

# Odisha Budget Analysis 2018-19

The Finance Minister of Odisha, Mr. Sashibhusan Behera, presented the Budget for financial year 2018-19 on March 23, 2018.

## Budget Highlights

- The **Gross State Domestic Product** of Odisha for 2018-19 (at current prices) is estimated to be Rs 4,43,479 crore. This is 6.6% higher than the revised estimates for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 1,20,028 crore, a 11.9% increase over the revised estimates of 2017-18. In 2017-18, there was an increase of Rs 323 crore (0.3%) in the expenditure over the budget estimates.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 1,00,350 crore, an increase of 11.7% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) were higher than the budgeted estimate by Rs 764 crore.
- **Revenue surplus** for the next financial year is targeted at Rs 9,980 crore, or 2.25% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 15,521 crore (3.5% of GSDP).
- The allocations for panchayat raj, agriculture, and home are estimated to witness the highest increase over the previous year. Allocations for rural development are expected to witness a 26% decrease.

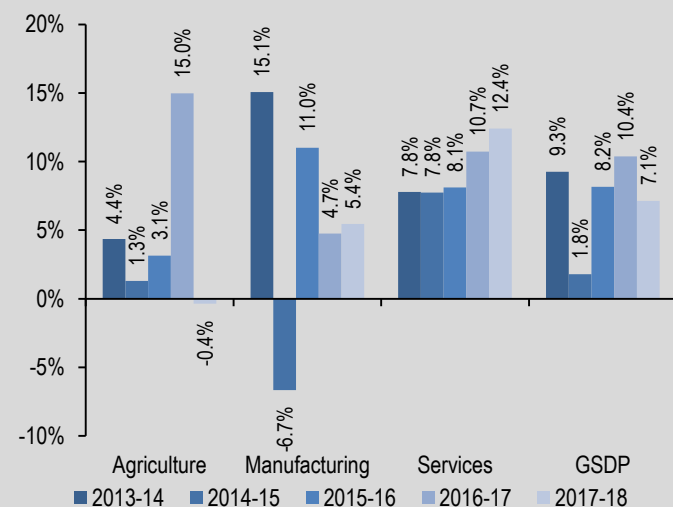
## Policy Highlights

- **Drinking water:** Odisha plans to complete 502 projects (out of a total plan of 546 projects) aimed at providing piped water supply to citizens, by March 2019. This will be done with an investment of Rs 591 crore. Through these projects, a pipe network of 1,498 kms will be created.
- **Roads and highways:** Rs 4,265 crore has been allocated for: (i) improvement of 1,175 kms of roads, (ii) construction of 40 bridges and five railways over bridges, (iii) double laning of state highways, (iv) Rs 100 crore for Biju Expressway for improving connectivity in western Odisha, and (v) maintenance of roads.
- **Railway infrastructure:** Rs 400 crore has been allocated for the state's contribution for the following new railway line projects: (i) Khurda-Bolangir, (ii) Nabarangpur-Jeypore, and (iii) Jeypore-Malkanagiri.
- **Scholarship:** Rs 1,375 crore has been allocated for pre-matric and post-matric scholarship for SC, ST, OBC, and minority students, and girls.

## Odisha's Economy

- **Economy:** The GSDP of Odisha has grown at a rate of over 7% over the previous year since 2013-14, barring 2014-15, when it dropped to 1.8%.
- The services sector with a share of 44% in the GSDP is expected to grow by 12% in 2017-18 over the previous year. During this period, manufacturing which contributes 28% each to the GSDP is expected to grow by 5%. Agriculture is expected to contract by 0.4%.
- **Per capita income:** The per capita GSDP of Odisha in 2017-18 (at current prices) is expected to be Rs 92,727. This is 9% higher than 2016-17, when the per capita GSDP was Rs 84,936.

Figure 1: Growth in GSDP and sectors (year-on-year)



Sources: Odisha Economic Survey 2017-18; Central Statistics Office; PRS.

## Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 1,20,028 crore. This is 12% higher than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,00,350 crore and borrowings of Rs 18,617 crore. Total receipts (other than borrowings) for 2018-19 are expected to be 11.7% higher than the revised estimates of 2017-18.

