

## **Chapter 4: Empirical Analysis of State Finance**

The focus of the Chapter four is to analyse the financial position of the State since its formation. This chapter is organized into two sections. In Section I, "Financial Position of Odisha during Pre Plan Period" is analysed covering Financial Position during Pre-War Period (1936-37 to 1938-39), War Period (1939-40 to 1945-46), Post War Period before Integration (1946-47 to 1948-49), Post Integration, Pre-Plan Period (1949-50 to 1950-51) and Post war Development schemes. In Section II, "Financial Position of Odisha during Plan Periods" is analyzed capturing comprehensive set of fiscal parameters along with growth of State's GSDP and structure of the State economy.

### **Section- I**

The Section I of Chapter 4 comprises Financial Position of Odisha during Pre Plan Period that includes Financial Position during Pre-War Period (1936-37 to 1938-39), Financial Position during War Period (1939-40 to 1945-46), Financial Position during Post War Period before Integration (1946-47 to 1948-49) and Financial Position during Post Integration and Pre-Plan Period (1949-50 to 1950-51)

### **Section- II**

Financial Position of Odisha during Plan Period is dealt in Section II of Chapter 4. This section explains the trends in various macroeconomic as well as fiscal performance indicators and

attempts to establish the link between them. The decadal analysis of state specific macroeconomic indicators is performed and compared with national macroeconomic indicators. Broadly, the fiscal performance indicators are analysed since the 1<sup>st</sup> plan period (inter plan) and central transfers are analysed since 1<sup>st</sup> Finance Commission ( Inter Finance commission ). The fiscal consolidation process is captured up to the implementation of FRBM. Pre and post FRBM analysis is also carried out to examine the outcome of the implementation of FRBM Act. Econometric models are fitted to evaluate the different components of public expenditure on per-capita economic growth of the state, tax efficiency model and structural break analysis. The entire analysis is categorized into Revenue Receipts, debt & borrowings and outlay. The Salient features of this section are comparative analysis of the Growth Rate of Gross State Domestic Product (GSDP) and Gross Domestic Product (GDP) and their composition over the periods, fiscal consolidation process during Pre-FRBM Period: 1980-81 to 2004-05 in Odisha, reform initiatives, trends in various fiscal measures, fiscal scenario in Odisha: Pre-FRBM vs Post-FRBM period, Revenue efficiency analysis, analysis of allocation to different sectors, debt sustainability, deficit ratio analysis and analysis of composition of debt stock and trends in debt servicing ratio.

Actual data is used to examine and evaluate the State Finance the Section II of Chapter 4.