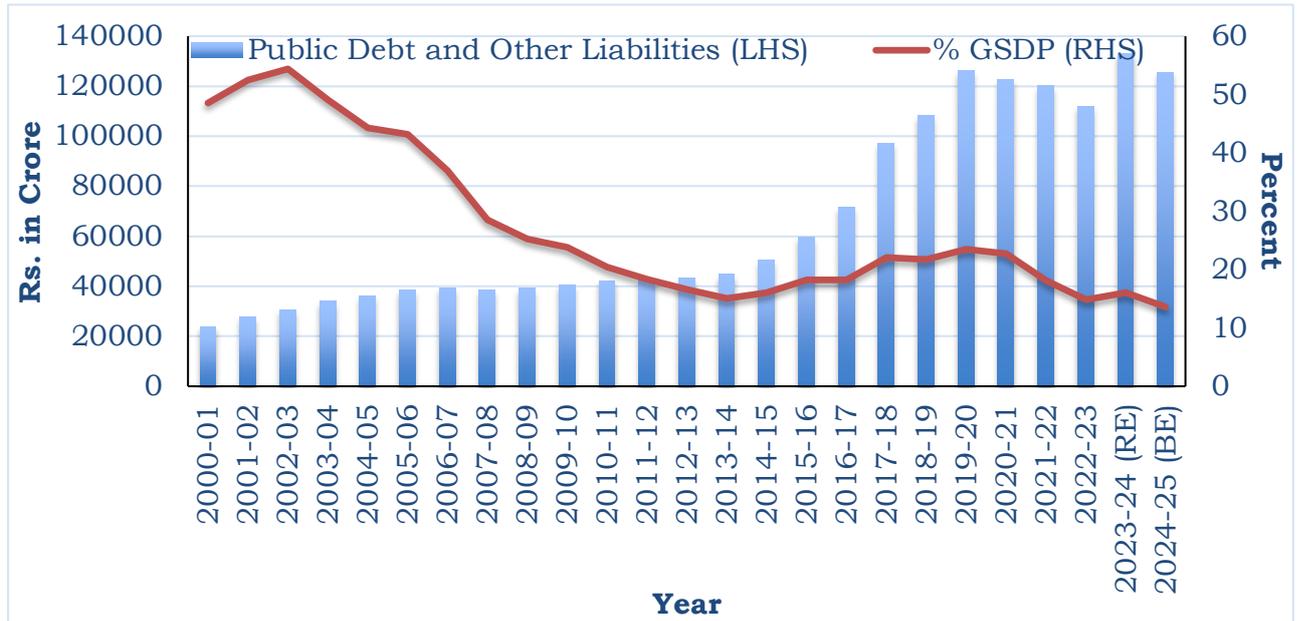
Table 14.1. Debt-GSDP Ratio of Odisha

Year	Public Debt and Other Liabilities Rs in Crore	% GSDP
2000-01	23911.1	48.6
2001-02	27853.2	52.5
2002-03	30734.8	54.4
2003-04	34014.1	49.1
2004-05	36093.2	44.3
2005-06	38468	43.2
2006-07	39466	37.0
2007-08	38525.4	28.5
2008-09	39167.8	25.2
2009-10	40613.5	23.8
2010-11	42191.3	20.4
2011-12	42466.8	18.4
2012-13	43344.5	16.6
2013-14	44713.8	15.1
2014-15	50493.3	16.1
2015-16	59753.3	18.2
2016-17	71623.2	18.2
2017-18	97164.1	22.1
2018-19	108257.7	21.7
2019-20	126084.3	23.5
2020-21	122773.6	22.7
2021-22	120139.7	18.1
2022-23	111951.8	14.9
2023-24 (RE)	133089	16.0
2024-25 (BE)	125550	13.6

Source: Finance Accounts, Government of Odisha; Authors' Computation



Figure 14.1. Debt-GSDP Ratio of Odisha



Source: Finance Accounts, Government of Odisha; Authors' Computation

14.3 Sustainable Debt Roadmap

Odisha has been experiencing a revenue surplus since 2005-06. The state has also maintained debt sustainability from 2007-08 to the present, as it remains within 25 per cent. To develop a sustainable debt roadmap for 2024-31, the study utilised projected data on TRR and TotEx. Public Debt was calculated by the formula

$$Public\ Debt_t = Public\ Debt_{t-1} + (TotEx - TRR)$$

Table 14.2. Projection of Debt

Year	Debt	TotEx	TRR	Debt % GSDP
2023	135298	199245	175899	16.2
2024	161882	225790	199206	16.9
2025	190815	255521	226588	17.8
2026	221738	289010	258087	18.5
2027	254492	326824	294070	19.0
2028	288996	369607	335103	19.4
2029	325199	418096	381893	19.5
2030	362944	473011	435266	19.5

Source: Annexures 7 and 10

The projections in Table 14.2 illustrate how Odisha is expected to balance its borrowing requirements with its economic output. While public debt is forecasted to increase steadily due to developmental expenditures, the debt-



to-GSDP ratio is projected to remain sustainable, peaking at 19.5% by 2030—well below the 25% ceiling mandated by the FRBM Act.

14.4 Alignment with FRBM Principles

Odisha has aligned to the FRBM principles through the following measures

14.4.1 Debt Control: By keeping the debt-to-GSDP ratio well below the 25% threshold, Odisha adheres to FRBM mandates. This ensures that the state maintains a manageable debt burden while allowing fiscal space for productive investments.

14.4.2 Revenue-Linked Borrowing: The reliance on the gap between TRR and TotEx to estimate debt levels ensures that borrowing is aligned with actual fiscal capacity, minimizing risks of unsustainable debt accumulation.

14.4.3 Development-Focused Utilization: Borrowings are projected to be used for high-impact developmental activities, including infrastructure and welfare programs. These investments not only generate economic growth but also create jobs, thereby increasing state revenue through higher consumption and tax collections.

14.4.4 Fiscal Stability: By maintaining a revenue surplus and adhering to sustainable borrowing practices, Odisha contributes to macroeconomic stability and mitigates risks of fiscal stress.

14.4.5 Flexibility to Economic Shocks: The low debt-to-GSDP ratio provides Odisha with the flexibility to respond to unforeseen challenges, such as natural disasters or economic downturns, without compromising fiscal stability.

14.5 Conclusion

Odisha's fiscal trajectory reflects its commitment to sustainable debt management and economic resilience. The state has consistently upheld fiscal responsibility by keeping its debt within manageable levels, underscoring its robust governance and strategic planning. Moving forward, the sustainable



debt roadmap for 2024-31 focuses on optimizing borrowings for productive investments in infrastructure, job creation, and social welfare. By prioritizing growth-oriented activities that enhance revenue capacity and improve economic inclusivity, the state can create a multiplier effect on consumption, employment, and state revenue. This proactive and balanced approach ensures that the state not only meets its developmental objectives but also maintains fiscal stability, laying a strong foundation for long-term economic prosperity.



CHAPTER 15

Summary and Policy Recommendation

15.1 Introduction

Odisha's fiscal path presents a model of resilience, prudence, and transformative governance. Over decades, the state has evolved from grappling with fiscal crises to achieving a position of financial stability and developmental vibrancy. The state's ability to blend fiscal responsibility with progressive policy interventions demonstrates the state's commitment to ensuring economic growth while fostering equity and sustainability.

15.2 Fiscal Recovery: From Challenges to Stability

Historically, Odisha faced significant fiscal challenges, including high deficits and an unsustainable debt burden in the late 1990s and early 2000s. Reliance on overdrafts, escalating revenue deficits, and mounting interest payments marked this period. These issues necessitated stringent fiscal reforms, initiated through Memoranda of Understanding with the Government of India. These reforms were pivotal in setting Odisha on the path to fiscal stabilization.

The introduction of the FRBM Act in 2005 formalized Odisha's commitment to financial discipline. By adhering to targets like maintaining a zero-revenue deficit and limiting fiscal deficits to 3% of GSDP, the state steadily improved its fiscal health. This disciplined approach enabled Odisha to transition from a phase of fiscal crisis to sustained revenue surpluses, prudent debt management, and strategic developmental investments.

15.3 Revenue Mobilization: Strengthening Fiscal Autonomy

Revenue generation has been at the heart of Odisha's fiscal strategy. The state has consistently focused on enhancing its ORR through improved tax administration, broadening the tax base, and optimizing non-tax revenue sources.



15.3.1 Tax Revenue Growth

Odisha's OTR has shown a steady upward trajectory, with the Tax-to-GSDP ratio stabilizing at around 6%. The state's proactive measures, including e-governance initiatives, streamlined tax filing systems, and efforts to reduce compliance costs, have improved efficiency and compliance. These measures ensure steady revenue inflows, even in challenging economic scenarios.

15.3.2 Non-Tax Revenue: Non-tax revenues, particularly from mining royalties, have been a critical component of Odisha's fiscal landscape. As one of India's most resource-rich states, Odisha has leveraged its mineral wealth to generate significant revenue. However, the inherent volatility of mining-related income necessitates a push for diversification to ensure long-term stability.

15.3.3 Reduced Dependence on Central Transfers: While central transfers remain vital, Odisha has made commendable progress in reducing its dependency on these sources. By prioritizing self-reliance, the state has strengthened its fiscal autonomy and enhanced its ability to invest in developmental priorities.

15.4 Expenditure Efficiency: Aligning Spending with Priorities

Odisha's expenditure strategy reflects a keen understanding of balancing operational needs with long-term developmental goals. The state has consistently maintained a zero-revenue deficit, ensuring that operational expenses are funded from revenue receipts while borrowings are allocated to productive investments.

15.4.1 Capital Expenditure: Significant allocations toward infrastructure development, including roads, irrigation, and energy, underscore Odisha's commitment to laying the foundation for sustainable economic growth. CapEx in Odisha consistently exceeds RevEx growth, reflecting a forward-looking approach to asset creation and development.



15.4.2 Social Sector Investments: Odisha has prioritized health, education and welfare demonstrating its commitment to inclusive growth. Programs addressing maternal health, child nutrition, education quality, and skill development have yielded tangible improvements in human development indicators. Investments in these areas not only uplift marginalized communities but also contribute to long-term economic productivity.

