



# BUDGET SPEECH

1979-80

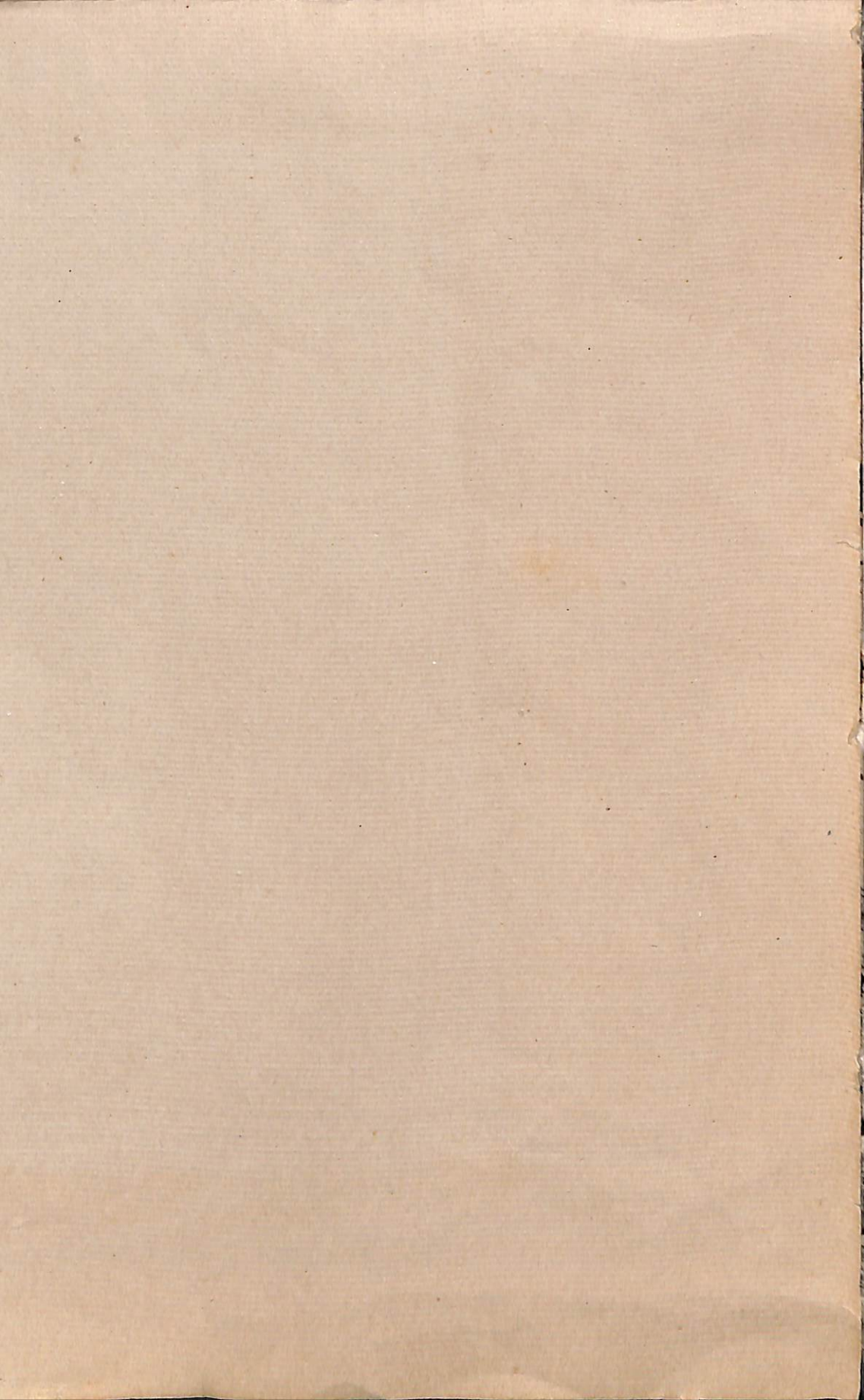
PART-A

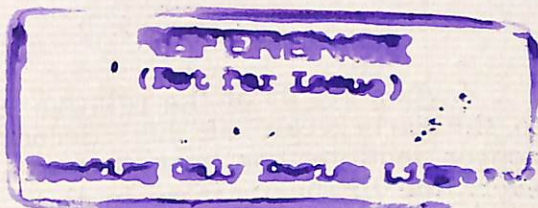
THE STATE OF THE ECONOMY

**Shri KESHAB CHANDRA GOGOI**

FINANCE MINISTER, ASSAM

MARCH 5, 1979





Mr. Speaker, Sir,

I rise to present the Annual Financial Statement for the year 1979-80.

2. The Janata Government will shortly complete a year in office in Assam. During this period it has taken several important steps to fulfil the commitments made to the people at the time of the last General Election. Among the important measures I may mention the endeavour we have made to bring the administration nearer to the people. We have been successful in restoring democratic values and institutions. We have introduced measures for upliftment of the poorer section of the people and our planning strategy has laid emphasis on the integrated development of the rural areas of the State embracing agriculture, water supply, cottage and tiny industries and legal aid to the poor. We have also been able to convince the Central Government about the special problems of Assam. The measures taken have been already elaborated by the Governor in his opening address to this august House on the 21st of February, 1979. We have also circulated a Review of Departmental Activities along with the Budget Documents. I do not wish to refer to these matters again.

