

Presentation of the Budget for 1932-33.

The Hon'ble Raja RAJENDRA NARAYAN BHANJA DEO :
Sir, I present to the House the budget estimates of the Government of Bihar and Orissa for the next financial year 1932-33. The first thing which will be noticed is that there has been a change in the order in which the demands will be discussed. Hitherto we have always started with 5—Land Revenue and proceeded with the demands in their budget order. The result has always been that we have spent the whole allotted time in discussing the same twelve or thirteen demands and then the guillotine has fallen. This year we shall start with General Administration and take the big expenditure heads, both Reserved and Transferred, before going on to those demands which came first in the old order. This will enable the Council to criticize a number of very important demands which have usually gone undiscussed. At the same time none of the really important demands will be relegated to the second half of the programme. Before sanctioning the change I ascertained that it had a substantial measure of support from non-official members and I hope that the alteration will be acceptable to the House generally.

At this time last year, I estimated that the opening balance of the province for the year 1931-32 would be 90 lakhs, of which 41 would be the ordinary balance. Actually, as I told the House last August, the opening balance was 82½ lakhs. Expenditure at the end of 1930-31 fell considerably short of anticipations. But revenue did the same to a more marked degree, with the result that we were some 7½ lakhs poorer than we had anticipated. Of this sum of 82½ lakhs, 31½ lakhs constituted the ordinary balance.

I estimated the revenue at 575 lakhs. The actual figure, however, is now estimated at 515 lakhs, a drop of 60 lakhs. Two-thirds of this sum is due to a fall of 41 lakhs below the

estimate under Excise. The rest is due to decreases under Stamps, $9\frac{1}{2}$ lakhs, Forests, $3\frac{3}{4}$ lakhs, Registration, $3\frac{1}{2}$ lakhs, and Income-tax 1 lakh. Under several of the smaller heads receipts failed to come up to expectations; these smaller items of loss are balanced by a windfall in the shape of an assignment from Central Revenues of our share in the protective duty on foreign salt. This is expected to bring in 4 lakhs. Under the capital heads, receipts are $8\frac{1}{2}$ lakhs greater than was anticipated, while outgoings under the capital heads, including the reserve for unforeseen, are 10 lakhs greater. These changes under the capital heads are due chiefly to a loan of 5 lakhs which, if the Council approves, it is proposed to grant to the Provincial Co-operative Bank, and to the fact that advances to cultivators in the Bhagalpur Division last summer were heavier than was anticipated.

On the expenditure side, I anticipated that expenditure charged to revenue would be $577\frac{1}{2}$ lakhs. I now anticipate that that figure will be reduced to $550\frac{1}{4}$ lakhs. Members who were present on that occasion will remember that, when I addressed the House last August, I explained that a retrenchment programme had been put into operation which was estimated to reduce expenditure by 15 lakhs. Actually, we have reduced expenditure by about 27 lakhs. Of this, 5 lakhs is due to the 10 per cent cut in pay which has been in force during the last quarter of the current year. The rest of the sum, 22 lakhs, is what we expect to save through the retrenchment programme. Our retrenchments in the current year have, therefore, given us more than we expected when we put them into force. Throughout the year, every opportunity has been taken to curtail expenditure, and the cumulative effect has been to give this extra saving of some 7 lakhs over and above what we anticipated.

I do not propose to discuss the individual expenditure heads. The details will be found in the Financial Statement. In each department the same thing has happened: rigid retrenchments have been enforced and no expenditure has been allowed which could possibly be avoided.

The total effect on the revised, including both revenue and capital heads, is that the total receipts are likely to be $546\frac{1}{2}$ lakhs and the total expenditure 601 lakhs. The deficit on the year, therefore, works out at $54\frac{1}{2}$ lakhs, which is some 34 lakhs worse than I anticipated last February. This will reduce the closing balance to 27.89 lakhs, which

means that though we shall have 24 lakhs in the Famine Relief Fund and $4\frac{1}{2}$ lakhs in road fund subventions, the ordinary balance will be *minus* 1 lakh. In other words, though we are nearly bankrupt, we are not quite so, because there is still some 9 lakhs in the Famine Relief Fund over and above the statutory minimum which we are required to maintain for famine relief proper.