15.4.3 Outcome-Oriented Budgeting: Odisha has adopted outcome-based budgeting practices, integrating performance metrics to evaluate the effectiveness of public spending. This approach enhances accountability and ensures that resources are directed toward impactful initiatives.

15.5 Debt Management: A Testament to Prudence

Debt management is one of Odisha's most commendable achievements. By maintaining its debt-to-GSDP ratio below the prescribed 25%, Odisha has set a benchmark for fiscal prudence. Strategic borrowing, coupled with effective debt servicing, has ensured that the state's financial obligations remain manageable.

15.5.1 Sustainable Debt Levels: Odisha's debt-to-GSDP ratio has remained relatively stable, reflecting the state's cautious approach to borrowing. Even during the COVID-19 pandemic, when states across India faced fiscal strain, Odisha managed to contain its debt levels through disciplined expenditure management and efficient resource utilization.

15.5.2 Interest Payment Efficiency: Odisha has effectively minimized its interest burden, with interest payments consistently constituting a manageable proportion of revenue receipts. This efficiency frees up resources for developmental spending, enhancing fiscal flexibility.

15.5.3 Debt Restructuring: Initiatives like the Debt Swap Scheme have allowed Odisha to refinance high-cost loans, reducing interest expenses and optimizing its debt portfolio.



15.6 Addressing Economic Shocks: A Story of Resilience

Odisha's fiscal journey has been punctuated by economic shocks, including frequent natural disasters and the COVID-19 pandemic. Despite these disruptions, the state's fiscal resilience has allowed it to recover swiftly while maintaining developmental momentum.

15.6.1 Natural Disaster Mitigation: As a disaster-prone state, Odisha incurs significant expenditures on relief and rehabilitation. However, its proactive disaster management policies, supported by dedicated contingency funds, have minimized long-term fiscal impacts.

15.6.2 COVID-19 Response and Recovery: The pandemic posed unprecedented fiscal challenges, with reduced revenues and increased healthcare expenditures. Odisha managed these pressures through strategic resource allocation and efficient revenue mobilization, ensuring that the state's fiscal position remained robust.

15.6.3 Post-Pandemic Growth: In the wake of the pandemic, Odisha prioritized investments in infrastructure, social welfare, and digitalization to revitalize economic activity and support vulnerable populations.

15.7 Challenges: Navigating the Path Forward

While Odisha's fiscal achievements are commendable, the state faces challenges that require strategic interventions:

15.7.1 Revenue Volatility: Dependence on mining royalties exposes Odisha to market fluctuations. Developing a diversified revenue base, including expanding industrial and service sectors, will be essential to mitigate this volatility.

15.7.2 Climate Resilience: Odisha's vulnerability to natural disasters necessitates investments in climate-resilient infrastructure and adaptive



planning. Integrating climate considerations into fiscal policies will enhance long-term sustainability.

15.7.3 Infrastructure Financing: Sustaining high levels of CapEx requires innovative financing mechanisms. Public-private partnerships (PPPs) and instruments like green bonds can supplement traditional funding sources.

15.7.4 Regional Disparities: Addressing development imbalances across regions within Odisha remains a critical challenge. Equitable resource allocation and targeted policy measures will be vital to ensuring inclusive growth.

15.7.5 Expanding Revenue Buoyancy: Improving tax compliance, broadening the tax base, and exploring new revenue streams, such as tourism and environmental levies, can enhance fiscal stability.

15.8 Vision for the Future: A Sustainable and Inclusive Odisha

Odisha's fiscal journey offers a roadmap for states striving to balance financial discipline with developmental goals. Looking ahead, Odisha's fiscal strategy must align with its vision of sustainable and inclusive growth:

15.8.1 Green Growth: Investments in renewable energy, sustainable mining practices, and climate-resilient infrastructure will position Odisha as a leader in green development.

15.8.2 Technological Integration: Leveraging digital tools for tax administration, public expenditure tracking, and service delivery will enhance efficiency and transparency.

15.8.3 Enhanced Human Capital: Continued investments in education, health, and skill development will empower Odisha's workforce, driving productivity and innovation.

15.8.4 Public-Private Partnerships: Collaborating with the private sector to finance and execute large-scale infrastructure projects can accelerate development while reducing fiscal stress.



15.8.5 Strengthening Governance: Adopting data-driven decision-making and fostering institutional accountability will enhance the state's capacity to achieve fiscal and developmental targets.

15.9 Policy Recommendations

Based on the results of the study, following policy recommendations have suggested to make the State more fiscally prudent and enhance its output.

15.9.1 Revenue Mobilization

Odisha's fiscal sustainability requires a concerted effort to enhance revenue mobilization. The tax-to-GSDP ratio has stagnated at around 6%, indicating room for improvement. To address this, the state should modernize tax administration by adopting AI-driven systems to enhance compliance, reduce evasion, and broaden the GST base. This could include bringing unregistered businesses and small enterprises into the tax net, particularly in under-tapped sectors like services and IT. Additionally, VAT reforms for commodities not covered under GST can ensure better compliance and higher revenues.

On the non-tax revenue front, Odisha should focus on optimizing its abundant natural resources, such as minerals, by promoting value-added processing industries. Encouraging sectors like renewable energy, tourism, and eco-tourism will also boost revenues from royalties and fees. The state can further explore innovative revenue streams like carbon credits and green financing, particularly in mining and renewable energy sectors. Strengthening regulatory frameworks and ensuring environmental compliance can make these revenue sources sustainable in the long run.

15.9.2. Expenditure Management

Odisha has shown commendable fiscal discipline by maintaining revenue surpluses and adhering to fiscal deficit targets. However, there is significant scope to optimize expenditure allocation. The state should prioritize developmental spending in critical sectors such as healthcare, education, infrastructure, and renewable energy, which yield high social and economic



returns. Enhanced focus on CapEx, which has risen as a share of GSDP but remains below potential, is necessary to ensure sustained long-term growth.

RevEx efficiency must also be improved to reduce operational inefficiencies. This can be achieved by adopting performance-based budgeting, where expenditures are closely tied to measurable outcomes. Additionally, the state could enhance the use of public-private partnerships (PPPs) to finance infrastructure projects, reducing the fiscal strain while leveraging private sector expertise.

15.9.3 Debt and Fiscal Management

Odisha has maintained a low debt-to-GSDP ratio, consistently below the 25% benchmark, reflecting prudent fiscal management. However, the state must remain vigilant about its borrowing practices. Innovative financing mechanisms, such as green bonds and social impact bonds, can provide funds for priority sectors like renewable energy and healthcare without significantly increasing debt.

The state should also strengthen its fiscal buffers to handle unforeseen shocks, such as natural disasters or pandemics. This can be achieved by building contingency reserves and adopting a medium-term fiscal framework to better plan expenditures and borrowings. Adhering to FRBM Act targets, including limiting the fiscal deficit to 3% of GSDP, will be critical for sustaining fiscal stability.

15.9.4 Sector-Specific Strategies

The following sector specific strategies may be taken into account

15.9.4.1 Agriculture:

With over 80% of the population residing in rural areas, agriculture remains a cornerstone of Odisha's economy. Modernization of this sector is imperative to enhance productivity and resilience. Key measures include expanding irrigation infrastructure, promoting climate-resilient farming practices, and



diversifying into high-value crops, livestock, and fisheries. Strengthening supply chains and improving access to markets will ensure better price realization for farmers.

15.9.4.2 Industry and Exports:

Odisha should reduce its reliance on mining and focus on diversifying its industrial base. Promoting industries in green energy, IT and advanced manufacturing will create high-value jobs and reduce economic volatility. Developing export-oriented industrial clusters, particularly in value-added metal processing and renewable energy, will strengthen Odisha's position in the global market. Enhancing port infrastructure and streamlining logistics will further support these efforts.

15.9.5 Social Development and Inclusivity

Odisha has made significant strides in poverty reduction, lifting over 62 lakh people out of multidimensional poverty between 2015-16 and 2019-21. To sustain this momentum, targeted investments in healthcare, education, housing, and sanitation are essential. Expanding skill development programs aligned with industry needs will enhance workforce readiness and create higher-paying jobs, particularly in industrial and service sectors.

Empowering women and tribal communities should remain a priority. This can be achieved through targeted welfare schemes, financial inclusion initiatives, and livelihood programs tailored to tribal regions. Improving access to quality healthcare and education in remote areas will address systemic inequalities and promote social equity.

15.9.6 Environmental Sustainability

Odisha's fiscal strategy must align with its environmental sustainability goals. The state should prioritize investments in renewable energy, including solar, wind and green hydrogen projects, to reduce dependence on fossil fuels. Promoting climate-resilient infrastructure, such as flood-resistant roads and green urban development, will mitigate the impact of natural disasters.



The government can also explore innovative policies like eco-tourism and carbon credit markets to generate additional revenues while conserving natural ecosystems. Afforestation programs and incentives for adopting sustainable practices in mining and agriculture will help balance economic growth with ecological preservation.

15.10 Concluding Remarks

The state's journey to fiscal improvement is a testament to the transformative power of disciplined governance and strategic foresight. By maintaining a balance between fiscal prudence and developmental aspirations, the state has created a robust foundation for sustained growth. Its emphasis on financial stability, coupled with a commitment to social equity and environmental sustainability, positions Odisha as an example for other states in India and beyond.

It continues to navigate its path, addressing emerging challenges along with building on its strengths, and is poised to achieve its vision of inclusive, sustainable, and innovative growth. By embracing fiscal innovation, prioritizing resilience, and fostering partnerships, Odisha's fiscal story will continue to inspire progress and prosperity for its people.



ANNEXURES

Annexure 1: Measurement of Tax Capacity

A1.1. Introduction

Tax capacity and tax effort are integral concepts in public finance, serving as tools to evaluate the efficiency of tax revenue collection in relation to a government's economic potential. In India, understanding tax capacity and effort is vital for ensuring equitable resource allocation among states and fostering revenue growth, which directly impacts fiscal sustainability and developmental expenditure. The literature on tax capacity and tax effort encompasses both theoretical approaches and empirical studies, which have evolved over time to reflect the complexities of India's federal structure and economic landscape.

