

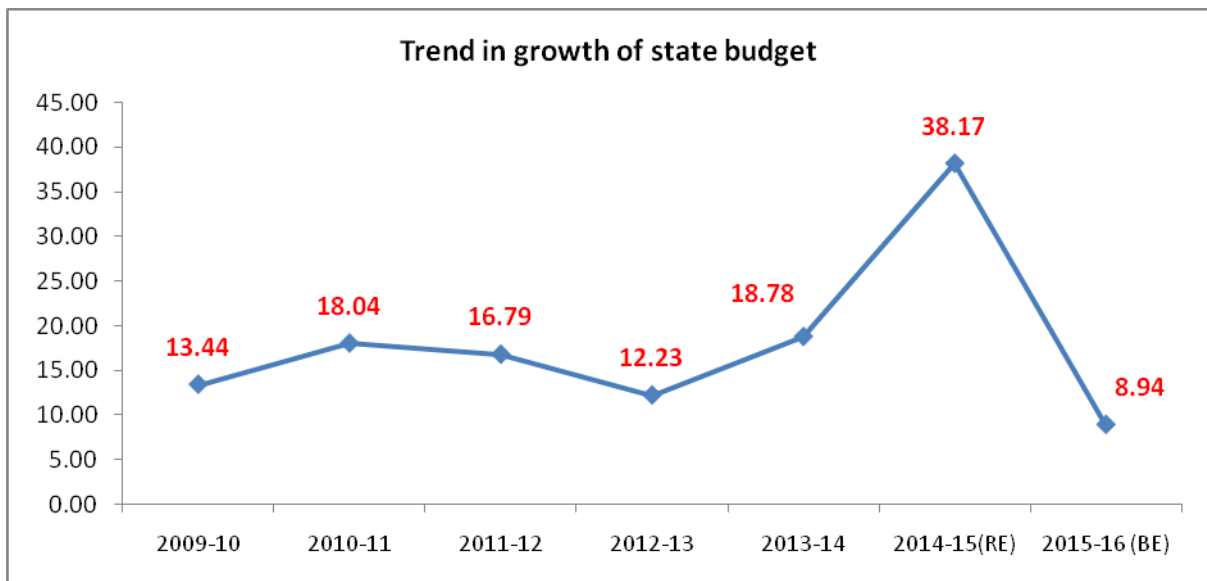
Progressive I Pro-People I Inclusive

Where does Odisha stand?

Response to state budget 2015-16

The year 2015-16 is a crucial year for the state government as this is the first year of the award period of 14th finance commission. Similarly Government of India has also abolished the Planning Commission and has formed "National Institution for Transforming India" Aayog (NITI Aayog) and there is no clear picture about the role of this new institution. In the mean time the state budget was presented on 16th February with lots of discernment and ambiguity.

State Budget for the year 2015-16 is estimated at Rs. 84487.77 Cr. which is 8.94 percent more than the previous year revised estimate. It was Rs 77557.06 Crore in 2014-15(RE) (Annex Table-1). Comparing the overall size of the budget with previous year budget it is clear that, in the year 2015-16 budget has not substantially increased.