I now turn to the prospects for next year. The first question which arises must necessarily be the extent to which the conditions of 1932-33 are likely to affect our chief sources of revenue. Last year, in framing our budget estimate of revenue, we made a general assumption that there would be a slight improvement in the latter half of the year. That anticipation was not fulfilled. We have now another year's experience of low prices. The nature of the economic cataclysm which has overtaken the world is better known. On the whole, the probability is that the process of adjustment to low prices has advanced a good way, and that the effect of it on our revenues is already reflected in our current figures. Generally speaking, crops have been better than they were last year. Though, unhappily, the civil disobedience movement has been revived, its course up to the present does not suggest that it is likely to exert much influence on our revenues. With the revolutionary changes which have occurred in world finance in the past six months, a forecast is exceedingly difficult to make. It has seemed best to assume that general conditions will be no better in 1932-33 than they were in 1931-32, but that they will not be worse. The estimates of revenue have, therefore, been framed on this assumption, and we have throughout refused to take credit for receipts higher than those now expected for the current year, unless we have specific reasons for doing so which are not based on a general recovery in trade. The actual figure taken for total revenue in the budget is just over 5 crores. It differs from the figure of 515 taken for the revised in the following respects. It does not include the special item of 20 lakhs transferred from the excess balance of the Famine Relief Fund, nor the special receipt under Salt. On the other hand, increased receipts are expected under Land Revenue, because a larger sum will be recovered in settlement costs. The net receipts from irrigation are about 2 lakhs better than the revised, because we are making heavy retrenchments in the expenditure which is deducted from the gross receipts under this head. There will also be increased receipts of about $2\frac{1}{2}$ lakhs under Industries. These are not due to any

expectation that the department will earn more money, but simply to the fact that the Auditor-General has now decided that the system, formerly adopted, of showing only the net loss in the budget is illegal and that we must revert to the old system by which the total receipts are shown under revenue and the total expenditure under expenditure. These, with a few other minor items, explain the difference between the figure for revenue in 1931-32 and in 1932-33.

As receipts and outgoings under the capital heads (including the reserve of 1 lakh for unforeseen) happen to be within 1 lakh of each other, they more or less balance and I can dismiss them from consideration. I can, therefore, state the problem very simply. It was this: the ordinary balance had become a *minus* quantity, and, excluding the sums out at interest with local bodies, the province had no further reserve except the insignificant sum of 9 lakhs in the excess balance of the Famine Relief Fund: How was expenditure charged to revenue to be reduced within the compass of the 5 crores which we hope to receive next year? It will take me a little time to describe the measures taken to solve the problem, so I will relieve your anxiety by saying that ultimately we did manage to reduce expenditure within this limit, albeit by a very narrow margin.

When I addressed the House last August I expressed the hope that the estimates of revenue upon which the budget of 1931-32 was based would materialize. That hope was based on the fact that the returns of the first quarter of the year, which were all that was available at that time, did not afford any definite reason for alarm. The second quarter of the year, however, showed serious declines under the principal heads and it became clear that it would not be possible to balance the budget of 1932-33, unless drastic measures were taken. Members will remember that during the debates of the August session an undertaking was given that if further retrenchments became necessary, Government would take the advice of non-official members of the Council upon the actual measures to be taken. By early November we had received sufficient information to enable us to estimate the position with exactness. It was then found that, after allowing for a very considerable diminution in expenditure which would arise from the completion of various non-recurring items contained in the budget, allowing for the effect in the next year of retrenchments already put into force, and allowing for a saving of 20 lakhs on account of the temporary

cut in pay, which had then become a certainty, it would be necessary to reduce expenditure by some 30 lakhs more in order to balance the budget. It was impossible to wait for the next meeting of Council, so five members of the Council, Babu Sri Krishna Prashad, Babu Rajandhari Sinha, Babu Sri Narayan Mahtha, Mr. Saiyid Muhammad Hafeez and Mr. Nanda Kumar Ghosh were invited to form a committee to examine the budget estimates and to advise Government how these retrenchments could best be effected. The committee met on the 19th of November and sat continuously until the Christmas holidays. Government refrained from prescribing any formal terms of reference, because it was thought best to leave the committee free to follow any line which appeared to promise good results. What the committee did was to ask each officer responsible for expenditure to state what retrenchments could be made in his budget. The committee then went through each of the budget estimates and discussed with the officers concerned the practical effect of these proposals. In almost all cases the members went a good deal further than this. They picked out any item of expenditure in which there seemed to be a possibility of retrenchment, whether the Head of the department had recommended retrenchment or not, and they discussed these further items in great detail with the officers concerned. I myself presided over most of the sittings. I can testify to the thorough manner in which every possibility was investigated by the members, and I think that they will agree with me that the officers of Government who came before them did their utmost to place full information before the committee and to assist actively in the search for retrenchments. On behalf of Government, I wish to thank the members for the public-spirited way in which they performed their difficult and distasteful task, at the sacrifice of their entire time for a whole month. Just before the Christmas holidays, the committee was able to furnish a preliminary report indicating that savings amounting to 25 lakhs could be made in the budget estimates then before Government, if all their proposals could be accepted. Orders were passed on these proposals before the middle of January and Government was able to embody in the budget savings to the extent of 21 lakhs, out of those proposed by the committee. After furnishing this preliminary report the committee reassembled in February to consider certain larger measures of retrenchment which from their nature could not be put into operation at once. It is understood that the report of the committee on this aspect

of its task has been completed and it is hoped that it will be available for members of this House before the general discussion on the budget takes place.

