GOVERNMENT OF ORISSA

Speech of

Shri Rajendra Narayan Singh Deo
Chief Minister, Orissa
Presenting the Budget Estimates
For the year 1969-70
TO THE ORISSA LEGISLATIVE ASSEMBLY

SIR,

I rise to present to this august House, the Annual Financial Statement of the Government of Orissa for the year 1969-70.

2. While presenting the previous two Annual Financial Statements, I had made reference to the urgent need for reorientation in Centre-State relations in the light of the complex political developments arising out of the last general election. Results of the recent mid-term elections held in a number of States further highlight the need for smooth Centre-State relations, based on well defined principles, so that political stability and economic development could be facilitafed in an atmosphere of mutual trust and confidence among the Governments at the Centre and in the States.

ECONOMIC SITUATION

3. The past few years have been a period of considerable suffering in our country. There was sharp decline in agricultural production largely due to unfavourable weather conditions. Recession in industrial production and failure of the devaluation to significantly improve the balance of payments position of the country also led to abnormal rise in prices. National income which had reached a fairly high level in 1964-65 declined considerably and there was corresponding decline in *per capita* income in the country. The national *per capita* income which stood at Rs. 338 (1960-61 series) in 1964-65 came down to Rs. 309 and Rs. 304 in 1965-66 and 1966-67 respectively. Thus, far from there being any improvement in the standard of living due to implementation of the Third Five-Year Plan, the national economy, in fact, slided backwards. The year 1968-69 however, opened with a note of optimism for the national economy because of record production of food-grains in 1967-68 in some of the agriculturally advanced States. In the year 1967-68, national income registered substantial increase for the first time since 1964-65 and national *per capita* income increased to Rs. 324. This improvement

is almost entirely due to increase in agricultural production. In 1968-69 also, favourable developments are reported to have taken place in the national economy. National *per capita* income is reported to have gone up further, and what is more important is that prices appear to be declining.

4. In Orissa, however, the stresses and strains which developed since 1965-66 continue to be felt. Although the year 1967-68 had started with bright expectations, recurrence of unfavourable weather conditions belied hopes of a bumper harvest. In 1968-69 also, the monsoon again let us down and the unprecedented cyclone which swept over the coastal districts in October, 1968 caused extensive damage to property. Over 60 per cent of the income of the State being drawn from agriculture, continued damage to crops due to recurrence of drought, floods and cyclone has depressed the State economy and consequently, *per capita* State income has not kept pace with increase in national *per capita* income.

PRICES

5. The Working Class Consumer Price Index (base 1949) for All India stood at 169, 191 and 213 during 1965-66, 1966-67 and 1967-68 respectively. It has increased only to 219 by October, 1968. The corresponding for Cuttack were 188, 213, 244 and 249 respectively. Thus, the earlier steep increase in prices appear to have been somewhat arrested during the current year. This is largely due to avoidance of large scale deficit financing by the Centre and the States. Price stability is essential for any sizeable development programme and this is a welcome sign.

NATURAL CALAMITIES

6. As Honourable Members are aware, the State is in the grip of drought successively for the last four years. Low rainfall in the period from June to September, 1968 caused extensive damage to early variety of khariff paddy in several parts of the State, and millets such as ragi were also

damaged. There was acute distress particularly in the districts of Cuttack, Puri, Balasore, Ganjam, Sambalpur, Sundargarh and Bolangir. Government, therefore, took up relief works in these areas. An assessment of the medium variety paddy crop revealed that even that crop had been damaged considerably due to drought conditions in the districts of Bolangir, Sambalpur, Sundargarh and Mayurbhanj. Test relief works, therefore, continued in those districts till the end of January, 1969. On the advice of a team of Officers of the Central Government, the extent of relief expenditure necessary was assessed at Rs. 547 lakhs including disbursement of Taccavi loans.

7. The usual occurrence of flood had its visitation in 1968 also. The severity of the flood was particularly acute in the district of Balasore. Government had taken up necessary relief operations in the affected areas and had taken all possible steps to alleviate suffering of the people.

8. The most severe natural calamity, however, occurred in the form of cyclone, in October, 1968, causing large scale damage to property in the districts of Cuttack, Puri and Ganjam. Details of damages and relief measures undertaken in connection with this have been furnished in a White Paper, copies of which were given to Honourable Members during the previous session of the Assembly. A team of Officers of the Central Government had visited the State to assess the expenditure on relief operations in this connection. After discussions with Officers of the State Government, the Central Team has recommended expenditure of Rs. 533 lakhs on relief measures including disbursement of loans and restoration and repairs of roads, embankments, irrigation projects, buildings, etc. Relief operations have been taken up accordingly and are being continued.

9. With this background, Sir, I would now like to present a picture of the Actuals of 1967-68 and Revised Estimates for the current year before presenting Budget Estimates for 1969-70.

ACCOUNTS 1967-68

10. The State Government's accounts for the year 1967-68 had opened with a debit balance of Rs. 651 lakhs, but closed with a surplus of Rs. 53 lakhs. Improvement in the balance position was largely due to increase in Government's indebtedness to Reserve Bank of India by Rs. 613 lakhs.

REVISED ESTIMATES 1968-69

11. The Budget Estimates passed by this House in March, 1968 had envisaged surplus of Rs. 12 lakhs. In the meantime, it has been noticed that receipts would be less than the earlier estimate. This is partly due to the fact that some of the measures contemplated for mobilisation of additional resources could not be implemented; and partly because of anticipated short fall in other receipts. Government have also undertaken additional liability for payment of Dearness Allowance at enhanced rates sanctioned with effect from 1st March, 1968, and have increased grants for aided institutions like Universities. Besides, repayment of outstanding debt to Reserve Bank of India and increased burden of interest payment have added to our problems. As a result, Government have had to prune the Plan to some extent, and to take recourse to other economy measures Action has also been taken to recover outstanding loans, and to reduce the outstanding advances in respect of Suspense, and Remittances. In spite of these efforts however, there would still be a sizeable gap in our resources for the current year which we hope to bridge with the help of *ad hoc* assistance of the order of Rs. 12 crores from Government of India. On this assumption, the accounts for the current year are expected to close with a surplus balance of Rs. 25 lakhs.

FINANCE COMMISSION

12. At this stage, Sir, I would like to invite attention of Honourable Members to the Fifth Finance Commission which is currently engaged in the task of examining issues

relating to devolution of federal finance. For a State like Orissa with inherent weakness in the financial structure due to under-developed nature of the economy, federal devolution has far reaching consequences. As Members are aware, federal devolution on the basis of recommendations of the Fourth Finance Commission would have normally remained in force till 1970-71, coterminous with the Fourth Five-Year Plan as envisaged earlier. Subsequently, commencement of the Fourth Plan was delayed till 1969-70, and the Fifth Finance Commission was constituted by the President with Shri Mahavir Tyagi as the Chairman, to make recommendations on various issues relating to federal finance, to cover the period of the new Fourth Five-Year Plan. This Commission had been asked to submit interim recommendations particularly relating to the year 1969-70, which the Commission has already done. The final recommendations of the Commission are now awaited.

13. The interim recommendations of the Fifth Finance Commission have caused profound disappointment for us. On the basis of these recommendations, the Government of Orissa is likely to get Rs. 48·93 crores in 1969-70 by way of grants and share of Central taxes. The various States had shown an aggregate Revenue deficit of Rs. 1284 crores. The Commission, however, had to take into account the resources available with the Central Government and, therefore, recommended an allocation of only Rs. 672 crores in favour of the States. As the Commission did not have adequate time to consider the various claims of the State Governments, it recommended, in its Interim Report, continuance of the existing order of transfer of federal resources in most cases on provisional basis pending final assessment of the requirements of the various States.

14. We had represented before the Finance Commission that due to paucity of resources, the State Government have not been able to satisfactorily maintain roads, buildings and irrigation projects. Grants to aided institutions as well as Government expenditure on schools, colleges, hospitals and dispensaries have also been substantially lower than what is

required for running these institutions at a reasonable level of efficiency. This had been a painful task for the State Government and we had stated that we were anxious to arrest further deterioration in the public properties by providing for maintenance of these at reasonable rates. Since the grants-in-aid and share of taxes available to us in 1969-70 on the basis of the interim recommendations of the Finance Commission are on the existing basis it will not be possible for us to augment maintenance grants, nor are we in a position to provide for larger transfers to the Famine Relief Fund for which we had made out a case. What is even more distressing is that we are unable to provide for amortisation of loans because the Finance Commission has based its interim recommendations on requirements for cash expenditure only and has not provided for transfers to cover amortisation charges. These and some other essential needs would entail a further expenditure of about Rs. 17 crores, which is not being provided for the present.

15. The Commission has not taken any decision regarding repayment of loans either. As Hon'ble Members are aware, there is a crushing burden of debt on the State Government. At the end of 1968-69, outstanding debt of the State Government is estimated at Rs. 419 crores. Out of this, as much as Rs. 33 crores is required to be repaid in 1969-70 excluding Floating Debt. Details of the debt burden are furnished in Appendix A. The burden is too heavy to be treated casually. According to the existing arrangements, the interest burden of the State Government is no doubt taken into account by the Finance Commission for computing Revenue deficits to be covered by grants-in-aid, but repayment liabilities are excluded from these considerations. States like Orissa with deficit in the Revenue Account have, therefore, been compelled to obtain fresh loans in order to discharge their liabilities for repaying old debts. Loans have thus paradoxically become self-perpetuating rather than self-liquidating. As the debt burden increases, the State Government depends more and more on the Centre for obtaining further loan to meet repayment liabilities. Since sanction of loan assistance is discretionary, States' autonomy

is seriously jeopardised. We had, therefore, urged that the Finance Commission should take cognisance of this and should provide for adequate transfer in its scheme of devolution to enable the State to meet repayment liabilities. Receipts accruing from projects on which loan capital is invested form part of Revenue receipts of the State. Repayment of loans which are not amortised should, therefore, constitute a valid charge on the Revenue Budget, barring a small portion which can be repaid out of recoveries of loans advanced by the State. The net repayment liability should, therefore, qualify for grant under Article 275(1) of the Constitution. The Finance Commission has not made any recommendation in this regard in its interim report. While considering the question of overdrafts, however, the Commission has recognised the difficulties of the States in regard to repayment of loans. It has observed that repayments have been growing very steeply while non-Plan capital receipts have not shown any such growth. The Commission has recommended that if in spite of best efforts, the capital Budget of a State cannot be balanced, the Central Government should consider deferring the repayment of loans by State Government to the necessary extent. Their firm decision indicating the likely relief has, however, not yet been received by us. As a result, a large Capital deficit is anticipated in 1969-70, over and above deficit in the Revenue account due to inadequate transfer of federal resources on the basis of interim recommendations of the Fifth Finance Commission.

PAY COMMISSION

16. As the House is aware, a Pay Commission has been constituted under the Chairmanship of Honourable Justice Shri A. Mishra, Judge of the Orissa High Court. The Commission is expected to submit its report regarding revision of scales of pay, allowances, etc. very soon. In the mean-time, Government of India have further increased the rates of Dearness Allowance of their employees with effect from 1st September, 1968. As the report of the Pay Commission is expected soon, it has not been considered expedient to further revise the rates of Dearness Allowance of the State

Government employees. Since final recommendations of the Pay Commission are not available and as the Finance Commission has not taken into account expenditure on this account in its Interim Report, no provision is being made in the Budget for the present. The expenditure may have to be provided in the Supplementary Budget in due course.

BUDGET ESTIMATES 1969-70

17. I now present before the House broad outlines of the Budget Estimates for 1969-70. As stated by me earlier, the current year is likely to close with a surplus of Rs. 25 lakhs on the assumption that *ad hoc* assistance would be available from the Government of India to tide over our present difficulties. Total Revenue Receipt during the next year on the basis of the existing rates of levy is estimated at Rs. 105·73 crores, and the non-Plan Revenue Expenditure is expected to be of the order of Rs. 117·06 crores, which includes committed expenditure on Plan schemes implemented during 1966-69. Thus, there is likely to be a non-Plan Revenue deficit of the order of Rs. 11·33 crores in 1969-70. In the Plan Sector, expenditure on Revenue account for which provision has been made in the Budget of the State Government is Rs. 13·85 crores. Central assistance in the form of grants for meeting this expenditure is estimated at Rs. 12·90 crores only. Thus, Revenue deficit in the Plan Sector is likely to be of the order of Rs. 0·95 crore on the basis of the existing rates of taxation. The total deficit, therefore, comes to Rs. 12·28 crores.

18. In the Capital account, receipts and disbursements are estimated at Rs. 204·93 crores and Rs. 218·58 crores respectively resulting in a deficit of Rs. 13·65 crores. These estimates include Public Account transactions and cover both Plan and non-Plan sectors. Capital receipts include Rs. 5·5 crores which the State Government propose to obtain as loan from the open market for financing development schemes, and the estimate of disbursements includes Rs. 27·54 crores for repayment of loans to the Government of India.

19. These estimates would reveal that transactions of the State Government during 1969-70 would result in a Revenue deficit of Rs. 12·28 crores at existing rates of levies and a Capital deficit of Rs. 13·65 crores. The over-all deficit at existing rates of taxation is, therefore, estimated at Rs. 25·93 crores. As Hon'ble Members would notice, the deficit is substantial and may even appear to be alarming. Bulk of the deficit in the Capital account arises due to heavy repayment liabilities in respect of loans obtained by the State Government in the past. As stated earlier, repayment falling due in 1969-70 in respect of Central Government loans alone is of the order of Rs. 27·54 crores. In the Revenue account, estimates of expenditure and receipts have already been made on the basis of essential needs and feasibilities. To reduce the anticipated deficit, however, Government propose to undertake a number of additional resource mobilisation measures and expect an yield of Rs. 2·75 crores during the ensuing year. The measures proposed to be implemented are :—

(i) Increase in the rate of Cess

(ii) Increase in Cess Revenue due to settlement operations.

(iii) Salami for leasing Government land

(iv) Rationalisation of the system of assessment of Agricultural Income-Tax.

(v) Rationalisation of rates of Stamp Duties

(vi) Reorientation of Excise Policy

(vii) Revision of rates of Sales Tax

(viii) Imposition of Tax on passenger fares

(ix) Revision of rates of tax on motor vehicles

(x) Levy of Toll on lower reach of the Expressway

(xi) Additional income from forests

(xii) Additional income from Royalty on minerals.

When the estimated yield of these measures is taken into account, the Revenue deficit comes down to Rs. 9·53 crores, and the over-all deficit comes down to Rs. 23·18 crores. With an opening credit balance of Rs. 25 lakhs, the accounts for the year are, therefore, likely to close with an over-all debit balance of Rs. 22·93 crores. This appears to be inescapable, as the State Government have taken all possible steps to augment receipts and to restrict expenditure to the absolutely essential items.

20. Our proposals for rescheduling repayment of Central loans in accordance with the recommendations of the Fifth Finance Commission are, at present, under consideration of the Government of India. The final award of the Fifth Finance Commission will also be available during the course of the year. We have had detailed discussions with the Commission at Bhubaneswar in January, 1969, and we expect the Commission to appreciate the special needs of Orissa and to place our finances on an even keel. Thus, by way of rescheduling of Central loans and additional devolution of federal resuorces on the basis of final award of the Fifth Finance Commission, there should be substantial addition to the State's resources. These resources are expected not only to wipe out the deficit but also to provide surplus for provision of funds for (i) amortisation of loans as hitherto, (ii) implementation of the recommendations of the Pay Commission, (iii) larger transfers to the Famine Relief Fund, and (iv) augmentation of provisions for essential maintenance expenditure and other inescapable expenditure referred to earlier.

FOURTH FIVE YEAR PLAN

21. The new Fourth Five Year Plan will commence from 1969-70. It is a matter of regret that the outlay on the Plan and the programmes to be implemented have not yet been finalised because of uncertainty regarding resources available for financing the Plan. As Hon'ble Members are aware, due

to delay in commencement of the Fourth Five Year Plan, development programmes were being implemented through the medium of Annual Plans since 1966-67. The practice has to be extended to 1969-70 also, even though it marks the first year of the Fourth Plan period.

22. As the Hon'ble Members are aware, the following formula has been evolved by Committee of the National Development Council regarding distribution of Central Plan assistance among States.

(*i*) On the basis of population	60 per cent
(*ii*) On the basis of *per capita* tax effort compared to *per capita* income.	10 per cent
(*iii*) On the basis of *per capita* income amongst the States whose *per capita* income is less than the All-India average.	10 per cent
(*iv*) On the basis of spill over expenditure on major irrigation and power schemes.	10 per cent
(*v*) On the basis of special problems of individual States.	10 per cent

I had made it clear that the total Plan outlay of a backward State like Orissa should, in no circumstance, be less than the outlay to which the State is entitled on the basis of its population. As the tentative figure for States' Plan outlay is Rs. 6,500 crores, Orissa should not have a Plan of less than Rs. 265 crores.

23. The Central assistance for the State's Fourth Plan has been tentatively indicated at Rs. 158·66 crores. In addition, we expect to raise loans from Central Financing Agencies for specific purposes to the extent of Rs. 20·50 crores. Regarding additional resource mobilisation by the State Government, the Planning Commission suggested a