CHAPTER VI

CONCLUSION AND RECOMMENDATIONS
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With the increasing importance of the study of decision making in political process, the discipline of policy science has curved niche within the stream of Political Science, still more vital is the analysis of Budgetary Policy as it is sine-qua-non of developmental analysis. Additionally, policy formulation of the budget is dependent on the dynamism, capability and foresight of the role occupants involved in the process. Trained in the British tradition of bureaucratic conservatism, the Civil Servants could not evolve a sound and efficient budgetary policy in keeping tune with the growing demands of welfarism. With the permanent executives blathering around the bushes and the transitory political executives are in and out of Government, the Budgetary policy process becomes largely routinised. Instead of becoming a dynamic development accelerator it becomes very often a battering and house-keeping activity.

Political instability is seen to be a recurring phenomenon in the State as such no clear cut coherent and unified budgetary policy could emerge in managing the purse of the State. In the Seventies (the period under study), the State has experienced such frequent political instability. The Swatantra-Jana Congress Coalition Ministry with late R.N. Singh Deo as Chief Minister continued smoothly till January 9, 1971. This Coalition Ministry which undertook to implement a 21 point programme outlined Irrigation, Industry
and Tribal Development as to be the basis of development in the State.\textsuperscript{1} As such in their budgetary policy\textsuperscript{2} they had made investment in those priority sectors and implemented them satisfactorily. During the course of its term, some members of Jana Congress withdrew their support from the Coalition and joined the Congress. Thereupon, the Ministry was dissolved and President's rule was imposed from January 9 to April 3, 1971. Again a Coalition Ministry was formed with an independent non-member of the Assembly late Biswanath Das as its Chief Minister. This Ministry comprised of Swatantra, Utkal Congress and Jharkhand parties. It continued till 9th June 1972. It was known as United Front Government which presented two budgets (1971-72 and 1972-73). In both, the budgets on policy emphasised an investment in priority sectors such as Rural Electrification, Small Farmers' Development, Irrigation and Industry. It may be pointed out that the Ministry under late Biswanath Das had only formulated the budget for the year 1972-73 but at the time of implementation of the budget, the Ministry resigned.

On June 9, 1972, the entire Utkal Congress group (except 6 MLAs) merged with the Congress Party and as such the Congress Party with defection of five MLAs of Swatantra Party became the single largest party in the Assembly. On June 13, 1972, the Congress Government headed by Mrs. Nandini Satpathy came to power. But Mrs. Satpathy resigned from

power in the morning of March 1, 1973. However, Mrs. Satpathy
presented a deficit budget with short-term investment in Commu-
ity Development and Agriculture.

In the mid-term Election held in February 1974, no party could secure a majority. However, this time the Congress Party with the support of C.P.I. members formed the Ministry. When Congress came to power, it was thought that there would be radical change in the Budgetary provisions. But no such radical change was found in the budgeting process. If there was any change, it was only incremental in nature. There was no policy change at all. During Mrs. Satpathy’s tenure the people of Orissa experienced all the three natural calamities like flood, drought and cyclone. These natural calamities affected the development process of the State. The Government had to spend huge amount of money in meeting these unforeseen calamities. Thus there was a set back in the economic development of the State.

Yet in her three budgets i.e. for the years 1973-74, 1974-75 and 1975-76, Mrs. Satpathy followed the budgetary policy of poverty eradication with emphasis on investment in rural development.

Mrs. Satpathy had to quit office on December 16, 1976. For the 4th time since independence, Orissa came under President's Rule which was revoked after twelve days as a new Congress Ministry headed by Mr. Binayak Acharya assumed

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office on December 29, 1976. Mr. Acharya's stay in the office was the briefest so far in Orissa 123 days to be pre­
cised. He had started with a fund of good will which he soon wasted by his own decision and procrastination in certain important matters and his inability to brighten up the image of the Government through drastic measures which were called for in the changed situation. Mr. Binayak Acharya as Chief Minister presented only one budget i.e. budget for the year 1976-77. After the Victory of Janata Party at the centre, he could have presented a dynamic budget for the all round deve­lopment of the State. Yet he was reluctant to do so. Had he presented a dynamic budget, he would not have been voted out of power in the mid-term elections followed after the diss­olution of the Assembly.

The Ministry headed by Mr. Binayak Acharya was deemed to have vacated office on 30.4.1977. In Orissa fresh elections to the State Assembly were held on June 10, 1977. The Janata Party led by Mr. Biju Patnaik swept the polls while the Congress Party was completely routed. The Janata Government headed by Mr. Nilamani Routray came to power.