The seminal work of Lotz and Morss (1967) provided an early framework for measuring tax effort across countries, introducing the idea of benchmarking actual tax revenues against estimated taxable capacity. Their model, which employed economic indicators like GDP and trade openness, paved the way for subsequent cross-country analyses. In the context of India, these early international frameworks were adapted to address the unique challenges posed by its federal structure, where states differ widely in terms of economic development, industrial base, and administrative capacity (Lotz & Morss, 1967).

Building on these foundations, the Indian Finance Commissions have developed methodologies to assess state-level tax performance. The Ninth Finance Commission, in particular, introduced a detailed method to estimate taxable capacity by considering a range of economic and social variables such as per capita income, urbanization rate, literacy, and infrastructure development. Regression models were employed to establish expected revenue based on these factors, and tax effort indices were computed by comparing actual revenue to predicted values. This approach highlighted the disparities in tax performance among states and provided a basis for allocating central



transfers in a manner that incentivized higher tax effort (Finance Commission, 1990).

Several empirical studies have sought to refine the measurement of tax capacity and tax effort in India by incorporating additional variables and employing more advanced statistical techniques. Rao (2000) conducted a comprehensive analysis of taxable capacity across Indian states, using panel data models to account for both time-variant and time-invariant factors. The study revealed that while economically advanced states like Maharashtra and Gujarat consistently exhibited higher tax effort due to their diversified industrial base and efficient tax administration, less developed states such as Bihar and Uttar Pradesh displayed lower tax effort, largely due to weaker administrative capacity and a narrow tax base (Rao, 2000).

The National Institute of Public Finance and Policy (NIPFP) has also contributed significantly to the literature on tax effort in India. NIPFP studies often adopt econometric techniques to estimate potential revenue based on macroeconomic variables such as GSDP, sectoral composition of the economy, and demographic factors. Findings from these studies indicate that administrative efficiency, governance quality, and structural factors such as the share of agriculture in GSDP are crucial determinants of tax effort (NIPFP, 2000).

International comparisons, such as those conducted by the World Bank, have placed India's tax effort in a global context. Le et al. (2008) analyzed tax capacity and effort in over 100 countries, finding that India's tax effort, while commendable relative to other developing economies, lags behind some of its peers in terms of direct tax collection. The study pointed out that a high reliance on indirect taxes and exemptions in the tax system limits India's ability to fully exploit its taxable capacity. These findings underscore the need for structural reforms to broaden the tax base and improve direct tax compliance (Le, Moreno-Dodson, & Rojchaichanthorn, 2008).

Recent advances in econometric modelling have enabled more precise estimation of tax effort. Studies employing stochastic frontier analysis (SFA)



have shown that states like Kerala and Karnataka achieve near-optimal tax effort, while others, particularly in the north-eastern region, fall short of their potential. SFA allows for the measurement of technical efficiency in tax collection by estimating a frontier that represents the maximum feasible revenue given a set of economic inputs. Deviations from this frontier indicate inefficiency or underperformance in tax mobilization (Jha, Panda, & Sharma, 2021).

An important aspect highlighted in the literature is the role of governance and institutional factors in determining tax effort. Gupta (2007) argued that governance indicators such as corruption levels, bureaucratic quality, and rule of law have a significant impact on a country's ability to mobilize taxes. Applying this framework to Indian states, it becomes evident that improvements in governance and administrative efficiency can lead to substantial gains in tax revenue. Gupta's study also highlighted the importance of reducing tax exemptions and improving compliance through technology-driven solutions, such as the adoption of Goods and Services Tax (GST) and electronic filing systems (Gupta, 2007).

The introduction of GST in 2017 marked a significant structural reform in India's tax system, aimed at unifying indirect tax regimes across the country and enhancing tax effort by improving compliance and reducing cascading effects. Studies analyzing the impact of GST on tax effort have found mixed results. While GST has led to increased indirect tax collections and broadened the tax base, challenges related to compliance costs, refund delays, and rate rationalization remain. States with robust administrative mechanisms have been able to leverage GST better, resulting in higher tax effort compared to those with weaker systems (Chelliah, 2018).

Another critical dimension of tax effort in India is the role of fiscal incentives and disincentives provided by the central government. The Tenth Finance Commission introduced the concept of performance-based incentives for states exhibiting higher tax effort. This approach was further developed in subsequent commissions, which linked a portion of central transfers to



improvements in tax effort and revenue mobilization. Empirical analyses suggest that such incentives have had a positive, albeit limited, impact on enhancing tax effort, particularly in states with medium-level capacity (Finance Commission Reports, 1995-2020).

The literature on tax capacity and effort in India underscores the importance of both structural factors and policy interventions in enhancing revenue mobilization. While significant progress has been made in understanding the determinants of tax effort, there remains considerable scope for improvement, particularly in less developed states. Future research should focus on integrating governance and institutional quality into tax effort models and exploring the impact of technological innovations on compliance. Additionally, policy measures aimed at broadening the direct tax base, rationalizing exemptions, and improving intergovernmental fiscal relations are essential for optimizing India's tax system and ensuring sustainable fiscal growth.

A1.2 Methods of Measuring Tax Capacity

The Aggregate Regression (AR) Approach is a widely used method that estimates taxable capacity by regressing actual tax revenues against economic indicators such as per capita income, population density, and urbanization levels. This approach provides a benchmark for expected tax revenue, facilitating comparisons across states. The Ninth Finance Commission of India utilized this method to assess the relative taxable capacity of Indian states, considering variables like per capita income and literacy rates to derive tax effort indices.

Another prevalent method is the Representative Tax System (RTS) Approach, which involves calculating average effective tax rates for various tax bases across regions. By applying these rates to a state's tax base, one can estimate its taxable capacity. This method allows for a detailed analysis of specific tax categories and their contributions to overall tax effort. Studies have applied the RTS approach to Indian states, enabling comparisons of tax performance across different tax instruments.



The Stochastic Frontier Analysis (SFA) is an advanced econometric technique that estimates the 'frontier' or maximum possible tax revenue given a set of economic conditions. By comparing actual revenue to this frontier, SFA measures the efficiency of tax collection, identifying deviations that indicate underperformance. Recent studies have employed SFA to assess tax effort in Indian states, revealing significant variations in efficiency levels.

The Panel Data Analysis method utilizes data across time and entities (e.g., states) to control for unobserved heterogeneity. This approach helps in understanding the impact of time-invariant factors on tax capacity and effort. Research employing panel data models has provided insights into the determinants of tax effort among Indian states, accounting for both temporal and cross-sectional variations. citeturn0search8

Each of these methodologies offers distinct advantages and limitations. The choice of method often depends on data availability, the specific objectives of the analysis, and the economic context of the regions under study. Employing a combination of these approaches can provide a more comprehensive assessment of tax capacity and effort, guiding policymakers in designing effective fiscal strategies.

A1.3 Data and Method

The study has collected data for 17 major states for 8 components viz SGST, Sales Tax, Excise Duty, Motor Vehicle Tax, Electricity Duty, Land Revenue, Stamp Revenue and Other Taxes

The basic equations postulated for each of the (groups of) taxes are as follows:

$$LR = f(\text{PCGSDP}) \text{ -----(1)}$$

$$SR = g(\text{GSDP}) \text{ ----- (2)}$$

$$\text{PCGS} = h(\text{PCGSDP}) \text{ ----- (3)}$$

T

$$\text{PCST} = j(\text{PCGSDP}) \text{ ----- (4)}$$

$$\text{EXD} = k(\text{GSDP}) \text{ ----- (5)}$$



$$MVT = l (REGMV) \text{ ----- (6)}$$

$$ED = m (ECON) \text{ ----- (7)}$$

$$OT = p (GSDP) \text{ ----- (8)}$$

$$OTR = q (GSDP) \text{ ----- (9)}$$

Where

LR = land revenue,

SR = revenue from stamp duty and registration fees,

GSDP = Gross State Domestic Product,

PCGSDP = per capita Gross State Domestic Product,

PCGST = per capita revenue from goods and services tax

PCST = per capita revenue from sales tax

EXD = revenue from state excise duty,

MVT = revenue from motor vehicles tax,

REGMV = No. of registered motor vehicles

ED = revenue from electricity duty,

OT = Other Taxes

No of Observation = 17

$$\log (LR) = 18.2561^{**} + -1.0283 \log (PCGSDP) \quad R^2 = F=3.08^* \\ 0.1705 \\ (2.59) \quad (-1.76)$$

----- (10)

No of Observation = 17

$$\log (SR) = -7.410^{***} + 1.1664^{***} \log (GSDP) \quad R^2 = F=113.08^{***} \\ =0.8821 \\ (-4.95) \quad (10.63)$$

----- (11)

No of Observation = 17



$$\log (\text{PCGST}) = -4.541^{***} + 1.0671^{***} \log (\text{PCGSDP}) \quad R^2 = 0.9502 \quad F=286.34^{***}$$

(-5.99) (16.92)

----- (12)

No of Observation = 17

$$\log (\text{PCST}) = -6.1957^{***} + 1.1652^{***} \log (\text{PCGSDP}) \quad R^2 = 0.8574 \quad F=90.21^{***}$$

(-4.20) (9.50)

----- (13)

No of Observation = 16 (Bihar is Excluded due to problem in data)

$$\log (\text{EXD}) = -3.7234 + 0.8978^{**} \log (\text{GSDP}) \quad R^2 = 0.2957 \quad F= 5.88^{**}$$

(-0.74) (2.42)

----- (14)

No of Observation = 17

$$\log (\text{MVT}) = -1.5017^{**} + 0.9971^{***} \log (\text{RMV}) \quad R^2 = 0.9307 \quad F=201.34^{**}$$

(-2.24) (14.19)

----- (15)

