

Chhaurish

**Speech of the Hon'ble Sri Harekrushna
Mahtab, Chief Minister, Orissa, in
introducing the Budget Estimates of the
State of Orissa for the year 1950-51**

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SIR,

THIS is for the fifth time since 1946 I have been called upon to present the Budget Estimates of Orissa in this Assembly. Between the year 1946 and 1950 so many changes have taken place in the country and here in this region, that one in my position would find it difficult to adjust matters in such a way that the affairs of the State of Orissa as it is now called under the New Constitution would go on in a systematically planned manner. The changes have been so rapid and enormous in character that in spite of the best efforts of the Finance Minister holding office during this critical and historic period, they are trying to entangle us in various complications which we dare not think of avoiding but which we all must bravely face and try to solve.

So far as Orissa is concerned, its share of changes which the country has undergone is pretty big. But even without this change, the position of Orissa so far as its finances are concerned, has all along been precarious since its inception. I have been warning the House since 1946 when I first presented the Budget Estimates, that a very careful watch has to be kept on the financial position of the Province without, however, thinking of dropping out various development schemes. In that speech I tried to explain that because of our slender resources and gloomy budgetary position, we should not reconcile ourselves to the lot that we had a few years back and have the satisfaction of a square Budget. I said on that occasion that "It is not the accounts in the Budget that should really matter for the growth of a nation, but on the contrary it is the development of a nation that should regulate the accounts of Budget". This attitude was perfectly justifiable because of the fact that our State badly required development in all directions and there was scope for expansion of our own revenue and also generous assistance from the Centre was assured.

The position so far as development is concerned, became worse when the neighbouring States were merged with the Province. Today, the State of Orissa, as it stands, has to look after the ex-State areas more than the original districts. In comparison, the original districts, however undeveloped they themselves may be, are perhaps a little more developed than the ex-State areas. If all the areas have to move together, we have to bring to the same level their progress and development.

I need not dilate upon the needs of the State of Orissa. They are too well known to be recapitulated on this occasion. Orissa wants roads, schools, dispensaries, irrigation, public health arrangements, upliftment of the backward classes and a number of things. All these are well known to the House and naturally, as representatives of the people, the hon'ble members must expect Government to take up these works and finish them as quickly as possible. As a matter of fact, our Government have taken them up in right earnest since 1946. They have made a dash which I am sure the future will appreciate when the results of their undertakings will begin to be enjoyed by posterity.

Almost all the works of development in Orissa were simultaneously undertaken in 1946-47, not on the strength of the revenue of the Province as it was then existing, but on the strength of the expanded revenue and particularly of the assistance of the Government of India. While various development schemes were undertaken, sincere effort was made to increase the revenue of the State and also to draw the sympathy of the Government of India as far as possible. I am glad to say that we have been successful to some extent in all these three directions. We received assistance from the Government of India; we have been able to expand our revenue to some extent and as a result of both, we have been able to achieve something, however small the achievement may be, in view of the total needs of the Province. I shall soon separately place in the hands of the hon'ble members a report showing in detail the progress of work in all directions during these four years.

When I presented the Budget Estimates for 1949-50 last year in this House, I sounded rather a pessimistic note because all our hopes did not seem to be materialising as we had planned. I confessed on that occasion that we were faced with a critical financial situation which might develop into a crisis. I would request the hon'ble members to kindly refer to the speech which I delivered while presenting the Budget for the year 1949-50, to find out the reasons why I had to warn the House against the financial crisis which the Province was likely to face last year. Fortunately we have tided over the difficult period, not to reach the shore but to be again in troubled waters.

The House well knows the financial crisis which has overtaken the country as a result of which the Government of India have definitely told the States that they are not in a position to render substantial assistance for execution of the development schemes. Here in Orissa it is not possible for us to drop out schemes which

are already in progress. We cannot close down our colleges and hospitals. We cannot neglect the new areas which have been added to the Province, nor can we overlook the conditions of those who are described as backward tribes and classes. From this attitude, the hon'ble members will realise what a difficult position the Finance Minister finds himself in, while presenting the Budget Estimates for the coming year. It has not been a small task for me to present a Budget which will promise continuance of the existing work and execution of such new development work in the ex-State areas as are most urgently required, and at the same time will not tend to create any financial chaos. I must admit that many important schemes of development had to be dropped. Retrenchment had to be made in all directions as far as possible and attempt is being made to pursue it further. Effort is being made to expand our own revenue to the utmost limit. So far as the coming year is concerned, I am glad to say that we have been able to run the show as best as we can and avoid a financial crisis.

