

Orissa

**Speech of Shri Radhanath Rath, Finance Minister,
in presenting the Budget Estimates for 1956-57
to the Orissa Legislative Assembly**

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SIR,

This is for the fifth time that I am presenting the Budget of the State of Orissa. This Budget for the year 1956-57 marks the end of the First Five-Year Plan and the beginning of the Second Plan. It has been rightly observed that the approach and outlook over the plan are part of our common thinking. Though the First Five-Year Plan was not conceived in terms of the socialistic pattern, it has at least paved the way for achieving that pattern of society involving an economic and social reorientation based upon the values of freedom and democracy which envisage a substantial rise in employment and production and a measure of social justice conditioned by our economic and human resources.

Taking an overall view of the Indian situation we find that during the First Plan period industrial output has increased by about 50 per cent whereas employment in the industrial sector has not proportionately increased. There has no doubt been a rise in employment in mining, railway, construction, trade and commerce. In the agricultural sector, however, the employment pattern has not changed to any appreciable extent though production has gone up by about 20 per cent during the First Plan period and the overall food position has considerably eased. In the whole of India about 72.3 per cent people are engaged in Agriculture. Factories and mining account for only 2.7 per cent of the population, small enterprises 8 per cent, transport, communication, etc., about 8 per cent and about 9 per cent are engaged in other services. In Orissa, however, the pressure on agriculture is the highest, since expansion of industries, trade and commerce has not made rapid strides. The overall price structure in the country had been showing a downward trend on account of greater production. But due to certain natural calamities, the situation has taken rather an adverse turn in Orissa and some other parts of the country. On account of two successive droughts followed by an unprecedented and devastating

flood in the three river systems of Orissa, the economic equilibrium was violently shaken resulting in serious loss to the State and the people. Certain areas were also affected by cyclone. I need not recapitulate the loss we have sustained and the sudden and unexpected catastrophe we had to face. I would only humbly impress upon the House as to how stupendous the task has been of rehabilitating the distressed people and restoring the normal economic conditions. I must frankly confess that we are not yet out of the wood. The coming months may prove to be a trying time for us. The steps so far taken for rendering relief to the people have been indicated in a brief report incorporated in the White Paper which is being placed in the hands of the Hon'ble Members separately.

2. Last year I expressed concern owing to my inability to draw a balanced Budget on the Revenue side, but it is unfortunate that I have again to present a deficit Budget under very pressing circumstances. There was a severe strain on Orissa's economy owing to the continued drought and the devastating flood which wrought havoc in the coastal districts and caused tremendous loss to agriculturists. Secondly, we have a well-considered programme of development under the Second Five-Year Plan, and Orissa cannot lag behind in implementing the various schemes for development and social welfare. Instructions were, however, received from the Planning Commission with the concurrence of the Government of India to the following effect : --

“ With a view to financing their Plans in 1956-57, even after allowing for the assistance which the Central Government will make available, it is essential for States to take steps to augment their resources both on Revenue as well as Capital Account. State Governments are requested to take early steps to make an all-out effort to increase Small Savings and to introduce measures of additional taxation envisaged in the Budget. Unless this is done and the State's proportionate share of resources is raised, it will be difficult for individual States to provide the matching contribution needed and to implement those schemes which are not assisted by the Central Government. It is of paramount importance that the Revenue Budgets of States should be balanced ”.

Every endeavour is being made to tap all revenue resources, but even so, there will necessarily be a time lag before the additional resources begin to materialise.

Consequently in the first year of the Second Plan period a certain amount of deficit on Revenue Account is, perhaps, unavoidable. When our resources improve, the Revenue deficit envisaged in the Budget would to a great extent be reduced.

