Presentation of the Budget for 1931-32.

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 financial year 1931-32. The remarks which His Excellency made on our financial position, when he addressed the House on the 21st of last month, will have prepared your minds for a budget of an abnormal character. You are aware that the calamities of the year 1930-31 have caused an unexampled depletion of our balances and you are doubtless anxious to hear from my lips the precise extent of the financial crisis which has overtaken us. In view of the abnormal character of the situation, and because many members of this House have never had an opportunity of participating in a budget debate, it is my desire to dwell on the broad facts of the situation, rather than to burden you with an undue repetition of the figures which you will find in the printed budget estimates. To those of you who are not familiar with the form of the budget, I may indicate that the position can best be studied at this stage in the General Abstract of Revenue and Expenditure, which you will find at pages 4 and 5 of the budget. This gives our actual transactions for 1929-30, the budget estimates for 1930-31, with the more up-to-date edition of those figures which we call the Revised, and the estimates for 1931-32. It will be necessary for me to quote certain figures in my speech but I will endeavour to reduce them to a minimum.

I may take this opportunity to explain certain items which appear for the first time in the budget under the head "Subventions from the Central Road Development Account". These represent the transactions relating to our share of the enhanced petrol duty which is hypothecated to the development of communications. I need not explain the somewhat complicated entries in the accounts which these items involve, but the net result is that we expect to receive Rs. 5 lakhs and

90 thousand from the Central Government. Against this sum we have provided for the expenditure of Rs. 4 lakhs and 25 thousand under the head 41—Civil Works and the balance, which cannot be spent profitably next year, is carried forward as part of our closing balance for expenditure in the following year.

The first figure which I must give you is the amount of the closing balance for 1929-30, which was carried forward to form the opening balance of the current year. When I addressed the House last year, this sum was expected to amount to 1 crore 41 lakhs 94 thousand. Actually we closed the year with nearly 8 lakhs more than we expected. Our actual closing balance has usually been greater than we anticipated, for reasons into which I need not now enter. Members will however be interested to know that the actual expenditure charged to revenue for 1929-30 was within one lakh 93 thousand of the expenditure which was anticipated in the Revised. When it is realised that we are dealing with a sum of money amounting to 6¼ crores, Hon'ble Members will, I think, agree with me that the Revised was a singularly accurate forecast of the actual expenditure; the difference amounted to only a third of one per cent. In previous years the figure was between 7 and 8 lakhs. That is a very accurate piece of budgeting and the result reflects great credit on those who framed the estimates and upon those who regulated the expenditure. A great deal of thought and trouble has been devoted in the past few years to the problem of making the estimates more accurate and this result is very encouraging. The rest of the difference was made up of increased receipts, which are always more difficult to estimate than expenditure, and savings in expenditure not charged to revenue.

We started the current year, therefore, with a balance of 1 crore 49 lakhs and 70 thousand, of which 42 lakhs and 58 thousand was in the Famine Relief Fund.

The revenue which we expected to receive in the current year was 5 crores 84½ lakhs. Forty-two lakhs of that sum has now disappeared. As a result of the experience of the first nine months of the year, we cannot now put the revenue at a higher figure than 5 crores 42½ lakhs. There are of course minor variations in most of the revenue heads. I will not trouble you with these. The outstanding fact is that the excise revenue will be nearly 43 lakhs less than we anticipated last February.

I have two reasons for discussing the excise revenue at some length: the first is that it is the drop in our receipts under this head which has so vitally affected our general financial position. The second is that there have been two separate factors which have affected it. One of these two factors—the economic position—did not begin to operate until November, and until we were able to assess its effects, we were not in a position to realise the full extent of our losses.