When the budget came to be completed in the middle of January, it was found that after embodying in it those of the committee's proposals which Government were able to accept, it would be necessary to reduce expenditure still further by some 8 lakhs in order to balance the budget, apart from finding the cost of any new schemes which had to be included. It may seem strange for me to speak of including new schemes in a budget which had already suffered such heavy pruning. The fact is that the distinction between "new schemes" and "first edition expenditure" is somewhat technical. There are, for instance, certain activities of the Medical and Public Health departments, which, though technically new schemes, could not be discontinued without grave danger. Apart from these, the declaration of war by the Congress rendered it essential to provide for a continuance of the temporary police forces which had been entertained in 1930, and for the provision of quarters for the mounted military police force at Jamshedpur. The total of the new schemes amounted to about $3\frac{1}{2}$ lakhs. There remained, therefore, a gap of $11\frac{1}{2}$ lakhs to be bridged before the budget could be balanced. $5\frac{1}{4}$ lakhs of this sum was found by a further pruning of the budget and by financing the commutation of pensions from capital instead of from revenue. There was a difference of opinion as to the manner in which further retrenchments should be made. Both sides of Government were prepared to accept His Excellency's decision in the matter, though they might not be prepared to agree with it. His Excellency, therefore, decided that the rest of the sum should be found by a 10 per cent. cut in the primary education grants, a reduction by one half of the provision made for distribution to local bodies out of the proceeds of the motor tax and a further cut of 1 lakh from the reserved departments.

The budget has thus been balanced and I have been able to introduce a surplus budget. It provides 499 lakhs for expenditure charged to revenue and will give us a closing balance of 30 lakhs, which is just 2 lakhs better than the opening balance. There will be 26 lakhs in the Famine Relief Fund, $3\frac{1}{4}$ lakhs in road subventions and 62 thousand in the ordinary balance. The margin is an exceedingly narrow one and may easily be upset by very minor factors, either

in the shape of a falling off in revenue or an increase in expenditure. I should be the last to claim that the measures which we have had to take to balance the budget involve economies which are desirable in themselves. They involve the crippling of many activities in all directions and what the budget really provides is the bare minimum necessary to enable to carry on for the coming year. I have no doubt that many of the steps which have been taken will fail to commend themselves to members of this House. But whatever differences of opinion may exist regarding the exact mode by which the end was to be attained, I trust that there will be no difference of opinion on the end itself, the absolute necessity for balancing the budget. In the situation in which we find ourselves to-day, on the eve of important constitutional changes and in the midst of a worldwide financial crisis, it would have been quite impossible to contemplate incurring expenditure which we could not meet from current revenues.

The sacrifices which we have made to attain a balanced budget are very great indeed. We have not made as much fuss as some other Governments over our retrenchments: we are a poor province and our chronic penury has left very little margin to sacrifice in a time of crisis. But the fact remains that the revenue expenditure of Bihar and Orissa in 1929-30 and 1930-31 was just over 6 crores. In 1932-33 it will be just under 5 crores. A reduction of 1 crore—one-sixth of the expenditure—is no mean result.

The preparation of the budget this year has been peculiarly difficult. The budget procedure has been upset by the fact that retrenchment has simultaneously proceeded along with the preparation of the budget. There was a considerable danger of confusion and the fact it did not occur is chiefly due to the hard work and foresight of the present Registrar, Rai Sahib Upendra Mohan Sen, and his experience of our financial system and its technicalities. The Rai Sahib will retire in next October and I wish to acknowledge his most valuable services in the Finance Department. The Rai Sahib has throughout his service displayed great ability and devotion to duty and the high standard which has marked the administration of the Finance Department during the last 12 years is largely due to his efforts.

I am deeply thankful to the Finance Secretary, Mr. Brett, who has worked most strenuously to work out the budget this year under most unfavourable circumstances.

His intimate knowledge of the complicated problems of public finance and his ability in dealing with the financial questions in detail have to a great extent enabled me to present a balanced budget to-day before the House.

Before I conclude I wish to express my appreciation of the devotion and the help rendered by the Budget Section of my staff in preparing the budget this year.