Now I come to some details.

Printed copies of the Budget Estimates of the State of Orissa for the year 1950-51 together with copies of an Explanatory Memorandum and of the detailed Budgets of the Roads and Buildings and Irrigation Departments have already been supplied to the hon'ble members in advance. The Explanatory Memorandum explains the financial position and also contains in Appendix B a list of the new schemes and projects included in the Budget. All these new schemes and projects are, however, not entirely new. Some of them are continuation of schemes and projects which have not yet been taken up on a permanent basis. There are nevertheless, a large number of schemes which are entirely new. Since the several features of the Budget have been explained in a nutshell in the Explanatory Memorandum, I do not propose to take the time of the House by entering into a repetition of the same in my speech this morning.

As I have already indicated the Budget which I presented last March was prepared under difficult circumstances inasmuch as it embodied a great effort to bring our expenditure within the range of our income. The House is already aware that to balance the Budget and to leave a small surplus for unforeseen contingencies lump cut aggregating Rs. 61 lakhs had been made in the various major heads and that the estimate of revenue had been kept at Rs. 13.91 lakhs over expenditure, or in other words we struggled hard to present to the House a Budget with a surplus of Rs. 13.91 lakhs.

Before presenting the Revised Estimate for 1949-50 I shall endeavour to explain in brief to the House how the Government of Orissa fared during the course of the last financial year, i.e., 1948-49. The House is already aware that the year 1948-49 opened with an overall balance of TRS. 1,63,65 and in last March I mentioned to the House that the year was expected to close with a balance of TRS. 50,94 and that the balance in the revenue account which actually stood at TRS. 1,23,10 was likely to dwindle to TRS. 3,46 as a result of the estimated revenue deficit of TRS. 1,22,64. Happily, the year 1948-49 closed with a balance of TRS. 2,13,84 of which TRS. 1,49,18 related to the Provincial area and TRS. 64,66 to the integrated area. The balance in the Revenue Account on the last day of the year, i.e., 31st March 1949, was Rs. 50.28 lakhs. This improvement in the closing balance was mainly due to savings in expenditure heads necessitated by postponement of certain schemes and a substantial surplus under Debt, Deposit and Remittance, etc., heads.

Revised Estimate, 1949-50

Before giving the House an idea of our Revised Estimate for the year 1949-50 let me mention briefly certain peculiar features in the form of the current year's Revised. The House is already aware that consequent on the legal merger of the twenty-four States in Orissa from the 1st August 1949 the expenditure in respect of these areas became subject to the vote of the Orissa Legislature which has been expanded to admit representatives from these areas. A Supplementary Estimate of expenditure was placed before the House in January last in respect of the merged States to cover expenditure for the period from the 1st August 1949 to the 31st March 1950. The Revised Estimate for the year 1949-50 as now framed, therefore, comprises the twelve months' expenditure of the Provincial area and eight months' expenditure of the added areas.

As stated above, the year 1948-49 closed with an overall balance of TRS. 2,13,84 which formed the opening balance of 1949-50. In the Revised Estimate the revenue is estimated at TRS. 10,98,04 and expenditure charged to revenue at TRS. 12,42,39. The year's revenue deficit is, therefore, expected to be TRS. 1,44,35. The balance in the Government accounts which was Rs. 50.28 lakhs in the beginning of the year is likely to be reduced to a *minus* balance of Rs. 91.07 lakhs. Outside the Revenue Account, the receipts are estimated at TRS. 45,57,30 and disbursement at TRS. 45,38,56, thus resulting in a surplus of Rs. 18.74 lakhs. The net result is that the current year's transactions in both Revenue Account and the Capital Account taken together will have the combined effect of reducing the overall

balance by TRS. 1,25,61. In other words, the year 1949-50 which opened with an overall balance of TRS. 2,13,84 is expected to close with a balance of TRS. 88,23.