In a normal year excise brings us in about 1 crore and 90 lakhs, a third of our total revenue. This year we budgeted for a figure very slightly above the normal, because the good crops of the previous year indicated that there would be higher consumption. The year began well, with increased receipts in April, and then we began to feel the effects of the campaign against the excise revenue which was a part of the Civil Disobedience movement. As compared with the previous year, the monthly receipts fell by an increasing amount each month from May to July, until in July the revenue was 5½ lakhs less than in July of the previous year. From this point an improvement set in, which was due to the fact that the Civil Disobedience movement had been checked, and that those who wished to buy liquor and drugs were finding less difficulty in doing so. Our monthly losses decreased steadily by a lakh a month until the end of October. We were, of course, watching the position very closely. At that point a study of the figures led to the conclusion that the position was rapidly becoming normal, that the losses for 1930-31 would not be more than about 30 lakhs and that the receipts in 1931-32 would be only about 15 lakhs below normal. Losses on that scale, serious though they were, would not have involved more than a drastic curtailment of new expenditure. But, early in December we received another shock, which threw out our calculations again. The revenue for November 1930 was 4½ lakhs worse than that for November 1929 and a further loss on a slightly smaller scale occurred in December also. A new factor had evidently appeared. The chief cause of this new deterioration was undoubtedly the great fall in prices. Though the harvest has been markedly good the prices of crops have fallen to an unprecedented extent. There is a great shortage of ready money in the country and people have little to spend on drink and drugs. This factor, supervening on the aftermath of the Civil Disobedience movement, rendered it impossible that we should escape further losses in excise, and early in January we were compelled to revise our estimate so as to provide for a total loss of nearly 43 lakhs this year. What was even more serious was that it seemed impossible to hope that the effect of the economic distress would not prevail over a large part of the coming year. We were therefore obliged to reduce the estimate for next year to 1 crore 61 lakhs, being nearly 30 lakhs under the normal produce of this tax.

I now turn to the expenditure side of the current year's operations. Our expenditure charged to revenue was expected to amount to 6 crores 1½ lakhs. We now find that it will be 6 crores 13½ lakhs, a total increase of 12 lakhs. Here again, I do not propose to trouble the House with any analysis of the smaller fluctuations in the different heads of expenditure. Those who are interested will find the reasons set forth in the Financial Statement. The salient fact is that Jails and Convict Settlements are going to cost us 10½ lakhs more than we anticipated and Police 1½ lakhs more. About half of the extra expenditure on the Jails is due mainly to the cost of feeding the large number of extra prisoners who were sentenced for crimes in connection with the Civil Disobedience movement. The other half represents capital expenditure in building the camp jail at Phulwari and will be found under the head 41—Civil Works.

Taking the figure which I have already given you for the loss in revenue, 42 lakhs, and the increase in revenue expenditure, 12 lakhs, we find that our position is 54 lakhs worse than we expected at this time last year. In other words, the Civil Disobedience movement, combined with the fall in prices, has involved a loss of half a crore of rupees to this province, which is admittedly the poorest in India. There are, however, certain other figures which must be brought into the account. I need not trouble you with the details of the capital heads in the budget, which you will find at the bottom of the General Abstract. I merely mention that we have spent 9 lakhs less than we anticipated under these heads chiefly because our loan programme has been reduced. Again, we need no longer provide the reserve for unforeseen, amounting to 5 lakhs, because we are now so much nearer the end of the year and can foresee our expenditure accurately. To get the actual deterioration in our position the sum of these two items—9+5=14 lakhs—must be deducted from the figure of 54 lakhs which I have already given. The final result is therefore that we shall be about 40 lakhs worse off at the end of this year than we anticipated. In other words, we expected to reduce our balance by 19½ lakhs; we now find that we shall reduce it by 59¾ lakhs; instead of a closing balance of 1 crore 22½ lakhs we shall now have, after taking credit for the improvement of nearly 8 lakhs in the opening balance, a closing balance of just under 90 lakhs, of which 46½ lakhs will be in the Famine Relief Fund, 2½ lakhs will represent subventions from the Central Road Development account and 41 lakhs our ordinary balance.

