



GOVERNMENT OF ORISSA

Speech of Shri Binayak Acharya  
Minister, Finance  
Presenting the Budget Estimates  
1974-75

*TO THE ORISSA LEGISLATIVE ASSEMBLY*

The 3rd June 1974

Sir,

I extend a warm welcome to the Hon'ble Members as I rise to place before this august House the State Government's Budget Estimates for 1974-75. A quinquennium of developmental activities with their attendant travails comes to a close with the passing of fiscal 1973 and 1974-75 heralds the onset of the Fifth Five-Year Plan—another five years of hard, sustained and painstaking efforts, of even greater magnitude, to be nearer to our cherished goals of an affluent social order within the framework of a constitutional and socialistic democracy.

2. A vote-on-account was earlier obtained when the interim budget of the State for 1974-75 was presented in a short session of this House in March last. The budget for the whole financial year, recast and altered in some respects, is before the Hon'ble Members for their consideration. To appreciate the background of the estimates for 1974-75, I propose to briefly review in retrospect the state of the economy and their outline, the prospects and endeavours we have to put in both resources and otherwise to achieve our goals and the policy objectives. I share the anxiety and concern of all of you for the severe crisis and stresses and strains, manifest in the country's economy for some-time past and particularly during the preceding two years. The country does not seem to have fully recovered from the after-effects of the Bangladesh liberation war, successive widespread droughts causing set-backs in critical areas of food production

and industrial growth and the propensity of some sections of our countrymen to indulge in hoarding, profiteering, and such other malpractices which unleash a psychosis of scarcity and frustration in every sphere of national life. The most glaring symptom of the current economic malaise is the phenomenon of spiralling prices and the extreme hardship it has caused to weaker and vulnerable groups of people in the society. The wholesale price index of all commodities continued to surge forward. December, 1973 witnessed a rise of 26 per cent over the level for the corresponding period of the previous year. The twelve monthly average of All-India Consumers Price Index hurtled to 236 points by December, 1973 as compared to 202 points by December, 1972. One of the factors contributing to this unprecedented inflationary pressure is a large dose of money supply which according to the Reserve Bank of India Bulletin, November, 1973 was Rs. 1507 crores over the year ending 30th November, 1973 as against Rs. 961 crores over the previous year. But equally guilty are other factors such as indiscipline and inefficiency in our system and our capacity to organise at the slightest provocation, dislocation and bottle-necks. The staggering price situation in the country was aptly summed up by the President of India when he said, "..... the phenomenon of growing price rise has resulted in unsettling in a variety of ways the normal life of the community and has imposed hardships seldom known before". The hardware with which inflation is to be fought and contained is with the Central Government. A series of counter inflationary instruments have since been applied to the economy. But all I can say at this stage is that the challenges, if not squarely, have at least been well met. The

current perspective of the economy may leave much to be desired but it has not crashed down nor has it come to grinding halt as prophets of doom would prognosticate! I would like to take this opportunity to congratulate our people for their courage and fortitude in bearing with a difficult situation and our able leaders with the Prime Minister Smt. Indira Gandhi as the Captain, for steering the country through a very complex and problem-ridden period. The tasks before us are colossal and there cannot perhaps be a simple and straight "open sesame" to solve the many problems besetting the economy. But the deft and dexterous manner in which the strike of railmen was handled would once again resurrect the sagging confidence of people in the capacity and determination of the Government to enforce disciplines, needed to energise and work the national economy.

3. Our State could not perhaps remain away from the vortex of forces engulfing the national economy. The shadows were long and heavy even before the State's economy had had a breathing spell to regain its balance and rhythm, from the disastrous lashing of the 1971 cyclone followed by large scale drought and flood. To mitigate the shock of galloping prices a number of measures were enforced in this State to fortify the public distribution system by maximising procurement of paddy, distributing essential and other controlled commodities through a wider network of fair price outlets, introducing a card system in certain key areas of the State and progressively expanding it to cover other localities. The regulatory and enforcement aspects of the public distribution system were also strengthened to counter anti-social activities.

4. The projected *per capita* income of the State at the end of the Fourth Plan period was to be Rs. 267 against the All-India average of Rs. 388 at 1960-61 prices. The State income may be of the order of Rs. 614 crores at the commencement of the Fifth Plan. But fourteen million people of our State, out of the total population of twenty-two millions continue to lead a miserable and dismal life below the poverty line. Investments made in the economy during the Fourth Plan period are likely to generate some macro-level aggregate benefits but as the total size of the Fourth Plan at Rs. 252 crores was only marginally more than the Third Plan outlay of Rs. 225 crores, there could not be a major break-through in the slow rate of growth and stagnation in the State's economy. I must frankly admit that whatever has been achieved during the preceding plan periods and the Fourth Plan period in particular, is much too inadequate to lift the poor and down-trodden of our State from the morass of crippling poverty, squalor and ignorance. This awareness is at the back of our approach to the socio-economic blueprint of development as laid out in the Fifth Plan document. To correct the imbalance and distortion in the State's economy, priorities are to be re-ordered to subserve the basic objective of growth with justice. But our celebrations may be mere exercise in a void unless we continuously strive for higher and higher investments in the economy. The Fifth Five-Year Plan of this State contemplates larger outlays in various sectors of the economy so that over a period of time larger flows of supply and demand could be matched and higher growth rates could be achieved. May be for sometime to come our investment in the economy would keep us where we are but I see no reason why the hump shall not be crossed.