The Janata Government of Nilamani Routray presented two budgets i.e. budget for the year 1978-79 and 1979-80. In both the budgets, the policy was directed towards investment in rural development and industrialisation (small scale indust­ry) in consonance with the national objectives. It may be

4. The Samaj (Oriya), Cuttack, dt. 30.12.76.
pointed out that the Government headed by Mr. Binayak Acharya had only formulated the budget for the year 1977-78. But the budget was implemented by Janata Government in actual practice it had presented three budgets. Because in the Supplementary Budget for 1977-78 after the dissolution of Assembly on 30.4.1977 presented by Janata Government, a lot of changes in expenditure policy were noticed.

Though the Janata Government had adopted policy of surplus budget, to secure more revenues and to incur less expenditure, yet it was trapped in diverting funds to the earlier debts incurred by the States. And when the Government came with a new policy, the Government was dissolved as Mrs. Gandhi came to power at the centre in the Election.

Fresh Elections to the Assembly were held on 31st May 1980. The Congress(I) party led by Sri Janaki Ballav Patnaik came to power while the Janata Party was completely routed. Out of 147 seats in the Assembly, the Congress(I) Party got 121 seats.6

Janaki Ballav Patnaik was sworn in as the Chief Minister of Orissa7 on 9th June 1980. The same day seven Cabinet Ministers, ten Ministers of State and one Deputy Minister were appointed on the advice of the Chief Minister.8

It may be pointed out that for the first time in the history of Orissa Mr. Patnaik completed a full term of five years. Previously, it was believed that economic under-

development and non-performance of the provisions of the State Budget was due to political instability in the State. However, inspite of inter party differences, Mr. Patnaik manipulated to remain in power for a full term of five years but never the less non-performance was spectacular during his regime.\(^9\)

The Government of Janaki Ballav Patnaik had presented five budgets. In their budgets, their policies on industrialisation of the State, universalisation of primary education and extension of health services in rural and trial areas, were reflected. But, persistent or non-utilisation of substantial amount were noticed in the capital section under Education and Youth Services during the year 1982-83, 1983-84 and 1984-85. The percentage of non-utilisation in these years were 25%, 27% and 46% respectively. Similarly the percentage of non-utilisation in Health and Family Welfare Department under Capital Section were 25%, 38% and 34% in the above mentioned periods. On the other hand, in Industries Department (Capital Section), the percentage of non-utilisation were 7%, 25% and 25% respectively during the same period.\(^10\)

Strangely enough, persistent excess of expenditure involving significant amounts were noticed during the years 1982-83, 1983-84 and 1984-85 in Works Department (Revenue Section). The excesses were Rs. 123%, 60% and 3%. In Housing and Urban Development Department (Revenue Section), the excesses were 79%,

\(^9\) Vide C.A.G. Report on the Irregularities and Illegalties, 1984-85,
4% and 16% during the same period. Similarly, in Irrigation and Power Department (Revenue Section) 21%, 6% and 7% of excesses were noticed during the same period.¹¹

During the period 1980-81 to 1984-85, large scale financial irregularities like diversion of fund, misappropriation and losses of Government money, grants were highlighted by the C.A.G. report. Excess of expenditure required regularisation under Article 205 of the Constitution but the Government ignored to observe financial norms of the Constitution. Large-scale savings occurred due to non-utilisation of budgetary provisions.¹²

Further, it is to be noted here that there is always a gap between the budget formulation and implementation. As such, we may find the gap between the figures at the time of their formulation and the actual figures that were arrived after their implementation. To illustrate and emphasise the point, we have, in this Chapter given the overall Budgetary provisions during the years from 1970-71 to 1984-85 in the Consolidate tabular forms.

For analysing the financial aspects of the Budgets during the period, we have taken five surplus budgets for the years 1970-71, 1973-74, 1975-76, 1976-77 and 1983-84 and for the rest ten years the deficit budgets. Let us take the Revenue Accounts first.

The table indicates the trend of Revenue and Expenditure of Orissa since 1970-71. Revenue and Expenditure of the State have shown a rising trend throughout the period from 1970-71 to 1984-85 except for the year 1983-84.