3. As Members are aware, the resources allocated to the States under our Constitution are inelastic, and in a comparatively underdeveloped State like Orissa, the quantum is also meagre. It should, perhaps, be emphasized, however, that a State in India cannot be regarded as a separate Unit with fiscal autonomy but that it is part of the entire Union. The Taxation Enquiry Commission have also recently stressed the fact that in assessing resources, the role of the Centre and the States cannot be treated as that of separate entities and that to a certain extent Central and State Revenues really coalesce for purposes of the public finances of the State Governments. Accordingly, we feel confident that a large and generous measure of assistance will be received from Central Government by way of loans and subsidies. It would also be pertinent to mention that the development of comparatively under developed areas of the country like the State of Orissa would not be possible if reliance is to be placed entirely on the State's resources. Owing to the low *per capita* income of the people, there is a limit to the State's maximum revenues and unless the more elastic resources of the Central Government are available in the proportionate measure, the regional disparity in the development of the areas cannot be eliminated. We trust this question will receive the careful and sympathetic consideration of the next Finance Commission, which is to take up this very soon. I shall in subsequent paragraphs deal in some detail with our resources and the assistance we expect to receive from the Central Government.

4. I shall now proceed to review our budgetary position.

(A) ACCOUNTS FOR 1954-55

When presenting the Budget of the current year, I had anticipated in the Revised Estimate for 1954-55 a deficit in the Revenue Account of Rs. 1,92.56 lakhs. In the actual figures which have been received in course of the year, the deficit in the Revenue Account has amounted to Rs. 1,49.23 lakhs. There was thus some improvement in the Revenue

Account. The position of the Revised Estimate 1954-55 and the Actuals of 1954-55 is as shown below :—

		In lakhs of rupees	
		Revised Estimate	Actuals
Receipt	..	14,66·94	13,99·03
Expenditure	..	16,59·50	15,48·26
Deficit	..	(—)1,92·56	(—)1,49·23

It will be noticed that the variation on the receipt side is a decrease of Rs. 68 lakhs mainly on account of the fact that there was a drop of Rs. 32 lakhs under the Land Revenue as arrear collection estimated in the Revised did not materialise. For Drought, Local Development and Community Development expenditure the Revised had anticipated receipt of increased grant from the Centre while actually there was decrease of Rs. 44 lakhs on the basis of actual expenditure. The total expenditure in the Revenue Account fell short of the Revised by Rs. 1,11 lakhs. Savings occurred under the following heads :—

		Rupees in Lakhs	
Land Revenue	11
Forest	2
General Administration	3
Agriculture	20
Industries	6
Community Development	32
Irrigation Expenditure	5

The decrease is mainly due to the fact that the First Revised Estimate framed in October was an over-estimate under certain heads. In the Revenue Account there was actually an improvement of Rs. 43 lakhs in the actuals as compared with the Revised Estimate. Similarly in the Capital Account there was an improvement of about Rs. 70 lakhs and the result was that there was a total improvement of Rs. 1,13 lakhs in the actuals of 1954-55 as compared with the Revised Estimate of that year. Thus the year 1954-55 which according to the Revised Estimate for that year had to close with an overall balance of Rs. 1,71·82 lakhs, actually closed with an overall balance of Rs. 2,84·92 lakhs, that is, Rs. 1,13 lakhs better than what was anticipated in the Revised Estimate.

This overall balance of Rs. 2,84.92 lakhs is made up of as shown below :—

	Rupees in Lakhs
Balance in the Revenue Account ..	(—)2,66.07
Balance in the Capital Account ..	(+)5,50.99
	<hr/>
	2,84.92
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B. REVISED ESTIMATE FOR 1955-56

The revenue in the Revised for 1955-56 is estimated at TRS. 19,75,20 against the original estimate of TRS. 16,68,94. Increased receipts are expected under certain heads, such as, Income Tax, Land Revenue, State Excise, Interest, Miscellaneous Department, Receipts from Electricity Schemes, Miscellaneous and Extraordinary Receipts. On the other hand, short receipts are expected under certain heads, such as, Estate Duty, Stamps, Registration, Other Taxes and Duties, Education and Agriculture.

