

# Odisha Budget Analysis 2019-20

The Finance Minister, Mr. Niranjan Pujari, presented the Budget for Odisha for financial year 2019-20 on June 28, 2019.

## Budget Highlights

- The **Gross State Domestic Product** of Odisha for 2019-20 (at current prices) is estimated to be Rs 5,40,812 crore. This is 11% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 1,39,000 crore, a 15.7% increase over the revised estimate of 2018-19. As per the revised estimate of 2018-19, the expenditure is estimated to increase marginally by Rs 97 crore over the budgeted estimate for the year.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 1,15,416 crore, an increase of 13.1% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to be higher than the budgeted estimate by Rs 1,683 crore (1.7%).
- **Revenue surplus** for 2019-20 is targeted at Rs 6,528 crore, or 1.2% of the Gross State Domestic Product (GSDP). **Fiscal deficit** is targeted at Rs 18,877 crore (3.5% of GSDP).
- The sectors of Agriculture, Social Welfare and Nutrition, and Water Supply, Sanitation, Housing and Urban Development saw the highest increase in allocations. Allocation to transport decreased by 11%.

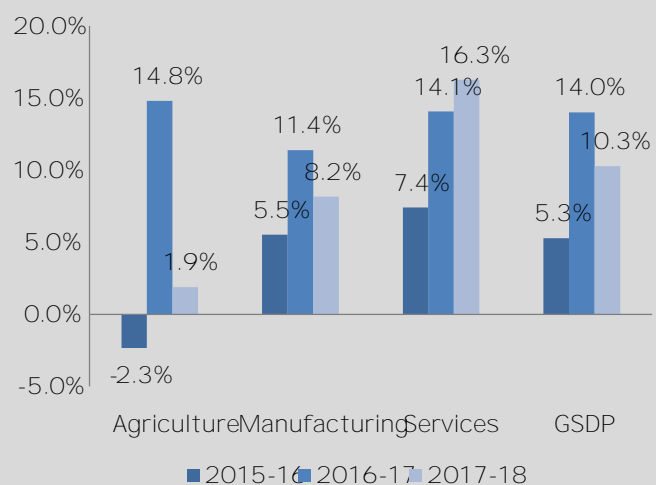
## Policy Highlights

- **KALIA scheme:** The KALIA scheme seeks to provide financial support to about 75 lakh farmer families, including small and marginal farmers and landless agricultural labourers, and share croppers. Rs 5,611 crore has been allocated towards the scheme for 2019-20.
- **Irrigation:** A target has been set to create additional irrigation potential of 2.65 lakh hectares. Rs 1,861 crore has been allocated for completion of incomplete projects under PMKSY. Rs 1,565 crore has been allocated under state funded Water Sector Infrastructure Development Programme.
- **Housing:** Rs 4,820 crore has been allocated towards rural housing through convergence of Pradhan Mantri Awas Yojana – Gramin and Biju Pucca Ghar schemes. This allocation will also provide for rebuilding houses for people affected by the cyclone Fani in coastal areas of the state.
- **Disaster management:** Rs 4,600 crore has been allocated towards disaster management. This includes Rs 909 crore and Rs 3,691 crore under the State and National Disaster Response Funds, respectively.

## Odisha's Economy

- **GSDP:** The GSDP of Odisha (at current prices) has grown at a rate of 8.2% during the period 2011-17.
- **Sectors:** In 2017-18, agriculture, manufacturing, and services contributed to 28%, 27% and 45% of the GSVA. These sectors grew by 1.9%, 8.2% and 16.3%, respectively in 2017-18.
- **Per capita income:** The per capita GSDP of Odisha in 2017-18 (at current prices) was Rs 92,727. This is 9% higher than that in 2016-17.
- **Unemployment:** According to the Periodic Labour Force Survey (2017-18), labour force participation in Odisha has decreased. The unemployment rate in Odisha in 2017-18 was 7%, as compared to 6% in the country.

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



Sources: Ministry of Statistics and Programme Implementation; PRS.  
Note: All numbers are as per current prices.

## Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 1,39,000 crore. This is 15.7% higher than the revised estimates of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 1,15,416 crore and borrowings of Rs 22,584 crore. In 2019-20, receipts (other than borrowings) are expected to be 13.1% higher than the revised estimate of 2018-19.

**Table 1: Budget 2019-20 - Key figures (in Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Total Expenditure	97,511	1,20,028	1,20,125	0.1%	1,39,000	15.7%
A. Receipts (except borrowings)	85,461	1,00,350	1,02,031	1.7%	1,15,416	13.1%
B. Borrowings	12,862	18,617	16,942	-9.0%	22,584	33.3%
Total Receipts (A+B)	98,323	1,18,967	1,18,975	0.0%	1,38,000	16.0%
Revenue Surplus	13,367	9,980	10,555	5.8%	6,528	-38.2%
As % of GSDP	3.08%	2.25%	2.17%		1.21%	
Fiscal Deficit	9,359	15,521	13,935	-10.2%	18,877	35.5%
As % of GSDP	2.15%	3.50%	2.87%		3.49%	
Primary Deficit	4,371	10,021	8,085	-19.3%	12,377	53.1%
As % of GSDP	1.01%	2.26%	1.66%		2.29%	

Notes: BE is Budget Estimate; RE is Revised Estimate. GSDP for 2019-20 is Rs 5,40,812 crore. GSDP for 2018-19 BE and 2018-19 RE taken to be Rs 4,43,479 crore, and Rs 4,86,004 crore respectively. GSDP for 2017-18 was Rs 4,34,673 crore.

Sources: Odisha Budget Documents 2019-20; PRS.

## Expenditure in 2019-20

- Capital expenditure** for 2019-20 is proposed to be Rs 30,262 crore, which is an increase of 5.1% over the revised estimates of 2018-19.
- Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- Odisha's capital outlay for 2019-20 is estimated to be Rs 24,473 crore, which is 3.5% higher than the revised estimate of 2018-19. Water supply and sanitation has seen the maximum increase in allocation for capital outlay. The capital outlay towards the sector is estimated to increase by Rs 1,978 crore (an increase of 137%) from the revised estimates of 2018-19.
- Revenue expenditure** for 2019-20 is proposed to be Rs 1,08,738 crore, which is an increase of 19.1% over revised estimates of 2018-19. This expenditure includes payment of salaries, pension, interest, etc.

The total expenditure on social welfare and nutrition is estimated to increase by Rs 3,760 crore in 2019-20. This includes an increase of Rs 2,688 crore in the allocation towards relief on account of natural calamities. Expenditure of Rs 4,703 crore has been allocated towards relief for natural calamities.

The capital outlay towards roads and bridges for 2019-20 is estimated to be Rs 6,85 crore. This is 18% lower (Rs 1.9 crore) than the revised estimate of 2018-19.

**Table 2: Expenditure budget 2019-20 (in Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Capital Expenditure	25,674	29,801	28,791	-3.4%	30,262	5.1%
of which Capital Outlay	21,109	24,567	23,651	-3.7%	24,473	3.5%
Revenue Expenditure	71,837	90,227	91,324	1.2%	1,08,738	19.1%
Total Expenditure	97,511	1,20,028	1,20,125	0.1%	1,39,000	15.7%
A. Debt Repayment	2,690	4,157	4,157	0.0%	4,707	13.2%
B. Interest Payment	4,988	5,500	5,850	6.4%	6,500	11.1%
Debt Servicing (A+B)	7,678	9,657	10,007	3.6%	11,207	12.0%

Note: Capital outlay denotes expenditure which leads to creation of assets.

Sources: Odisha Budget Documents 2019-20; PRS.

## Sector-wise expenditure in 2019-20

The sectors listed below account for **73%** of the total budgeted expenditure of Odisha in 2019-20. A comparison of Odisha's expenditure on key sectors with that by other states can be found in the Annexure.