During the period 1970-71 to 1984-85, the total revenue of the State had increased from ₹.135.8 crores in 1970-71 to ₹.823.5 crores in 1984-85, an increase of about 59 percent. This increase was mainly due to various additional taxation measures implemented by the State Government to finance successive Five Year Plans, better collection of existing taxes and implementation of recommendations of the Seventh Finance Commission resulting in large devolution of resources from the centre to the State by way of higher share in the Central taxes mostly from Union Excise Duty.

The expenditure of the State Government is broadly divided into Development and Non-Development expenditure. Development Expenditure under Revenue Account of the State rose from ₹.83.5 crores in 1970-71 to ₹.683.9 crores in 1984-85. During the same period the non-Development expenditure has also grown from ₹.56.3 crores in 1970-71 to ₹.258.3 crores in 1984-85.

The last Column of the table reveals the financial position of the Government during the period from 1970-71 to 1984-85. During this period, the Revenue Budget was in deficit for six years and surplus for nine years. Deficit of ₹.73.7 crores was the highest in the series.
<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
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<th>Expenditure</th>
<th></th>
<th>Surplus(+) or Deficit(−)</th>
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<td>Tax</td>
<td>Non-Tax</td>
<td>Total</td>
<td>Development</td>
<td>Non-Development</td>
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<tr>
<td>1970-71</td>
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<td>72.1</td>
<td>135.8</td>
<td>83.5</td>
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<td>78.9</td>
<td>151.3</td>
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<td>78.8</td>
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<tr>
<td>1972-73</td>
<td>82.0</td>
<td>86.1</td>
<td>168.1</td>
<td>115.1</td>
<td>77.6</td>
</tr>
<tr>
<td>1973-74</td>
<td>88.6</td>
<td>86.0</td>
<td>174.6</td>
<td>128.9</td>
<td>83.5</td>
</tr>
<tr>
<td>1974-75</td>
<td>97.6</td>
<td>129.7</td>
<td>227.3</td>
<td>149.2</td>
<td>74.3</td>
</tr>
<tr>
<td>1975-76</td>
<td>129.8</td>
<td>147.6</td>
<td>277.4</td>
<td>182.8</td>
<td>93.3</td>
</tr>
<tr>
<td>1976-77</td>
<td>146.0</td>
<td>179.8</td>
<td>325.8</td>
<td>204.4</td>
<td>103.7</td>
</tr>
<tr>
<td>1977-78</td>
<td>153.1</td>
<td>215.7</td>
<td>368.8</td>
<td>230.2</td>
<td>110.8</td>
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<tr>
<td>1978-79</td>
<td>174.1</td>
<td>273.3</td>
<td>447.4</td>
<td>299.5</td>
<td>102.8</td>
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<tr>
<td>1979-80</td>
<td>256.5</td>
<td>211.4</td>
<td>467.9</td>
<td>325.7</td>
<td>123.6</td>
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<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>1980-81</td>
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<td>328.7</td>
<td>621.3</td>
<td>410.6</td>
<td>136.2</td>
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<tr>
<td>1981-82</td>
<td>346.1</td>
<td>255.4</td>
<td>601.5</td>
<td>406.1</td>
<td>167.4</td>
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<tr>
<td>1982-83</td>
<td>375.9</td>
<td>425.7</td>
<td>801.6</td>
<td>629.9</td>
<td>194.7</td>
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<tr>
<td>1983-84</td>
<td>429.9</td>
<td>353.2</td>
<td>783.1</td>
<td>551.8</td>
<td>231.1</td>
</tr>
<tr>
<td>1984-85</td>
<td>519.0</td>
<td>304.5</td>
<td>823.5</td>
<td>638.9</td>
<td>258.3</td>
</tr>
</tbody>
</table>

Table - **Table 1**

REVENUE RECEIPTS
<table>
<thead>
<tr>
<th>Year</th>
<th>Consolidated Fund (I)</th>
<th>Public Account (III)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Internal Debt of State Govt.</td>
<td>Loans and Advances from the Central Government</td>
</tr>
<tr>
<td>1970-71</td>
<td>10.7</td>
<td>49.3</td>
</tr>
<tr>
<td>1971-72</td>
<td>25.0</td>
<td>63.3</td>
</tr>
<tr>
<td>1972-73</td>
<td>60.8</td>
<td>92.6</td>
</tr>
<tr>
<td>1973-74</td>
<td>27.7</td>
<td>63.5</td>
</tr>
<tr>
<td>1974-75</td>
<td>33.2</td>
<td>37.5</td>
</tr>
<tr>
<td>1975-76</td>
<td>81.0</td>
<td>51.8</td>
</tr>
<tr>
<td>1976-77</td>
<td>191.0</td>
<td>54.8</td>
</tr>
<tr>
<td>1977-78</td>
<td>227.6</td>
<td>71.8</td>
</tr>
<tr>
<td>1978-79</td>
<td>81.9</td>
<td>100.9</td>
</tr>
<tr>
<td>1979-80</td>
<td>16.5</td>
<td>118.4</td>
</tr>
<tr>
<td>1980-81</td>
<td>65.4</td>
<td>138.1</td>
</tr>
<tr>
<td>1981-82</td>
<td>283.5</td>
<td>123.3</td>
</tr>
<tr>
<td>1982-83</td>
<td>350.7</td>
<td>180.5</td>
</tr>
<tr>
<td>1983-84</td>
<td>883.9</td>
<td>214.4</td>
</tr>
<tr>
<td>1984-85</td>
<td>671.8</td>
<td>157.7</td>
</tr>
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</table>