**Table 1: Budget 2018-19 - Key figures (Rs crore)**

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE of 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
<b>Total Expenditure</b>	<b>86,903</b>	<b>1,06,911</b>	<b>1,07,234</b>	<b>0.3%</b>	<b>1,20,028</b>	<b>11.9%</b>
A. Borrowings	11,223	17,003	16,563	-2.6%	18,617	12.4%
B. Receipts (except borrowings)	74,563	89,062	89,826	0.9%	1,00,350	11.7%
<b>Total Receipts (A+B)</b>	<b>85,787</b>	<b>1,06,065</b>	<b>1,06,388</b>	<b>0.3%</b>	<b>1,18,967</b>	<b>11.8%</b>
<b>Revenue Surplus</b>	<b>9,259</b>	<b>6,694</b>	<b>8,873</b>	<b>32.5%</b>	<b>9,980</b>	<b>12.5%</b>
As % of GSDP	2.45%	1.62%	2.13%	-	2.25%	-
<b>Fiscal Deficit</b>	<b>-9,377</b>	<b>-14,435</b>	<b>-14,394</b>	<b>-0.3%</b>	<b>-15,521</b>	<b>7.8%</b>
As % of GSDP	-2.49%	-3.50%	-3.46%	-	-3.50%	-
<b>Primary Deficit</b>	<b>-5,342</b>	<b>-9,435</b>	<b>-9,394</b>	<b>-0.4%</b>	<b>-10,021</b>	<b>6.7%</b>
As % of GSDP	-1.42%	-2.29%	-2.26%	-	-2.26%	-

Notes: BE is Budget Estimate; RE is Revised Estimate.

Sources: Odisha Budget Documents 2018-19; PRS.

## Expenditure in 2018-19

- Capital expenditure** for 2018-19 is proposed to be Rs 29,808 crore, which is an increase of 13% over the revised estimates of 2017-18. This includes expenditure which affects the assets and liabilities of the state, and leads to creation of assets (such as bridges and hospital), and repayment of loans, among others. The revised estimates of 2017-18 indicate that capital expenditure will be 7% higher than estimated for the year.
- Revenue expenditure** for 2018-19 is proposed to be Rs 90,220 crore, which is an increase of 11.6% over revised estimates of 2017-18. This expenditure includes payment of salaries, maintenance, etc.
- In 2018-19, Odisha is expected to spend Rs 9,657 crore on servicing its debt (i.e., Rs 4,157 crore on repaying loans, and Rs 5,500 crore on interest payments). This is 20.5% higher than the revised estimates of 2017-18.

Odisha is expected to spend Rs 62,000 crore on schemes. Out of this amount, Rs 34,770 crore will be on state schemes (56%). The remaining Rs 27,230 crore will be spent on central schemes (central sector and centrally sponsored schemes).

**Table 2: Expenditure budget 2018-19 (Rs crore)**

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	21,862	24,674	26,412	7.0%	29,808	12.9%
Revenue Expenditure	65,041	82,237	80,823	-1.7%	90,220	11.6%
<b>Total Expenditure</b>	<b>86,903</b>	<b>1,06,911</b>	<b>1,07,234</b>	<b>0.3%</b>	<b>1,20,028</b>	<b>11.9%</b>
A. Debt Repayment	2,962	3,415	3,015	-11.7%	4,157	37.9%
B. Interest Payments	4,035	5,000	5,000	0.0%	5,500	10.0%
<b>Debt Servicing (A+B)</b>	<b>6,997</b>	<b>8,415</b>	<b>8,015</b>	<b>-4.8%</b>	<b>9,657</b>	<b>20.5%</b>

Sources: Odisha Budget Documents 2018-19; PRS.

## Sector expenditure in 2018-19

The departments listed below account for **54%** of the total budgeted expenditure of Odisha in 2018-19. A comparison of Odisha's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