**Table 3: Sector-wise expenditure for Odisha Budget 2019-20 (Rs crore)**

Sector	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019
Education	14,534	17,658	17,894	19,522	9%	<ul style="list-style-type: none"> <li>Rs 7,046 crore has been allocated to government primary schools and Rs 2,535 crore has been allocated towards government secondary schools.</li> <li>Rs 150 crore has been allocated towards the Odisha Higher Education Programme for Excellence and Equity.</li> </ul>
Agriculture and allied activities	5,926	8,328	8,517	12,955	52%	<ul style="list-style-type: none"> <li>Rs 5,611 crore has been allocated to KALIA scheme.</li> <li>Crop loan of one lakh rupees will be provided to farmers. A sum of Rs 600 crore is proposed for providing interest subsidy.</li> </ul>
Rural Development	9,018	10,770	11,552	12,139	5%	<ul style="list-style-type: none"> <li>A corpus fund of Rs 500 crore will be created to facilitate timely wage payments under MGNREGA.</li> <li>Rs 580 crore has been allocated under Dayal Antyodaya Yojana.</li> </ul>
Social Welfare and Nutrition	5,245	8,150	7,485	11,251	50%	<ul style="list-style-type: none"> <li>Rs 4,703 crore has been allocated for natural calamities.</li> <li>Rs 2,120 crore has been allocated towards Madhubabu Pension Yojana.</li> </ul>
Water Supply, Sanitation, Housing and Urban Development	5,860	7,163	7,812	10,800	38%	<ul style="list-style-type: none"> <li>Rs 2,740 crore has been allocated for rural water supply and Rs 2 crore for urban water supply.</li> <li>Rs 2,500 crore and Rs 2 crore has been allocated for the rural and urban component of Swachh Bharat Mission respectively.</li> <li>Rs 4,820 crore has been allocated to housing through convergence of PMA and Biju Pucca Ghar. Rs 400 crore towards urban housing.</li> </ul>
Irrigation and Flood Control	8,752	10,140	9,239	9,650	4%	<ul style="list-style-type: none"> <li>Rs 1,565 crore has been allocated to state funded Water Sector Infrastructure Development Programme.</li> <li>Rs 1,777 crore has been proposed for Parvati Giri Mega Lift Irrigation Scheme.</li> </ul>
Transport	9,372	9,409	10,208	9,095	-11%	<ul style="list-style-type: none"> <li>Rs 2,900 crore has been allocated to PMGSY. Rs 500 crore has been allocated towards the Biju Setu Yojana.</li> </ul>
Health and Family Welfare	4,927	6,097	6,132	6,804	11%	<ul style="list-style-type: none"> <li>Rs 1,203 crore has been allocated to Biju Swasthya Kalyan Yojana.</li> </ul>
Police	2,972	3,242	3,344	3,571	7%	<ul style="list-style-type: none"> <li>Rs 761 crore has been allocated for construction of buildings for courts, police, fire services and police modernisation.</li> </ul>
Welfare of SC, ST, OBC and Minorities	2,745	3,323	3,399	3,477	2%	<ul style="list-style-type: none"> <li>Rs 227 crore has been proposed for construction of hostels for ST girls and urban hostel complexes.</li> </ul>
Energy	2,095	1,842	1,980	2,018	2%	<ul style="list-style-type: none"> <li>Rs 840 crore has been allocated towards electricity for all.</li> </ul>
% of total expenditure	73%	72%	73%	73%		

Source: Odisha Budget Speech 2019-20, Odisha Annual Financial Statement 2019-20, Odisha Demand for Grants 2019-20; PRS.

## Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 1,15,266 crore, an increase of 13.1% over the revised estimates of 2018-19. Of this, Rs 45,500 crore (39% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 69,766 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 12,500 crore through non-tax sources in 2019-20. Of this, Rs 9,000 crore will be received from non-ferrous mining and metallurgical industries.

In 2018-19, as per the revised figures, high U revenue (both tax and non-tax) are expected to increase over the budgeted estimates. While the tax revenue is expected to increase by 2.5%, non-tax revenue is expected to increase by 9.2%.

In 2018-19, grants said from centre are estimated to increase by 1% over the budget estimates. However, the share in central taxes received by the state is estimated to decline by 3.4% (Rs 1,232 crore). The share of central GST received by the state is estimated to increase by Rs 2,870 crore (16%).