The following tables indicate the expenditure (not met from Revenue) under various development heads. These are mostly development expenditure under Capital Account. The total Capital Expenditure outside the Revenue Account was Rs.24.9 crores in 1970-71 and it was Rs.235.8 crores in 1984-85 within this period, the increase of expenditure is about 801 per cent.

**Table - III (A)**

**CAPITAL EXPENDITURE OUTSIDE THE REVENUE ACCOUNT**

(Rupees in Crores)

<table>
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<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Improvement of Public Health</td>
<td>0.2</td>
<td>0.1</td>
<td>0.6</td>
<td>0.8</td>
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<tr>
<td>Scheme on Agricultural Improvement and Research</td>
<td>1.1</td>
<td>3.9</td>
<td>4.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Industrial Development</td>
<td>5.3</td>
<td>4.3</td>
<td>4.7</td>
<td>3.9</td>
</tr>
<tr>
<td>Multipurpose River Scheme</td>
<td>8.8</td>
<td>10.7</td>
<td>9.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Irrigation, Navigation, Embankment and Drainage Works</td>
<td>4.6</td>
<td>4.2</td>
<td>5.6</td>
<td>7.3</td>
</tr>
<tr>
<td>Electricity Schemes</td>
<td>1.4</td>
<td>(-)</td>
<td>0.5</td>
<td>(-)</td>
</tr>
<tr>
<td>Public Works (including Roads) and Schemes of Miscellaneous Public Improvement</td>
<td>4.5</td>
<td>5.8</td>
<td>6.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Transport and Communication (other than Roads)</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Others*</td>
<td>(-)</td>
<td>1.1</td>
<td>0.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>24.9</td>
<td>29.9</td>
<td>32.0</td>
<td>38.2</td>
</tr>
</tbody>
</table>
Table III-A-Others*

The item 'others' in the table represents the expenditure under (a) Capital Outlay on Forest; (b) Payment of Commuted Value of Pensions, (c) Capital Outlay on Schemes of Government Trading, and (d) Appropriation to the Contingency Fund upto 1971-72 and from 1972-73, 27 represents the expenditure under (a) Capital Outlay on Forest and (b) Appropriation to the Contingency Fund.

<table>
<thead>
<tr>
<th>Year</th>
<th>A - General Services</th>
<th>B - Social &amp; Community</th>
<th>C - Economic Service</th>
<th>Total Expenditure (A + B + C)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Plan</td>
<td>non-Plan</td>
<td>Total</td>
<td>Plan</td>
</tr>
<tr>
<td>1974-75</td>
<td>1.2</td>
<td>0.4</td>
<td>1.6</td>
<td>2.1</td>
</tr>
<tr>
<td>1975-76</td>
<td>1.0</td>
<td>0.5</td>
<td>1.5</td>
<td>3.9</td>
</tr>
<tr>
<td>1976-77</td>
<td>1.4</td>
<td>0.7</td>
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<td>1977-78</td>
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<td>1978-79</td>
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<td>2.7</td>
<td>9.1</td>
</tr>
<tr>
<td>1980-81</td>
<td>2.4</td>
<td>0.5</td>
<td>2.9</td>
<td>11.4</td>
</tr>
<tr>
<td>1981-82</td>
<td>1.7</td>
<td>0.5</td>
<td>2.2</td>
<td>8.9</td>
</tr>
<tr>
<td>1982-83</td>
<td>1.5</td>
<td>0.3</td>
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<td>1983-84</td>
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<td>1984-85</td>
<td>4.4</td>
<td>1.1</td>
<td>5.5</td>
<td>15.5</td>
</tr>
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</table>
1974 witnessed modifications of the Structure of Accounts and Classification of Government expenditure. A team of officers was constituted by Government of India in March 1969 to consider certain matters relating to accounts and budgets arising out of the recommendations of the Administrative Reforms Commission. In its report on "Classification of Government Transactions in Accounts and Plan" submitted in November 1972, the team recommended extensive structural changes in the Accounts. They suggested that the expenditure heads be grouped in three sectors, namely, General Services, Social and Community Services and Economic Services. On the basis of team's recommended changes in the structure of accounts and classification of Government transactions have been introduced from April 1974.

