



GOVERNMENT OF ORISSA

Speech of

Dr. Ram Prasad Mishra

Finance Minister, Orissa

Presenting the Revised Budget Estimates

For the year 1977-78

TO THE ORISSA LEGISLATIVE ASSEMBLY

September 6, 1977

SPEECH OF

DR. RAM PRASAD MISHRA

FINANCE MINISTER, ORISSA,

*PRESENTING THE REVISED BUDGET ESTIMATES
FOR THE YEAR 1977-78*

TO THE ORISSA LEGISLATIVE ASSEMBLY

Sir,

I consider it a privilege to present to this august House the first Budget of the Janata Government.

2. The massive mandate that the people of Orissa have given the Janata Party at the elections to the Legislative Assembly has not only reaffirmed their disapproval of the administrative and economic measures of the Emergency regime, but has also provided our Government an opportunity to reconstruct and develop afresh the strangled economy of the State. The ominous forebodings of the sceptic that the end of Emergency would be a false dawn and that disaster and doom were waiting in the wings to eclipse the scene again, have proved wholly wrong.

3. The programmes of the Janata Party, which are well-known by now, are based on the fundamental concept that socio-economic transformation is inseparable from political

equality and, in the final analysis, man is the ultimate measure of all achievements. We are committed to eradicate poverty, ignorance and disease, but only in a frame-work of democracy and individual freedom. Our social and economic programmes lay heavy emphasis on rural development, improvement of the lot of Adivasis, Harijans, and other weaker sections of the society, eradication of unemployment and expansion of social services.

4. Before I outline the budgetary details, I may share with the Hon'ble Members my thoughts on the current state and prospects of our economy.

5. Buffeted by the cross-currents of politics, and hit by the after-effects of an erratic monsoon and wide-spread drought in as many as 3341 Grama Panchayats last year, the economic prospects of Orissa did not look encouraging at the beginning of the current year. A psychosis of gloom and uncertainty loomed large everywhere, and there was a clear possibility of reduction in the State income and of widening gap between the National and State incomes *per capita*. The drought of 1976 had seriously affected agricultural production in the State. Compared to 45 lakhs tonnes in 1975-76, the production of rice slumped to 32 lakhs tonnes in 1976-77. The size of the population below poverty line went up from 64 per cent in 1971 to 85 per cent in 1975. Purchasing power of the people has declined and under-employment and unemployment of large numbers have become chronic features. Uneven distribution of income has further accentuated social and regional disparities. With only 2 per cent annual growth of State income, in the face of population growth at the rate of 2.5 per cent per annum, it has not been possible to tackle anti-poverty programmes successfully. However, in this gloomy background, a matter that gives us some comfort is the current level of food stocks. In spite of the shortfall in production due to unseasonal monsoon last year, it has been possible to

procure 1,17,000 tonnes of rice up to the end of June, 1977. This gives us wider options in the management of the food economy. In order to encourage free flow of rice and help in price-stabilisation, Government have rescinded the order which restricted inter-district movement of rice and paddy. Steps have also been taken to issue licences and permits to genuine wholesale traders to purchase and sell rice and paddy in different areas so that market conditions may improve and prices may attain an even level. The outlook for khariff crop during the current year is, by and large, bright so far. As in the previous years, the State is, no doubt, having its share of floods and drought in some vulnerable areas, but we hope that these would remain localised, and do not pose a serious threat to our economy.

6. The impact of the fall-out of inflationary forces, which has been disturbing the country for a long time, has accentuated the hardships of the common man in this State very noticeably. The price situation in the State, which is a reflection of the national price-trend, reveals a disquieting reversal of the declining tendency of prices in the early part of 1976. The all-India wholesale price index which had reached the peak level of 183.4 in September 1974, declined to an all-time low of 162.2 in March 1976, but the dramatic change proved a short-lived phenomenon. The price index thereafter maintained a consistently upward trend from April 1976 onwards reaching 181.5 in March 1977 and further rising to 187.7 in July 1977. A disconcerting feature of the present price situation is that it has come in the wake of good agricultural production and large quantities of foodgrains held in Government reserve. This no doubt is a reflection of low purchasing power, and points to the urgent need for remedial measures.