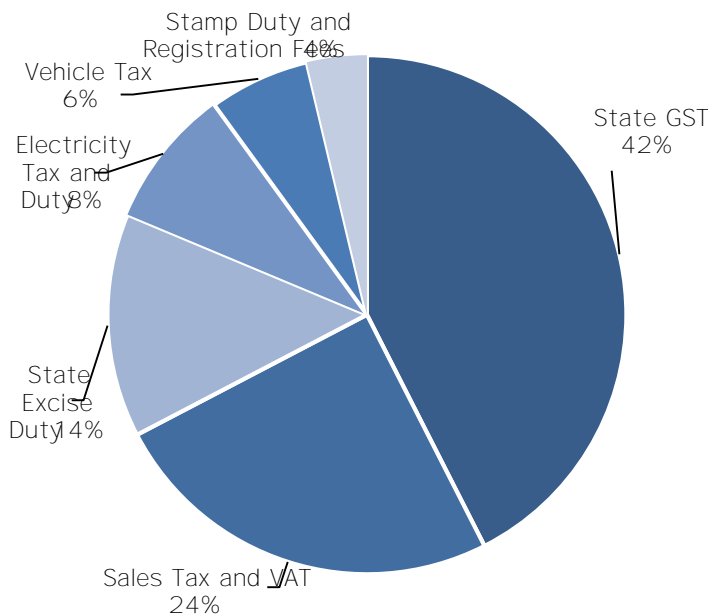
**Table 4: Break up of state government receipts (Rs crore)**

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	27,914	28,550	29,250	2.5%	33,000	12.8%
State's Own Non-Tax	8,398	10,300	11,250	9.2%	12,500	11.1%
Share in Central Taxe:	31,272	36,580	35,350	-3.4%	39,200	10.9%
Grants said from Centri	17,620	24,760	26,020	5.1%	30,550	17.4%
Total Revenue Receipt	85,204	1,00,200	1,01,880	1.7%	1,15,260	13.1%
Borrowings	12,862	18,617	16,940	-9.0%	22,580	33.3%
Other receipts	257	150	150	0.0%	150	0.0%
Total Capital Receipts	13,119	18,767	17,090	-8.9%	22,730	33.0%
Total Receipts	98,323	1,18,967	1,18,970	0.0%	1,38,000	16.0%

Sources: Odisha Budget Documents 2019-20; PRS.

- **Tax revenue:** Total own tax revenue of Odisha is estimated to be Rs 33,000 crore in 2019-20. The composition of the state’s tax revenue is shown in Figure 2. The own tax to GDP ratio of the state is targeted at 6% in 2019-20, which is in the same range as the revised estimate of 6% in 2018-19. This implies that growth in collection of taxes has been at par with the growth in the economy.

**Figure 2: Composition of own tax revenue in 2019-20 (Budget Estimates)**



Note: The chart excludes some other taxes which form the rest 2% of the revenue. Sources: Odisha Budget Documents 2019-20; PRS.

- State Goods and Services Tax (SGST) is the largest component of tax revenue of the state (42% share). It is expected to generate Rs 13,700 crore in 2019-20. This is an increase of 14.2% from the revised estimates of 2018-19.
- In 2019-20, Odisha is expected to generate Rs 8,000 crore through levy of sales tax (on items such as petroleum products), and VAT. This is an increase of 16.3% over the revised estimates of 2018-19.
- The state expects to generate Rs 4,500 crore through state excise in 2019-20. This is 15.4% higher than the revised estimates of 2018-19.
- Further, in 2019-20 the state is expected to generate Rs 2,800 crore through taxes and duties on electricity, and Rs 2,025 crore from taxes on vehicles.

## Deficits, Debts and FRBM Targets for 2019-20

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. A revenue surplus implies that the revenue receipts of state are sufficient to meet the revenue expenditure requirements.

In 2019-20, Odisha is expected to spend Rs 11,207 crore on servicing its debts, 18.2% higher than the revised estimates of 2018-19. This includes Rs 4,707 crore towards repaying loans, and Rs 6,500 crore towards interest payments.