I come next to the forecast of next year's transactions. I think that I shall make myself clearer to Hon'ble Members if I describe the manner in which the situation has developed in the last few months. The estimates of revenue and expenditure come up to the Finance Department from the different controlling officers in October and November, and they are then subjected to a detailed process of examination. The object of this is to make sure that no item is included in the budget which is not part of our ordinary sanctioned expenditure. That is to say, on the expenditure side, we aim at getting a figure which includes only expenditure to which Government is committed, and which represents the bare minimum required to run the province on its existing scale of activity. That is called the first edition expenditure. After it has been determined, the next step is for Government to consider the general financial position and decide how much more money can be devoted to new schemes. These schemes are selected and the money needed to finance them is included in the budget.

This year, when we had completed the examination of the estimates, we found that our revenue for next year would amount to 5 crores 54½ lakhs. Here, again, the improvement over the revised estimate for the current year is chiefly due to the anticipation that excise revenue will be about 11 lakhs better than it is likely to be in 1930-31. On the expenditure side we found that our ordinary obligatory expenditure charged to revenue would amount to 5 crores 74 lakhs. That is to say, there would be a deficit of about 20 lakhs in the revenue position and, including the capital heads, our total receipts would be 5 crores 77 lakhs and our total expenditure 6 crores and half a lakh. That would have meant that our closing balance would come down to 66½ lakhs, being 50½ lakhs in the Famine Relief Fund, 1½ lakhs in subventions from the Road Development account and only 14 lakhs 39 thousand in our ordinary balance. I think you will agree with me, these figures disclosed a sufficiently serious state of affairs, particularly when it was realised that a certain amount of new expenditure would infallibly be necessary for the security of the province, or to finance commitments which Government had already undertaken before the full seriousness of the financial position was disclosed. Government therefore came to two important decisions.

The first was that 20 lakhs should be appropriated from the Famine Relief Fund for expenditure on non-recurring items. We are obliged by the Devolution Rules to keep 15 lakhs in this fund, in order to provide for a famine, if it occurs. Actually, the balance of the Fund is very much larger, because formerly we had to aim at accumulating a balance of 70 lakhs for this purpose. As I told you in my first budget speech, we are now allowed to withdraw this excess balance to meet non-recurring expenditure with the sanction of the Government of India. Our intention had been to keep this money for the purpose of financing certain big schemes necessary for the well-being of the province. Unhappily, that is no longer possible and we are compelled to take the money in order to meet some of the non-recurring items which appear in the budget. Hon'ble Members will realise that this decision means that some of the large schemes, which we thought we should be able to finance in the near future, have receded into the more distant future.

The second decision taken was that retrenchments should be effected in the first edition expenditure. I will describe the nature of these retrenchments later. For the present, I will merely state that Government were able to cut down the first edition expenditure by 8¾ lakhs. The combined effect of these two measures is, therefore, that if we could have done without any new expenditure at all, our balance would have amounted to the following figures :—

Famine Relief Fund	.. 30 lakhs 44 thousand.
Road Fund subventions	.. 1 lakh 65 thousand.
Ordinary balance	.. 43 lakhs 6 thousand.

Making a total of 75 lakhs 15 thousand.

But a budget which included no new expenditure at all would have been impossible. The first edition expenditure excludes much which, though technically not a commitment, must in fact be included in the budget. For example the extra police necessitated by the disturbed political conditions were not included in the first edition, but it would have been impossible to do without them next year. There were also many items of Medical and Public Health expenditure which, though technically new expenditure, cannot really be discontinued without risking the health and lives of the population. It is difficult to rule out expenditure on measures for combating cholera, when a failure to provide money might mean the sacrifice of thousands of lives. In an ordinary year, as I have already told you, after settling the first edition figures, Government finds itself able to allot substantial sums for new expenditure. We allotted 28½ lakhs last year and 43 lakhs for 1929-30. In the present year, it was necessary to adopt quite a different criterion. The question was not " How much money can we afford to add to our expenditure ", but " What new expenditure cannot possibly be postponed." The practical result of applying this criterion will be found in Appendix B to the Financial Statement which gives in detail the schemes which were considered to pass this very rigorous test. Those of you who have been accustomed to study the list of new schemes each year will see at a glance how rigorously the knife has been applied. The total amount of new expenditure is just over 6 lakhs and of this half a lakh represents the expenditure of a sum of money generously given by Maharaj Kumar Vishveswara Singh of Darbhanga for a Radium Ward at the Patna Medical College Hospital. The final position after adding the 20 lakhs from the Famine Relief Fund to our revenue and to our expenditure not charged to revenue, deducting 8¾ lakhs on account of the retrenchments in the first edition, and adding the new expenditure of 6 lakhs, is as follows. Our total revenue will be 5 crores 75 lakhs. Adding receipts other than revenue our total receipts will be 5 crores 97 lakhs 63 thousand. The total expenditure charged to revenue will be 5 crores 77 lakhs 49 thousand and, after adding expenditure not charged to revenue and the reserve for unforeseen charges, the total expenditure will be 6 crores 17 lakhs 98 thousand. Our total expenditure will therefore exceed our total receipts by 20 lakhs 35 thousand, and our balance, which will open at 89 lakhs 97 thousand, will be reduced at the end of the year to 69 lakhs 62 thousand. Of this 37 lakhs 53 thousand will be the ordinary balance, 1 lakh 65 thousand will represent the subventions from the Road Development account and 30 lakhs 44 thousand the Famine Relief Fund.

