CHAPTER VIII

CONCLUSION
CONCLUSION

In conclusion, an attempt is made here to review the gist of the important findings of the development expenditure of the state of Orissa and project the future for policy formulation and purposive implementation.

Orissa emerged as a separate province in the year 1936 after remaining for centuries under alien rulers. The Mughal period was marked by mal-administration, exploitation of the tenants and the consequent wretchedness and miseries of the people. During Marhattas the state was exposed to every species of rapine and plunder. The British occupation of Orissa from 1803 to 1945 was not an unmixed blessing. The basic interest of the British lay on the extraction of surplus value from India to Britain and dividend first and last became the motto of the British administration. Scanty attention paid to the administrative set up of the province resulted in bribery, corruption and administrative nihilism. Orissa was kept under different administration for a long time and such bartering had different forms of administration characterised by chaos and confusion detrimental to the prosperity of the province. The defective land system created a class of alien capitalist, absentee landlords with the attendant alien capitalist rule. Lack of measure for agrarian development, utter negligence of infrastructure facilities like irrigation, power and communication, mounting land revenue, excise and custom duties dwindled the economic condition of the people. The laws of the land favoured the landlords, the class of capitalist and the money lenders at the cost of increasing poverty and indebtedness.

The British control of Orissa, no doubt enlightened the people with the expansion of various educational measures but the western culture created an elite class, a babu society completely alienated in the absence of a sense of
living, loving and doing things conducive to individual and the growing society. Set back in agriculture, dislocation of village industries increased the unemployment of men and material and impoverished the population.

The portion of the province under the Indian rulers were no less oppressive. There was hardly any rule of law. The system of budgeting in the Indian states was not in conformity with the principles of modern public finance. The long neglected benighted province of Orissa with its stringent finance had to embrace all the states, which added salt to the injury. The British left Orissa in the federation of India as a backward state with rich but unexploited natural resources and a large population under abject poverty.

The Independent Orissa and also India inherited, at large, an extremely backward, and fragile economy characterised by the low income of the people. This again stemmed from the low level of domestic saving. The deficiency of economic and social over-heads and a large unemployed and underemployed labour force because of the scarcity of capital and other complementary resources. The freedom brought with it a new horizon which aroused in the people new hopes and aspirations. However, the political freedom will prove unavailing in the absence of economic freedom from want and hunger to the poverty stricken people.

The shortage of capital, the lack of skilled personnel, the lopsided production, the backward agricultural system, the country-wide poverty and the consequent low volume of effective demand and a large labour surplus are the main hindrance to the progress. In these backward agricultural economy, the productivity of agriculture is weak, yields are low and small plots are both over-crowded and over-exploited. There is either no or little industrial expansion due
to lack of a daring, risk-taking entrepreneurial class and acute shortage of industrial equipments and technical know-how.

In the pre independence era the pace of expansion of state activity was exceedingly slow and limited. After independence the new economic policy heralded by Keynes, that rejected the classical and neo-classical tenets was more persuasive and valid. This widened the horizon of government finance and government expenditure was regarded as an instrument of economic policy. The precepts of the orthodox balanced budget became obscure and obsolete and opened the way for expanded government activities on an unbalanced budgetary system. As the fiscal theory and the growth models designed for the developed economies became inadequate for the poor underdeveloped economies and each country or state needs a separate policy diagnosis well suited to each area would help removing the economic ills.

With the advent of planning the fundamental objective has been to assist the economy in its effort to have a pattern of welfare state envised in the constitution, based on human values for which science stands, while preserving the distinct type of thought and life which has been enduring in India through the ages. The objectives can be achieved through plans of social and economic development for bringing about appreciable increase in the standard of living as rapidly as possible, prepared and implemented with the largest measure of public participation. The quality of planning specially of a mixed type aimed at achieving socialism through democratic means depends upon the extent to which the people are inspired to participate in the programmes of development.

It is true that a minimum economic base provides ample opportunities for men and women in making a decent living and help in the
effective functioning of the democratic institutions. Therefore the ownership and control of material resources of the community should be evenly distributed to serve the common good and the concentration of wealth and the means of production in one hand should be curbed.