No of Observation = 16 (Goa is excluded due to unavailability of data)

$$\log (\text{ED}) = -5.479 + 1.1840^{**} \log (\text{ECON}) \quad R^2 = 0.3259 \quad F=6.77^{**}$$

(-1.11) (2.60)

----- (16)

No of Observation = 17



$$(OT) = -170.2791 + .001^{**} (GSDP) \quad R^2 = 0.3864 \quad F=9.44^{***}$$

$$(-0.40) \quad (3.07)$$

----- (17)

No of Observation = 17

$$\log (OTR) = -2.5361^{***} + 0.9816^{***} \log R^2 = 0.9868 \quad F=1118.27^{***}$$

$$(GSDP) \quad (-6.33) \quad (33.44)$$

----- (18)

A1.4 Results

The results are provided in the below tables

**Table A1: Tax Potential of States
(Based on 6 Years average 2017-18 to 2022-23)**

State	GST	Sales Tax	Taxes on Vehicles	Electricity Duties	Excise Duties	Stamp and Registration Fees	Land Revenue	Other Taxes	Aggregate Capacity#
Andhra Pradesh	24938	15784	2894	1781	5801	5923	302	874	58301
Bihar	13106	7230	2146	634	3703	3306	1275	444	31857
Chhattisgarh	8234	4962	1591	643	2364	1845	505	208	20354
Goa	1946	1345	357	76	562	285	120	-90	4601
Gujarat	40778	26321	5817	3483	9087	10612	246	1596	97947
Haryana	19077	12435	1942	1325	4847	4690	222	638	45179
Jharkhand	7771	4547	1068	589	2161	1642	688	173	18642
Karnataka	43911	28622	5265	1977	9941	11925	222	1620	103489
Kerala	20855	13461	3198	606	4847	4690	246	701	48609
Madhya Pradesh	23520	14173	3904	1927	5801	5923	505	831	56592
Maharashtra	65954	42155	8668	4932	15573	21366	273	2769	161702
Odisha	14227	8658	1942	611	3703	3306	456	432	33340
Punjab	13492	8456	2371	1580	3385	2942	335	415	32978
Rajasthan	24562	14947	4313	2085	6346	6655	456	926	60297
Tamil Nadu	45240	29201	7101	3298	9941	11925	246	1755	108713
Uttar Pradesh	41986	24327	7845	3367	9941	11925	762	1674	101850
West Bengal	27558	16607	2371	1540	6942	7479	505	1089	64101

Source: Authors' Computation



**Table A.2: OTR of States
(Based on 6 Years average 2017-18 to 2022-23)**

State	GST	Sales Tax	Taxes on Vehicles	Electricity Duties	Excise Duties	Stamp and Registration Fees	Land Revenue	Other Taxes	OTR
Andhra Pradesh	20387	20879	3396	718	9945	6046	82	540	61992
Bihar	16066	7298	2346	648	-4	4743	413	477	31986
Chhattisgarh	8199	5083	1323	2362	5003	1617	707	130	24423
Goa	2452	1157	296	0	296	556	55	552	5362
Gujarat	35891	26325	3954	8089	138	9128	2670	1040	87236
Haryana	19676	10691	3099	394	6967	6201	20	1645	48692
Jharkhand	8267	4828	1097	458	1603	714	822	80	17870
Karnataka	42888	18317	7112	2454	23185	12238	212	1563	107970
Kerala	21197	21751	3984	66	2376	4221	397	242	54233
Madhya Pradesh	18408	13891	3126	3027	10239	6560	605	1690	57546
Maharashtra	83921	43676	8870	9751	16336	31667	2352	4627	201200
Odisha	13299	9348	1740	3319	4613	1845	630	559	35351
Punjab	13236	6806	2045	2560	5972	2783	79	123	33603
Rajasthan	23179	17367	4858	2527	11133	5296	402	183	64945
Tamil Nadu	39757	47479	5719	816	7728	12447	209	175	114329
Uttar Pradesh	46718	26099	7394	2338	29368	17761	541	61	130280
West Bengal	27432	9860	2643	2467	11945	6113	2854	2368	65680

Source: Authors' Computation

Table A.3: Tax Effort of States

State	GST	Sales Tax	Taxes on Vehicles	Electricity Duties	Excise Duties	Stamp and Registration Fees	Land Revenue	Other Taxes	OTR
Andhra Pradesh	0.82	1.32	1.17	0.40	1.71	1.02	0.27	0.62	1.06
Bihar	1.23	1.01	1.09	1.02	0.00	1.43	0.32	1.07	1.00
Chhattisgarh	1.00	1.02	0.83	3.68	2.12	0.88	1.40	0.62	1.20
Goa	1.26	0.86	0.83	0.00	0.53	1.95	0.46	-6.11	1.17
Gujarat	0.88	1.00	0.68	2.32	0.02	0.86	10.86	0.65	0.89
Haryana	1.03	0.86	1.60	0.30	1.44	1.32	0.09	2.58	1.08
Jharkhand	1.06	1.06	1.03	0.78	0.74	0.43	1.20	0.46	0.96
Karnataka	0.98	0.64	1.35	1.24	2.33	1.03	0.95	0.96	1.04
Kerala	1.02	1.62	1.25	0.11	0.49	0.90	1.61	0.35	1.12
Madhya Pradesh	0.78	0.98	0.80	1.57	1.77	1.11	1.20	2.03	1.02
Maharashtra	1.27	1.04	1.02	1.98	1.05	1.48	8.63	1.67	1.24
Odisha	0.93	1.08	0.90	5.43	1.25	0.56	1.38	1.29	1.06
Punjab	0.98	0.80	0.86	1.62	1.76	0.95	0.23	0.30	1.02
Rajasthan	0.94	1.16	1.13	1.21	1.75	0.80	0.88	0.20	1.08
Tamil Nadu	0.88	1.63	0.81	0.25	0.78	1.04	0.85	0.10	1.05
Uttar Pradesh	1.11	1.07	0.94	0.69	2.95	1.49	0.71	0.04	1.28
West Bengal	1.00	0.59	1.11	1.60	1.72	0.82	5.65	2.17	1.02

Source: Authors' Computation



Annexure 2: Prediction of GSDP 2024-2030

In order to project the data, the study assumed a VAR model the results are given in the following tables

Table A.5: Summary Statistics for Projections of GSDP

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	39.451
AIC	-3.3137
FPE	0.0021
HQIC	-3.2787
Det(Sigma_ml)	0.0016
SBIC	-3.165
RMSE (log GSDP)	0.0433
R-squared (logGSDP)	0.9922
Chi-Square	2793.833
Prob > Chi-Square	0

Source: Authors' Computation

Table A.6: Estimated Coefficients for Projections of GSDP

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
logGSDP _{t-1}	0.5845	0.1748	3.34	0.001	0.2419	0.9272
T	0.0292	0.0127	2.3	0.021	0.0043	0.0541
Constant	-53.5763	23.3842	-2.29	0.022	-99.4085	-7.7442

Source: Authors' Computation

Thus, the equation for forecasting is

$$\text{Log GSDP}_t = -53.70928 + 0.5837006 \text{ logGSDP}_{t-1} + 0.029281 t + \epsilon_{1t}$$

Log GSDP_t is GSDP in time t

logGSDP_{t-1} is the lagged variable in time t-1

t represents time

-53.70928 is the estimated constant term

ε_{1t} is the error term

The forecasted GSDP values in 2011 constant prices are



Table A.7: Projected GSDP in Constant Prices
(Base: 2011-12)

Year	Lower Boundary	Forecasted GSDP	Upper Boundary
2024	548707	561799	575774
2025	581682	604526	629550
2026	618529	649722	684648
2027	658803	697809	742345
2028	702373	749079	803490
2029	749259	803956	868732
2030	799547	862767	938633

Source: Authors' Computation

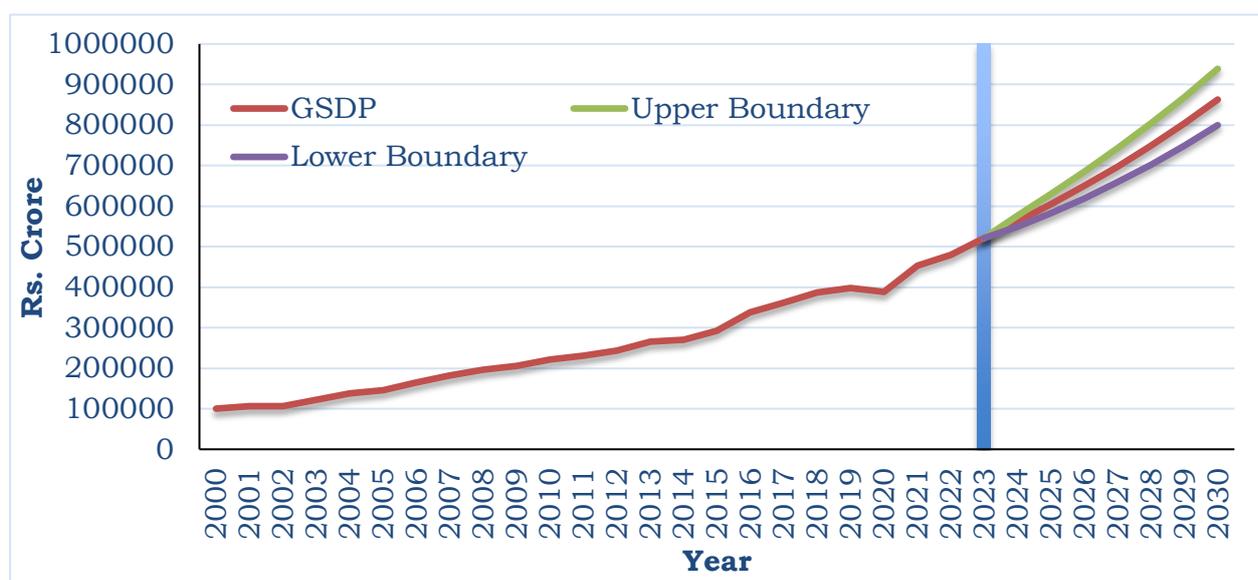
The subsequent growth rates of the economy are