The tentative size of the State's Fifth Plan is fixed at Rs. 567.01 crores which is more than twice the outlay made during the Fourth Plan. Besides, investments of the private sector, of Central and Centrally sponsored schemes and other financial institutions are likely to be of a sizeable order. The first year of the Fifth Plan envisages an outlay of Rs. 71.40 crores, of which Rs. 59.62 crores would be in the State's own plan and the balance Rs. 11.78 crores in the plans of the Orissa State Electricity Board and the recently constituted Orissa State Road Transport Corporation. The Planning Commission expect us to raise additional resources of Rs. 75 crores in five years to sustain a State Plan of Rs. 567.01 crores and additional resources of the order of Rs. 8.56 crores are to be raised in 1974-75. The resources for financing the State Plan of Rs. 59.62 crores in 1974-75 should comprise of—

- (a) Central assistance .. Rs. 32.70 crores
- (b) Negotiated borrowings .. Rs. 2.60 crores
- (c) Balance from current Revenue. .. Rs. 1.44 crores
- (d) State's additional resources. .. Rs. 8.56 crores
- (e) Balance from the non-plan capital. .. Rs. 14.32 crores

5. I have already stated that the lasting solution to our inheritance of accumulated poverty and backwardness is more and more of investment in the economy. The tempo of development activities has to be kept up to mount a frontal attack on stagnation and declining growth if we are not to be overwhelmed and overtaken by the forces of reaction and conservatism.

Our additional resource mobilisation efforts in 1974-75 would have been of a much greater magnitude than Rs. 8.56 crores but for the Sixth Finance Commission's award. We were a non-plan special accommodation State throughout the Fourth Plan period and had to manage our non-plan budget with borrowings from Government of India which saddled us with higher debt servicing charges and repayment liabilities. The Sixth Finance Commission have recommended transfer of resources Rs. 577.32 crores for the State for the period 1974-79 whereas the Fifth Finance Commission's total award was a niggardly Rs. 287.37 crores. The scheme of debt relief devised by the Commission scales down our repayment liability on account of Central loans as outstanding on 31-3-1974 to Rs. 52.99 crores in five years as against Rs. 210.31 crores. We appreciate the pragmatic approach of the Commission and their realistic evaluation of the State's financial situation. But, I am afraid that their strategy to place State finances on an even keel may be set at naught as increasing dearness allowance commitments for State Government employees owing to rise in the cost of living index may erode the cushions tucked away here and there in the Commission's report. Government of India have improved upon the Third Central Pay Commission's formula of granting dearness allowance to their employees with every eight-point rise in the cost of living index. This has its repercussions on emoluments, etc. of State Government employees. The assumption that escalating prices are likely to enrich the coffers of a State may not be a viable proposition in a State like Orissa where consumption levels are low because of poverty and may become lower owing to spiralling prices. I would not be surprised if towards the end of the third quarter of the current financial year non-plan resources of the State are severely strained causing

larger budgetary deficits. Government of India may exhort to contain deficits and prudently manage the State's fisc. But as long as wide disparities in emoluments persist as between Government of India and State Government employees stationed at the one and the same locality tension and turmoil cannot be ruled out. However much we may wish to the contrary, State Government would have to dish out funds to compensate for dearer cost of living. I share the concern and anxiety in this context of our sister State, West Bengal for urgent and careful consideration of a national policy on wages, income and prices. Thus the current revenues of the State may not be expected to admit of large contributions to plan resources.

6. The Hon'ble Members may kindly appreciate that compulsions of the situation are clear. To launch a plan of the desired size and an investment programme of at least Rs. 59.62 crores in 1974-75 which may not even fully meet our needs we have no option but to raise additional resources of the order of Rs. 8.56 crores in 1974-75.

7. I, therefore, propose to reintroduce land revenue in the State which was abolished in 1970. But farmers having holdings of the size of two acres or less shall be exempted, in our scheme from payment of land revenue. The total yield from this measure in a full year is likely to be Rs. 1.50 crores. The Hon'ble Members may kindly appreciate that peasants in rural areas deriving benefits from massive investments made in agricultural infrastructure should simultaneously make a contribution to the State's efforts for bettering the lot of the more disadvantageously placed fellowmen.