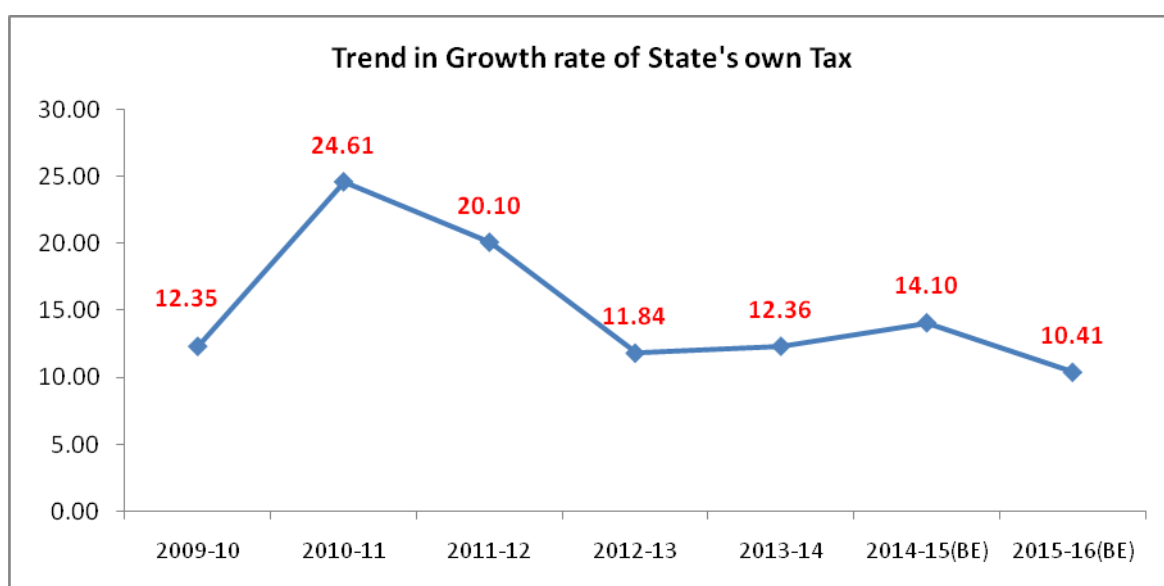


Source:- Budget at a glance, Govt. of Odisha.

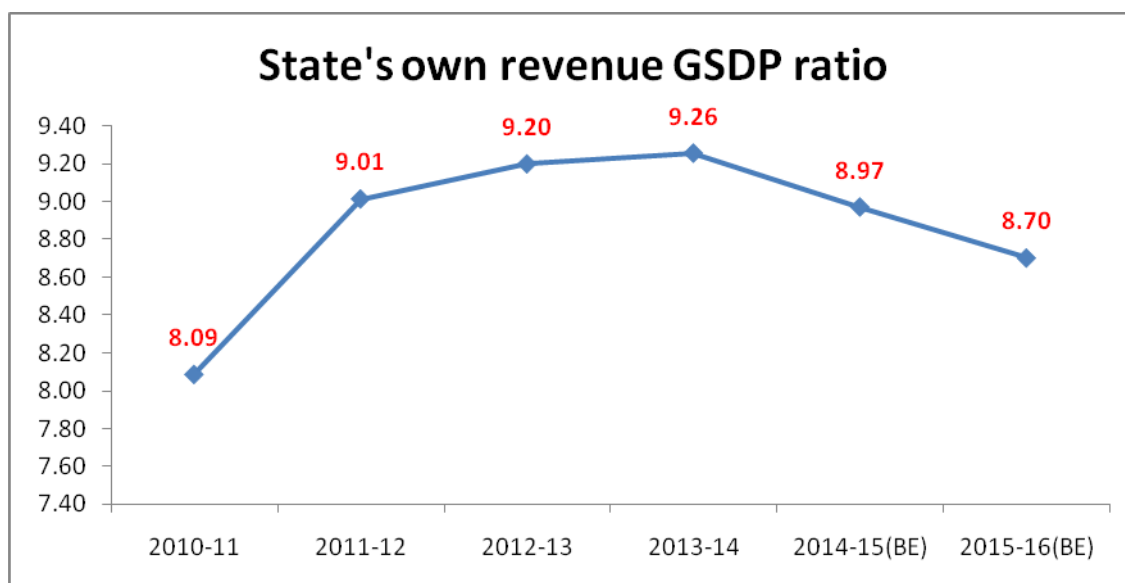
The above graph shows the trend in growth of state budget. This year (2015-16) the growth rate is in single digit and less among the last 10 years. In 2009-10 the growth rate was 13.44 which have increased to 38.17 percent in the year 2014-15 how ever it has decreased to only 8.94 percent in the year 2015-16. In the financial year 2014-15 the off budget fund like SSA and NRHM was included in the state budget making it 38.17% higher than the 2013-14 budget but the previous trends in budget show a double digit growth.