Table A.9: Projected Growth Rates

Year	Lower Boundary	Forecasted Growth GSDP	Upper Boundary
2024	5.3	7.8	10.5
2025	6	7.6	9.3
2026	6.3	7.5	8.8
2027	6.5	7.4	8.4
2028	6.6	7.3	8.2
2029	6.7	7.3	8.1
2030	6.7	7.3	8

Source: Authors' Computation

Figure A.1: Actual and Projected GSDP in Constant Prices
(Base: 2011-12)

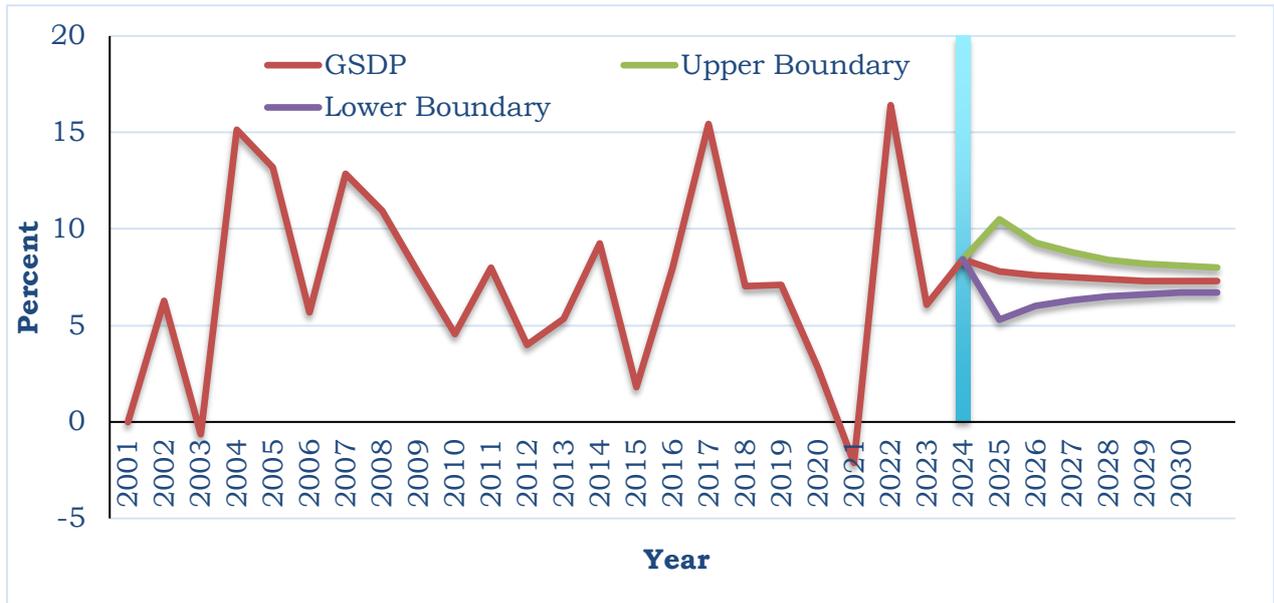


Source: Authors' Computation



FigureA.2: Actual and Projected Growth Rates GSDP

(%)



Source: Authors' Computation

The forecasted GSDP values in 2011 current prices (assuming 4 percent inflation rate) are

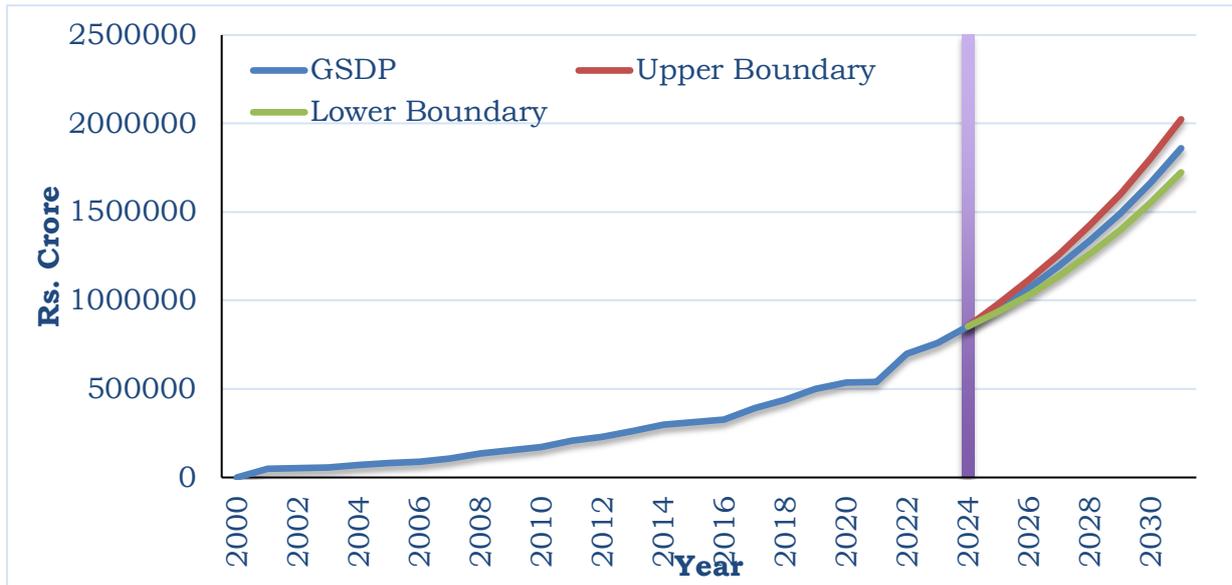
Table A.7: Projected GSDP in Current Prices (assuming 4 % rise in prices YoY)

Year	Lower Boundary	Projected GSDP Current	Upper Boundary
2024	935031	957341	981154
2025	1030872	1071356	1115704
2026	1140020	1197512	1261884
2027	1262819	1337586	1422957
2028	1400189	1493299	1601767
2029	1553403	1666804	1801101
2030	1723968	1860283	2023865

Source: Authors' Computation



Figure A.3: Actual and Projected GSDP in Current Prices (assuming 4 % rise in prices YoY)



Source: Authors' Computation

Annexure 3: Forecasting of OTR

In order to project OTR the study assumed a VAR model the results are given in the following tables

Table A.8: Summary Statistics for Projections of OTR

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	35.4063
AIC	-2.946
FPE	0.0031
HQIC	-2.911
Det(Sigma_ml)	0.0023
SBIC	-2.7973
RMSE (logOTR)	0.0521
R-squared (logOTR)	0.9918
Chi-Square	2670.582
Prob > Chi-Square	0

Source: Authors' Computation

**Table A.9: Estimated Coefficients for Projections of OTR**

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
logOTR _(t-1)	0.7421	0.145	5.12	0	0.4579	1.0263
T	0.0194	0.0126	1.54	0.124	-0.0053	0.0442
Constant	-36.6086	24.0887	-1.52	0.129	-83.8215	10.6043

Source: Authors' Computation

Thus, the equation for forecasting is

$$\log\text{OTR}_t = 0.7421 \cdot \log\text{OTR}_{(t-1)} + 0.0194 \cdot t - 36.6086 + \epsilon_{2t}$$

where:

logOTR_t is the OTR at time t.

logOTR_(t-1) is the lagged value of the OTR at time t-1.

t represent time

-36.6086 is the estimated constant term.

ϵ_{2t} is the error term

A.10: Projected OTR in Constant Prices

(Base Year- 2011-12)

Year	Lower Boundary	Forecasted OTR Constant Prices	Upper Boundary
2023	29610	31316	32834
2024	30631	34052	37001
2025	31693	36948	41404
2026	32764	40025	46166
2027	33827	43308	51383
2028	34873	46819	57146
2029	35894	50580	63543
2030	36886	54618	70669

Source: Authors' Computation

A.11: Projected OTR in Current Prices (assuming 4 % rise in prices YoY)

Year	Lower Boundary	Forecasted OTR Current Prices	Upper Boundary
2023	48517	51311	53800
2024	52197	58027	63052
2025	56168	65480	73377
2026	60388	73771	85088
2027	64841	83014	98494
2028	69519	93334	113922
2029	74418	104866	131740
2030	79532	117767	152375

Source: Authors' Computation



Annexure 4: Forecasting of ONTR

In order to project ONTR the study assumed a VAR model the results are given in the following tables

Table A.12: Summary Statistics for Projections of ONTR

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	2.7548
AIC	0.0223
FPE	0.06
HQIC	0.0573
Det(Sigma_ml)	0.0456
SBIC	0.1711
RMSE (logONTR)	0.2297
R-squared (logONTR)	0.9301
Chi-Square	292.59
Prob > Chi-Square	0

Source: Authors' Computation

Table A.13: Estimated Coefficients for Projections of ONTR

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
logONTR _(t-1)	0.4433	0.1986	2.23	0.026	0.0541	0.8325
t	0.0691	0.0246	2.81	0.005	0.0209	0.1174
Constant	-134.145	47.8936	-2.8	0.005	-228.0148	-40.2752

Source: Authors' Computation

Thus, the equation for forecasting is

$$\text{Log ONTR}_t = -134.1450 + 0.4433 \cdot \text{logONTR}_{(t-1)} + 0.0691 \cdot t + \epsilon_{3t}$$

where,

log(ONTR_t) is the log of real value of ONTR for time t

log(ONTR_(t-1)) is the log value of ONTR for time t-1

t represents time

-134.145 is the estimated constant term

ε_{3t} is the error term

**Table A.14: Projected ONTR in Constant Prices****(Base Year- 2011-12)**

Year	Lower Boundary	Forecasted ONTR in Constant Prices	Upper Boundary
2023	21705	26446	30829
2024	21748	28384	35751
2025	22864	31383	41684
2026	24544	35161	48665
2027	26609	39623	56800
2028	28999	44768	66257
2029	31698	50639	77241
2030	34711	57309	89999