**Table 3: Sector-wise expenditure for Odisha Budget 2018-19 (Rs crore)**

Department	2016-17 Actuals	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget Provisions for 2018-19
<b>School and Mass Education</b>	9,737	13,132	14,487	10.3%	<ul style="list-style-type: none"> <li>40,000 students will be awarded a one-time scholarship of Rs 5,000 under 'Mukhyamantri Medha Bruti'.</li> <li>Rs 1,800 crore has been allocated for the Sarva Shiksha Abhiyaan, and Rs 808 crore for the Mid-Day Meal scheme.</li> <li>About 8.5 lakh people have been covered under the Chief Minister's Employment Generation Programme since 2014-15. In 2018-19, a target of training 2.5 lakh youth has been set.</li> </ul>
<b>Panchayat Raj and Drinking Water</b>	8,330	10,317	13,725	33.0%	<ul style="list-style-type: none"> <li>Rs 1,000 crore has been allocated for the BASUDHA scheme, to improve rural water supply.</li> </ul>
<b>Water Resources</b>	7,727	9,216	10,196	10.6%	<ul style="list-style-type: none"> <li>Rs 2,629 crore has been allocated for eight ongoing projects under the Accelerated Irrigation Benefits Programme (AIBP).</li> <li>Rs 1,802 crore will be spent on the Parbati Giri Mega Lift Irrigation scheme.</li> </ul>
<b>Health and Family Welfare</b>	4,796	5,247	6,160	17.4%	<ul style="list-style-type: none"> <li>Rs 1,370 crore has been allocated for the National Health Mission, and Rs 700 crore for the Mukhya Mantri Swasthya Seva Mission.</li> </ul>
<b>Rural Development</b>	7,275	7,599	5,582	-26.5%	<ul style="list-style-type: none"> <li>Rs 2,900 crore has been allocated for the Pradhan Mantri Gram Sadak Yojana. Rs 1,000 crore has been provided for Swachh Bharat Mission (Rural).</li> <li>Rs 1,250 crore has been allocated for the 'Ama Gaon Ama Bikash' scheme. Under the scheme, need based projects between one lakh rupees and Rs 10 lakh are sanctioned by the Chief Minister.</li> </ul>
<b>Home</b>	3,504	4,418	5,274	19.4%	<ul style="list-style-type: none"> <li>84% of the allocation is for revenue expenses, and the remaining 16% is on capital expenses.</li> </ul>
<b>Housing and Urban Development</b>	3,070	4,788	5,162	7.8%	<ul style="list-style-type: none"> <li>The state aims to construct 20 lakh pucca houses by December 2018. Rs 3,592 crore has been allocated for the Pradhan Mantri Awas Yojana (Gramin), and the Biju Pucca Ghar scheme.</li> <li>Rs 400 crore has been allocated for the Smart Cities Mission. Bhubaneswar and Rourkela have been identified from the state under the Mission.</li> </ul>
<b>Agriculture</b>	3,153	3,618	4,511	24.7%	<ul style="list-style-type: none"> <li>Rs 750 crore have been allocated for the Rashtriya Krishi Vikas Yojana.</li> </ul>
<b>% of total expenditure</b>	<b>54.8%</b>	<b>54.4%</b>	<b>54.2%</b>		

Sources: Odisha Budget Speech 2018-19 and Demands for Grants; PRS.

- During 2017-18, Odisha is expected to spend more than its budget estimates on departments such as panchayat raj (22%), and housing and urban development (7%). It is expected to spend less than the budget estimate on health (7.8%), agriculture (7.6%), and school and mass education (5.2%).

## Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 1,00,200 crore, an increase of 11.7% over the revised estimates of 2017-18. Of this, Rs 38,850 crore (39% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 61,350 crore (61% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in taxes.
- Non Tax Revenue:** Odisha has estimated to generate Rs 10,300 crore through its own non-tax revenue sources in 2018-19. This is an increase of 14.4% over the revised estimates of 2017-18. The state has estimated to receive about 69% of its non-tax revenue from royalties on mining.

In 2014-15, Odisha raised 49% of its total revenue receipts through its own resources. 51% of the revenue receipts were devolved by the centre.

In 2018-19, the state is estimated to generate 39% on its own, and receive 61% from the centre. This trend indicates that over the last few years, the share of central transfers in the state's revenue receipts has increased.