On the expenditure side, the Revised has been taken at TRS. 26,63,36 against the sanctioned grant of TRS. 18,56,68 thus indicating an increase of TRS. 8,06,68. Increased expenditure is due to the fact that we had to take a supplementary demand of a *net* sum of Rs. 7,84 lakhs for Drought, Flood and other revenue expenditure in the October's Session of the Assembly. Of course, the Revised Estimate discloses savings under certain heads which can be set off against the increased expenditure of Rs. 7,84 lakhs provided by means of supplementary demand. On account of transfer of certain schemes from the Capital Account to the Revenue Account increased expenditure under certain Revenue heads have been provided for in the Revised. The necessity for the change of classification arose due to the fact that in order to finance certain development schemes, the State Government decided to obtain loans from the Central Government and provided for the expenditure on account of these loans under Capital heads in the Budget Estimate for 1955-56. Subsequently the Audit Office suggested to the Government that only provision for

such capital expenditure need be made under the capital heads for schemes which create concrete assets of a material and permanent character. The assets produced should belong to the authority incurring the expenditure. As such, expenditure by Government on grants-in-aid to Local Bodies for the purpose of creating assets which will belong to the Local Bodies cannot be considered as capital expenditure. While framing the Revised Estimate for 1955-56 provision has only been made under the capital head for such schemes which create assets. Those schemes which do not satisfy the conditions of capital expenditure have been transferred to the Revenue Account even though they are financed by means of borrowed funds. The total estimated cost of schemes which were thus transferred from the Capital to the Revenue Account is Rs. 2,63 lakhs. This has mainly contributed to the revenue deficit envisaged in the Revised Estimate of 1955-56. As a result of this increased expenditure provided for in the Revised the revenue deficit in the Revenue Account has gone up in the Revised Estimate to Rs. 6,88.16 lakhs against Rs. 1,87.74 lakhs in the Sanctioned Budget. Thus the Revised anticipates a deterioration to the extent of Rs. 5 crores. As explained above, this deterioration is mainly caused by the fact that we had to provide for certain schemes in the Revenue Account though we are obtaining loans for financing these schemes from the Centre and such loans are provided for under the head "N—Public Debt" in the Capital Section of the accounts. The extent of such provision is about Rs. 3 crores including Rs. 1,11.39 lakhs for Drought and Flood expenditure and Rs. 1,88.61 Lakhs for expenditure other than flood and drought. Were it not necessary to effect a change of classification resulting in transfer of certain items from the Capital to the Revenue Account, the real deficit in the Revised Estimate would have been only about Rs. 2½ crores.

Capital Account—In the Capital Account the receipt was originally estimated at TRs. 62,90,27 and outgoings at TRs. 62,19,62 the net surplus being estimated at TRs. 70,65. According to the Revised Estimate the receipts other than revenue are estimated at TRs. 63,47,03 and the outgoings at TRs. 56,29,67. Thus according to the Revised Estimate the surplus in the Capital Account comes to TRs. 7,17,36.

As a result of the combined transaction in the Revenue Account and the Capital Account for the year 1955-56 which opened with an overall balance of TRs. 2,84,92, it is expected

that the year would close with an overall balance of Trs. 3,14,12, as shown below :—

	Trs.
Actual opening balance on the 1st April 1955.	(+ 2,84,92
<i>Consolidated Fund—</i>	
Revenue Account	(—) 6,88,16
Other Accounts	(+ 5,37,71
Contingency Fund (Deficit)	.. (—) 65,00
Public Account (Surplus)	.. (+ 2,44,65
	<u>(+ 3,14,12</u>

It will be seen from the above that in spite of heavy deficit of Rs. 6,88,16 lakhs in the Revenue Account, the year 1955-56 is expected to close with a *plus* balance on account of the fact that there is expected accumulated surplus under Other Accounts, e.g., Loans, Public Debt, State Loans and Public Accounts.

C. BUDGET ESTIMATE FOR 1956-57

The total revenue receipts in 1956-57 have been estimated at Trs. 19,37,67 against Trs. 9,75,20 in the Revised Estimate for the current year. The revenue receipts estimated under different heads compare as follows :—

	Revised Estimate, 1955-56	Budget Estimate, 1956-57
	Trs.	Trs.
(i) Income-tax including Agricultural Income-tax.	2,20,86	2,02,14
(ii) Land Revenue, State Excise, Stamps, Forest, Registration, Motor Vehicle Tax and Other Taxes and Duties.	7,12,21	7,68,33
(iii) Subvention from the Government of India including Statutory grants.	1,78,00	1,88,96
(iv) Extraordinary Receipts ..	4,27,20	3,66,77
(v) Other items ..	4,36,93	4,11,47
	<u>19,75,20</u>	<u>19,37,67</u>

Item No. (i)—So far as our share of Income-tax is concerned, the States get share at certain percentage of distributable Income-tax receipts. Orissa is entitled to get 3.5 per cent of the net distributable share on the basis of the recommendation of the Finance Commission. According to the latest communication received from the Government of India we will get Rs. 2,16.85 lakhs this year and Rs. 1,98.13 lakhs next year. The Revised includes Rs. 12 lakhs representing arrear Income-tax payable to the State.