7.1. The basic water-rate payable in Khariff season is proposed to be made compulsory and the rates are to be revised so that the annual additional yield from this measure would be of the order of Rs. 0.25 crore.

7.2. Foreign liquor forms a part of 'conspicuous consumption' of the privileged few in the State. I propose to impose a "Luxury Tax" on foreign liquor to yield an additional revenue of Rs. 0.15 crore during the current year.

7.3. Sales tax on non-essential goods is levied at 7 per cent at present. I propose to raise the maximum limit of tax to 10 per cent on sale of goods of such category and the tax-rate would be raised to 8 per cent. The additional revenue likely to be realised in 1974-75 from this measure may be of the order of Rs. 2.00 crores.

7.4. I also propose to enhance the rates of Electricity tariff/duty on selective basis to yield an additional revenue of about Rs. 0.77 crore during the current year.

7.5. Motor Vehicles Taxation rates for all categories of commercial vehicles including private motor-cars, motor-cycles and scooters, are proposed to be suitably increased. Freight rates have sharply risen to justify a higher level of taxation, yet in respect of a number of vehicle categories our taxation rates would be lower when juxtaposed against tax rates for comparable categories in the neighbouring States. An amount of Rs. 0.80 crore is expected to be realised from this measure in a full year.

7.6. Entertainment Tax is not subject at present to any surcharge. I intend levying a surcharge of 10 paise and 15 paise on tickets for admission to

entertainments costing less than one rupee and more than one rupee, respectively. This would yield an additional revenue of about Rs. 10 lakhs during the current year. This surcharge may marginally increase the cost of entertainment but I am sure, cinegoers would not grudge this levy in the larger interest of the State's development programme.

7.7. Rates of Court-fees stand unrevised since 1958 when rates were converted to the decimal system I propose to enhance Court-fee rates in some cases to yield an annual additional revenue of Rs. 0.05 crore.

7.8. Revision of bamboo royalty rates, increase of rates of royalty of minor forest produce, revision of rates of royalty payable by tenants, maximisation of return from Kendu Leaf trade are some of the important measures to be taken during the current year for realisation of additional revenue of Rs. 2 crores from forest resources.

7.9. A sum of Rs. 0.20 crore as food procurement bonus is expected to accrue to State Government in 1974-75 for financing the plan.

8. All the fiscal proposals as set out above and for which necessary legislation and other measures would be brought up in this session by the concerned Departments of Government may yield total additional resources of about Rs. 7.82 crores with a shortfall of Rs. 0.74 crore vis-a-vis our target of Rs. 8.56 crores.

9. The budget estimates under discussion, as the Hon'ble Members are aware, contemplate a total State Plan outlay of Rs. 59.62 crores in 1974-75. The sighted plan resources, however, come to Rs. 57.71 crores disclosing a deficit of Rs. 1.91 crores. This is owing to shortfall of Rs. 0.74 crore in additional

taxation efforts as stated earlier and inadequacy of the non-plan capital budget to generate a surplus in excess of Rs. 13.15 crores, although our requirement as indicated earlier is of the order of Rs. 14.32 crores. We shall endeavour to meet this deficit by effecting suitable economies in governmental expenditure—although its scope seems to be rather restricted—and by intensifying recovery of arrears of taxes and loans. If surpluses as expected do not materialise I may have to come up again before you for more taxation to save the plan, unless of course my esteemed friends in the Opposition have thoughts and ideas for mopping up resources from the inelastic inventory of revenues as set down in the State list of the Indian Constitution. I may state here that often a point is made that the State's unproductive expenditure should be curbed to plough resources to the plan. No doubt the State's non-plan expenditure, perhaps popularly classified as unproductive expenditure, is pushed up every year. But this is owing to growing multiplicity of governmental functions and larger size of development plans. Increase in non-plan expenditure is mainly on account of normal increase in wages, salaries, dearness allowance and maintenance expenditure of successively completed plan schemes. The State's non-plan resources had so far failed, as stated earlier, to keep pace with the rising commitments as we were a non-plan gap State and subject to searching scrutiny for any new scheme on non-plan account. The Sixth Finance Commission's award was a cheery note for us after years of stringency and tightening of belt. But ultimately our needs may far outstrip the resources. A short summary of the recommendations of the Sixth Finance Commission and their implications for our State is being separately circulated for benefit of Hon'ble Members.