For the purpose of comparison between the sanctioned estimate and the Revised Estimate the sanctioned estimate should constitute the original estimate for the Provincial area for 1949-50 and the Supplementary Estimate for the added area as approved by the Legislature in January last. The revenue position as disclosed by the Revised Estimate now prepared when compared with the sanctioned estimate shows a decrease of TRS. 1,20,54 as shown below :—

	Sanctioned Estimate	Revised Estimate	Variation
	TRs.	TRs.	TRs.
Jute Export duty ..	5,18	7,36	(+) 2,18
Taxes on Income ..	1,31,55	1,36,62	(+) 5,07
Other Heads of Revenue ..	8,10,33	7,54,06	(—) 56,27
Subvention from Govern- ment of India ..	1,20,00	40,00	(—) 80,00
Grants-in-aid from Govern- ment of India ..	1,51,52	1,30,00	(+) 8,48
Total ..	12,18,58	10,98,04	(—) 1,20,54

The receipts from jute export duty and from taxes on income are the two principal sources of income as provided for under the Niemeyer Award. According to the terms of the Award half the revenue from income-tax less Rs. 3,00 lakhs is distributable amongst the provinces. Orissa's share is 3 per cent of the distributable amount. Under the Deshmukh Award our position remains unaltered. According to the latest intimation received from the Government of India we are likely to get a total sum of Rs. 7.25 lakhs more than originally estimated under these two heads. The receipts under other heads of revenue are likely to be TRS. 56,27 mainly on account of the fact that in the original Budget it was estimated that the Government of India would give us a grant of Rs. 71 lakhs for Capital Construction while in the Revised Estimate we have provided for a grant of Rs. 20 lakhs only. Similarly our expectations for increased grant-in-aid from the Central Government to meet the deficit of the States Area Budget did not materialise and we will be getting a normal subvention of Rs. 40 lakhs in the current year against Rs. 1,20 lakhs

anticipated in the Budget. As regards other heads of revenue the variation under each major head has been explained in the Finance Secretary's Memorandum on the Budget.

The expenditure charged to revenue has been estimated at TRS. 12,42,39. In the original Budget for Provincial area for the year 1949-50 the estimate for expenditure charged to revenue was shown at TRS. 8,76,09. In the Supplementary Estimate for the integrated area the expenditure charged to revenue was shown at TRS. 3,56,67. The total of the two estimates comes to TRS. 12,32,76 which is the figure comparable with the Revised Estimate. The increased expenditure to the extent of TRS. 9,63 only has been provided for in the Revised. Substantial increases occur under Irrigation, General Administration, Jails, Police, Education, Medical, Agriculture, Civil Works, Miscellaneous and Stationery and Printing. On account of expenditure on Intensive Cultivation Schemes increased provision has been made under 'Irrigation' and 'Agriculture'. Provision for election charges is responsible for increase of about Rs. 7 lakhs under 'General Administration'. In the Police Department an extra provision of Rs. 7 lakhs has been made in the Revised for execution of departmental buildings in the States area. Rs. 17 lakhs more has been provided under 'Civil Works' on account of Capital Construction Project as the work there has made rapid progress. The increase under the heads mentioned above will be partly counter-balanced by substantial savings under the heads 'Interest on debt and other obligations', 'Appropriation for reduction or avoidance of debt', 'Public Health', 'Miscellaneous Departments' and 'Extraordinary Charges'. The savings under 'Extraordinary Charges' alone amount to Rs. 81 lakhs as consequent on the merger of the States in Orissa from the 1st August 1949 it was not found necessary to make any assignment from the Provincial revenue to the States Area Budget. The savings under 'Public Health' are due to the fact that the transfer of Rs. 20 lakhs from Provincial revenue to the Fund for Water-supply and Drainage was not found necessary. Under 'Miscellaneous Departments' a saving of Rs. 29 lakhs is expected due to the fact that in the interest of economy it was found necessary to curtail the activities of the Rural Welfare Department and the full expenditure provided for Motor Transport Scheme was not found necessary.