Revenue receipt of the state

Since 2005-06 the state continues to be a revenue surplus budget. It implies availability of more resource for developmental expenditure. The estimated revenue surplus for the year 2015-16(BE) is 5101.51 Crore which was Rs 3377.14 Crore in the financial year 2014-15(RE). However during last two years states revenue collection is not so encouraging. In 2014-15 state's own revenue (Tax & non-Tax) was Rs 26878.81Crore which become Rs 30293.93 Crore with an increase of 12 percent. Out of the total Rs 83181.16 Crore of estimated budget receipt under consolidated fund the state's own revenue is only 36.42 percent. The state's own revenue/ GSDP ratio is estimated at 8.70 percent for the year 2015-16. It was 9.20 percent in 2012-13 and 9.26 percent in 2013-14.



Source:- Budget at a glance, Govt. of Odisha.



Plan Expenditure

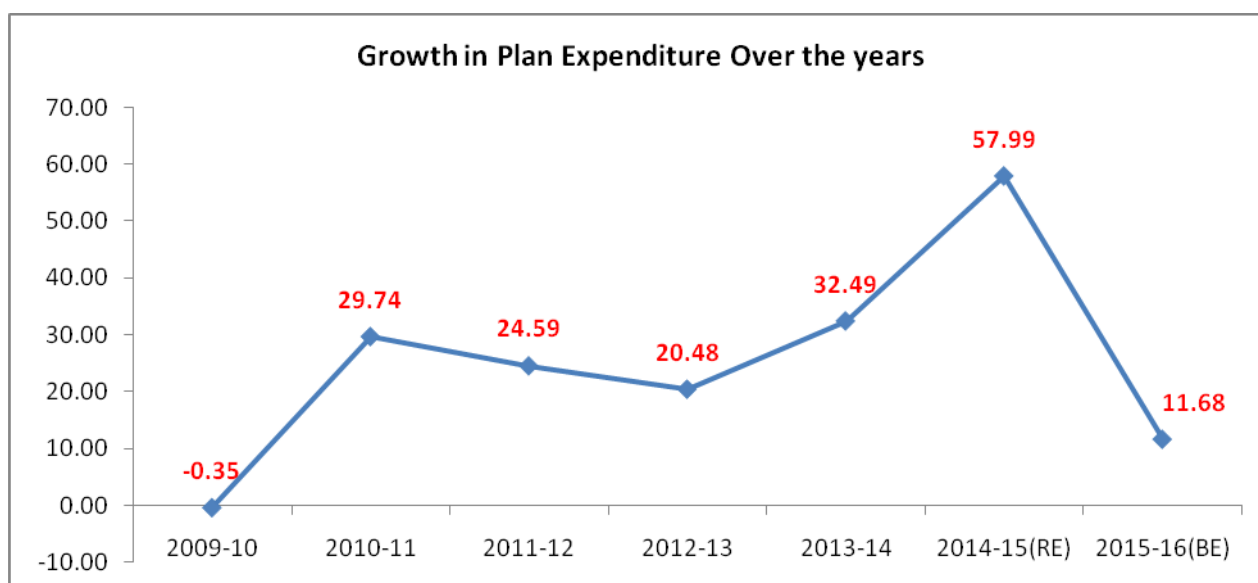
Plan expenditure is the expenditure made for different programs and schemes. It is otherwise called as the developmental expenditure. The size of the plan budget determines the state's approach for developmental projects and schemes.

In the current financial year the plan expenditure has increased by Rs 4240.50 Crore over 2014-15 (RE) to reach Rs 40531.46 Cr. It was Rs 36290.96 Crore in 2014-15 (BE) (Annex-1).

