

GOVERNMENT OF ORISSA



BUDGET, 1961-62

FINANCE MINISTER'S SPEECH

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Finance Minister's Speech
27th March, 1961

Sir,

I rise to present the statement of the estimated receipts and expenditure of the Government of Orissa for the year 1961-62.

2. Parliament has already had an opportunity to discuss the circumstances which led to the issue by the President on the 25th February, 1961 of the Proclamation under article 356 of the Constitution of India for taking over the administration of the State. As a result, the budget of the State has to be presented to and approved by Parliament.

3. The State budget was due to be presented to the State Legislative Assembly on the 21st February 1961, the very day on which the State Ministry submitted its resignation. In accordance with the Rules of Procedure of the Orissa Legislative Assembly, copies of the budget documents were circulated two days in advance of the date of its presentation. Normally, therefore, but for the resignation of the State Ministry, the State Legislative Assembly would have considered and approved this budget. With the dissolution of the State Legislative Assembly, the duty of presenting these estimates to Parliament has devolved upon me. With a view to present a more up-to-date and realistic appraisal of the finances of the State, I have taken this opportunity to examine and, where necessary, recast the estimates prepared by the outgoing Ministry. The changes made as a result of this review, will be explained in the later part of my speech.

4. Before I deal with the revised estimates for the current year and the budget estimates for the coming year, I would briefly refer to the main achievements of the State during the Second Five-Year Plan and the significant developments in the current year which have had an important impact on the finances of the State Government. The House may be aware that out of

the total estimated outlay of Rs. 4,800 crores for the Second Plan, Orissa was originally given an allocation of Rs. 99.99 crores. With the subsequent reduction in the outlay to Rs. 4,500 crores, the State allocation was assumed to have been reduced to a little less than Rs. 92 crores. The actual expenditure against this allocation during the five-year period is expected to be of the order of a little over Rs. 88 crores showing a shortfall of about Rs. 3.5 crores. In addition, the State Government would have utilised Rs. 13 crores for the execution of Centrally-sponsored schemes and schemes in the Central sector during this period.

5. The output of foodgrains is estimated to increase from 23.93 lakh tons in 1955-56 to 40 lakh tons in 1960-61. The production of mineral ores like iron ore, chromite, coal, manganese, fire-clay, lime-stone and dolomite would also show significant improvement during this period. In the matter of forests, 783 miles of forest roads would have been constructed and over 33,000 acres planted up with Teak, Casuarina, Simul, Khair, Sabai grass and Cashewnut. 106,000 acres would have been brought under soil conservation measures and the production of fingerling and fish increased by 322 lakhs and 2,500 tons respectively. An area of 7.2 lakh acres would be brought under irrigation through major and medium irrigation projects and 168.13 Mega Watts of power would have been generated including the electrification of 91 villages and small towns. Appreciable advances have also been made in the matter of co-operation, marketing, warehousing and housing schemes.

6. During the Second Five-Year Plan a Finance Corporation was established to finance small-scale industries. Several industrial estates have been set up at various centres and pilot projects introduced for the promotion of small-scale industries. The production of hand-loom cloth in the co-operative sector has increased from about 6 million yards in 1955-56 to about 33 million yards in 1960-61 and the total number of co-operative looms has almost doubled providing full employment to 23,000 handloom weavers. The Community Projects and National Extension Service have been extended to over 29,000 villages. Facilities for providing general and technical education have

also been considerably extended. A new Medical College was opened at Burla and the number of admissions to the existing Medical College at Cuttack has been raised from 50 to 100. 169 Primary Health Centres and 88 Family Planning Centres have been planned to be opened. Various programmes have been taken up for the socio-economic development of Tribal people and for Backward Classes which constitute 67 per cent of the total population of the State. 156 Seva Ashrams for Scheduled Tribes and Scheduled Castes have been opened and a programme of settling Adivasis on land initiated. Under this scheme, 151 colonies are expected to be established by the end of the current year, rehabilitating about 5,000 families in settled cultivation. Considerable improvements were also made in the matter of communications, drinking water supply, medical and other facilities in tribal areas.

7. I shall now refer to the important developments during the current year which have a significant bearing on the economic situation of the State. Though the climatic conditions were more or less normal in the earlier part of the year, abnormal rainfall in the beginning of the winter crop season led to serious floods causing widespread damage and hardship. The State Government have had to undertake relief and rehabilitation measures on a large scale in consequence of these floods. The total expenditure on relief works is estimated to be a little more than Rs.5 crores of which Rs.3.39 crores would be incurred in the current year and the provision for the balance has been made in the budget for the coming year. In spite of a decrease of about 11 per cent in the area under rice cultivation and the damage caused by the floods, the average yield per acre has shown encouraging improvement and the total production is provisionally estimated at 36.31 lakh tons, which will be slightly higher than the production last year.