The following table indicates the Capital Disbursements of Government of Orissa during 1970-71 to 1984-85. The disbursement was ₹289.8 crores in 1970-71 and it was ₹1933.5 crores in 1984-85. This shows an increase of about 560 percent.
<table>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Advances from Central Govt</td>
<td>32.9</td>
<td>30.1</td>
<td>40.5</td>
<td>38.5</td>
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<td>Public Debt - Total</td>
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<td>11.6</td>
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<td>39.5</td>
<td>31.8</td>
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<td>27.3</td>
<td>30.6</td>
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<td>45.0</td>
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<td>55.5</td>
<td>78.4</td>
<td>106.9</td>
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<td>105.4</td>
<td>--</td>
<td>(-)20.2</td>
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<td>State Provident Fund</td>
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<td>4.6</td>
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<td>8.8</td>
<td>10.1</td>
<td>12.6</td>
<td>15.7</td>
<td>19.7</td>
<td>23.7</td>
<td>28.9</td>
<td>34.8</td>
<td>44.4</td>
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<td>9.1</td>
<td>12.0</td>
<td>21</td>
<td>14.1</td>
<td>9.8</td>
<td>13.1</td>
<td>12.5</td>
<td>12.3</td>
<td>23.7</td>
<td>19.9</td>
<td>7.6</td>
<td>13.4</td>
<td>23.5</td>
<td>10.8</td>
</tr>
<tr>
<td>Deposits and Advances, Suspense and Miscellaneous and Remittances</td>
<td>212.2</td>
<td>250.0</td>
<td>263.5</td>
<td>252.9</td>
<td>284.9</td>
<td>313.3</td>
<td>292.9</td>
<td>284.2</td>
<td>450.7</td>
<td>614.1</td>
<td>737.4</td>
<td>619.8</td>
<td>868.4</td>
<td>697.6</td>
<td>936.1</td>
</tr>
<tr>
<td>PUBLIC ACCOUNT (III)</td>
<td>222.9</td>
<td>262.1</td>
<td>279.2</td>
<td>259.6</td>
<td>305.1</td>
<td>330.5</td>
<td>114.8</td>
<td>306.8</td>
<td>475.6</td>
<td>653.5</td>
<td>777.0</td>
<td>651.1</td>
<td>910.7</td>
<td>755.9</td>
<td>991.3</td>
</tr>
<tr>
<td>Total Capital Disbursements (Total)</td>
<td>289.8</td>
<td>352.5</td>
<td>423.9</td>
<td>360.6</td>
<td>390.1</td>
<td>506.3</td>
<td>601.2</td>
<td>670.9</td>
<td>724.2</td>
<td>832.1</td>
<td>1136.6</td>
<td>1142.4</td>
<td>1401.0</td>
<td>1868.3</td>
<td>1933.5</td>
</tr>
</tbody>
</table>

The following table shows the Receipts and Expenditure both Revenue and Capital Account from 1970-71 to 1984-85

Table - V - -

(Rupees in Crores)