Before turning to the Budget Estimate for the next year the attention of the House needs to be drawn to certain important changes in the classification of expenditure. The salary and allowances of Hon'ble Ministers and the Advocate-General were so long being classified as 'Charged' on the revenue of the Province. It was open to the Assembly to discuss estimates on the 'Charged' expenditure but not to vote them. Since the introduction of the

Constitution of India from the 26th January 1950 these items of expenditure have been treated as 'Voted'. The salary and allowances of the Hon'ble Speaker and Deputy Speaker which were hitherto being treated as 'Voted' will become 'Charged' expenditure under the new Constitution.

Budget, 1950-51

(I) *Receipts*—The total revenue is put at Rs. 10,65·81 lakhs against Rs. 10,98·04 lakhs in the Revised Estimate. The revenues under the principal heads are as classified below :—

	Revised Estimate	Budget Estimate
	TRS.	TRS.
(i) Jute Export duty and Income-tax ..	1,49,88	1,60,48
(ii) Land Revenue, Excise, Stamp, Forest, Registration, Motor Vehicles Taxation and other taxes and duties ..	5,00,93	5,17,69
(iii) Subvention from the Govern- ment of India ..	40,00	40,00
(iv) Extraordinary Receipts ..	2,48,25	2,21,38
(v) Other items ..	1,58,98	1,26,26
Total ..	10,98,04	10,65,81

Item (i)—The latest information received from the Government of India shows that our share of income-tax would be TRS. 1,40,48 against TRS. 1,36,52 allowed in the Revised. The whole question of allocation of shares of income-tax and payment to jute-growing provinces in lieu of the existing share of export duty on jute was reviewed by Sir Chintamani Deshmukh last January. The result of the review is not yet known. Probably the increased receipts are the outcome of his recommendation though there is no increase in the percentage rates allocable to provinces. Receipts from agricultural income-tax have been taken at Rs. 15 lakhs in the Budget against Rs. 6 lakhs in the Revised while receipts from sales tax have been adopted at Rs. 75 lakhs in the Budget against the same figure in the Revised.

Item (ii)—The increase under principal heads of revenue is mainly due to the increase of Rs. 4 lakhs under 'Excise' and about Rs. 9 lakhs under 'Forest' and Rs. 6 lakhs under 'Land

Revenue'. The excise revenue has been taken at TRS. 1,69,25 against TRS. 1,65,01 in the Revised. The increase under excise revenue is due to introduction of distillery system in certain parts of the Province including integrated area.

The increase under forest revenue is mainly attributable to the increased activities in the ex-States areas and sale of forest-produce in these areas. The increase under 'Land Revenue' is due to the fact that the Budget provides for the full year while the Revised Estimate provides for eight months in the ex-States area. The realisation of arrears is responsible for the increase of Rs. 3 lakhs and the rest of the increase is on account of the receipts from quarries.

Item (iv)—Under 'Extraordinary Receipts' though the Government of Orissa will not receive any grant from the Central Government on account of post-war development schemes next year, it has been assumed that two-thirds of the cost of the Intensive Cultivation Schemes will be recovered from the Government of India. Budget provides Rs. 60 lakhs on this account. It has also been assumed that the entire cost of Rural Welfare Schemes will be recovered from the Government of India and the Budget provides Rs. 25.0 lakhs on this account. Receipts from the realisation of assets in the ex-States area are estimated at Rs. 1,35 lakhs in 1950-51 against Rs. 40 lakhs in the Revised.

(2) *Expenditure*—The Budget provides Rs. 11,41.76 lakhs for expenditure on Revenue Account against Rs. 12,42.39 lakhs in the Revised Estimate for 1949-50. In other words, the expenditure next year is estimated at nearly Rs. 1,00 lakhs less than in the current year. This is due mainly to the fact that estimate on post-war development expenditure included in the Budget has been reduced considerably being restricted to the continuance of the schemes already taken up. Though provision for new schemes to the extent of TRS. 1,37,66 has been made for the post-war development schemes, the major portion of the expenditure relates to Intensive Cultivation Schemes. Although there will be no grant from the Government of India for post-war development schemes next year the classification of schemes under Post-war Development has been retained in the Budget only for our own information in future as to what amount we will be spending every year on such schemes. Since the distinction is academical, no separate list of new post-war schemes has been appended to the Explanatory Memorandum of the Budget. A list of new schemes connected with the Rural Welfare Department has however been given in a separate Appendix in the Explanatory Memorandum.