The budget estimates a revenue surplus of Rs 6,528 crore (or 1.2% of GSDP) in 2019-20. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. However, this is 38% lower than the revenue surplus as per the revised estimates of 2018-19 (Rs 10,555 crore). The 14<sup>th</sup> Finance Commission had recommended that states should eliminate revenue deficits. The 2019-20 estimates for Odisha suggest that the state has met this target of eliminating revenue deficit.

**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 2019-20, fiscal deficit is estimated to be Rs 18,877 crore, which is 3.5% of the GSDP. The estimate is more 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 2019-20, the outstanding liabilities are expected at 19.7% of the GSDP.

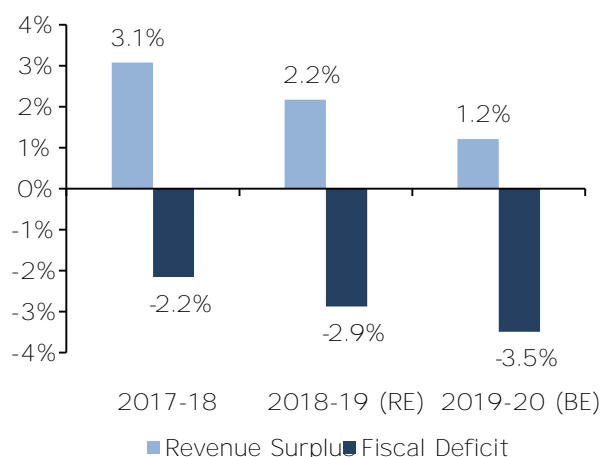
**Table 5: Budget targets for deficits for Odisha in 2019-20 (% of GSDP)**

Year	Revenue Deficit(-)/Surplus(+)	Fiscal Deficit(-)/Surplus(+)	Outstanding liabilities
2017-18	3.1%	-2.2%	17.0%
2018-19 (RE)	2.2%	-2.9%	18.0%
2019-20 (BE)	1.2%	-3.5%	19.7%
2020-21	1.5%	-3.0%	20.8%
2021-22	1.6%	-3.0%	21.7%

Sources: Odisha Budget Documents 2019-20; PRS.

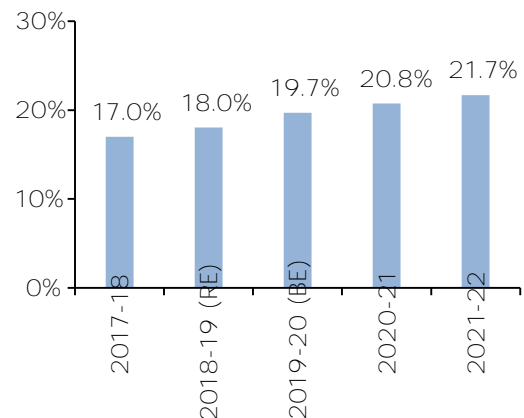
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Sources: Odisha Budget Documents; PRS.