From the Agricultural Income-tax we expect to get Rs. 4 lakhs this year and the same amount next year. The reduction under this head is due to the introduction of the Orissa Estates Abolition Act and the Orissa Tenancy Relief Act. The ex-proprietors of the Estates taken over by Government are not regularly paying their arrear dues. Arrear dues realisable from them are to be recovered from their compensation when paid.

Item No. (ii)—While we expect to get Rs. 23 lakhs more from Land Revenue next year, forest revenue is expected to yield Rs. 19 lakhs more next year due to execution of certain schemes included in the Second Five-Year Plan. Under Other Taxes and Duties we expect Rs. 30 lakhs more next year mainly under Sales Tax due to realisation of arrears for which certificate cases have been instituted and also for our share of Inter-State Sales tax. These increased receipts will, however, be set off by short receipt of Rs. 15 lakhs under State Excise due to extension of prohibition to Ganjam and Koraput districts. Further deterioration of Excise revenue is anticipated on account of the present policy of Government on prohibition. These factors mainly account for the increase of about Rs. 56 lakhs in the Budget as compared with the Revised.

Item No. (iii)—The provision consists of the following items :—

	Revised Estimate, 1955-56 Lakhs	Budget, 1956-57 Lakhs
Permanent Subvention ..	75	75
Share of Jute Export Duty ..	15	15
Grant for Primary Education	27	32
Tribal and Rural Welfare ..	61	66.96

The increased grant for primary education next year is based on the recommendation of the Finance Commission. Under Tribal and Rural Welfare we are eligible for getting 50 per cent in respect of certain schemes and 75 per cent in

respect of certain other schemes. As increased provision has been made in the Budget for these schemes under the expenditure side, Rs. 5.96 lakhs more is expected to be received as grant from the Centre on this account.

Item (iv)—In the Revised Estimate of Rs. 427.20 lakhs a provision of Rs. 4.00 lakhs was made on account of grant to be received from the Centre for expenditure on account of relief of distress caused by drought and flood. The remaining Rs. 27.20 lakhs included in the Revised represent grant to be received from the Centre for Grow More Food and Subsidised Industrial Housing Scheme, etc. The Budget of Rs. 3,66.77 lakhs include Rs. 44 lakhs for continuance of schemes connected with drought and flood. For Second Five-Year Plan schemes it is expected that 2/3rd cost of the schemes included in the Revenue Account will be received as grant from the Centre. The Government of India's 2/3rd share works up to Rs. 4.55 lakhs out of which Rs. 3.06 lakhs has been provided under this head and the balance under other revenue heads, according as the expenditure relates to a particular Department. Further grant of Rs. 8.98 lakhs for I. C. Schemes and Rs. 6.07 lakhs for Subsidised Industrial Housing Scheme has been taken into account in the Budget. As regards financial assistance in regard to flood and drought schemes it has been assumed that the Government of India will continue to give us financial assistance on the same pattern as they were giving in the current year, i.e., 50 per cent up to an expenditure of Rs. 2 crores and 75 per cent on the balance. A list of schemes connected with flood and drought which are under execution in the current year and which will be continued in 1956-57 will be found in the Appendices D and E of the Finance Secretary's Explanatory Memorandum.

Item (v)—The Budget provides for a decrease of Rs. 25 lakhs. Short provision has been made under various heads, namely, Rs. 19 lakhs under Education, Rs. 2½ lakhs under Agriculture, Rs. 5 lakhs under Industries, Rs. 5½ lakhs under Electricity and 68 lakhs under Miscellaneous. The total decrease will, however, be offset by increased provision of Rs. 6½ lakhs under Veterinary, Rs. 13 lakhs under Miscellaneous Department, Rs. 14 lakhs under Civil Works, Rs. 20 lakhs under Receipts from Water and Road Transport and Rs. 4 lakhs under Community Development Projects. The bulk of the decrease occurs under Miscellaneous due to the fact that the transfer of Rs. 75.75 lakhs provided for in the Revised from the proceeds of the State Trading Schemes

to the State Revenue has not been repeated in the Budget. So far as the increased provision is concerned, the noticeable feature is that Rs 20 lakhs more is expected under Road and Water Transport on account of levy of tax on passenger and goods traffic and taking over of new lines.