In a state of abject poverty, subsistence agriculture, poor growth of industries, inadequate infrastructure development, due to obvious reasons, necessitated a sound government finance to supplement deficit in private investment. This requires a large surplus in the revenue budget so as to complement the capital expenditure on the nation-building heads. Large deficits in the revenue account has, however, been significant features of the budget of the government of Orissa since the adoption of planning in 1951-52. Significant increase in consumption expenditure, implementation of five year plans that increased magnificently the plan expenditure and the plan maintenance expenditure caused recurring gaps in the revenue account of the state. The inflationary price hike, unusual increase in the payment of interest and the repayment of loans are the main reasons of creating the gulf in the revenue budget of the state unassociated with adequate revenue receipts. The large deficit in the revenue account have been made good by creating continuous large surplus in the capital account in contravention to the principles of sound finance.

Public expenditure is the weapon of the state policy to wipe out the inherent rigidities in the underdeveloped economies. In the developing economies the functional role of fiscal policy is the mobilisation of adequate resources and their productive utilisation. The magnitude of public expenditure during the period under study have increased tremendously. But the disproportional growth of public expenditure and state income in Orissa is an indication of the fact that a large portion of the state income received as state
revenue are not ploughed back into the economy. A large sum of public expenditure that leaks through the holes in the fiscal pipeline is mainly accountable to this phenomena. The trend of public expenditure reveals that though Orissa spends more on development heads it is still lagging behind the other states. This is mainly because of increasing expenditure on non-development heads. The cost of collection of taxes in Orissa is relatively higher than other states which in turn reduces the tax proceeds, due mainly to the low efficiency in tax administration. The rising expenditure on salaries and wages and other establishments, extravagance and other infructuous activities have tended to reduce provisions for nation building heads.

Expenditure on administrative services in Orissa is not less than that of the other states in India. Though the cost of providing administrative services and maintaining law and order in the state have increased tremendously, increase in number of crimes tend to spread lawlessness.

The development expenditure of the state have increased almost in geometric progression. What is necessary is an integrated programme of development with appropriate location of social and economic activities over the physical space for a balanced regional development. The development expenditure that includes social services like education, medical and public health, and the economic services like agriculture, industry and transport etc. are intended to build up human and physical capital of the state.

In an under-developed economy low absorption of additional capital is mainly due to the poor human resource development. Expenditure on education has a pervasive value in reducing cost and increasing productivity. The government of Orissa have increased expenditure on education and no doubt expanded educational facilities to a great extent. But in view of the magnitude
of illiteracy and quality improvement, expenditure is inadequate. Apart from the inadequacy of expenditure, the dual administration the commercialisation of education and the rampant corruption have their effect on the poor quality of education. The growing poverty and inequality results in the inaccessibility of a large population to any type of education. The existing system of education has produced a class of frightened, cowardly, cynical and alienated class of educationist. The medical and the public health cares aim at reducing birth and death rate and at increasing life expectancy. The expenditure on this head has expanded but of no avail. The death rate and the birth rate have increased causing alarming situation in the state. The quantum of expenditure in the state is low in comparison to the other states. The state expenditure on education medical and public health need to be increased substantially.

Expenditure on economic services generally include agriculture and allied services, industries and transport etc. Agriculture being the dominating economic activity contributing 60 percent of the state income and nearly 76 percent of the population depending for a livelihood. As regards the quantum of expenditure on agriculture and allied services the state is not lagging behind the other states. However, agriculture continues to be fluctuating and uncertain. Even after long years of planned effort agriculture is still a gamble in monsoon. The debilitating effect of flood and drought on agricultural sector could not be avoided or at least reduced. Such recurring incidence is indicative of the ineffective flood and irrigation measures in the state. The various irrigation projects have proved not only unproductive but wasteful. In consequence the net area under irrigation have not improved significantly. Though there has been marginal change in the cropping intensity, the cropping pattern has remained almost unchanged. Agriculture has remained more or less stagnant in the absence of a major break-through. The community development programme, the co-operative ventures and the integrated rural development schemes intended
for rural upliftment and agricultural development not only proved a dam failure but also created a capitalist society from an egalitarian one due to the detriments of economic development of the state.