I promised to give you some details of the retrenchments which have been effected in the first edition expenditure and I will try to indicate to you what they mean. The discretionary grants at the disposal of His Excellency, the Hon'ble Ministers, the Commissioners and District Officers have been reduced from 1 lakh 60 thousand to 30 thousand. These grants are used for giving assistance to public institutions such as hospitals, schools and charitable organizations. During the coming year the extent to which assistance can be given will be reduced to a minimum. A reduction of nearly a third has been effected in the grants for improvements in

Government estates. Measures to improve the lot of the tenantry in these estates will therefore have to be curtailed very heavily. Reductions totalling nearly three quarters of a lakh have been made in the Education Department chiefly by reducing the provision for training teachers, and keeping down the grants for building projects. The provision for scholarships in England under both Education and Industries has been curtailed, so that a certain number of promising students who would otherwise have got the benefit of a training in England will have to shift for themselves. There will be practically no money next year for financing water-supply and drainage schemes inaugurated by local bodies. Again, the lump grants out of which minor works are financed have mostly been reduced to half their normal amount. Finally, a general cut of 10 per cent. has been made in the estimates for the maintenance and repairs of buildings, roads, bridges and water-supply installations. So far as rates do not come down as part of the general fall in prices, this retrenchment means that we can no longer hope to maintain our buildings and roads in as efficient a condition as we usually do.

I will not detain you much longer. Before I sit down I would like to invite you to compare our list of new schemes this year with those of previous years. If you do so you will realise the extent to which lack of money this year has retarded the progress of the province. Certain departments, indeed, have been deprived of all new expenditure. They are the Irrigation Department, the Judicial (Jails) Department, the Administration of Justice and for all intents and purposes the Agriculture and Industries Departments. We can afford nothing for additional munsifs to help the over-burdened Civil Courts, though the congestion is worse than last year. The important project for the establishment of a new subdivision at Kodarma has been omitted altogether, though the new Mica Act cannot be worked without it. There is practically nothing in the way of building grants either for educational purposes, for medical purposes or for the provision of quarters for clerks and officers. The long tale of police buildings, which usually appears in the list, has gone out completely and, in fact, with the exception of the new Radium Ward which is being met from the Maharaj Kumar's donation, and certain works necessary to make the Itki Sanatorium habitable in the hot weather, there is not a single new building project in the budget. Nor is there anything for new roads or bridges except those works which are being financed from the Road Fund money. When I state that in a normal year we allot anything from 10 to 20 lakhs for new buildings and roads, you will realise that serious loss will be inflicted on the engineering firms and contractors who work on these buildings and on the labour forces which would normally find employment in them. No new farms and no extension of propaganda can be provided for the Agriculture department. The Cottage Industries Institute for Cuttack has again been shelved, though as you know, I fully share the anxiety of the Oriya members to see this started. We can do nothing to forward the expansion of primary education, either in the training of teachers or the provision of new buildings. Similarly no progress is possible in secondary education.