Table:- Plan and Non-Plan expenditure as percentage of state budget

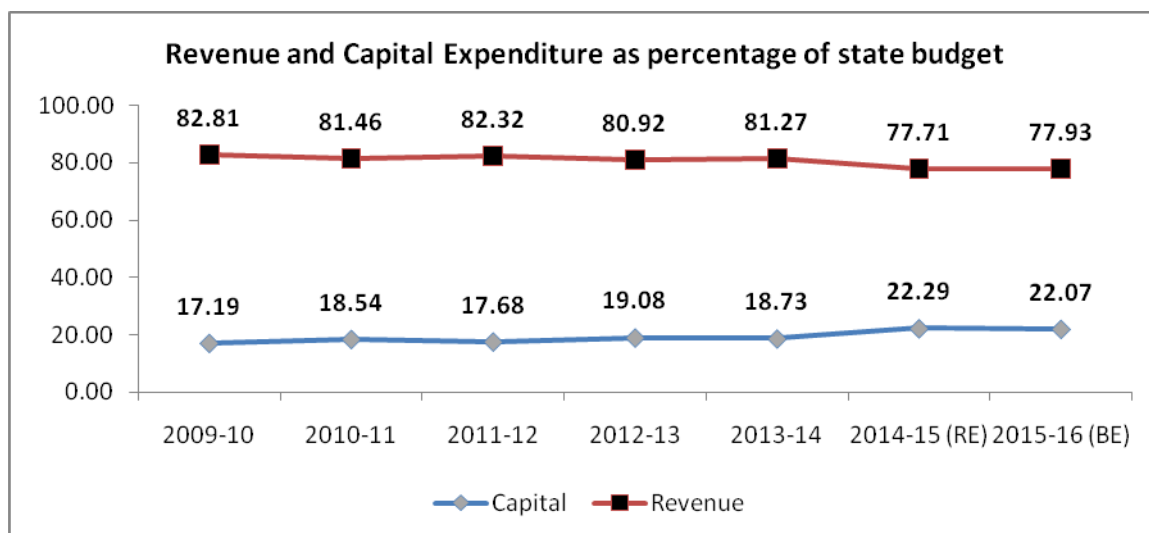
	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)
Plan	32.04	33.62	36.69	40.92	46.79	47.97
Non Plan	67.96	66.38	63.31	59.08	53.21	52.03

Plan expenditure as percentage of the total state budget is estimated at 47.97 percent with a marginal increase over the last year. In 2014-15(RE) the Plan budget was 46.79 percent of the total budget. The per-capita plan expenditure of the state is only around Rs 9656.27 (2011 census)



Revenue and Capital Expenditure

A capital expenditure is an amount spent to acquire or improve a long-term asset such as equipment or buildings. Similarly revenue expenditure is the amount spent for regular expenses like salary, maintenance, pension etc.



Source:- Budget at a glance, Govt of Odisha

The above figure shows the capital and revenue expenditure as percentage of the total budget. It is clearly observed that there are no major changes in the share of revenue and capital expenditure over last years. However capital expenditure has given little more emphasis in the budget. In 2009-10 the share of capital expenditure was 17.19 percent of the total budget which has increased to 22.29 percent in 2014-15(BE). In 2015-16(BE) the share of capital expenditure in the state budget has observed little decrease to reach 22.07 percent.

Debt Position of the State

The estimated gross borrowing for the year 2015-16 is Rs 12000.38 Crore which was Rs 10695.72 Cr in 2014-15 (BE).

Table:- Gross borrowing of the state

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)
Gross Borrowing	1611.54	2788.19	3490.46	1780.23	2570.62	2979.33	11180.86	12800.38
As % of total state budget	5.99	9.13	9.68	4.23	5.44	5.31	14.42	15.15

Source:- Statement presented with annual budget as per the FRBM rule 2005.