Source: Authors' Computation

**Table A.15: Projected ONTR in Current Prices
(assuming 4 % rise in prices YoY)**

Year	Lower Boundary	Forecasted ONTR in Current Prices	Upper Boundary
2023	35565	43332	50514
2024	37059	48368	60922
2025	40519	55618	73874
2026	45238	64805	89696
2027	51006	75951	108877
2028	57811	89246	132085
2029	65718	104988	160141
2030	74843	123570	194054

Source: Authors' Computation

Annexure 5: Forecasting of TCT

In order to project TCT the study assumed a VAR model. The results are given in the following tables

Table A.16: Summary Statistics for Projections of TCT

Statistic	Value
Sample Range	2001-2022
Observations	22
Log Likelihood	17.6052
AIC	-1.3277
FPE	0.0155
HQIC	-1.2927
Det(Sigma_ml)	0.0118
SBIC	-1.179
RMSE (logTCT)	0.117
R-squared (logTCT)	0.9583
Chi-Square	505.681
Prob > Chi-Square	0

Source: Authors' Computation

**Table A.17: Estimated Coefficients for Projections of TCT**

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
$\log TCT_{(t-1)}$	0.6456	0.1702	3.79	0	0.312	0.9792
t	0.0278	0.0145	1.91	0.056	-0.0007	0.0562
Cons	-52.4169	27.6137	-1.9	0.058	-106.5386	1.7049

Source: Authors' Computation

Thus, the equation for forecasting is

$$\log(TCT_t) = 0.6456 \cdot \log(TCT_{(t-1)}) + 0.0278 \cdot t - 52.4169 + \epsilon_{4t}$$

$\log(TCT_t)$ is the log of real value of Transfer from Centre Taxes for time t

$\log(TCT_{(t-1)})$ is the log value of TCT for time t-1

t represents time

-524169 is the estimated constant term

ϵ_{4t} is the error term

A.18: Projected TCT in Constant Prices**(Base: 2011-12)**

Year	Lower Boundary	Forecasted TCT in Constant Prices	Upper Boundary
2023	27334	29747	33294
2024	28586	32939	39573
2025	30000	36171	45896
2026	31510	39506	52560
2027	33090	42998	59776
2028	34734	46691	67715
2029	36438	50630	76530
2030	38205	54847	86375

Source: Authors' Computation

**A.19: Projected TCT in Current Prices
(assuming 4 % rise in prices YoY)**

Year	Lower Boundary	Forecasted TCT in Current Prices	Upper Boundary
2023	44788	48742	54553
2024	48712	56129	67435
2025	53167	64102	81338
2026	58077	72813	96875
2027	63429	82419	114581
2028	69242	93078	134990
2029	75546	104969	158666
2030	82378	118260	186240

Source: Authors' Computation



Annexure 6: Forecasting of GiA

In order to project GiA the study assumed a VAR model. The results are given in the following tables

Table A.20: Summary Statistics for Projections of GiA

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	6.7426
AIC	-0.3402
FPE	0.0417
HQIC	-0.3052
Det(Sigma_ml)	0.0317
SBIC	-0.1915
RMSE (logGiA)	0.1916
R-squared (loggia)	0.9022
Chi-Square	202.9297
Prob > Chi-Square	0

Source: Authors' Computation

Table A.21: Estimated Coefficients for Projections of GiA

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
logGiA _(t-1)	-0.0001	0.0001	-1.45	0.148	-0.0002	0
T	0.0815	0.0064	12.7	0	0.0689	0.094
Cons	-154.9201	12.9092	-12	0	-180.2217	-129.6185

Source: Authors' Computation

Thus, the equation for forecasting is

$$\log(\text{GiA}_t) = -0.0001 \cdot \log(\text{GiA}_{(t-1)}) + 0.0815 \cdot t - 154.9201 + \epsilon_{5t}$$

where

log(GiA_t) is Grants in Aid in time t

log(GiA_(t-1)) is the GiA in time t-1

t represents time

-154.9201 is the estimated intercept

ε_{5t} is the error term



Table A.22: Forecast of GIA in Constant Prices
(Base: 2011-12)

Year	Lower Boundary	Projected GIA Constant Prices	Upper Boundary
2023	18009	19843	22740
2024	19405	21526	24883
2025	20907	23353	27235
2026	22523	25336	29811
2027	24262	27485	32634
2028	26132	29819	35727
2029	28146	32351	39115
2030	30312	35095	42828

Source: Authors' Computation

Table A.23: Forecast of GIA in Current Prices
(assuming 4 % rise in prices YoY)

Year	Lower Boundary	Projected GIA Current Prices	Upper Boundary
2023	29509	32514	37259
2024	33067	36683	42403
2025	37052	41388	48266
2026	41512	46698	54944
2027	46506	52685	62553
2028	52095	59444	71221
2029	58353	67072	81096
2030	65359	75670	92344

Source: Authors' Computation

Annexure 7: Projection of TRR

The study based on its projections of ORR, ONTRTCT and GiA has computed TRR

**Table A.24: Projected GSDP, TRR and its Major Components in
Constant Prices**
(Base: 2011-12)

Year	Projected OTR (Rs. Crore)	Growth Rates (%)	Projected ONTR (Rs. Crore)	Growth Rates (%)	Projected TCT (Rs. Crore)	Growth Rates (%)	Projected GIA (Rs. Crore)	Growth Rates (%)	Projected TRR	Growth Rates (%)	Projected GSDP (Rs. Crore)	Growth Rates (%)
2023	31316	9.1	26446	0.4	29747	10.9	19843	76.8	107352	15.7	520911	8.4
2024	34052	8.7	28384	7.3	32939	10.7	21526	8.5	116901	8.9	561799	7.8
2025	36948	8.5	31383	10.6	36171	9.8	23353	8.5	127855	9.4	604526	7.6
2026	40025	8.3	35161	12.0	39506	9.2	25336	8.5	140028	9.5	649722	7.5
2027	43308	8.2	39623	12.7	42998	8.8	27485	8.5	153414	9.6	697809	7.4
2028	46819	8.1	44768	13.0	46691	8.6	29819	8.5	168097	9.6	749079	7.3
2029	50580	8.0	50639	13.1	50630	8.4	32351	8.5	184200	9.6	803956	7.3
2030	54618	8.0	57309	13.2	54847	8.3	35095	8.5	201869	9.6	862767	7.3

Source: Authors' Computation



**Table A.25: Projected GSDP, TRR and its Major Components in Current Prices
(assuming 4 % rise in prices YoY)**

Year	Projected OTR (Rs. Crore)	% TRR	% GSDP	Projected ONTR (Rs. Crore)	% TRR	% GSDP	Projected TCT (Rs. Crore)	% TRR	% GSDP	Projected GIA (Rs. Crore)	% TRR	% GSDP	Projected TRR (Rs. Crore)	% GSDP	Projected GSDP (Rs. Crore)
2023	51312	29.2	6.0	43332	24.6	5.1	48742	27.7	5.7	32514	18.5	3.8	175899	20.6	853524
2024	58027	29.1	6.1	48368	24.3	5.1	56129	28.2	5.9	36683	18.4	3.8	199206	20.8	957341
2025	65480	28.9	6.1	55618	24.5	5.2	64102	28.3	6.0	41388	18.3	3.9	226588	21.1	1071356
2026	73771	28.6	6.2	64805	25.1	5.4	72813	28.2	6.1	46698	18.1	3.9	258087	21.6	1197512
2027	83014	28.2	6.2	75951	25.8	5.7	82419	28.0	6.2	52685	17.9	3.9	294070	22.0	1337586
2028	93334	27.9	6.3	89246	26.6	6.0	93078	27.8	6.2	59444	17.7	4.0	335103	22.4	1493299
2029	104865	27.5	6.3	104988	27.5	6.3	104969	27.5	6.3	67072	17.6	4.0	381893	22.9	1666804
2030	117766	27.1	6.3	123570	28.4	6.6	118260	27.2	6.4	75670	17.4	4.1	435266	23.4	1860283

Source: Authors' Computation

Annexure 8: Projection of RevEx

In order to project RevEx the study assumed a VAR model. The results are given in the following tables

Table A.26: Summary Statistics for Projections of RevEx

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	34.3356
AIC	-2.8487
FPE	0.0034
HQIC	-2.8136
Det(Sigma_ml)	0.0026
SBIC	-2.6999
RMSE (logRevEx)	0.0547
R-squared (logRevEx)	0.989
Chi-Square	1982.851
Prob > Chi-Square	0

Source: Authors' Computation

Table A.27: Estimated Coefficients for Projections of RevEx

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
$\log(\text{RevEx}_{(t-1)})$	0.5739	0.153	3.75	0	0.2741	0.8738
t	0.0331	0.0115	2.88	0.004	0.0106	0.0556
Constant	-62.0629	21.5503	-2.88	0.004	-104.3008	-19.825

Source: Authors' Computation



Thus, the equation for forecasting is

$$\log(\text{RevEx}_t) = 0.5739 \cdot \log(\text{RevEx}_{(t-1)}) + 0.0331 \cdot t - 62.0629 + \epsilon_{6t}$$

Where

RevEx_t is the RevEx in time t

RevEx_(t-1) is the RevEx in time t-1

t represents time

-62.0629 is the estimated constant

ε_{6t} is the error term

**Table A.28: Projected RevEx in Constant Prices
(Base Year:- 2011-12)**

Year	Lower Boundary	Projected RevEx Constant Prices	Upper Boundary
2023	84965	88398	91661
2024	90116	96211	102242
2025	96007	104402	113045
2026	102557	113097	124339
2027	109739	122394	136321
2028	117550	132376	149149
2029	126007	143143	162967
2030	135132	154740	177908

Source: Authors' Computation

**Table A.29: Projected RevEx Current Prices
(assuming 4 % rise in prices YoY)**

Year	Lower Boundary	Forecasted RevEx Current Prices	Upper Boundary
2023	139218	144841	150188
2024	153563	163950	174227
2025	170147	185023	200341
2026	189023	208450	229172
2027	210352	234609	261306
2028	234338	263893	297330
2029	261244	296772	337871
2030	291370	333647	383601

Source: Authors' Computation



Annexure 9: Projections of CapEx

In order to project CapEx the study assumed a VAR model. The results are given in the following tables