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



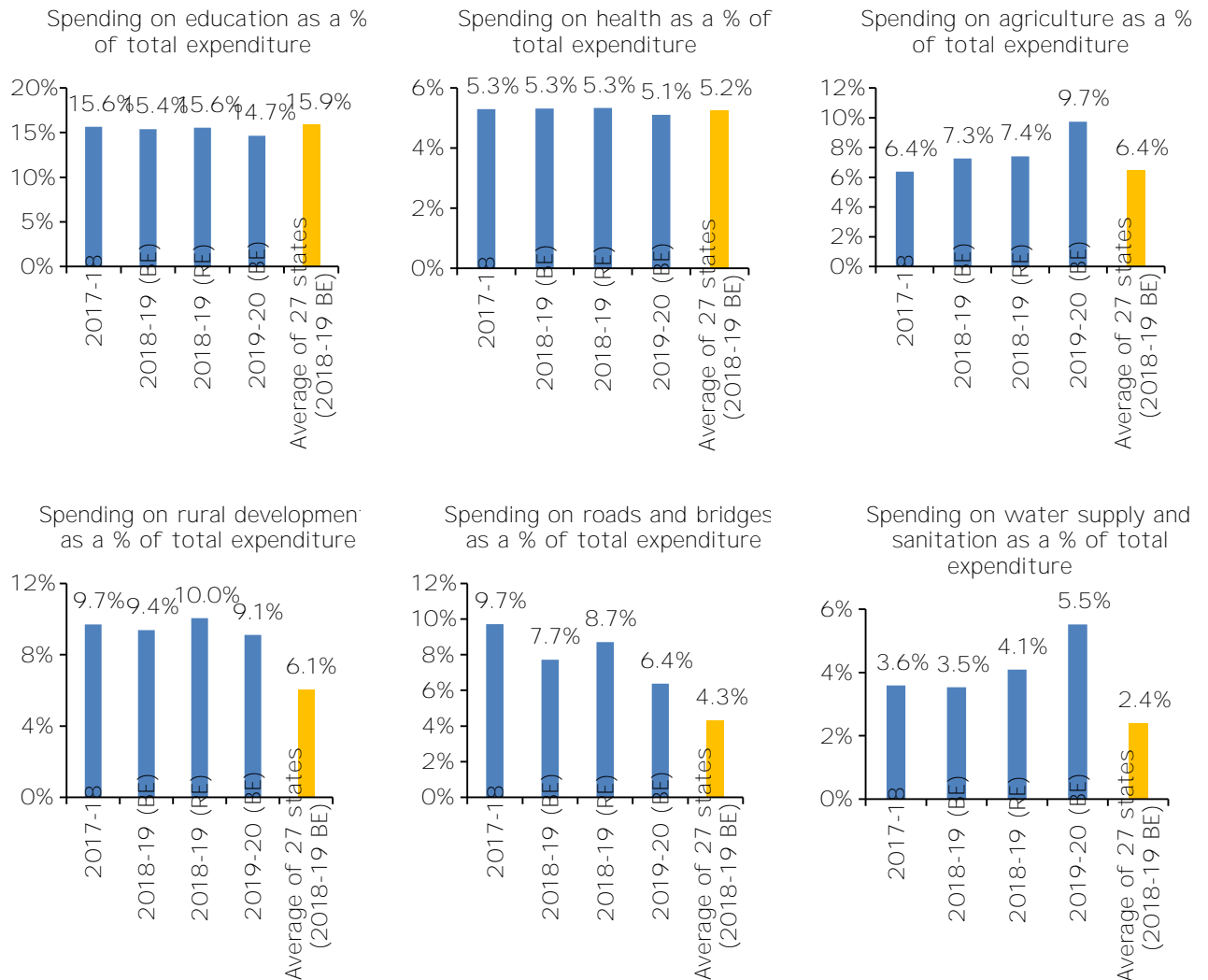
Sources: Odisha Budget Documents; PRS.

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## Annexure

The graphs below compare Odisha’s expenditure on six key sectors as a proportion of its total budget (revenue expenditure + capital outlay), with the average of 27 states (using 2018-19 budget estimates).<sup>1</sup>

- **Education:** Odisha has allocated 14.7% of its expenditure on education in 2019-20. This is lower than the average expenditure allocated to education by 27 states (15.9%).
- **Health:** Odisha has allocated 5.1% of its total expenditure on health, which is marginally lower than the average expenditure of 27 states (5.2%).
- **Agriculture and allied activities:** The state has allocated 9.7% of its total budget towards agriculture and allied activities. This is significantly higher than the allocations of 27 states (6.4%).
- **Rural development:** Odisha has allocated 9.1% of its expenditure on rural development. This is significantly higher than the average expenditure of 27 states (6.1%).
- **Roads and bridges:** Odisha has allocated 6.4% of its total expenditure on roads and bridges, which is higher than the average expenditure of 27 states (4.3%).
- **Water supply and sanitation:** Odisha has allocated 5.5% of its total expenditure on water supply and sanitation, which is significantly higher than the average expenditure of 27 states (2.4%).



Note: 2017-18, 2018-19 (BE), 2018-19 (RE), and 2019-20 (BE) figures are for Odisha.  
 Source: Annual Financial Statement (2018-19 and 2019-20), various state budgets; PRS.

<sup>1</sup> The 27 states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.