The estimate of revenue receipts being Rs. 10,65.81 lakhs and that of expenditure charged to revenue being put at Rs. 11,41.76 lakhs the Revenue Account discloses a deficit of Rs. 75.95 lakhs.

(3) Outside the Revenue Account, the Budget anticipates receipts of Rs. 30,44.01 lakhs and disbursement of Rs. 30,19.62 lakhs thus indicating a surplus of Rs. 24.39 lakhs. The surplus is mainly due to the fact that the recoveries of loans and advances will be more as compared with provisions made for such items on the disbursement side.

(4) As I have already stated, we expect to close the year 1949-50 and to open the year 1950-51 with an overall balance of Trs. 88.23 inclusive of a balance of Trs. (—) 1,70.02 in the Revenue Account. As the Budget Estimates for 1950-51 disclose a deficit of Rs. 75.95 lakhs in the Revenue Account and a surplus of Rs. 24.39 lakhs outside the Revenue Account, the year 1950-51 will close with a balance of Rs. 36.67 lakhs only as shown below :—

	Rs.
Opening Balance	.. (+) 88.23 lakhs
Deficit in the Revenue Account	.. (—) 75.95 lakhs
Surplus outside the Revenue Account	(+) 24.39 lakhs
Net Closing Balance	.. (+) 36.67 lakhs

The analysis of balances given at the end of the Appendix A of the Finance Secretary's Explanatory Memorandum will show that the closing balance of the Province including both cash and investments is expected to stand at Rs. 36.67 lakhs at the end of the year. This balance includes a sum of Rs. 58.03 lakhs which is earmarked for specific purposes as given below :—

	Trs.
Famine Relief Fund	.. 48
Deposit Account of Orissa States	.. 43,21
Deposit Account of grant from Indian Council of Agricultural Research and other Deposit Account	.. 44
Fund for Development of Forests	.. 7,46
Fund for Orissa Buildings	.. 92
Reserve Fund for Electricity and Transport Service	.. 3,07
Fund for Water-supply and Drainage	.. 2,45
Total	58,03

Famine Relief Fund—The constitution of the Fund is that if the balance in the Fund at the end of any year is less than Rs. 10 lakhs the Fund is credited in the next year out of the Provincial revenue with a sum which together with such sums as may be spent on the objects of the Fund in that year, will not be less than Rs. 1,25,000 and not more than Rs. 2,00,000. When the Fund exceeds Rs. 10 lakhs the excess may be utilised on the execution of protective irrigation works and other works required for prevention of famine, grant of loans to cultivators, commutation of pensions and subject to certain restrictions laid down in the Act, on other capital expenditure. The balance at the credit of the Fund at the beginning of the year 1949-50 consisted of Rs. 10,45,000 invested in the Government of India securities and Rs. 40,000 in cash. At the end of 1950-51 it is expected that there will be a balance of Rs. 48,000 in cash and Rs. 10,45,000 in securities. Since there will be more than Rs. 10 lakhs which is the statutory minimum limit, no assignment from Provincial revenue is necessary. After the integration of the States the Famine Relief Fund Regulation would need amendment and action in this connection will be taken up very soon so as to enable the expenditure from the Fund being incurred in the integrated areas.

Deposit Account of Orissa States—Before the merger of the States the arrangement was that there should be a separate Budget for the ex-States area approved by Government and that the accounts should pass through a deposit head in the Budget for the Provincial area. The Deposit Account was continued up to the end of 31st July 1949. The transactions in the first four months of the current financial year will pass through this Deposit Account. This Deposit Account will be cleared off when the Audit Office will settle the account finally and transfer revenue portion to be merged in the Provincial revenues.

Fund for Orissa Buildings—This Fund was constituted out of the total grant of Rs. 42½ lakhs received from the Government of India mainly towards the cost of the construction of the new Capital of Orissa. The greater part of the balance has been invested in Government securities the interest from which is added to the Fund every year. On the 1st April 1949 the balance in the Fund amounted to Rs. 38.66 lakhs. As the Revised Estimate provides for an expenditure of Rs. 14.18 lakhs out of this Fund on Capital Construction works the balance in the Fund at the end of the year 1949-50 is expected to stand at Rs. 24.48 lakhs. In 1950-51 there is no possibility of our getting any grant from the Government of India