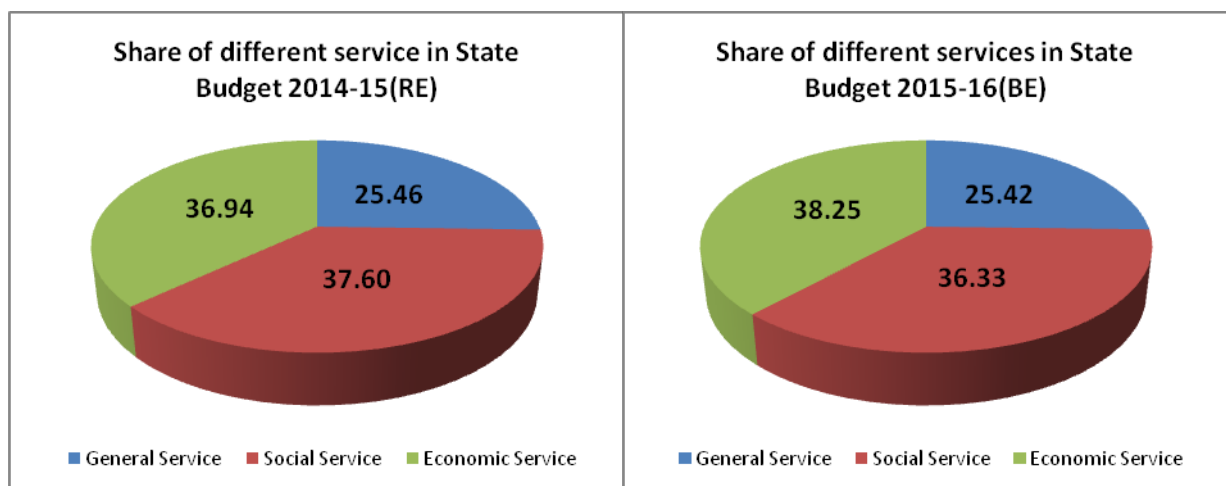
The above table shows the gross borrowing of the state as percentage of total state budget. It is clearly visible that in 2014-15 and 2015-16 financial the gross borrowing of the state has drastically increased. At the end of the financial year 2014-15(RE) total debt stock of the state was Rs 46746.45 Crore. By adding the borrowing of the financial year 2015-16(BE) the debt stock of the state is Rs 56640.13 Crore which is 15.04 percent of the GSDP.

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)
Growth rate of Capital Expenditure	-8.44	27.33	11.39	21.13	16.58	64.41	7.89
Growth rate of Gross Borrowing	73.01	25.19	-49.00	44.40	15.90	275.28	14.48

In the budget speech Hon'ble Finance Minister has clearly mentioned about "market borrowing for financing the higher capital outlay". In 2014-15 (BE) the open market borrowing of the state was Rs 5574.86 Crore and for the financial year 2015-16 the estimated open market borrowing is Rs 7356.38 Crore which is 57.47 percent of the total borrowing of the state. However looking at the amount of market borrowing, the capital outlay of the state has not been increased radically.

Budget for Social Service, Economic service and General Service

To specify the purpose of expenditure the state budget is divided into three services such as social service, economic service and general service. Social service expenditure include expenditure on basic social services like education, health, tribal and women welfare, water supply etc. Expenditure primarily meant for maintenance of law and order, general organs of the state, fiscal services like taxes and duties, interest payment and services of debt which is non-development in nature comes under general service. Similarly expenditure made by the government, which is directly or indirectly promotes economic or productive activity within the state comes under economic services.



The above figure shows the share of different services in state budget during 2014-15(RE) and 2015-16(BE). It is clear from the above figure that social service has given priority during these two years. In 2014-15(RE) expenditure for social service was 37.60 percent of the total

state budget which has decreased to 36.33 percent in the financial year 2015-16(BE). Economic services are the second priority of the state and constitute about 36.94 percent and 38.25 percent in the financial year 2014-15 and 2016-16 respectively. It is pertinent to mention here that in the year 2010-11 the social service expenditure was 28.49 percent of the total budget.