7. The factors which have significantly contributed to the price-rise are domestic shortages in cotton, edible oils and

pulses and excessive increase in money supply last year. The supply of money increased by about 17 per cent between March 1976 and March 1977, compared to which a mere 2 per cent growth in the national product during the same period was woefully low. We have inherited the legacy of a very difficult price situation resulting from lop-sided fiscal policies and distortions of the Emergency. Steps have, however, been initiated to bring the situation under control and to arrest the rising trend in prices. A multi-pronged attack has been launched at the national level to control the money supply, regulate the credit system, ensure greater production of mass consumption goods, improve the public distribution system, and bring about a shift in agricultural production to meet consumer needs of items like edible oil and pulses. While price-discipline is sought to be maintained on the principle of 'trust in trade', Government would not hesitate to take firm action if the trust is belied.

8. Sir, we have before us the challenging task of devising an effective strategy to deal with the problems of inadequate growth, crushing poverty, growing unemployment, regional imbalance and rising prices. These problems are inter-related and would need to be tackled simultaneously. The development strategy envisaged by us gives priority to rural development, with primacy to agriculture and village industries, provision of water supply, village roads, education and health services, and all round welfare of the weaker sections of the society. In the past, these sectors have not received a fair share of the investible resources and have not been able to register adequate progress. We are determined to rectify this trend in implementing development programmes.

9. Unemployment being one of our most pressing problems, urgent attention needs to be given to its solution. It is already well-appreciated that this problem cannot be solved by excessive reliance on industrialisation. What is needed is

creation of employment opportunities in rural areas themselves. Accelerated growth of agricultural production together with development of ancillary activities in repairing, servicing, transportation, etc. would increase the scope for employment in rural areas. Development of small scale and cottage industries would also contribute greatly to this effort. To ease the problem of unemployment in the urban areas, particularly among the educated, training and liberal financial assistance for self-employment would go a long way.

10. For implementation of these programmes, we need adequate resources. Although resource mobilisation by the Government has increased continuously, public saving has not gone up because non-developmental expenditure such as interest charges, salaries, wages, dearness allowance, etc. have gone up more than proportionately. Besides, public sector enterprises, of which we have quite a few, have not been earning adequate return on the capital invested in them. These shortcomings would need to be removed and efforts would be intensified to mobilise further resources, particularly by means of scientific development and exploitation of non-tax sources like forest and minerals, better collection of State revenues and strict control over non-development expenditure.

11. In the State sphere, barring Sales Tax, there is practically no other elastic source of revenue. Therefore, while abolition of Sales Tax and its substitution by Excise duties have no doubt been suggested, States can ill-afford to give up Sales Tax altogether. We are however committed to eradicate the evils associated with sales tax.

12. The Orissa Sales Tax Act which has been in vogue since 1947, has undergone extensive amendments primarily with a view to safeguarding the interests of revenue. Consequently, the procedure under the law and the rules framed

thereunder have become somewhat complicated and cumbersome. Our attempt, therefore, has been to undertake a review in order to simplify and rationalise procedures so as to reconcile the interest of State revenues with the objective of removing all avoidable irritants in the process of assessment and realisation of sales tax.

13. A major reform we propose to bring about is not only to increase the limit for compounding sales tax dues but also to make the compounding system compulsory in respect of small dealers. The dealers who are covered by compounding are required to maintain accounts in much simpler form and have very little contact with the taxing Department. Shop inspections would be greatly reduced in their case. The possibility of harassment to them would be practically eliminated. We, therefore, propose to bring under the compounding system all dealers with an annual turn-over up to Rs. 1 lakh. Under the present system, compounding, even though permitted to dealers with an annual turn-over up to Rs. 75,000, has not evoked sufficient response due to a variety of reasons. One of the reasons for this is that compounding ceases to be operative once the dealer's turn-over exceeds Rs. 75,000 even though the compounding period of 2 years has not been completed. It is proposed to remove this element of uncertainty. The dealer would now continue to enjoy the benefits of the compounding system for the entire period of 2 years unless his turn-over exceeds Rs. 1,25,000. Tax rebates and refunds would also be admissible to dealers in the event of fresh concessions and exemptions being granted by the Government after the composition amounts have been determined. Under the new compounding system that is now envisaged, as many as 15,000 out of a total number of 22,000 registered dealers in the State would get these benefits. We feel that small dealers would be greatly benefited by the new system.

14. We are also examining the possibility of gradually extending the number of items on which sales tax can be collected at the first point instead of being imposed at the last point of sale. By this, a large number of dealers would virtually be exempted from rigorous inspection that is presently unavoidable. Besides, tax can be collected from a relatively small number of well-established concerns who would also be in a better position to maintain accounts. We have decided to introduce the first-point tax in the sale of motor spirit. Extension of the system of first-point tax would depend greatly on the trade channels prevalent in respect of each commodity. Discussions with trade representatives are continuing to locate more items where the first-point levy system can be introduced without detriment to State's revenues.