Orissa rich in forest and minerals still continues to be backward in the industrial expansion. The industrial policy have failed to help growth of industries because of its failure to boost up private investment. The public sector could not also encourage industrialisation since almost all public undertakings are continuing in loss due to unutilisation of the existing capacity and misutilisation of the scarce capital largely due to mismanagement. The government expenditure in the form of direct investment, equity and loans provided for industrial expansion has been low as compared to the other states in India. Economic development will be impossible unless sufficient attention is paid to industrial expansion.

Development of infrastructural facilities are vital for the development of agriculture and industries. While the irrigation and power projects lack realism, the road links are yet to be made. A large number of villages are still to be linked with roads and supplied with water and power. A good number of villages are yet to be provided with any type of school for the beginners and medical units to be obtained at the earliest and nearest opportunity.

A comparative analysis suggests high debt burden in the state considered from the point of view of the absolute and the per capita debt. The payment of interest and the repayment of loans will pose serious difficulties in the future. However, economic development of an underdeveloped economy can not be helped in the absence of public debt. The government of Orissa's resort to borrowing of large magnitude is attributable to the need for rapid
economic development, inflationary price spiralling, the wage-income policy followed by the central government and the unforeseen but recurring expenditure for meeting natural calamities like flood, drought and cyclone which have become a regular phenomena in the state. Though in the present context, public debt can not be avoided sufficient care need to be taken for proper utilisation of the borrowed funds. The practice of utilising the borrowed funds for meeting current expenditures should be avoided.

At the outset it can be emphatically said that there is much talk on 'Growth with social justice' but we find neither growth nor social justice. The high sounding slogans like direct attack on unemployment, Garibi Hatao have just become a play of empty words. The policies pursued by the government have enhanced the economic position of the rich peasants with his command on the marketable surplus at the expense of the landless and the urban consumers. The restrictive practices and policies have laid to an economy of shortage in oil, fertiliser steel, cement and aluminium which in turn created a seller's market. A sheltered market helps quality reduction and wind-fall gains to the producers, whole sellers, and the retailers. The shortage created artificially for restrictive policies of the government breeds black market, increases the black money and debases the economy. The business houses, the traders have gained at the expense of the consumers. The policy to provide concession and relief to the middle strata has resulted in the shrinkage of available resources for development and favoured the already employed than the unemployed. The fruits of whatever development we have been able to achieve have gone disproportionately to the rich and have increased income disparities.

An assessment of the progress towards attainment of socio-economic objectives, affirmed since the inception of planning, takes note of the absence of any significant achievements in improving the condition of the life of the
people in reducing inequality of income and wealth, in curbing the concentration of economic power and regional imbalance and in reshaping the social and political institution to strengthen social justice and democracy. The gap between the rich and the poor is widening day-by day. The gap between the states like Punjab, Karnataka, Tamil Nadu and West Bengal on the one hand and Orissa, Rajasthan, Uttar Pradesh and Bihar on the other is growing with the growth of plans and projects. Not only such inter-state gap could not be bridged but also the gap between different districts in the same state could not be minimised. In Orissa the districts like Cuttack, Puri and Balesore still enjoy the status of developed districts and the districts like Koraput, Kalahandi, Phulbani and Balangir continue to be poor and backward. The state governments have neglected these districts and have discriminated in favour of developed one. This has caused discontentment and if continues unchecked may pose serious threat to unity of the state and also of the country.

The position of the state and also of the country, at the close of seventh five year plan, seems to be worse than what was visualised in the early sixties. This was mainly because of larger sleepages that occurred in the plan implementation and the errors in development. The absolute number of people below the poverty line today is as large as it was before the inception of planning. The mounting poverty is a terrible reflection on the success of planning. It has to be noted, in the context of social and economic relation, that the rural poverty is positively co-related with the poverty of land. The higher the net value of agricultural output per acre of cultivated land, the larger is the percentage of rural population below the poverty line. Thus instead of wiping out poverty, the major portion of the gross national product originating from agricultural sector contributes to the increasing poverty and reducing quality in the rural areas.
The extent of poverty is larger than the extent of unemployment and under employment taken together. A substantial portion of the poor people can be helped only through an increase in the productivity of their labour in the existing occupation. What is necessary is the change in the basic productivity and exploitative institutional arrangements. Technological advancement and institutional changes in the rural areas was the major question of dispute in augmenting production and ameliorating the lot of the poor. The technological changes need, as a requisite method of development, land reforms and the redistribution of land. But if land reforms only signify a simple sub-division, it is retrogressive. Land reform, in its proper prospective, imply thorough agricultural reorganisation. However, in the name of land reform, the government is in constant attempt at finding out various compromises. The land to the tiller, the imposition of ceiling and the redistribution of the ceiling surplus land, the community development, the co-operative credit and all other forms of assistance like irrigation, marketing and the rural electrification have been provided to be increasingly monopolised, through manipulation, by the big landholders.