Budget for Key Departments

S.L No.	Name of the department	2014-15 (BE)	As % of GSDP	2015-16 (BE)	As % of GSDP
1	School & Mass Education	9352.01	3.01	10014.48	2.88
2	Women and Child Development	4666.65	1.50	4162.62	1.20
3	SCs and STs Development, OBC and Minorities Welfare	2456.29	0.79	2374.84	0.68
4	Health and family welfare	3922.36	1.26	3855.88	1.11
5	Agriculture	2734.97	0.88	3131.34	0.90
6	Rural Development	4678.88	1.51	5976.97	1.72
7	Higher Education	2202.90	0.71	1993.11	0.57
8	Panchayatiraj	6834.21	2.20	7066.10	2.03

Source:- Demand for grants 2015-16, Govt. of Odisha

Budget for School and Mass Education (S&ME) Department has increased from Rs 8918.16 Cr. in 2014-15(RE) to Rs 10014.48Cr. in the year 2015-16(BE). The over all size of the budget for S&ME department has increased by 12.29 % percent than the previous year. As a percentage of GSDP the education budget is only 2.88 percent with a very little increase of 0.1 percent over the previous year 2014-15(RE).

Sarva sikshya Aviyan , the major scheme for elementary education has got an allocation of Rs 1860.38 Crore in 2015-16 and Rs 232 crore has been allocated as finance commission grant for elementary education. After the acceptance of 14th finance commission there will be slash in central share of expenditure for SSA and the finance comission grant for elementary education will be eliminated.

Budget for Women and Child Development department has slashed by Rs 504.03 Cr. than the previous year budget estimate. In 2014-15 (BE) budget for W&CD department was Rs 4666.65 Cr., which decreased to Rs 4162.62 Cr in 2015-16 (BE). Integrated Child Development Services Scheme is a mojour scheme under this department. For financial year 2015-16 the state government has allocated Rs 2038.61 Crore for ICDS. It includes ICDS, SNP and construction of AWC building. From the union budget allocation it is clear that state may get around Rs 494 Crore* (6%) only from the centre as central share. The rest of the amount has

to be arranged by the state government from its own resource. Again the state may not receive any fund for construction of AWC building under finance commission grant. It may generate challenging situation for the state to manage this amount of fund.

Agriculture department has got an allocation of Rs 3131.34 Crore in 2015-16 which was Rs 2962.74 Crore in 2014-15 (RE). However for the agricultural sector as a whole, Rs 10903.62 crore has been allocated in 2015-16. Budget for the agriculture sector in total state budget has increased to 12.91% in 2015-16(BE) from 11.9% in 2014-15(BE). Similarly, share of the agriculture department in total budget for the agriculture sector has been increased marginally to 28.72% in 2015-16(BE) from 28.5% in 2014-15(BE).

Rashtriya Krishi Vikas Yojana (RKVY), a scheme with sharing pattern of centre and state, is a flagship programme whose allocation in Union budget has been reduced by 46.7pc i.e from Rs.8444 crore in 2014-15(RE) to Rs.4500 crore in 2015-16(BE). On the other hand, the Odisha budget allocated Rs.554 crore in 2015-16 budget for RKVY. After acceptance of 14th Finance Commission grant and the reduced budget for the RKVY by the union budget, the allocation of budget for RKVY in Odisha will be reduced at least by 46 pc. In that case, the resources available for the agriculture department will be further reduced.

Budget for Health & Family Welfare department in 2015-16 is Rs 3855.88 Crore which was Rs 3811.53 Crore in 2014-15 (RE). Odisha's total spending on health is just 1.11 percent of GDP in 2015-16 (BE) which was 1.23 percent in 2014-15. The National Health Mission (NHM) is one of the most important schemes in the health sector, after acceptance of 14th Finance Commission recommendations, fall under the category of schemes to be run with the changed sharing pattern. Allocation for NHM in the state budget 2015-16 is Rs 1088 Crore decrease by Rs. 5 Crore over the previous year.