Table A.30: Summary Statistics for Projections of CapEx

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	-4.4043
AIC	0.6731
FPE	0.115
HQIC	0.7082
Det(Sigma_ml)	0.0874
SBIC	0.8219
RMSE (logCapEx)	0.3181
R-squared (logCapEx)	0.7547
Chi-Square	67.6694
Prob > Chi-Square	0

Source: Authors' Computation

Table A.31: Estimated Coefficients for Projections of CapEx

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
log(CapEx _(t-1))	0.7911	0.122	6.48	0	0.552	1.0303
T _t	0.0215	0.0109	1.97	0.048	0.0001	0.0428
Constant	-41.2059	21.4457	-1.92	0.055	-83.2388	0.8269

Source: Authors' Computation

Thus, the equation for forecasting is

$$\log(\text{CapEx}_t) = 0.7911 \cdot \log(\text{CapEx}_{(t-1)}) + 0.0215 \cdot t - 41.2059 + \epsilon_{7t}$$

Where

log(CapEx_t) is the log of CapEx in time t

log(CapEx_(t-1)) is the log of CapEx in time t-1

t is time

-41.2059 is the estimated constant

ϵ_{7t} is the error term



Table A.32: Projected CapEx in Constant Prices
(Base: 2011-12)

Year	Lower Boundary	Projected CapEx Constant Prices	Upper Boundary
2023	27549	33203	40538
2024	25658	36290	52992
2025	24348	39779	68645
2026	23387	43709	88481
2027	22651	48108	113752
2028	22065	53029	146084
2029	21580	58519	187595
2030	21164	64634	241069

Source: Authors' Computation

Table A.33: Projected Cap Ex in Current Prices
(assuming 4 % rise in prices YoY)

Year	Lower Boundary	Projected CapEx Current Prices	Upper Boundary
2023	45139	54404	66422
2024	43722	61841	90302
2025	43149	70498	121655
2026	43106	80560	163080
2027	43419	92215	218045
2028	43987	105715	291221
2029	44741	121324	388932
2030	45634	139363	519790

Source: Authors' Computation

Annexure 10: Projected RevEx, CapEx, TotEx

The estimated TotEx is given below

Table A.34: Projected RevEx, CapEx, TotEx in Constant Prices
(Base Year: 2011-12)

Year	RevEx	Growth Rates %	CapEx	Growth Rates %	TotEx	Growth Rates %	GSDP	Growth Rates %
2023	88398	9.4	33203	8.9	121601	9.3	520911	8.4
2024	96211	8.8	36290	9.3	132501	9.0	561799	7.8
2025	104402	8.5	39779	9.6	144181	8.8	604526	7.6
2026	113097	8.3	43709	9.9	156805	8.8	649722	7.5
2027	122394	8.2	48108	10.1	170502	8.7	697809	7.4
2028	132376	8.2	53029	10.2	185405	8.7	749079	7.3
2029	143143	8.1	58519	10.4	201662	8.8	803956	7.3
2030	154740	8.1	64634	10.5	219374	8.8	862767	7.3

Source: Authors' Computation



**Table A.35: Projected RevEx, CapEx, TotEx in Current Prices
(assuming 4 % rise in prices YoY)**

Year	RevEx	% TotEx	% GSDP	CapEx	% TotEx	% GSDP	TotEx	% GSDP	GSDP
2023	144841	72.7	17.0	54404	27.3	6.4	199245	23.3	853524
2024	163950	72.6	17.1	61841	27.4	6.5	225790	23.6	957341
2025	185023	72.4	17.3	70498	27.6	6.6	255521	23.9	1071356
2026	208450	72.1	17.4	80560	27.9	6.7	289010	24.1	1197512
2027	234609	71.8	17.5	92215	28.2	6.9	326824	24.4	1337586
2028	263893	71.4	17.7	105715	28.6	7.1	369607	24.8	1493299
2029	296772	71.0	17.8	121324	29.0	7.3	418096	25.1	1666804
2030	333647	70.5	17.9	139363	29.5	7.5	473011	25.4	1860283

Source: Authors' Computation

Annexure 11 Projected Revenue Deficit

The estimated Revenue Surplus(+)/Deficit(-) is given below

**Table A.36: Projected Revenue Deficit at Constant Prices
(Base Year- 2011-12)**

Year	TRR	RevEx	Revenue Surplus (+)/ Deficit (-)	Growth Rates
2023	107352	88398	18955	-2.6
2024	116901	96211	20690	9.2
2025	127855	104402	23454	13.4
2026	140028	113097	26931	14.8
2027	153414	122394	31020	15.2
2028	168097	132376	35721	15.2
2029	184200	143143	41057	14.9
2030	201869	154740	47129	14.8

Source: Authors' Computation

**Table A.37: Projected Revenue Deficit at Current Prices
(assuming 4 % rise in prices YoY)**

Year	TRR	RevEx	Revenue Surplus (+)/ Deficit (-)	% GSDP	GSDP
2023	175899	144841	31058	3.6	853524
2024	199206	163950	35257	3.7	957341
2025	226588	185023	41565	3.9	1071356
2026	258087	208450	49637	4.1	1197512
2027	294070	234609	59460	4.4	1337586
2028	335103	263893	71210	4.8	1493299
2029	381893	296772	85122	5.1	1666804
2030	435266	333647	101619	5.5	1860283

Source: Authors' Computation



Annexure 12: Projections of DR

In order to project DR the study assumed a VAR model. The results are given in the following tables

Table A.38: Summary Statistics for Projections of DR

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	-7.8369
AIC	0.9852
FPE	0.1571
HQIC	1.0202
Det(Sigma_ml)	0.1194
SBIC	1.134
RMSE (logDR)	0.3718
R-squared (logDR)	0.5282
Chi-Square	24.6317
Prob > Chi-Square	0

Source: Authors' Computation

Table A.39: Estimated Coefficients for Projections of DR

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
log(DR _(t-1))	0.6145	0.1808	3.4	0.001	0.2601	0.969
T _t	0.0193	0.0134	1.44	0.149	-0.0069	0.0456
Constant	-35.6927	26.2555	-1.36	0.174	-87.1525	15.7671

Source: Authors' Computation

Thus, the equation for forecasting is

$$\log(\text{DR}_t) = 0.6145 \cdot \log(\text{DR}_{(t-1)}) + 0.0193 \cdot t - 35.6927 + \epsilon_{8t}$$

Where

log(DR_t) is log of debt repayments in time t

log(DR_(t-1)) is the log of DR in time t-1

t is time

0.0193 is the estimated constant

ε_{8t} is the error term



**Table A.40: Projected DR in Constant Prices
(Base Year- 2011-12)**

Year	Lower Boundary	Projected Debt Repayment in Constant Prices	Upper Boundary
2023	5766	7562	9228
2024	4996	7128	9510
2025	4638	7008	9995
2026	4429	7070	10675
2027	4293	7248	11512
2028	4199	7502	12486
2029	4132	7812	13589
2030	4082	8165	14821

Source: Authors' Computation

**Table A.41: Projected DR in Current Prices
(assuming 4 % rise in prices YoY)**

Year	Lower Boundary	Projected Debt Repayment in Current Prices	Upper Boundary
2023	9447	12390	15121
2024	8513	12147	16205
2025	8220	12420	17713
2026	8163	13032	19676
2027	8229	13892	22067
2028	8372	14956	24891
2029	8567	16197	28173
2030	8802	17606	31958

Source: Authors' Computation

Annexure 13 Projected Fiscal Deficit

The Projected Fiscal Deficit figures are

Table A.42: Projected Fiscal Deficit in Constant and Current Prices

Year	Fiscal Deficit in Constant Prices	Growth Rates %	Fiscal Deficit in Current Prices	% GSDP
2023	-6324	-32.6	-10362	-1.2
2024	-8165	29.1	-13913	-1.5
2025	-9033	10.6	-16009	-1.5
2026	-9434	4.4	-17389	-1.5
2027	-9573	1.5	-18351	-1.4
2028	-9543	-0.3	-19024	-1.3
2029	-9389	-1.6	-19465	-1.2
2030	-9082	-3.3	-19582	-1.1

Source: Authors' Computation



Annexure 14: Projections of Recovery of Loan

In order to project Recovery of Loan (Recov Loan) the study assumed a VAR model. The results are given in the following tables

Table A.43: Summary Statistics for Projections of Recov Loan

Statistic	Value
Sample Range	2001–2022
Observations	22
Log Likelihood	-21.8946
AIC	2.2631
FPE	0.5638
HQIC	2.2982
Det(Sigma_ml)	0.4285
SBIC	2.4119
RMSE (log Recov Loan)	0.7044
R-squared (log Recov Loan)	0.2131
Chi-Square	5.9566
Prob > Chi-Square	0.0509

Source: Authors' Computation

Table A.44: Estimated Coefficients for Projections of Recov. Loan

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
log(Recov. Loan _(t-1))	0.4595	0.1904	2.41	0.016	0.0863	0.8327
T _t	-0.0039	0.0221	-0.18	0.859	-0.0472	0.0393
Constant	10.941	44.4784	0.25	0.806	-76.2351	98.1171

Source: Authors' Computation

Thus, the equation for forecasting is

$$\log(\text{Recov Loan}_t) = 10.9410 - 0.0039 \cdot t + 0.4595 \cdot \log(\text{Recov Loan}_{(t-1)}) + \epsilon_{9t}$$

Where

$\log(\text{Recov Loan}_t)$ is the log value of Recovery of loan at time t

$\log(\text{Recov Loan}_{(t-1)})$ is the log value of Recovery of loan at time t-1

t refers to time

10.941 is the estimated constant

ϵ_{9t} is the error term



**Table A.45: Projected Recov. Loan in Constant Prices
(Base Year: 2011-12)**

Year	Lower Boundary	Projected Recovery of Loans in Constant Prices	Upper Boundary
2023	221	362	560
2024	155	308	580
2025	125	284	606
2026	106	273	639
2027	93	267	676
2028	83	263	719
2029	74	260	765
2030	66	258	814