8. The total value of minerals extracted in 1960 is estimated at Rs.6.9 crores as compared with Rs.6.21 crores in 1959. The production in 1960 of iron ore has increased by about 41 per cent, of coal by 23 per cent and of fire-clay by 135 per cent over the production figures of the previous year. Similarly the production of yarn and textile cloth has gone up by 9 per cent and

20 per cent respectively. There has also been an appreciable increase in the exports of coal and coke, raw jute, glass, manganese ore, oil-seeds, molasses and timber.

Revised Estimates for 1960-61

9. The budget for the current year as finally approved by the State Assembly estimated the revenue at Rs. 36.67 crores and revenue expenditure at Rs. 40.17 crores, leading to a revenue deficit of Rs. 3.5 crores. On the latest assessment, the revenue receipts are now likely to amount to Rs. 38.25 crores and revenue expenditure, after taking into account the Supplementary Grants recently sanctioned by Parliament, to Rs. 42.59 crores resulting in a deficit of Rs. 4.34 crores. The improvement in revenue of Rs. 1.58 crores is the net result of variations over a large number of heads, of which mention may be made of increased grant-in-aid from the Centre for relief operations (Rs. 1.28 crores), increase in the State's share of Income-tax (Rs. 40 lakhs) and larger receipt of sales tax (Rs. 33 lakhs). Of the main shortfalls, I would refer only to a drop of Rs. 60 lakhs in the collection of cess on extracted minerals during the pendency of the suit before the Supreme Court challenging the validity of the Orissa Mining Areas Development Fund Act. The case has since been decided in favour of the Government and arrear collections are expected to be made next year.

The increase of Rs. 2.42 crores in revenue expenditure is due entirely to the expenditure incurred by the State Government on flood relief operations. Excluding the reimbursement of Rs. 27 lakhs from the balance available from the current year's transfer of Rs. 50 lakhs to the Famine Relief Fund, the total revenue expenditure on flood relief operations in the current year would amount to Rs. 2.85 crores, of which Rs. 1.56 crores would be the State's share, the balance being met by the Centre.

10. Taking the Revenue and Capital account together, the original budget had estimated an improvement of Rs. 14 lakhs, raising the closing balance to Rs. 1.98 crores. On revised assessment, the year is now expected to close with a balance of Rs. 1.54 crores. The decline of Rs. 44 lakhs is the net effect of

several factors. The opening cash balance accounts for a deterioration of Rs.3.23 crores due mainly to certain unanticipated adjustments towards the close of the year. As stated earlier, the revenue deficit exceeds the original estimate by Rs.84 lakhs. The repayment of loans to the Centre and other parties would exceed the original budget by Rs.1.21 crores. Likewise, the net receipts under other debt and deposit heads would show a decline of Rs.21 lakhs. But these increases would be partly offset by a saving of Rs.76 lakhs under Capital expenditure relating mainly to State trading schemes and improvement of Rs.4.29 crores under loan receipts.

Budget Estimates for 1961-62

11. While framing the budget estimates for 1961-62, the former State Government had placed the revenue receipts at Rs.40.06 crores and revenue expenditure at Rs.50.32 crores leading to a revenue deficit of Rs.10.26 crores. On current re-assessment the revenue receipts are estimated at Rs.41.10 crores and revenue expenditure at Rs.45.29 crores resulting in a revenue deficit of Rs.4.19 crores.

12. The increase of Rs.1.04 crores in the revenue receipts is due mainly to an increase in the State Government's share of Income Tax communicated to the State Government after the former Government had finalised its budget estimates. As compared with the revised estimates for the current year, the revenue receipts next year will show an increase of Rs.2.85 crores which takes into account the effect of measures to be taken next year for raising additional revenues of the order of Rs.3 crores. As a result of settlement operations already undertaken by the State Government and the proposed consolidation of the cess on land revenue, the receipts under this head are likely to improve by Rs.41 lakhs. Excise revenue is also expected to show an improvement of Rs.1.32 crores. The irrigation rates are proposed to be revised under the provisions of the Orissa Irrigation Act passed by the State legislature recently. This would yield a further sum of Rs.45 lakhs. The revenue from Sales Tax would improve by Rs.43 lakhs due chiefly to an increase in the rate of the tax on motor spirit and diesel oil. A

tax is proposed to be levied on passenger fares and freight on transport of goods by public careers which is likely to yield Rs. 26 lakhs a year.

13. As mentioned earlier, the revenue expenditure next year shows a drop of Rs. 5.03 crores over the estimate framed by the former Government. This is the combined effect of a number of items.

14. The former State Government had included an ad hoc provision of Rs. 1.97 crores for increasing the emoluments of State Government employees as a result of the recommendations made by the Orissa Pay Committee. The report of the Committee was received only in February this year. The details of the recommendations made by the Committee have yet to be examined and it will take some time before these can be implemented. It has, therefore, been decided to omit for the present the lump provision included for this purpose. It is my intention to approach the Parliament by means of Supplementary Demands during the course of the year as soon as the State Government is in a position to frame a realistic estimate of their requirements on this account.