**Table 4: Break up of state government receipts (Rs crore)**

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	22,852	26,800	26,520	-1.0%	28,550	7.7%
State's Own Non-Tax	8,043	9,500	9,000	-5.3%	10,300	14.4%
Share in Central Taxes	28,322	31,422	31,272	-0.5%	36,586	17.0%
Grants-in-aid from Centre	15,082	21,210	22,904	8.0%	24,764	8.1%
<b>Total Revenue Receipts</b>	<b>74,299</b>	<b>88,932</b>	<b>89,696</b>	<b>0.9%</b>	<b>1,00,200</b>	<b>11.7%</b>
Borrowings	11,223	17,003	16,563	-2.6%	18,617	12.4%
Recovery of Loans	264	130	130	0.0%	150	15.4%
<b>Total Capital Receipts</b>	<b>11,487</b>	<b>17,133</b>	<b>16,693</b>	<b>-2.6%</b>	<b>18,767</b>	<b>12.4%</b>
<b>Total Receipts</b>	<b>85,787</b>	<b>1,06,065</b>	<b>1,06,388</b>	<b>0.3%</b>	<b>1,18,967</b>	<b>11.8%</b>

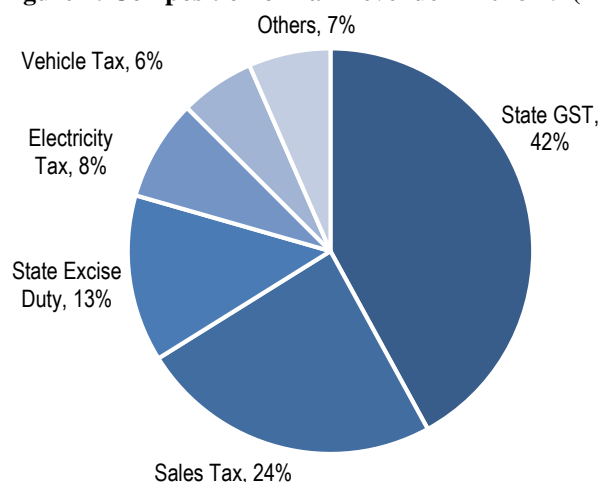
Sources: Odisha Budget Documents 2018-19; PRS.

- Tax Revenue:** Total own tax revenue of Odisha is estimated to be Rs 28,550 crore in 2018-19. The composition of the state's tax revenue is shown in Figure 2. The tax to GSDP ratio is targeted at 6.4% in 2018-19, which is the same as the revised estimate of 2017-18. This implies that growth in collection of taxes is expected to be at par with the growth in the economy (7%).

During 2017-18, collections from stamp duty are estimated to be 13% lower than the budget estimates (Rs 150 crore). Collections from land revenue are estimated to be 21% lower than the budget estimates.

Collections from electricity tax are estimated to be 11% higher than the budget estimates (Rs 200 crore).

**Figure 2: Composition of Tax Revenue in 2018-19 (BE)**



Sources: Odisha Budget Documents 2018-19; PRS.

- State Goods and Services Tax (GST) is expected to be the largest component of Odisha's own tax revenue in 2018-19. It is expected to generate Rs 12,000 crore (42% of the own tax revenue).
- The state is expected to generate Rs 6,880 crore from the levy of sales tax on items such as alcohol for human consumption and petroleum products. Odisha has estimated to raise Rs 3,800 crore through the state excise duty. This is 13% higher than revised estimates of 2017-18.
- Tax revenue will also be generated by levying electricity tax (Rs 2,300 crore), taxes on vehicles (Rs 1,700 crore), and stamp duty on real estate transactions (Rs 1,100 crore).

## Deficits, Debts and FRBM Targets for 2018-19

The Odisha Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

**Revenue deficit:** It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets.

The budget estimates a revenue surplus of Rs 9,980 crore (or 2.25% of GSDP) in 2018-19. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The estimate indicates that the state is expected to be within the target of eliminating revenue deficit, prescribed by the 14<sup>th</sup> Finance Commission.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities. In 2018-19, fiscal deficit is estimated to be Rs 15,521 crore, which is 3.5% of the GSDP. The estimate is higher than the 3% limit prescribed by the 14<sup>th</sup> Finance Commission. This limit may be relaxed to a maximum of 3.5%, if states are able to contain their debt and interest payments to certain specified levels.

**Outstanding Liabilities:** It is the accumulation of borrowings over the years. In 2018-19, the outstanding liabilities are expected at 20.7% of the GSDP.

The 14<sup>th</sup> Finance Commission allowed relaxation of fiscal deficit target from 3% to 3.5% if: (i) the debt-GSDP ratio is under 25% in the preceding year, and (ii) interest payments are less than or equal to 10% of its revenue receipts in the preceding year.