Source: Authors' Computation

**Table A.46: Projected Recov Loan in Current Prices
(assuming 4 % rise in prices YoY)**

Year	Lower Boundary	Projected Recovery of Loans in Current Prices	Upper Boundary
2023	363	594	917
2024	263	524	988
2025	221	504	1074
2026	196	503	1177
2027	179	511	1297
2028	165	524	1432
2029	153	540	1585
2030	143	556	1756

Source: Authors' Computation

Annexure 15: Projections of Interest Payment

In order to project Interest Payment (IP) the study assumed a VAR model. The results are given in the following tables

Table A.47: Summary Statistics for Projections of IP

Statistic	Value
Sample Range	2001-2022
Observations	22
Log Likelihood	13.91349
AIC	-0.9921
FPE	0.0217
HQIC	-0.9571
Det(Sigma_ml)	0.0165
SBIC	-0.8434
RMSE (log(IP))	0.1383
R-squared (log(IP))	0.7817
Chi-Square	78.789
Prob > Chi-Square	0

Source: Authors' Computation

**Table A.48: Estimated Coefficients for Projections of IP**

Variable	Coefficient	Std. Error	z-Statistic	P-Value	95% Conf. Interval (Lower)	95% Conf. Interval (Upper)
log(IP _(t-1))	0.8574	0.1099	7.8	0	0.642	1.0727
T	-0.0025	0.0048	-0.52	0.6	-0.0118	0.0068
Constant	6.1999	10.0142	0.62	0.536	-13.4276	25.8275

Source: Authors' Computation

Thus, the equation for forecasting is

$$\log IP_t = 6.1999 - 0.0025 \cdot t + 0.8574 \cdot \log(IP_{(t-1)}) + \epsilon_{10t}$$

Where

logIP_t is the log value of interest payments in time t

log(IP_(t-1)) is the log value of interest payments in time t-1

t represents time

6.1999 is the estimated value of constant

ε_{10t} is the error term

Table A.49: Projected IP in Constant Prices**(Base: 2011-12)**

Year	Lower Boundary	Projected Interest Payments at Constant Prices	Upper Boundary
2023	3058	3326	3645
2024	2784	3260	3887
2025	2550	3197	4127
2026	2346	3136	4372
2027	2164	3077	4627
2028	1999	3020	4898
2029	1847	2964	5189
2030	1707	2910	5506

Source: Authors' Computation

**Table A.50: Projected IP in Current Prices
(assuming 4 % rise in prices YoY)**

Year	Lower Boundary	Projected Interest Payments at Current Prices	Upper Boundary
2023	5011	5449	5973
2024	4743	5556	6624
2025	4520	5666	7315
2026	4325	5780	8058
2027	4149	5898	8870
2028	3985	6020	9764
2029	3830	6145	10758
2030	3680	6274	11871

Source: Authors' Computation



Annexure 16: Projection of Primary Deficit

Table A.51: Projected Primary Deficit in Constant and Current Prices

Year	PD in Constant Prices	Growth Rates	PD in Current Prices	% GDP
2023	-2998	-50.0	-4913	-0.9
2024	-4905	63.6	-8358	-1.5
2025	-5836	19.0	-10342	-1.7
2026	-6298	7.9	-11608	-1.8
2027	-6496	3.1	-12451	-1.8
2028	-6523	0.4	-13004	-1.7
2029	-6425	-1.5	-13320	-1.7
2030	-6172	-5.4	-13308	-1.5

Source: Authors' Computation

Annexure 17: Yearly Financial Performance of Major Public Sector Undertakings in Odisha

Table A.52: Yearly Financial Performance of Major Public Sector Undertakings in Odisha (2000-01 to 2022-23)

Year	Enterprise Name	Revenue (INR Crore)	Profit/Loss (INR Crore)	Contribution to State Exchequer (INR Crore)
2000	Odisha Mining Corporation	1,200	300	100
	Odisha Hydro Power Corporation	600	100	50
	Odisha Power Generation Corp.	700	150	75
	Odisha State Road Transport	100	-50	0
	Odisha State Cashew Development	50	-20	0
2001	Odisha Mining Corporation	1,400	350	120
	Odisha Hydro Power Corporation	650	110	55
	Odisha Power Generation Corp.	750	160	80
	Odisha State Road Transport	110	-55	0
	Odisha State Cashew Development	55	-22	0
2002	Odisha Mining Corporation	1,600	400	140
	Odisha Hydro Power Corporation	700	120	60
	Odisha Power Generation Corp.	800	170	85
	Odisha State Road Transport	120	-60	0
	Odisha State Cashew Development	60	-25	0
2003	Odisha Mining Corporation	1,800	450	160
	Odisha Hydro Power Corporation	750	130	65
	Odisha Power Generation Corp.	850	180	90



	Odisha State Road Transport	130	-70	0
	Odisha State Cashew Development	65	-30	0
2004	Odisha Mining Corporation	2,000	500	180
	Odisha Hydro Power Corporation	800	140	70
	Odisha Power Generation Corp.	900	190	95
	Odisha State Road Transport	140	-75	0
	Odisha State Cashew Development	70	-35	0
2005	Odisha Mining Corporation	2,200	550	200
	Odisha Hydro Power Corporation	850	150	75
	Odisha Power Generation Corp.	950	200	100
	Odisha State Road Transport	150	-80	0
	Odisha State Cashew Development	75	-40	0
2006	Odisha Mining Corporation	2,500	600	250
	Odisha Hydro Power Corporation	900	160	80
	Odisha Power Generation Corp.	1,000	210	105
	Odisha State Road Transport	160	-85	0
	Odisha State Cashew Development	80	-45	0
2007	Odisha Mining Corporation	3,000	700	300
	Odisha Hydro Power Corporation	950	170	85
	Odisha Power Generation Corp.	1,050	220	110
	Odisha State Road Transport	170	-90	0
	Odisha State Cashew Development	85	-50	0
2008	Odisha Mining Corporation	3,500	800	350
	Odisha Hydro Power Corporation	1,000	180	90
	Odisha Power Generation Corp.	1,100	230	115
	Odisha State Road Transport	180	-95	0
	Odisha State Cashew Development	90	-55	0
2009	Odisha Mining Corporation	4,000	900	400
	Odisha Hydro Power Corporation	1,050	200	100
	Odisha Power Generation Corp.	1,150	240	120
	Odisha State Road Transport	190	-100	0
	Odisha State Cashew Development	95	-60	0
2010	Odisha Mining Corporation	5,000	1,000	500
	Odisha Hydro Power Corporation	1,100	220	110
	Odisha Power Generation Corp.	1,200	250	125
	Odisha State Road Transport	200	-105	0



	Odisha State Cashew Development	100	-65	0
2011	Odisha Mining Corporation	5,500	2,500	1,000
	Odisha Hydro Power Corporation	1,200	300	150
	Odisha Power Generation Corp.	1,500	350	175
	Odisha State Road Transport	210	-110	0
	Odisha State Cashew Development	105	-70	0
2012	Odisha Mining Corporation	6,000	3,000	1,200
	Odisha Hydro Power Corporation	1,300	350	175
	Odisha Power Generation Corp.	1,600	400	200
	Odisha State Road Transport	220	-115	0
	Odisha State Cashew Development	110	-75	0
2013	Odisha Mining Corporation	6,500	3,200	1,300
	Odisha Hydro Power Corporation	1,400	400	200
	Odisha Power Generation Corp.	1,700	450	225
	Odisha State Road Transport	230	-120	0
	Odisha State Cashew Development	115	-80	0
2014	Odisha Mining Corporation	7,000	3,500	1,400
	Odisha Hydro Power Corporation	1,500	450	225
	Odisha Power Generation Corp.	1,800	500	250
	Odisha State Road Transport	240	-125	0
	Odisha State Cashew Development	120	-85	0
2015	Odisha Mining Corporation	7,500	3,800	1,500
	Odisha Hydro Power Corporation	1,600	500	250
	Odisha Power Generation Corp.	1,900	550	275
	Odisha State Road Transport	250	-130	0
	Odisha State Cashew Development	125	-90	0
2016	Odisha Mining Corporation	8,000	4,000	1,600
	Odisha Hydro Power Corporation	1,700	550	275
	Odisha Power Generation Corp.	2,000	600	300
	Odisha State Road Transport	260	-135	0
	Odisha State Cashew Development	130	-95	0
2017	Odisha Mining Corporation	8,500	4,200	1,700
	Odisha Hydro Power Corporation	1,800	600	300
	Odisha Power Generation Corp.	2,100	650	325
	Odisha State Road Transport	270	-140	0
	Odisha State Cashew Development	135	-100	0



2018	Odisha Mining Corporation	9,000	4,500	1,800
	Odisha Hydro Power Corporation	1,900	650	325
	Odisha Power Generation Corp.	2,200	700	350
	Odisha State Road Transport	280	-145	0
	Odisha State Cashew Development	140	-105	0
2019	Odisha Mining Corporation	10,000	5,000	2,000
	Odisha Hydro Power Corporation	2,000	700	350
	Odisha Power Generation Corp.	2,300	750	375
	Odisha State Road Transport	290	-150	0
	Odisha State Cashew Development	145	-110	0
2020	Odisha Mining Corporation	11,000	5,500	2,200
	Odisha Hydro Power Corporation	2,100	750	375
	Odisha Power Generation Corp.	2,400	800	400
	Odisha State Road Transport	300	-155	0
	Odisha State Cashew Development	150	-115	0
2021	Odisha Mining Corporation	12,000	6,000	2,400
	Odisha Hydro Power Corporation	2,200	800	400
	Odisha Power Generation Corp.	2,500	850	425
	Odisha State Road Transport	310	-160	0
	Odisha State Cashew Development	155	-120	0
2022	Odisha Mining Corporation	16,000	8,500	2,500
	Odisha Hydro Power Corporation	1,200	250	200
	Odisha Power Generation Corp.	2,500	300	250
	Odisha State Road Transport	50	-20	0
	Odisha State Cashew Development	25	-15	0



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