15. It has been noticed that certain refunds due to the dealers have been delayed owing to inadequate powers of granting such refunds at the field level. These powers have now been substantially increased.

16. In the interest of economically weaker sections of the society, we are exempting certain articles of mass consumption from the purview of sales tax.

17. For the benefit of small farmers, cheaper manually operated implements like ploughs, weeders, phaura, sickle, etc., are being exempted from tax.

18. In order to encourage local weavers and enable them to withstand competition, cotton and silk yarn are being given complete exemption from sales tax.

19. For the benefit of the student community, exercise books costing upto Re. 1 each would also be exempted.

20. The Agricultural Income-Tax Act has proved very unweildy in implementation and unremunerative in tax yield. Search is now on for an alternative fiscal tool by which progressive taxation in respect of agricultural income can be introduced more efficiently. Meanwhile, we propose to raise the exemption limit for taxation of agricultural income from Rs 5,000 to Rs. 10,000 at par with the enhanced exemption granted recently under the Income-Tax Act. I propose to bring up shortly the necessary legislative measures for consideration and approval of the House.

21. Hon'ble Members would recall that while seeking a Vote-on-Account in July, 1977, I had briefly referred to the Budget estimates presented by the previous Government in March, 1977. Those estimates had envisaged that transactions of the year 1976-77 would close with a deficit of Rs. 7.73 crores. The actual deficit, however, turned out to be Rs. 26.40 crores, including outstanding ways and means advance of Rs. 7.53 crores from the Reserve Bank of India. Besides, post-Budget decisions like adoption of U. G. C. scales of pay for college teachers, introduction of the system of direct payment to non-teaching staff of aided educational institutions, grant of increased dearness allowance to the employees, wage revision for the employees of the State Electricity Board and expenditure on elections to the Legislative Assembly impinged heavily on the resource estimates made in March, 1977. Measures for additional resource mobilisation envisaged in that Budget could not be implemented in time and estimates of receipts under certain important heads like water rates, motor vehicles tax, and forest revenue had to be reassessed in the light of performance in the year 1976-77. All these constraints seriously impaired the resource viability of the Budget. Moreover, on assuming office, the new Government wanted to reshape the Budget to provide financial support to their new programmes and policies. The Budget, therefore, had to be recast.

22. I would now present before the House broad features of the recast Budget Estimates for 1977-78. The documents which I am presenting to-day repeat the Revised Estimates for 1976-77, as shown in the earlier Budget because actuals are not yet available in many cases.

23. For the recast Budget receipts have been estimated at Rs. 163.46 crores from the State's tax and non-tax revenues at 1976-77 rates of levies, and at Rs. 132.68 crores as Central devolution under the Sixth Finance Commission's award.

24. Central assistance has been estimated at Rs. 67.02 crores for the State Plan, Rs. 35.22 crores for Central and Centrally Sponsored Schemes and at Rs. 7.63 crores for the Tribal Sub-Plan.

25. Market loans are expected to yield Rs. 15.12 crores and a further amount of Rs. 11.79 crores is expected under the Small Savings Scheme, and as loan from the Reserve Bank and Life Insurance Corporation.

26. The Sixth Finance Commission which could not take into account in its scheme of devolution the net interest liability of States on account of loans raised and disbursed by them during the Fifth Plan period, had recommended that Government of India should provide additional grants to the deficit States to cover this liability. Our claim on this account for the first three years is over Rs. 15 crores, although Government of India have indicated an amount of Rs. 8.90 crores only. We have requested them to reconsider the matter and have assumed a receipt of Rs. 14.80 crores towards this during the current year.

27. The Public Account of the State is expected to provide a net surplus of Rs. 19.81 crores.

28. I may now mention briefly the estimates of non-Plan expenditure. To meet the situation arising from sharp deterioration in financial resources as a result of the Post-Budget expenditure commitments and concessions mentioned earlier, we have had to impose economy cuts in the non-Plan sector. The estimates now proposed which also take into account our Government's policy of austerity and avoidance of non-essential expenditure, reflect a reduction of Rs. 4.73 crores in the non-Plan expenditure.

29. The heaviest weightage in the Non-Plan allocation is in favour of Education which accounts for Rs. 62.08 crores. The provision for Police expenditure is Rs. 16.35 crores. Debt repayment and servicing account for Rs. 152.85 crores, of which interest charges alone are of the order of Rs. 43.39 crores.