In 2017-18, the debt-GSDP ratio of Odisha (or outstanding liabilities) is estimated to be 18%. Further, the interest payments are estimated to be 5.6% of the revenue receipts.

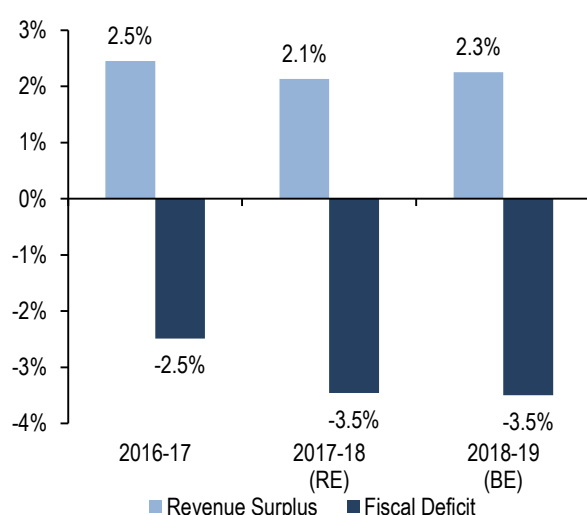
**Table 5: Budget targets for deficits for Odisha (% of GSDP)**

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	2.45%	-2.49%	16.47%
2017-18 (RE)	2.13%	-3.46%	18.39%
2018-19 (BE)	2.25%	-3.50%	20.73%
2019-20	2.29%	-3.50%	21.61%
2020-21	2.34%	-3.50%	22.43%

Sources: Odisha Budget Documents 2018-19; PRS.

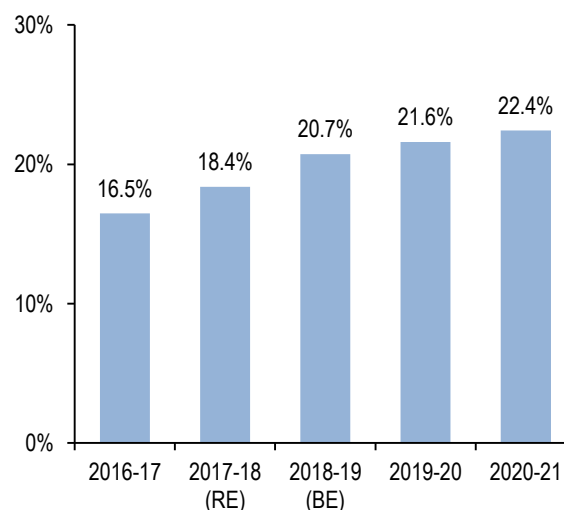
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2018-19:

**Figure 3: Revenue and Fiscal Deficit (% of GSDP)**



Sources: Odisha Budget Documents; PRS.