Overall Receipts and Disbursements (Revenue and Capital Account)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Account</th>
<th>Capital Account</th>
<th>Total</th>
<th>Disbursements</th>
<th>Revenue Account</th>
<th>Capital Account</th>
<th>Total</th>
<th>Surplus (+) or Deficit (-)</th>
</tr>
</thead>
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<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>1970-71</td>
<td>135.8</td>
<td>298.5</td>
<td>434.3</td>
<td>139.8</td>
<td>289.8</td>
<td>429.6</td>
<td>(-) 4.0</td>
<td>(+) 8.7</td>
</tr>
<tr>
<td>1971-72</td>
<td>151.3</td>
<td>362.6</td>
<td>513.9</td>
<td>175.0</td>
<td>352.5</td>
<td>527.8</td>
<td>(-) 23.7</td>
<td>(+) 10.1</td>
</tr>
<tr>
<td>1972-73</td>
<td>168.1</td>
<td>433.1</td>
<td>601.2</td>
<td>192.7</td>
<td>423.9</td>
<td>626.6</td>
<td>(-) 24.6</td>
<td>(+) 9.2</td>
</tr>
<tr>
<td>1973-74</td>
<td>174.6</td>
<td>405.9</td>
<td>580.5</td>
<td>212.4</td>
<td>360.6</td>
<td>573.0</td>
<td>(-) 37.8</td>
<td>(+) 45.3</td>
</tr>
<tr>
<td>1974-75</td>
<td>227.3</td>
<td>395.4</td>
<td>622.7</td>
<td>223.5</td>
<td>390.1</td>
<td>613.6</td>
<td>(+) 3.8</td>
<td>(+) 5.3</td>
</tr>
<tr>
<td>1975-76</td>
<td>277.4</td>
<td>494.0</td>
<td>771.4</td>
<td>276.1</td>
<td>506.3</td>
<td>782.4</td>
<td>(+) 1.3</td>
<td>(-) 12.3</td>
</tr>
<tr>
<td>1976-77</td>
<td>325.8</td>
<td>588.2</td>
<td>914.2</td>
<td>308.1</td>
<td>608.2</td>
<td>916.3</td>
<td>(+) 17.7</td>
<td>(-) 20.0</td>
</tr>
<tr>
<td>1977-78</td>
<td>368.8</td>
<td>656.4</td>
<td>1025.2</td>
<td>341.0</td>
<td>670.9</td>
<td>1011.9</td>
<td>(+) 27.8</td>
<td>(-) 14.5</td>
</tr>
<tr>
<td>1978-79</td>
<td>447.4</td>
<td>672.2</td>
<td>1119.6</td>
<td>402.3</td>
<td>724.2</td>
<td>1126.5</td>
<td>(+) 45.1</td>
<td>(-) 52.0</td>
</tr>
<tr>
<td>1979-80</td>
<td>467.9</td>
<td>803.8</td>
<td>1271.7</td>
<td>449.3</td>
<td>832.1</td>
<td>1281.4</td>
<td>(+) 18.6</td>
<td>(-) 28.3</td>
</tr>
<tr>
<td>1980-81</td>
<td>621.3</td>
<td>1053.7</td>
<td>1675.0</td>
<td>546.8</td>
<td>1136.6</td>
<td>1683.4</td>
<td>(+) 75.8</td>
<td>(-) 82.9</td>
</tr>
<tr>
<td>1981-82</td>
<td>601.5</td>
<td>1113.6</td>
<td>1715.1</td>
<td>573.5</td>
<td>1142.4</td>
<td>1715.9</td>
<td>(+) 28.0</td>
<td>(-) 28.8</td>
</tr>
<tr>
<td>1982-83</td>
<td>801.6</td>
<td>1573.7</td>
<td>2375.3</td>
<td>824.6</td>
<td>1601.0</td>
<td>2425.6</td>
<td>(-) 23.0</td>
<td>(-) 27.3</td>
</tr>
<tr>
<td>1983-84</td>
<td>783.1</td>
<td>1995.5</td>
<td>2778.6</td>
<td>782.9</td>
<td>1868.3</td>
<td>2651.2</td>
<td>(+) 0.2</td>
<td>(+) 127.2</td>
</tr>
<tr>
<td>1984-85</td>
<td>823.5</td>
<td>1907.4</td>
<td>2730.9</td>
<td>897.2</td>
<td>1933.5</td>
<td>2830.7</td>
<td>(-) 73.7</td>
<td>(-) 26.1</td>
</tr>
</tbody>
</table>

Table - V - -

OVERALL RECEIPTS

YEAR

70-71 72-73 74 75 76-77 78-79 80-81 82-83 84-85

71-72 73 74 75-76 77-78 79-80 81-82 83-84

RS. IN CRECE

REVENUE ACCOUNT CAPITAL ACCOUNT
OVERALL DISBURSEMENT
Financial Year—Need For Change

The rationale of our present financial year (April to March) has been a subject of debate ever since it was adopted by Government of India in 1866 in conformity with the British practice. It has been pointed out by many critics that the existing budget period is responsible for the late start of public works. Under the present arrangements, after the adoption of the Appropriation Act sanctions reach the executive agencies which monsoon breaks in most part of the State rendering it difficult to start construction of the budgetted works. These works are taken up when rains are over. The commencement of the budget year on 1st of April affects the speed of work because of the break of the monsoon immediately after the preparatory work for works projects is completed. It has further been argued that the delayed execution of public works under the existing system results in rush of expenditure towards the end of the financial year leading to surrender of sub-stantial portion of allotment and stoppage of work at the end of the financial year.  