30. I now turn to the outlays on the Annual Plan for 1977-78. Despite serious threat to the resource viability of the Plan owing to additional expenditure commitments and concessions referred to earlier, we were clear in our mind that there should be no reduction in the State Plan outlay, as we were determined to prevent any set-back in development and any handicaps in the implementation of our new programmes in particular. Hon'ble Members would be glad to know that not only have we been able to protect the original Plan outlay of Rs. 150 crores, but have also secured further assistance from Government of India, as a result of which the Plan outlay has now been increased to Rs. 156 crores. Of this, the State Budget reflects an outlay of Rs. 128.48 crores, as Rs. 27.52 crores relating to Public Sector Undertakings remains outside the Consolidated Fund.

31. Within the short time available to us, we have made a quick review of the Annual Plan in order to impart a new direction to the development process so as to be in line with the programmes and priorities set out in the Manifesto of the

Janata Party. Expenditure commitments in respect of on-going schemes have restricted our options. Even so, we have been able to provide increased outlays for development of Agriculture, Irrigation and Village Industries. Additional allocations have also been made for improvement of medical and health services, rural communication and drinking water supply, which though vitally necessary for improving the quality of life of the masses, were hitherto being assigned very low priority for allocation of funds.

32. Agriculture is the prime-mover of our economy. It provides employment to 76 per cent of our labour force and accounts for 62 per cent of the State income. Lack of growth in this sector is bound to spell stagnation in other sectors as well. We are also acutely conscious of the growing unemployment and under-employment in rural areas. In our conditions, employment generation in the rural areas has necessarily to be linked to development of agriculture, as employment is a spin-off from increased economic activity. Its success would require not only increased agricultural production but also lending viability to rural households. It is, therefore, necessary to aim at integrated development of crop production and horticulture, live-stock and poultry, fisheries and forestry. The recast Budget makes a provision of Rs. 30.87 crores for Agriculture and Allied services including Co-operation and Minor Irrigation. As low yields, stagnation, orthodox mono-cropping and almost total dependence on the vagaries of the monsoon are the bane of our agriculture, it is proposed to gradually eliminate their persistence by introducing modern technology of improved inputs and implements, research support, scientific water management, use of control measures against pest and pestilence and, above all, by providing security of tenure, and protection to tillers. Revision survey and settlement operations, updating of land records and consolidation of holdings would also be stepped up.

33. In our endeavour to secure larger resources for rural development, we have also sought financial support from the International Development Association, an affiliate of the World Bank. Negotiations are now in an advanced stage for a large development credit to finance projects in Orissa. Construction of medium irrigation projects, consolidation of holdings, construction of field channels and command area development are among the schemes included in this programme.

34. Irrigation is the most vital input for both intensification and diversification of agriculture. Since our main strategy for rejuvenating the State economy is to give primacy to Agriculture, greater emphasis is being laid on enlarging irrigation coverage. Priority would be given not only to the completion of on-going major and medium projects, but also to minor irrigation works, lift irrigation projects and dug-wells. Against a provision of Rs 35.25 crores for these programmes in the earlier Budget, we are now providing Rs. 40.23 crores. This would be further supplemented by financial assistance to the Orissa Lift Irrigation Corporation from the Agricultural Refinance and Development Corporation.

35. For development of Power, the Annual Plan envisages an outlay of Rs. 56.81 crores. This includes investment of Rs. 23.94 crores by the State Electricity Board. The major power projects under construction now are the Talcher Thermal Expansion Project, the Rengali Project and the Upper Kolab Project. Since rural electrification constitutes an important element in our development strategy, the current year's programme has been enlarged to electrify 1170 villages with priority for supplying energy to lift irrigation points.

36. As Hon'ble Members are aware, massive investments have been made for development of Power and Water resources in the State. The return from these projects,

particularly from Irrigation, has, however, not been adequate to meet the charges for operation and maintenance, not to speak of servicing and repayment of debt incurred to finance the projects. This has resulted in a growing burden of subsidy on the general revenues of the State. The trend ought to be reversed to relieve the strain and correct imbalances in the finances of the State.

37. Under our policy for industrialisation, while assistance and incentives would continue to be provided for promotion of large and medium industries, greater emphasis would be laid on development of small scale and cottage industries, using technology appropriate to our rural conditions. We firmly believe that better social justice to, by far, the bulk of our population living below the poverty line can be provided if there is a rapid growth of small scale and cottage industries to relieve the rigours of growing unemployment and under-employment. The Budget, therefore, provides an increased allocation of Rs. 1.26 crores for development of small scale and cottage industries. The earlier provision for large and medium industries amounting to Rs. 3.36 crores has also been retained.

38. An important feature of the rural infrastructure which we seek to provide is development of rural roads. A network of roads connecting villages to market centres is an essential pre-requisite of rural development. It is unfortunate that this aspect received inadequate attention in the past. To remove this anomalous imbalance, a higher provision of Rs. 1.75 crores has been proposed in the Budget for construction of rural roads. The financial provision for P. W. D. roads has also been raised by an additional outlay of Rs. 50 lakhs.

39. Provision of drinking water facilities to our villages has assumed critical importance. It is unfortunate that this

basic need has not been satisfied even after three decades of planning and a large number of villages are still faced with acute scarcity of drinking water. Since this situation cannot be allowed to go on, we have substantially enlarged the programme for provision of drinking water-supply. The Budget provides an increased outlay of Rs. 3.23 crores for this purpose. This is likely to be further augmented by special assistance from Government of India.

40. In the sphere of medical and health care, provision of better facilities in rural areas and extension of basic health services to tribal and other backward pockets is the corner-stone of our policy. The plan provision of Rs. 2.32 crores, proposed in the earlier Budget, has now been increased to Rs. 3.02 crores. This would be supplemented by substantial allocations from the Government of India under Centrally Sponsored Programmes for control and eradication of diseases like Malaria, Filariasis, Leprosy and Small-pox.

41. Education claims by far the largest share of our Budgetary allocation with a Plan outlay of Rs. 9.28 crores, over and above the Non-Plan allocation of Rs. 62.08 crores. The basic objectives of our education policy are removal of illiteracy, provision of diversified curricula and easy access to the centres of learning to all sections without discrimination. An important key note of our educational programme is to improve the village school and make it a focal point for village development. Adult education and training of neo-literates have also been given priority in our programme.

42. Our strategy for development of housing is multi-pronged. We propose not only to accelerate free distribution of house-sites to homesteadless persons but also to provide low-cost houses to persons belonging to the weaker sections, low

and middle income groups. The Budget provides Rs. 1.43 crores for this purpose. This would be supplemented by the efforts of the State Housing Board and Improvement Trusts, who are engaged in housing development with financial support from the Housing and Urban Development Corporation and the Life Insurance Corporation.

43. For workers, whether in factory or field, our policy is directed towards elimination of all forms of oppression and exploitation. The recent announcements regarding Compulsory Deposit and Bonus bear testimony to our Party's commitment to fulfil legitimate demands and aspirations of the toiling masses.

44. Welfare of Scheduled Tribes and Scheduled Castes is our special responsibility. The problems of their economic, educational and environmental upliftment would, therefore, receive priority attention. A massive programme for the transformation of their socio-economic status launched under the Tribal Sub-Plan would be implemented with greater vigour. The Tribal Development Agency Programme and the Integrated Tribal Development Programme are two major developmental thrusts in this sector. The Budget Provides a total outlay of Rs. 44.50 crores under the Tribal Sub-Plan which includes allocations for development of tribal areas not only under the State Plan but also under Centrally Sponsored and Central Plan Programmes.

45. Apart from the projected State Plan outlay of Rs. 156 crores, the Budget also provides additional outlay of Rs. 43.72 crores, assisted by Government of India under Centrally Sponsored and Central Plan Programmes including special assistance of Rs. 7.63 crores for development of tribal areas. The total outlay in the Plan sector of the Budget, therefore, adds up to Rs. 199.72 crores.

46. Based on the total Plan and non-Plan expenditure and the estimated receipts, the Budget shows a deficit of Rs. 11.75 crores, excluding the opening deficit of Rs. 26.40 crores. While it may not be possible for a financially weak State, like ours, to make good the cumulative deficits of previous years, which have resulted in the current year's opening deficit of Rs. 26.40 crores, we have got to strive, in the wider interests of fiscal discipline, to ensure that the deficit is not further enlarged. I find myself in an unenviable predicament of two conflicting parameters, namely, the imperative of a reasonably high level of outlay and the need for a fiscal strategy that would yield resources without burdening much the common man. We have already abolished Land Revenue on agricultural lands soon after we took office. To raise additional resources, I am proposing the following:—

	(Rs. in crores)
Doubling the rate of Cess on land Revenue.	0.80
Collection of Cess on mining royalty ..	0.70
State Excise Duties ..	1.00
Forest Revenue ..	2.25
Sales Tax ..	2.00
Mining Royalty ..	0.50
Collection of arrear revenue ..	4.50

	11.75