10. The Fifth Five-Year Plan of the State with a tentative outlay of Rs. 567.01 crores has a provision of Rs. 149.38 crores to implement a programme of minimum needs in the State. This programme is the new strategy to ameliorate the conditions of the weaker and poorer sections of the community and provide for them certain social consumption facilities in the form of education, health, drinking-water, communication, electricity, housing and nutrition. Of the total investment of Rs. 71.40 crores in the first year of the Fifth Plan of the State, Rs. 13.21 crores or more than 18 per cent of the total plan outlay account for minimum needs. I would also like to mention here that in 1974-75 two lakh acres of land are to be distributed among the landless and these beneficiaries will be provided with necessary infrastructural support to utilise the land to improve their earning capacity and standard of living. The current year's plan has a larger outlay for economic uplift of Scheduled Caste and Scheduled Tribe people who constitute nearly 38.2 per cent of the State's total population in addition to benefits which would flow to them under the minimum needs programme. I wish we were in a position to have a plan of a higher order because the entire emphasis in the Fifth Plan has shifted to implementation of measures for improving the living conditions of poor and backward sections of the community. The current year's minimum needs programme envisages investment of Rs. 2.50 crores for elementary education, Rs. 4.06 crores for health, drinking-water and nutrition, Rs. 6.20 crores for rural communication and rural electrification and Rs. 0.45 crore for housing which includes Rs. 0.40 crore for distribution of house sites to landless labourers.

11. I would now proceed to discuss some salient features of the 1974-75 budget estimates of the State. The accounts for 1972-73 had disclosed a negative balance of Rs. 21.27 crores. This was only an accounting deficit as treasury bills of Rs. 16.13 crores and ways and means advance of Rs. 5.40 crores remained unadjusted when the States accounts for 1972-73 were closed. The total of treasury bill holdings and ways and means advance completely off-sets the negative balance yielding a surplus of Rs. 0.26 crore. Thus there was no overdraft although a negative balance appeared in the State's 1972-73 accounts. The budgetary deficit in 1973-74 was estimated at Rs. 2.04 crores. But revised estimates show that the year's transactions are likely to close with a plus balance of Rs. 0.59 crore, which for the 1974-75 budget is the opening balance.

12. The revenue budget of the State for 1974-75 has a provision of Rs. 231.44 crores towards expenditure against the total receipt of Rs. 230.07 crores. The deficit works out to Rs. 1.37 crores. Some of the expenditure proposals in the revenue budget are—Rs. 36.38 crores towards the plan, full teachers' cost for non-Government secondary schools a lump provision of Rs. 10.00 crores for implementations of the Fourth Pay Committee's recommendation which also takes into account the cost of equalisation of pay scales of non-Government Primary School teachers, upgradation grants totalling Rs. 0.98 crores for police, jails, and judiciary as recommended by the Sixth Finance Commission, enhanced allocation towards medicine and diet in hospitals and dispensaries and higher grants for maintenance of roads and other public properties. The most striking aspect of revenue receipts is the

increased provision of Rs. 56.97 crores as grants-in-aid under the Sixth Finance Commission's award which is more than threefold increase of the provision of Rs. 17.36 crores in 1973-74.

13.1. The State's Capital Budget for 1974-75 envisages total receipts of Rs. 286.27 crores and total disbursements of Rs. 286.80 crores resulting in a deficit of Rs. 0.53 crore in the year's transaction. Capital receipts in 1974-75 have assumed gross open market borrowings of Rs. 14.30 crores, gross negotiated borrowings of Rs. 2.60 crores and Central loan of Rs. 9.27 crores for small savings collections. The Capital account of the State in 1974-75 will bear a loss of Rs. 0.33 crore for concessional supply of coarse rice at reduced issue rates through the public distribution system.

The over-all budgetary position of the State for the year 1974-75 is :—

<u>Receipts</u>	<u>Expenditure/ Disbursements</u>
Rs. 516.33 crores	Rs. 518.24 crores

13.2. The opening balance of Rs. 0.59 crore would off-set a part of the over-all deficit of Rs. 1.91 crores and the year is likely to close with a net deficit of Rs. 1.32 crores. The State's public debt reaches a figure of Rs. 664.88 crores with presentation of this Budget. Details regarding the State's debt position are in the statement appended.

14. I wish to acquaint the House with the sectoral allocations of the State Plan provision of Rs. 59.62 crores in 1974-75 the break-up of which is :—

	(Rs. in lakhs)
Agricultural Programme including Minor Irrigation Projects.	10,85.25
Co-operation, Community Develop- ment.	268.00
Irrigation including Flood Control ..	12,70.00
Power excluding O. S. E. B. ..	10,90.00
Industries and Mining ..	310.03
<i>Transport and Communication in- cluding Tourism, excluding Orissa State Road Transport Corporation.</i>	441.00
Social Service ..	13,38.13
Miscellaneous ..	189.50
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Total ..	59,61.91 or say Rs. 59.62 crores.
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I have already made a reference to the minimum needs programme which may be said to be the core of this year's plan.