beyond Rs. 20 lakhs promised by them before. But expenditure on account of Capital Construction as provided for in the Budget is Rs. 97 lakhs. It has been decided by Government that a recovery of Rs. 37 lakhs should be made from the Government of India next year on account of the construction of buildings for the Accountant-General's office. It has been decided to move the office of the Accountant-General, Orissa, to Bhubaneswar in April next. In the Budget for 1950-51 it has been assumed that a sum of Rs. 23.56 lakhs invested in the Government securities will be encashed next year to provide money for expenditure on the Capital Construction. If this is done the balance that will be left in the Fund at the end of 1950-51 will be Rs. 92 000. It may be mentioned in this connection that out of the estimated expenditure of Rs. 97 lakhs provided for in the Budget for Capital Construction Rs. 37 lakhs will be recovered from the Government of India, Rs. 23.56 lakhs invested in the Government securities will be encashed, the usual grant of Rs. 20 lakhs will be received from the Government of India and the balance of Rs. 16.44 lakhs that remains uncovered will have to be found from the Provincial revenues.

Depreciation Reserve Fund—It has been decided that a new fund should be created to reserve certain amount to be transferred from the revenue for replacing electrical engines, etc., in the Electrical Department and motor parts in the Provincial Transport Organisation. The Reserve Fund have been created for this purpose. The accounting procedure of the Fund has not been settled.

Funds for Water-supply and Drainage Schemes—In order to implement the recommendation of the Health Development Committee of the Government of India for the provision of protected water-supply in urban areas, the Provincial Government have decided that funds being available, a sum of Rs. 20 lakhs less expenditure incurred for water-supply during the year should be transferred from revenue to a fund every year for a period of five years to constitute a reserve fund. A sum of Rs. 20 lakhs was transferred from revenue in 1948-49 to constitute the fund. The balance in the fund on the 1st April 1949 was TRs. 13.45. It has been decided by Government that there should be no transfer from revenue in the current year and in the next year on account of the financial stringency and that all expenditure connected on account of water supply, etc., should be met from the balance in the fund. In the Revised Estimate for 1949-50 and in the Budget Estimate of 1950-51 a total sum of TRs. 1.00 has been provided. The entire amount will be transferred from the balance of the fund which will stand at TRs. 2.45 at the end of 1950-51.

Loans and Advances—In the current year it was assumed that a sum of TRS. 8,61,99 would be received from the Government of India as loan for financing the Hirakud Dam Project, Grow More Food Schemes, Loans to Refugees (disabled persons), Electrical Schemes, Road Transport Schemes and construction of new Capital Projects. But the Government of India have agreed to sanction only a sum of TRS. 4,44,00 for the following schemes :—

	TRs.
(1) Hirakud Dam Project including advance to Cement Factory ..	3,47,00
(2) Electrical Schemes ..	70,00
(3) Grow More Food Schemes ..	22,00
(4) Loans to Refugees ..	5,00

For the next year the Government of India have been moved to sanction a loan of TRS. 5,36,35 for the following schemes :—

	TRs.
(1) Hirakud Dam Project ..	3,50,00
(2) Purchase of shares in Cement Factory ..	40,00
(3) Electrical Schemes ..	83,35
(4) Rail-Road Co-ordination Scheme ..	13,00
(5) Grow More Food or Intensive Cultivation Schemes ..	50,00

(i) *Sales Tax*—Government have adopted the policy of raising the level of taxation in the States areas to bring it into line with the rest of the Province. This is necessary since the standard of administration and social services in these areas is also being raised to the level of the Provincial area. The Sales Tax Act was extended to the States areas with effect from the 1st April 1949 and to the Mayurbhanj State on the 15th July 1949. Government are contemplating to introduce a Bill amending certain provisions of the Act including increase in rates of tax.

(ii) *Agricultural Income-tax*—This came into force in the States areas on the 1st April 1949 and in the ayurbhanj State on the 15th July 1949. Amendments regarding increase in rates are still under consideration of Government.

(iii) *Entertainments Tax*—This came into force in the ex-States areas from the 1st April 1949 and in the Mayurbhanj State on the 15th July 1949. The rates o tax have since increased with effect from the 1st January 1950 as a result of which it is expected that there will be an increase of TRS. 1,67 in the revenue of the Province.