**Figure 4: Outstanding liabilities targets (% of GSDP)**



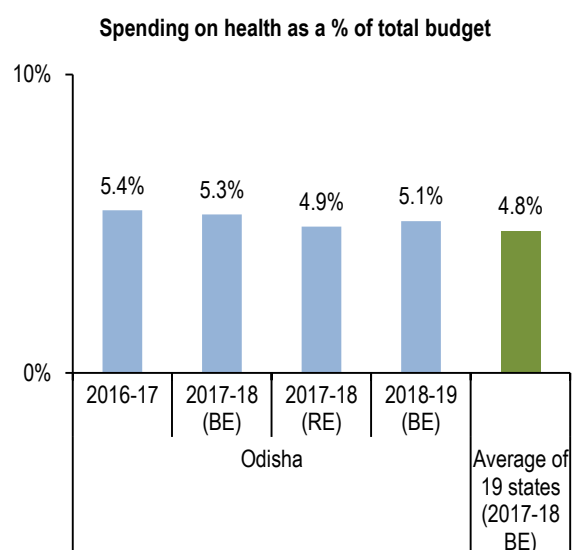
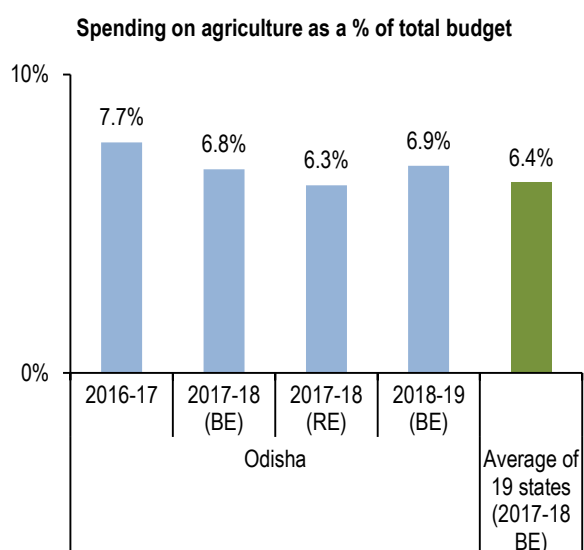
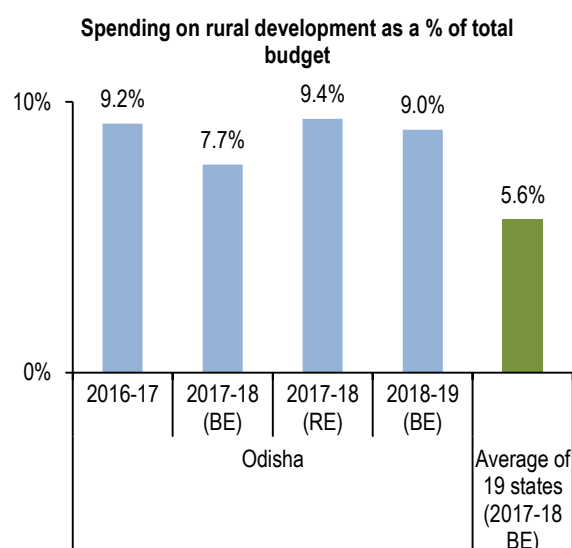
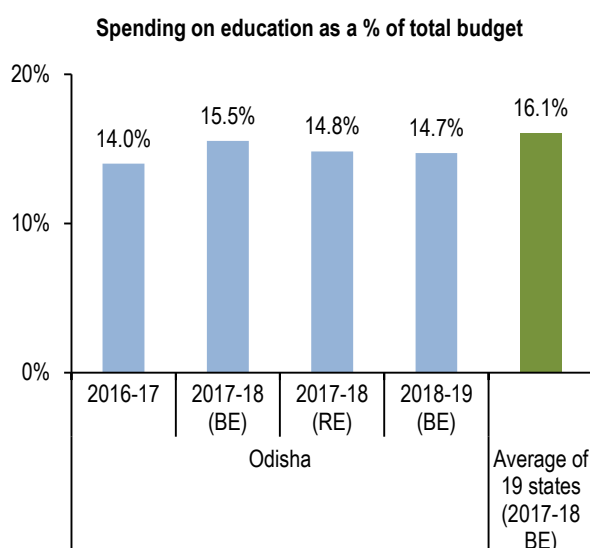
Sources: Odisha Budget Documents; PRS.

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## Annexure

The graphs below compare Odisha's expenditure on four key sectors as a proportion of its total budget, with 18 other states.<sup>1</sup>

- **Education:** Odisha has allocated 14.7% of its total budget on education in 2018-19. This is lower than the average expenditure (16.1%) allocated to education by 18 other states (using 2017-18 BE). The state had estimated to spend 15.5% of its budget on education in 2017-18, which reduced to 14.8% at the revised stage.
- **Rural development:** Odisha has allocated 9% of its expenditure on rural development. This is higher than the average (5.6%) of the 18 other states. The state had estimated to spend 7.7% of its budget on rural development in 2017-18, which increased to 9.4% at the revised stage.
- **Agriculture:** The state has allocated 6.9% of its total budget towards agriculture and allied activities. This is higher than the allocations of 18 other states (6.4%). The state spent 7.7% of its budget on agriculture in 2016-17, which reduced to 6.3% in 2017-18 (as per revised estimates).
- **Health:** Odisha has allocated 5.1% of its total expenditure on health, which is higher than the average expenditure of 18 other states (4.8%).



Note: 2016-17, 2017-18 (BE), 2017-18 (RE), and 2018-19 (BE) figures are for Odisha.  
Sources: Annual Financial Statement, various state budgets; PRS.

<sup>1</sup> The 18 states apart from Odisha are: Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal.