GOVERNMENT OF ORISSA

Speech of

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Chief Minister, Orissa
Presenting the Budget Estimates
For the year 1970-71
TO THE ORISSA LEGISLATIVE ASSEMBLY

SIR,

I now stand to present to this august House the Annual Financial Statement of the Government of Orissa for the year 1970-71.

2. The current year has been eventful in many ways. It has witnessed the fantastic and yet real spectacle of man landing on the moon. It has also constituted a land mark in the political history of India due to split in the Indian National Congress. With the spliting up of the Congress which was so far the dominant political force in the country, though not in Orissa, a new era has been ushered in. I hope that forces of democracy and secularism will ultimately triumph so that individual liberty and economic development can be promoted in an atmosphere of mutual trust and confidence.

ECONOMIC SITUATION

3. As Hon'ble Members are aware, the years 1965-66 and 1966-67 constituted a period of considerable suffering in our country. There was sharp decline in agricultural production largely due to unfavourable weather conditions. Devaluation which was resorted to in 1966 failed to produce the desired improvement in the balance of payments, and to add to this, there was recession in industrial activity. All these had the cumulative effect of producing abnormal increase in prices, and there was fall in national income in real terms. Fortunately, the economy took a favourable turn in 1967-68 largely due to improvement in production of food-grains. The developments in the Indian economy during 1968-69 were characterised by maintenance of a high level of food-grains production, considerable recovery in industrial output, and

improvement in foreign exchange reserves. National income at 1960-61 prices recorded an increase of 3 per cent over nearly 9 per cent rise in 1967-68.

4. In Orissa, the recovery from recession has been rather slow. Although the year 1967-68 had started with bright expectations, recurrence of unfavourable weather conditions belied hopes of a bumper harvest. Consequently, Orissa's economy continued to operate at a low ebb in 1967-68. In 1968-69, however, the State's economy showed remarkable improvement. This was largely due to increase in agricultural production. The State income which was estimated at Rs. 474 crores in 1967-68 increased to Rs. 506 crores in the subsequent year, thus registering an increase of 6·7 per cent. Hon'ble Members would notice that increase in the State income of Orissa in 1968-69 over the level reached in the previous year is more than double the increase registered in national income in the same period. There has been considerable increase in the *per capita* State income also. In 1967-68 the *per capita* State income of Orissa was Rs. 238 while in the subsequent year it rose to Rs.249.

5. The All India Working Class Consumer Price Index with 1949 as the base stood at 169, 191, 213 and 212 during 1965-66, 1966-67, 1967-68 and 1968-69 respectively. The corresponding indices for Cuttack were 188, 213, 244 and 245. Thus, the steep increase in prices which occurred in the earlier years appears to have been somewhat arrested. With continued increase in production of food-grains as well as industrial output, prices are likely to stabilise if proper monetary and fiscal management could be ensured. I do hope that the Central Government who have the necessary powers in this respect will follow appropriate policies to ensure price stability which is essential for sustained economic growth.

NATURAL CALAMITIES

6. As in previous years, the State had its share of flood and drought in 1969 also. All districts except Sambalpur, and Sundargarh were affected by flood which caused considerable damage to property. Emergent relief measures were taken up and restoration operations were subsequently started.

7. Eratic behaviour of the monsoon caused not only flood but also drought in certain areas. A dry spell in late September and October, 1969 had caused considerable apprehension of danger to the medium and late varieties of paddy crop. The crop was, however, saved to some extent by providing irrigation through supply of pumps, and construction of cross-bunds in water courses.

8. Government of India had sent a team of officials to Orissa on the request of the State Government to assess the damage caused by flood. The team went round the affected areas and on its recommendation Government of India fixed a celling of Rs. 364 lakhs for expenditure on relief and restoration works during 1969-70. In addition to this, Central Government has allocated Rs. 70 lakhs for restoration of works damaged by cyclone of the previous year. Works have been taken up accordingly and steps are being taken to complete them soon.

FOURTH FIVE-YEAR PLAN

9. The size and content of the Fourth Five-Year Plan of India have not yet been determined even though the first year of the Plan period is about to be over. The Fourth Plan for Orissa has, therefore, not taken any final shape. The Planning Commission has tentatively allocated Rs. 160 crores as central assistance for Orissa's Fourth Plan. In addition, negotiated loans

of the order of Rs. 28 crores are likely to be available, and the State Government propose to mobilise additional resources of the order of Rs. 35 crores. There are indications that these resources would be available for Plan financing. Accordingly, resources in sight now for financing the State's Fourth Five-Year Plan are of the order of Rs. 223 crores.

10. An outlay of this order is extremely inadequate for Orissa which is one of the most under-developed States in the country having abundant potentiality for development. With 4·1 per cent of population, the State's income accounts for only 2·5 per cent of the national income. In spite of the first three Five-Year Plans, Orissa's share in the national income in 1965-66 was the same as it was 15 years earlier. The economic infra-structure in the State continues to be comparatively under-developed, and sizeable pockets of the population are illiterate and backward. Only higher doses of investment can pull up the State's economy. The State Government had estimated that in order to raise the *per capita* income of Orissa to the All India level by 1973-74, a total outlay of Rs. 1320 crores will be required during the five-year period 1969—74. However, even to maintain the present level of disparity of income, a combined outlay of Rs. 750 crores will be required for the State Plan, Central Plan and investment in the private sector. Taking the share of the State's outlay in the total outlay at 35 per cent, a minimum outlay of Rs. 265 crores is required for Orissa's Fourth Five-Year Plan in order to achieve a five per cent rate of growth, and to prevent the State's economy from sliding backward. We have, therefore, urged the Planning Commission to adopt a special approach to enable the State to have plan programmes with an outlay of at least Rs. 265 crores for the five-year period 1969—74.

FIFTH FINANCE COMMISSION

11. At this stage, Sir, I would like to invite attention of the Hon'ble Members to the final recommendations of the Fifth Finance Commission which have since been accepted by Government of India. I had mentioned last year that the interim recommendations of the Fifth Finance Commission had caused profound disappointment to Orissa. The final recommendations of the Commission have been even more disappointing. On the basis of the final recommendations, Orissa would get Rs. 250·68 crores during the five-year period 1969—74 as share of taxes, and grants-in-aid under Article 275(1) of the Constitution. This amount is no doubt higher than what the State was to get on the basis of the recommendations of the previous Finance Commission but it still leaves a large deficit in the non-Plan account of the State Government.

12. One of the major problems facing the country now is the one relating to regional disparities in incomes and opportunities. If timely steps are not taken to remove these disparities, the result would be increasing regional imbalance which would ultimately threaten the basic unity of the country. The National Development Council has already taken note of this in prescribing a formula for distribution of Central Plan assistance giving certain weightage in favour of weaker States. Hon'ble Members are already aware of this formula. The formula which has been accepted by the Central Government would, however, be meaningful only if finances of all States in the non-Plan sector are first brought to a level of parity. Otherwise, whatever edge a State might get in the allocation of Central Plan assistance due to backward nature of its economy, may be more than counter-balanced either due to deficits in its non-Plan sector, or due to emergence of surplus in the non-Plan accounts of prosperous States.

13. The recommendations of the Fifth Finance Commission have been particularly disappointing for us because these recommendations would enable seven States to derive non-Plan revenue surplus to the extent of Rs. 1271 crores while the remaining ten States including Orissa will have no surplus at all. On the other hand, some of the weaker States like Orissa will have substantial deficits. Enabling some States to derive sizeable revenue surplus on the basis of the Finance Commission's recommendations while depriving others of similar benefits would undoubtedly lead to further accentuation of regional imbalance. The recommendations of the Finance Commission would have the effect of making the rich States richer while leaving the weaker States to suffer more and more. The long term consequences of this would be very grave.

14. The Fifth Finance Commission was set up ahead of schedule to synchronize its award with the Fourth Five-Year Plan. As I have mentioned earlier, the Fourth Five-Year Plan for India has not yet been finalised even though the first year is about to be over. According to original schedule, the Fourth Plan was to commence from 1966-67. As Hon'ble Members are aware, instead of the Fourth Five-Year Plan we had a series of Annual Plans. It was expected that the period of Annual Plans would end in 1968-69 and the Fourth Five-Year Plan would start from 1969-70. In actual practice, however, the Annual Plan period has not only continued in 1969-70 but is going to be extended to 1970-71 also. Commencement of the Fourth Five-Year Plan from 1969-70 has been only notional.

15. Since the award of the Fifth Finance Commission has been very unsatisfactory for weaker States, it would not be desirable to keep the award valid for a full term of five years. It would be a matter of

prudence to set up a new Finance Commission immediately to have a fresh look at the problems of federal devolution with special reference to the needs of weaker States. The Annual Plan period which is virtually being extended to 1970-71 may be formally acknowledged to cover the five year period from 1966-67 to 1970-71 which in fact it is going to cover, and a new Fourth Five-Year Plan may be formulated to commence from 1971-72. The award of the new Finance Commission which is proposed to be set up may be made co-terminous with this new Fourth Five-Year Plan.

16. The terms of reference of the new Finance Commission should require the Commission to recommend suitable measures for bringing the finances of all States in the non-Plan Sector to a level of parity so that weighted transfers of Central Plan assistance in favour of under-developed States could produce the desired result of reducing regional imbalance. The objective of balanced regional development of which we have heard a good deal can never be achieved unless suitable policy directions of the nature suggested here are given by the Union Government.

17. With this background Sir, I would like to present a picture of the accounts for 1968-69 and the Revised Estimates for the current year before presenting Budget Estimates for 1970-71.

ACCOUNTS 1968-69

18. The accounts for the year 1968-69 furnished by the Accountant-General, Orissa indicate a closing debit balance of Rs. 7·49 crores. The debit balance would have been larger but for increase in the State Government's indebtedness to Reserve Bank of India.

REVISED ESTIMATES 1969-70

19. The Budget Estimates for the current year as passed by this House had envisaged a surplus opening balance of Rs. 25 lakhs on the assumption that *ad hoc* assistance of the order of Rs. 12 crores would be available from Government of India in 1968-69. The *ad hoc* assistance was not received and the accounts for the year 1968-69 closed with a debit balance of Rs. 7·49 crores as mentioned earlier. In addition to this, the State Government's indebtedness to the Reserve Bank of India increased to the extent of Rs. 15·92 crores by the end of 1968-69 due to short-fall in the balances of the State Government. The accounts for the current financial year have, therefore, opened with a debit balance of Rs. 7·49 crores and further, the State Government has to repay to the Reserve Bank Rs. 15·92 crores which it received in the previous year.

20. With an anticipated opening credit balance of Rs. 25 lakhs, accounts for the current year were expected to close with a deficit of Rs. 22·93 crores. Since the year actually opened with a debit balance of Rs. 7·49 crores, the deterioration in the opening balance amounted to Rs. 7·74 crores. Besides, the State Government will repay to the Reserve Bank Rs. 15·92 crores which had not been assumed in the Budget. The real deterioration in the opening balance, therefore, amounts to Rs. 23·66 crores. When this is taken into consideration, the closing debit balance of Rs. 22·93 crores envisaged in the Budget would increase to Rs. 46·59 crores.

21. The Annual Plan outlay for the current year as approved by Government of India was Rs. 32·20 crores. To this was added Rs. 1·20 crores of additional borrowing by the Orissa State Electricity Board, taking the total to Rs. 33·40 crores. Recently

Government of India have allocated a further sum of Rs. 3·35 crores for augmenting the Annual Plan outlay of Orissa, to be utilized for financing the Balimela Project and Minor Irrigation Schemes. Accordingly, the Annual Plan Outlay for the current year has increased to Rs. 36·75 crores. This would have had the effect of increasing the deficit further, but the State Government have, taken certain steps to reduce the overall deficit. Instructions have been issued for realisation of arrear revenues, for recovery of overdue loans, and also to step up collection of current dues of the Government wherever possible. Careful watch has been kept over additional expenditure commitments. As a result of these measures, it is expected to scale down the anticipated deficit to Rs. 32·09 crores.

22. I would like to mention here that this Revised Estimate of anticipated deficit has been made on the assumption that the State Government will repay to Government of India the entire amount of loans falling due, and all the interest charges in respect of these loans on accrual basis. The amount of loans due for repayment to Government of India this year is of the order of Rs. 39·16 crores and the interest payments would amount to a further sum of Rs. 15·78 crores. Hon'ble Members might recall that while considering the question of overdrafts, the Fifth Finance Commission to whom the matter was referred by the Government of India had recognised the difficulties of the States in regard to repayment of Central loans. The Finance Commission had observed that repayments had been growing very steeply while non-Plan capital receipts had not shown any such growth. The Commission had recommended that if in spite of best efforts, the capital budget of a State would not be balanced, the Central Government should consider deferring repayment of Central loans by the State Government to

the necessary extent. Since our anticipated deficit for the current year is largely on account of heavy repayments falling due to the Central Government, we have requested the Centre to provide us adequate debt relief so as to enable us to avoid overdrafts. Final decision of the Central Government in this matter is still awaited. We have, however, received encouraging response from them in this matter and since the deficit appears to be inescapable, we have assumed that *ad hoc* assistance of the order of Rs. 32·50 crores would be available from the Central Government either by way of debt relief or by way of fresh loan to enable us to avoid overdrafts. It has been further assumed that no part of this *ad hoc* assistance would be repayable during the next year. On these assumptions the Revised Estimate of closing balance for the current financial year is a surplus of Rs. 41 lakhs.

BUDGET ESTIMATES 1970-71

23. I would now present before the House broad outlines of the Budget Estimates for 1970-71. As stated earlier, the current year is likely to close with a surplus of Rs. 41 lakhs which would naturally constitute the opening balance for 1970-71. Revenue receipts during that year on the basis of 1968-69 rates of taxes and duties would be of the order of Rs. 110·76 crores. Non-Plan revenue expenditure is expected to be of Rs. 126·64 crores. Thus, there is likely to be a non-Plan revenue deficit of the order of Rs. 15·88 crores in 1970-71. In the Plan sector, expenditure on revenue account for which provision has been made in the Budget is Rs. 16·82 crores. Central assistance in the form of grants for meeting this expenditure is estimated at Rs. 15·60 crores. Thus, revenue deficit in the Plan sector is likely to be of the order of Rs. 1·22 crores without taking into considera-

tion the effect of additional resource mobilisation measures. The total revenue deficit for 1970-71 has, therefore, been estimated at Rs. 17·10 crores.

24. In the capital account, receipts and disbursements in the non-Plan sector have been estimated at Rs. 24·52 crores and Rs. 48·01 crores respectively, resulting in a deficit of Rs. 23·49 crores. The receipts include Rs. 7 crores which the State Government propose to obtain as loan from the open market, and the estimate of disbursement includes Rs. 32·43 crores for repayment of loans to the Central Government. Details of debt burden of the State are furnished in Appendix-A. In the Plan sector, receipts and disburse ments are Rs. 22·20 crores and Rs. 27·01 crores respectively, leading to a deficit of Rs. 4·81 crores. The total deficit in the Capital Account has thus been estimated at Rs. 28·30 crores.

25. In the Public Account, receipts have been estimated at Rs. 154·31 crores and disbursements are likely to be of the order of Rs. 146·21 crores leaving a surplus of Rs. 8·10 crores. I would like to mention here that although the Fifth Finance Commission had provided only nominal transfers to Sinking Funds for amortisation of loans, the State Government has made full provision in this respect to facilitate repayment of market loans in future. The transfers to the Sinking Funds which are provided as expenditure in the Revenue Account are available as receipt in the Public Account. Increased contribution to Provident Funds as a result of revision of scales of pay and dearness allowance would also account for surplus in the Public Account.

26. Thus transactions of the State Government during 1970-71 are expected to result in an overall deficit of Rs. 37·30 crores.

ADDITIONAL RESOURCE MOBILISATION

27. The anticipated deficit is so large that it is not possible for the State Government to wipe it out altogether. Efforts have, however, to be made to reduce the deficit to the extent possible. As mentioned earlier, revenue receipts have been estimated at 1968-69 rates of taxes and duties. The State Government has agreed to raise additional resources of the order of Rs. 35 crores during the five year period 1969-74. As a part of this programme, the State Government propose to undertake measures to mobilise a sum of Rs. 6·02 crores in 1970-71. Some of these, such as levy of tax on passenger fares, levy of toll on Expressway No. 2, rationalisation of Kendu Leaf trade, revision of rates of Sales Tax and launching of State Lottery have been already undertaken this year. Certain fresh measures are proposed to be introduced. The additional revenue of Rs. 6·02 crores in 1970-71 is proposed to be realised from the following sources:—

Increase in the rates of Cess

Salami for leasing Government lands

Rationalisation of the system of Agricultural Income Tax assessment.

Revision of Stamp Duties

Reorientation of Excise Policy

Revision of Sales Tax rates

Levy of Tax on Passenger Fares

Increase in Electricity Duty

Increase in Irrigation Rates

Increase in rates of Mining Royalty

Levy of Toll on Expressway No. 2

Additional income from Forest

Revenue from State Lotteries

When the estimated yield of these measures is taken into account, the revenue deficit comes down to Rs. 11·08 crores, and the overall deficit would be reduced to Rs. 31·28 crores. With an opening balance of Rs. 41 lakhs, the accounts for the year 1970-71 are, therefore, likely to close with an over-all debit balance of Rs. 30·87 crores. This appears to be inescapable as the State Government has taken all possible steps to augment receipts and to restrict expenditure.

28. Government of India has been informed that on the basis of the existing order of devolution, there is bound to be a large deficit in the budgetary position of Orissa not only now but for the entire Fourth Plan period. At present, Government of India is thinking of providing some *ad hoc* assistance by way of debt relief to meet the situation Central assistance either by way of deferring recovery of loans or giving fresh loans will certainly provide temporary relief to the Capital Budget of the State Government but it will not provide any lasting solution to the problems of imbalance between revenues and needs of weaker States.

PAY COMMISSION

29. The estimate of non-Plan expenditure mentioned earlier includes Rs. 8·24 crores towards revision of scales of pay, dearness allowance etc. As Hon'ble Members are aware, the Pay Commission constituted by the State Government has already submitted its recommendations. The cost of implementation of these recommendations has been estimated at Rs. 4·91 crores per year. I had given an assurance last year that the decision of the State Government on the recommendations of the Pay Commission which had been received would be given effect from 1st April, 1969. By that time, the State Government had received Pay Commission's recommendations in respect of Govern-