Another criticism levelled against the existing financial year is that it is not based on the needs of our country. Our country is still predominantly agricultural and it is dependent on the behaviour of the monsoon. The budget year does not enable a realistic assessment of Kharif revenues as the agricultural scenario dependent on the behaviour of rains is not known when the budget is formulated.  

Therefore, different dates have been advocated for the commencement of the financial year, namely the 1st of January, the 1st of July, the 1st of October or the 1st of November. It has been pointed out that a budget year should be such as would enable: (i) accuracy of revenue estimates, (ii) accuracy of expenditure estimates, (iii) efficacy of performance and (iv) budget timing to suit convenience of the administration.

After analysing the various suggestions advocated for the Commencement of the financial year, it has been found that none of the solutions offered would reconcile all the criteria mentioned for better budgeting. Considering alone the criterion of creditability of revenue, we find that no single alternative budget year allows a realistic assessment for both Kheriff and Rabi crops dependent on two monsoons (SW & NE). If a particular budget year is adopted it would not possible to know about the behaviour of SouthWest monsoon before framing the estimates of revenues, from Rabi crop. It would be again a complete guess work. It may be mentioned that Rabi crop is financially more important for some of the States in Northern India. It would, thus, be difficult to reconcile the interests of various States of India on any alternative date suggested for the commencement of the budget year. Moreover, it has been argued that in certain respects the criticism against the present budget year has been ill placed and it is not fully justified.\footnote{Handa, K.L., The Budgetary System in India, \textit{op.cit.}, 10.}
A case has therefore, been made for retaining the status quo. It has been argued that there is no particular advantage to be gained by disturbing the existing arrangements. A revision of the present financial year would create dislocations in statistical, accounting and administrative fields. Though the difficulties are not insurmountable, the advantages to be gained from any such change may not compensate for all the troubles taken and the problems faced. Moreover, different States of India view differently the suitability of various alternatives to their respective climatic and other conditions. It is not possible to reconcile the interests of all the States to any one alternative budget year. It is, however, accepted by all concerned that we would have a uniform financial year both for the Union and the States. In this situation, therefore, the best course would be to retain the existing budget year. The system of Supplementary Budget is meeting the uncertainties of the climate and other calamities.

The irregularities committed by different Civil as well as Public Works Departments pointed out above can be avoided and the real performance of the department can be ensured if performance budgeting is introduced in most of the departments of the Government and periodical review is made to link the expenditure incurred with the physical target achieved. This measure will definitely improve the performance of various executing agencies and the Government will have a solutary control over the Subordinate officials.

While analysing the debt position of the Government, of Orissa it may be pointed out that the repayment liability of loans from the Central Government outstanding on 31st March
1989 (Estimate) would be of the order of Rs. 657.00 crores during the period from 1989-90 to 1994-95. The interest liability on these loans would exceed Rs. 700.00 crores during the same period. This burden is likely to further increase due to the repayment liabilities on account of other outstanding loans as on 31st March 1989. Hence, unless a suitable debt relief arrangement for writing off the unproductive loans and rescheduling the repayment of other loans is devised by the Finance Commission, it may be extremely difficult for the State to finance Capital outlays from future borrowings. The Finance Commission may, therefore, is the only hope to provide suitable debt relief formula or economy measures need to be introduced with zero-based budget which is a very hard antidote for this disease.

Further, the following measures may be taken in order to keep Orissa free from the debt liability.

1. It is recognised in principle that repayment period of outstanding loans is to be different for different groups of states in view of their being placed in dissimilar circumstances. This principle may further be amplified to prescribe a concessional or differential rate of interest in respect of Central loans to financially weaker states.

2. All unproductive loans may be written off.

3. The balance of the loans from the Central Government outstanding on 31st March 1985 may be consolidated and rescheduled for payment over a longer period as the present dispensation of 30 years has not served the objective.

4. Plan loans to be obtained during the subsequent years may be made repayable over a period not less than 30 years.

5. The overdraft loans from Reserve Bank of India outstanding on the 31st March 1985 may be fully covered by a special grant-in-aid accommodation from the Centre.