15. The State's Third Plan outlay has been settled at Rs. 160 crores in consultation with the Planning Commission. The States were advised that keeping in view their administrative and technical capacity and the resources available to them, the provision for the first year of the Plan may be limited to about 14 to 15 per cent of the total outlay for the five-year period. The former State Government, however, had planned for an outlay of Rs. 27.2 crores for the coming year which was considerably in excess of the target envisaged in the case of other States. It is also extremely unlikely that the State Government would be in a position to incur an expenditure of this order in the first year of the Plan when most of the schemes would still be in their formative stages. Accordingly, the Plan outlay for the coming year has been reduced by Rs. 2.1 crores to Rs. 25.1 crores, of which Rs. 9.4 crores would be on Revenue account and Rs. 15.7 crores on Capital account. The Central assistance will amount to Rs. 19 crores including Rs. 4.5 crores by way of grant and the balance as a loan.

16. I may also mention two other minor changes made in the budget estimates framed by the former Government. A sum of Rs. 35 lakhs was provided for transfer to the sinking fund on account of the new market loan of Rs. 4 crores to be floated during that year. As the revenue budget of the State is not in a position to repay its loan obligations from its revenue surpluses, it is not necessary to include any provision for transfer to the sinking fund in respect of new loans. Provision for transfer to the sinking fund in the case of loans already floated would, however, continue to be made in accordance with the terms of the loans. The earlier estimates did not provide for recovery from the Famine Relief Fund of the expenditure to be incurred next year on flood relief operations. After including the transfer of Rs. 50 lakhs from revenue to the Famine Relief Fund next year, the Fund would have a balance of Rs. 1.7 crores at the end of the year. It is accordingly proposed that flood relief expenditure to the extent of Rs. 63 lakhs next year may be recovered by transfer to the Fund.

17. The revenue expenditure of Rs. 45.29 crores in the coming year represents an increase of Rs. 2.7 crores over the current year's revised. A major factor accounting for this increase is the liability of over Rs. 6 crores per year thrown on the State budget on account of committed expenditures as a result of the completion of the schemes included in the Second Five-Year Plan. The Third Finance Commission are expected to take this factor into account in the scheme of financial assistance to the States to be recommended by them.

18. The details of the provisions included under the various heads have been explained in the Explanatory Memorandum and in the White Paper accompanying the budget documents. It is not, therefore, necessary for me to repeat them here. While it has not been possible to keep the revenue expenditure within the revenue resources available to the State, it shall be our endeavour to explore every avenue of increasing the revenues of the State. The State Government have already appointed a Taxation Enquiry Committee for this purpose. The recommendations of the Committee when received will be considered and action taken on them with the least possible delay.

19. Provision has been made next year for capital expenditure of Rs. 17.19 crores showing an increase of Rs. 4.27 crores over the current year's revised. Next year's estimates provide Rs. 15.35 crores for Plan schemes including Rs. 44 lakhs for the schemes in the Central sector and the balance of Rs. 1.84 crores for various non-Plan schemes including Police and other housing schemes and capitalisation of interest charges on the construction of the second stage of the Hirakud Project.

20. Provision has also been made next year for the repayment of loans to the Central Government and other parties of Rs. 4.64 crores and loans and advances by the State Government of Rs. 1.68 crores.

21. Summarising, the State Government will require Rs. 4.19 crores for meeting its revenue deficit, Rs. 17.19 crores for capital expenditure, Rs. 4.64 crores for repayment of loans and Rs. 1.68 crores for loans and advances, totalling in all Rs. 27.7 crores. Credit has been assumed next year for a fresh market borrowing of Rs. 4 crores, loans from the Central Government of Rs. 20.55 crores including Rs. 14.5 crores for Plan schemes and Rs. 1.5 crores from Small Savings, Rs. 1.36 crores from the repayment of loans advanced by the State Government, Rs. 39 lakhs as loans from the Reserve Bank in respect of co-operatives and from the Life Insurance Corporation for housing schemes and Rs. 1.86 crores as the net accrual under the other debt deposit heads. The total capital receipts would accordingly amount to Rs. 28.16 crores yielding a net surplus on both Revenue and Capital account of Rs. 46 lakhs which would increase the closing balance for the year to Rs. 2 crores.

22. With the completion of the Hirakud and Machhkund Projects and the coming into full production of the Rourkela Steel Works, Orissa State will reach a significant stage in the programme of planned development. Nature has endowed the State with rich mineral and forest resources offering great potential for further development. Given proper leadership, I have no doubt that the State will, before long, reach the level of development of the other more prosperous parts of the country and play an effective role in India's progress and prosperity.