In industry the government favoured mixed economy. The original industrial policy resolution of 1948 and 1956 clearly indicate the declared policy of the government of India. The original and the revised policy resolutions were very comprehensive of accommodating any new ideas. But the subsequent revisions in 1973, 1977 and 1981 without any change in the basic frame do not aim at industrial growth but for a revisionary impact. Neither the private nor the public sector developed upto the expectation. The newly declared and widely supported policy laid particular stress in taking industry to the rural and the backward areas. This confirms the distinct probability that the shrewd Indian politicians representing only the large and the middle land owners in the country side and the big and middle businessmen in the town and cities will grab for their constituents the benefits that flow from the new programme in the name
of the poor and the down-trodden. The legislation to modernise handloom and other small industries and the measure to introduce technological innovations have run into some political difficulties. The district industries centres are yet on the line to their success in carrying out the larger functions that are assigned to them. Economic growth to be stable and sustained the industrial development need to receive greater attention.

The success of democracy depends largely upon its success in gaining the co-operation of the public. The cooperative movements and the national extension services aim at fulfilling this objectives. Democratic planning, it has to be noted, is a national movement depending upon three basic principles viz (a) Each activity in national life should be co-ordinated and activated as an integrated whole for a common purpose; (b) Activities at different level should be co-ordinated and integrated with each other; (c) In each and every field common activities should be organised so as to secure maximum public participation and co-operation. The extent of impact of planning on the common man is a value judgement. The planning as in vogue today have failed to arouse in the people a higher standard of living, new knowledge, new way of life and to make the people conscious of their rights and obligations. The artificial plan imposed from above will no doubt fall to obtain the strength and the validity of public cooperation and participation unless its routes lie deep in the village and the small man. In a country where the political will to do something tangible for the poor and the down-trodden does not exist, where the external conditions for development of rural areas are very poor and the socio economic pattern in the traditional community has a dampening effect, the prospect of planning in working for the poorest of the population are either poor or non-existent. The entire structure of inequality is bolstered by caste, colour, ethnic discrimination, nepotism and the general set of social, political and religious taboos that inhibit progress.
Simple formulation of plans and projects can not help development unless implemented with proper care and enthusiasm. In our economy plans are formulated many times without feasibility studies and project identification. In the absence of a clear guideline for the sanction of the plan of a project with a plethora of authorities anxious to scrutinise and with prolific procedures, the implementation of the project becomes, difficult. Though we have been attracted by the soviet planning we have disregarded the prospect of annual plan and the benefits of penalising deriliction of responsibility.

Public expenditure, by its very nature and the socio economic condition of the state, is concerned with a large section of the population than a specific measure for economic reform. It is easy to outline and propagate radical economic measures, rapid economic development, rise in the standard of living and removal of poverty, but it is difficult to work out and find out means for carrying out its specific programme of action during the financial year. It is more difficult in the presence of a large number of pressure groups. The please effects' that increase the fiscal bite of the government are accompanied by an increase in expenditure, reduction in revenue and saving.