The Budget provides TRS. 24,98,25 for expenditure on Revenue Account against TRS. 26,63,36 in the Revised Estimate for 1955-56 thus indicating a decrease of Rs. 1,65,11 lakhs. Briefly, the reason for this decreased provision is that the Revised provides TRS. 7,97,38 for flood and drought expenditure while the Budget of 1956-57 provides for continuance of certain schemes connected with flood and drought estimated to cost TRS. 1,10,90. Thus the short provision under this head amounting to Rs. 6,87 lakhs will be counterbalanced by increased provision made under various heads for new schemes amounting to about Rs. 5½ crores under Revenue Account. A list of entirely new schemes costing about Rs. 5.80 crores has been given in Appendix B of the Explanatory Memorandum. The expenditure on Revenue Account includes a total provision of TRS. 12,85,49 for new schemes out of which TRS. 7,05,55 relates to continuing schemes, i. e., schemes which were in operation in 1955-56 and will be continued next year and TRS. 5,79,94 for entirely new schemes as stated above. The list of new schemes connected with Tribal and Rural Welfare Department is given in a separate Appendix to the Explanatory Memorandum of the Budget.

The estimated revenue receipt in 1956-57 being TRS. 19,37,67 and expenditure charged to revenue being TRS. 24,98,25, the Budget for next year discloses a deficit of Rs. 5,60.58 lakhs in the Revenue Account.

Outside the Revenue Account, the Budget provides for a receipt of TRS. 51,87,24 and disbursement of TRS. 48,73,66 thus indicating a surplus of TRS. 3,13,58. Thus the year 1956-57 which is expected to open with a balance of TRS. 3,14,12 will close with an over-all balance of TRS. 67,12 as shown below :—

	TRS.
Opening balance on the 1st April 1956.	(+) 3,14,12
Revenue Account (Deficit) ..	(-) 5,60,58
Capital and Debt, etc., heads (Surplus).	(+) 3,13,58
Estimated closing balance on the 31st March 1957.	(+) <u>67,12</u>

Balance position—The analysis of the opening and closing balances has been given at page 24 of the Civil Budget Estimate. The details of the estimated closing balance of TRS. 67,12 are as given below :—

	TRS.
(1) Balance in the Consolidated Fund.	(—) 6,10,84
(2) Contingency Fund ..	(+) 35,00
(3) Public Account—	
(i) Earmarked balance ..	(+) 2,02,18
(ii) Unearmarked balance ..	(+) 5,64,40
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Total of (1), (2) and (3) ..	(+) 1,90,74
Deduct—Investment ..	(—) 1,23,62
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	(+) 67,12
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It will be seen from the above that excluding investment in Government securities, etc., the total cash balance at the end of the year is expected to be TRS. 67,12.

The balance in the Consolidated Fund is shown as a *minus* figure. It will be seen from the analysis of balance that the cumulative position in regard to Revenue Account within the Consolidated Fund will be *minus* Rs. 15·14·81 lakhs at the end of the year 1956-57.

Contingency Fund—As the Hon'ble Members are aware, the balance in the Fund was raised from Rs. 35 lakhs to Rs. 1,00 lakhs by means of an Ordinance promulgated in 1954-55 to meet heavy expenditure connected with the drought situation. As adequate funds were provided for drought relief schemes in the Sanctioned Budget as well as by means of supplementary grants, it was not necessary to retain the extra amount of Rs. 65 lakhs in the Contingency Fund and as such the Ordinance was not replaced by an Act of the Legislature. Therefore, the advance of Rs. 65 lakhs was refunded to the Consolidated Fund and the balance was kept at Rs. 35 lakhs as fixed in the Orissa Contingency Fund Act, 1950.