6. The structure of 70 percent loans and 30 percent grant in respect of plan assistance should not be uniform for all States. For financially weaker States like Orissa, the pattern may be 30 percent loan and 70 percent grant to bridge the gap of regional and zonal imbalances.

The policy and arrangements in regard to financing of "relief" expenditure on disasters deserves consideration.

Orissa is frequently visited by severe natural calamities like flood, cyclone and drought. The need for making adequate provision in the State Budget for relief measures has, therefore, been well recognised by the previous Finance Commission. For some time, Constitution of a National Relief Fund was also under contemplation. The Sixth Finance Commission which considered the proposal, however, pointed out that the constitution of such a Fund was brought with several difficulties including the determination of the size of contribution by the States, modality of indemnification, timely release of funds to meet emergent situations,
etc. The intractability of these problems has deterred the Constitution of the Fund so far. The existing arrangements for financing relief measures are, however, not free from short comings and it is necessary to remove the bottlenecks for implementing relief operations speedily and efficiently.

The quantum of margin money assessed by different commissions for this State has never been adequate to meet the needs. The Eighth Finance Commission assessed the margin money requirement at ₹.26.25 crores but the quinquennial average (1982-87) of expenditure (₹.53 crores) has exceeded this amount. The size of the margin money should at least be equal to the expenditure.

Under the existing arrangement half of the assessed money is included in the revenue budget of the State and the rest is provided by the Central Government in the form of Grant-in-aid. Release of Central assistance of margin money is dependent upon the full utilisation of the provision in the State Governments budget and satisfaction of the Central team as to admissibility of the items of expenditure incurred. In this context, we would like to suggest that this procedure needs to be dispensed with. Since Finance Commission makes careful assessment of the normal requirement of resources required for meeting the situations arising out of natural calamities, a portion of the margin money thus provided should not be subject to the mechanism of a Central Teams Visit and recommendations.

The State Government should be enabled to exercise full discretion over the dispensation on margin money provided in their forecasts. To prevent wastage, if any, in the
years in which natural calamities do not occur, the unspent amount may be utilised in schemes of permanent capital nature to prevent flood, drought etc. Diversion of these funds should not be allowed even if natural calamities do not occur next year.

For financially weaker States like Orissa, the State's share of relief expenditure on flood, cyclone and other calamities may be provided in the form of non-plan grant in aid by the centre.

On the whole, successive Finance Commissions have tried to find out a package of measures for correcting the horizontal and vertical imbalances in the federal finance system. But their efforts do not seem to have yielded the desired result. Access of the centre to various categories of financial resources continues to be much more than that of the States. The Sarkaria Commission in its report has stated that:

".....of the combine aggregate resources during the period 1951 to 1985, the Union Government raised 71.5 percent and State 28.5 percent resources".

Obviously, the fiscal area within which the centre operates has a larger and wider potential. The States operate within a relatively restricted area and their financial situation interse exhibits sharper disparities. Some of the States because of their economic and financial strength have achieved accelerated growth in their per capital incomes compared to the all India average per capita income, the per capita incomes of some advanced States are higher by 30 to more than 60 percent of the average while these of
some poorer States are lower by 17 to more than 38 percent. To illustrate the per capita income of Punjab in 1984-85 at Rs. 4075 based on the quick estimates of the C.S.O. of Haryana at Rs. 3230 and Maharastra at Rs. 3177 were respectively 64.51 percent, 30.40 percent and 28.26 percent higher than the All India average of Rs. 2477. The per capita income of Bihar for the corresponding year was Rs. 1513 i.e. 38.92 percent less than the all India average, of Orissa Rs. 1954 that is 32 percent less and of Uttar Pradesh Rs. 1988 that is 30 percent less than the all India average (details are given in Appendix A). Poorer States with low per capita income, narrow resource base, low resource raising capability and lower order of savings are unable to come out of the vicious circle of poverty and stagnation despite transfer of resources through the Finance Commission, the Planning Commission, other discretionary transfers and investments made by national and State level financial institutions. Thus the regional imbalances which had originated before independence, due to historical reasons, have persisted even after forty-five years of independence and the long strides taken in the Planning process. Financially Weaker States continue to be vulnerable. Those Weaker States which have raised adequate resources according to the existing parameters should be enabled to have sufficient financial strength through devolution and grants-in-aid mechanism to achieve a faster rate of growth. They should also be in a position to provide a wider range of reasonable public services as envisaged in the Directive Principles of State Policy. Access of the backward States to the benefits of an accelerated rate of eco-
nomic growth would in the long run mitigate existing tensions and conflicts.