Strict discipline and control over the government finance is crucial for an effective public spending with a suitable plan link for removing the economic ills. Slack financial discipline weakens effective control and breeds corruption that raises obstacles and inhibit progress. The loyalties are fragmented and the respect for an allegiance to the government and its institution are, therefore, decreased. The corrupt practices demoralise the population and promotes irrationality in planning that limits the horizons of the plans. The tendency of getting money by corrupt practices obstruct and delay the official functions.
An examination of the financial administration in the state indicates serious deficiency. The present procedure of administrative sanction is dilatory and cumbersome. Very often the express instructions are ignored. Increase in idle investment of government funds, defective planning, inordinate delay in accepting tenders, embezzlement of government money and material, resorting frequently to wasteful expenditure, neglect of regular timely checks and safeguard of government assets etc are the pointed reflection on the ineffective government control over finance. The most distressing factor in the absence of a suitable government machinery for fixing up responsibility for the loss sustained consequent upon the insincerity, negligence and distrust of an employee. More disappointing is the unusual and unnecessary delay in disposing of the disciplinary cases under the hierarchy of developmental enquiries, investigation and proceedings. Want of an adequate and effective system of review of the quantum of expenditure incurred out of the budgeted amount and the achievement of target makes the executive and the controlling officers irresponsible and extravagant.

Mounting poverty, unemployment and under employment, stagnant agriculture, industrial recession, artificial scarcity, non-availability of required quantity and quality of food, increasing social unrest and rampant corruption sums up the problem facing the state. These and the allied causes make the people suspicious of the success of the government planning and democracy. It is true that a society consisting mainly of poor, largely illiterate and intellectually submerged by traditions, can hardly succeed in a successful revolution. However, one should not be complacent, confident on these assumptions of a negative revolution. The way things proceed cause hardship, dissatisfaction, discontentment, silent resistance and class consciousness. We must expect the best but be prepared for the worst when the dissatisfied, discontented poverty stricken exploited class rise to the occasion for a negation of the negations.
This poses a caution, warning, of the cruel probabilities to the government and to those who help the causes to grow. This throws a clarion call for a clap at the radical change process to wipeout the existing order of the economy which can hardly be distinguished from the rule of an alien capitalist government—the British or the Marahattas. It is, at times, pleaded by the handful of politicians and economists of a minority group that in the present financial and administrative set up, the state government is helpless due to the financial position and the policy prescription of the central government. This contention is based on the implicit and explicit assumption of the absence of independence of the state government in any form. Granted separate and independent jurisdiction of action, sources of revenue and heads of expenditure, the state government has an ample scope to mould its expenditure.

Living aside the financial problem what is necessary is a strong government, a bold policy and will power free from bias. The financial problem are no doubt more pressing but are not retrievable. It is to be noted that the financial problems generally refer to the problems of increasing revenue, optimum utilisation and financial administration.

The optimum utilisation of scarce resources at the disposal of the government need special consideration. Maximum social benefit should guide each act of spending by the government. Under utilisation and misutilisation of the public purse is a vice. These facts seem to have been seriously ignored while public expenditure is made on various heads. The government of Orissa should be careful about (a) economising expenditure; (b) selecting expenditure on the basis of priorities keeping in view the objective of growth with social justice; (c) strict observance of financial rules and procedures; (d) avoiding unnecessary commitments that strains the treasury; (e) feasibility study and cost benefit analysis should be insisted upon while undertaking development projects; (f) due
attention should be paid to the reports of the public account committee and to
the reports of the Auditor General; (g) the policy of fixation of responsibility and
system of recovery of loss as in practice in the Indian Railways and the
department of post and telegraph should be employed in all the departments
and other commercial concerns of the state government; (h) maximum care
should be taken to check the growth of non-development expenditure in the
state.

Weak financial administration calls for an urgent review of the
situation. The mounting irregularities and lapses that revolves around the
government's money and material, poses a serious threat to the sound financial
administration. The general finance and account rules need over-howling and
simplification to suit the needs of the time. The system of auditing should be
reoriented to be more purposive and effective in the broader interest of the
economy. The irregularities or the act of breach of trust, if any, reported by
audit should be promptly attended to. In view of the wide range of objectives
public borrowing can not be avoided in the interest of development but the
rules of financial principle should be honoured with high esteem. The
government should be particular about the payment of interest and the
repayment of loans in time so as to reduce its recurring burden on the treasury.
However, the practice of frequent resorting to over-drafting is unwarranted and
leads to acute financial indiscipline. This should be checked at any cost.

Besides the wide divergence between the policy and practice,
programmes and implementations that continue at present should be removed
in the interest of the national objective. The state needs a stable, determined
and strong government for removing the present economic and social problems.
The problems are vast; the tasks are stupendous, the prescriptions are hard and
difficult to carry. Ahead lies the precipice and not a safe shore of promise and
prosperity.