We may, however, congratulate ourselves on the fact that we were able to avoid cutting down any of the usual grants for primary education.

There is, however, one exception to this gloomy tale of retrenchments and omissions. Those of you who were members of the last Legislative Council will remember that, when the Motor Vehicles Taxation Act was under discussion, Government promised that the proceeds of the tax would be devoted to the improvement of the communications under local bodies. The net proceeds from the 1st January 1931 to the 31st March 1932 are expected to amount to $5\frac{3}{4}$ lakhs. We have provided in the budget for the expenditure of this sum. With considerable difficulty we have thus been able to implement the undertaking then given to the Council. It has not been easy to do so and if the situation deteriorates further it may be necessary to consider whether the province can afford to spend so much money on its communications, when it is forced to retrench so heavily in other directions.

It may help the House if I give at this point a very short summary of our position as it has varied over the last few years. By the year 1926-27 the growth in excise revenue had given us an opening balance of 224 lakhs—the highest point in our prosperity. Large schemes of expenditure were initiated in that year and the balance sank to 193 lakhs. Revenue then ceased to expand and in each of the two following years, 1927-28 and 1928-29, we had to practise severe economy and only added 16 lakhs each year to our expenditure. Our actual closing balance at the end of 1928-29 was 172 lakhs. In 1929-30, which was my first budget, we had a windfall. We had been relieved of further payments to the Famine Relief Fund, paid off our loans and were allowed to utilize the excess balance in that fund. The consequent improvement in our outlook entitled us to resume the process of applying our accumulated balances to the improvement of the province and we provided for 43 lakhs of new expenditure. Last year, I explained that though we might have been tempted to launch out into further dissipation of our balances, prudence demanded that we should be cautious. We took advantage of our immediate resources in a year of plenty, but refrained from mortgaging our future. I think that you will agree with me that the policy of caution was amply justified.

I have tried, Sir, to put the position before the House as clearly as I can. I believe that with the economies which we have effected we shall be able to get through next year safely and that though we cannot do anything for the improvement of conditions in the province, we can at least keep things running without becoming bankrupt. I must warn you, however, that everything depends on whether our estimates of revenue work out as we anticipate. In a normal year we can form a good idea of what the revenue will be. Increase in one head balances decrease under another and the total is not usually far wrong. But in framing our estimates of revenue in this budget we have been to a great extent in the dark. The usual methods of estimation which serve well in normal times are apt to be unreliable when conditions are thoroughly abnormal. We do not know to what extent political trouble will interfere with our revenues next year, and, what is much more important, it is extremely difficult to forecast what the precise effect of the present fall in prices will be. To mention only one point, it has always been the experience in the past that, when conditions are bad, the registration revenue goes up because people have to raise money by mortgaging and selling their lands. In the present year, however, registration has actually tended downwards and has thus falsified our previous experience in this respect. Similarly, though our stamp revenue has remained fairly steady, we cannot really be sure that it will not suffer. Because of this uncertainty regarding our revenue, Government have thought it necessary to retain as much of a margin as possible. We would have liked a rather larger margin than 37½ lakhs. It is only about 6 per cent. of our total receipts. But it would have been difficult to make further retrenchments which did not involve the discharge of trained staff. We did not think that the situation was quite bad enough for that. Unless matters deteriorate still further, the margin ought to be just sufficient. But if in the coming year we find that our hopes are being falsified, we shall not hesitate to make further retrenchments or, if necessary, to put before the Council proposals for raising fresh revenues.

In conclusion I wish to express my great appreciation of the help and assistance given by Mr. Brett in this most difficult period of the financial situation of the Province. He returned to India in November last after his well-earned rest and put himself vigorously to work out the Budget. I am sure he is as much disappointed as I am of the Budget I have just presented.

Mr. Lacey who officiated for Mr. Brett during his leave was very diligent and watchful in exercising economy.

I am very thankful to the Under-Secretary, the Registrar and the Budget Section of the Staff for their untiring energy and diligence with which they have collected all the necessary materials and have worked at great pressure with a good deal of personal discomfort and inconvenience.

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