3. The Honourable Members will be happy to note that although the overall price situation in Assam in 1978 displayed a rising trend over 1977, the index for the food group remained stationary at the 1977 level of 439. The whole-sale price index rose by 3.4 per cent from 409 in 1977 to 423 in 1978. The annual average of consumer price index for the working classes stood at 380 in 1978 compared to 367 in 1977, showing a rise of 3.5 per cent. The index of Agricultural Production rose from 117 in 1976-77 to 123 in 1977-78. The index of Industrial Production rose from 124 in 1976 to 127 in 1977.

4. As a result of the relative price stability, compared to the early years of this decade, the hardship of the poorer sections has been lessened to some extent. However, due to the increase in the twelve monthly average of the Consumer Price Index we have decided to grant additional dearness allowance to the Government employees and the teachers. The burden on the State Exchequer on this account in 1979-80 has been estimated at Rs. 7.55 crores. This has been fully provided for in the Budget for next year.

5. In a backward State like Assam the Annual Budget is of considerable significance. This is so because in a State where private investible funds are limited Government has to step in to make up for it through the Budgetary mechanism.

6. The main factor responsible for this state of affairs is the large annual outflow of resources from the State caused by the enormous transfers made by owners of commercial and industrial undertakings and the migratory labour force who come from outside the State. A study recently made by the National Institute of Public Finance and Policy, New Delhi, found that the amount transferred in such a manner is quite substantial being as much as 9 per cent of the State's income.

7. This Study came to the conclusion that "a peculiar feature of the economy is that a sizeable section of the population earning its livelihood in Assam is of a migratory nature. A substantial part of earnings of such seasonal migrants which are saved are not available for being ploughed back into the economy and are remitted outside the State. Similarly, the corporate sector and trade are in the hands of persons exercising control from outside and who are remitting profits outside Assam. Such remittances are not benefiting the economy of Assam either by way of additional investments or by other spread effects."

8. I may also inform this august House that a major portion of the savings mobilised by the Banks in Assam is remitted outside the State and a substantial portion of whatever little is ploughed back for investment within the State is given to trade and industries owned by

people from outside the State. According to the latest available information, the Credit Deposit ratio in Assam is only 41.4 percent. In the last meeting of the Regional Consultative Committee of Nationalised Banks held at Imphal in October, 1978, we made a strong demand for reversal of this process. The Union Finance Minister, who presided over the meeting, directed that the Banks operating in this Region should make special efforts to raise the ratio at least upto 60 per cent. The Banks, however, are yet to achieve this target.

9. These two problems, namely, remittances outside the State and the low Credit Deposit ratio can be tackled only if the people of the State come forward to co-operate with the State Government in a big way. The educated youths must organise themselves and take up entrepreneurial activities in industries, trade and commerce instead of clamouring for white coloured office jobs. The unemployed rural youths must shake off their lethargy and take to jobs in road construction and similar activities. Only by this means will it be possible to retain the State's income within its borders and to induce the Banks to plough back our savings for our benefit.

10. As far as the State Government is concerned we have already initiated steps for transfer of the Head Offices of companies operating in Assam to places within the State and for encouragement to local entrepreneurs. We are also taking steps to ensure that Bank Credit to the Co-operative Sector does not dry up and more funds are made available to the other sectors. We have decided to set up a Directorate of Institutional Finance under the Finance Department to oversee the flow of institutional finance and to liaise with the financial institutions for this purpose.

11. The problems I have just outlined underscore the need for greater budgetary allocations in a backward State like Assam in order to make up for the deficiencies and inadequacies of private and institutional investment to the extent possible. Our public resources are, however, too meagre to serve this purpose fully.

12. As far as our tax revenues are concerned, most of the taxes are neither buoyant nor elastic. Even inspite

of this our tax revenue as a percentage of the State's Domestic Product has reached the figure of 4.4 by 1975-76 compared to the all-State average of 5.93 per cent during the same year. This is quite satisfactory because Assam's per capita income is low, the contribution of industry and commerce to the State's Domestic product is low and the degree of urbanisation is also low. I may clarify that these are the important factors which determine a State's taxable capacity.

13. Assam's per capita income, according to the latest estimate adopted by the Planning Commission, is only Rs.791 against a national per capita income of Rs.935 and the highest state per capita income of Punjab which is Rs. 1,586. Only Bihar, Madhya Pradesh and Uttar Pradesh have per capita incomes lower than that of Assam. What is more painful is the fact that the rate of increase of the per capita income in the State has been lower than the rate of increase of the per capita national income. According to the latest available estimates, while the national per capita income at constant prices increased by 8.6 per cent between 1970-71 and 1977-78, the State's per capita income increased only by 2.6 per cent during the same period. The main factor responsible for this state of affairs is the enormous influx of people, during the last three decades, from outside the State and the Country. The other factor responsible for this is the relative stagnation of our productive sectors during the previous Government's regime.

14. Again, due to lack of industrialisation the contribution of the primary sector, mainly agriculture, is as high as 59.0 per cent of the State's Domestic Product. The contribution of the secondary and the trade and commerce sectors together is only 30.7 per cent. This industrial backwardness also keeps the taxable capacity low.

15. Moreover, the State Government do not derive any significant tax contribution from the two most important industries of the State, namely, tea and oil, both of which have prospered considerably during the recent past. Under the present constitutional arrangement it is the Central Government which derives the revenue leaving precious little to the State. In the case of tea, for

example, out of the total revenue in terms of taxes and duties the Centre's share is as much as 86 percent. In absolute terms it is of the order of Rs. 120 crores annually. In the recent past, the Central Government collected a windfall of about Rs. 137 crores in terms of ad-hoc export duty, first at the rate of Rs. 5 per kilogramme and then at the rate of Rs. 3 per kilogramme of tea. Our request for a share of the proceeds in order to compensate the amount of nearly Rs. 28 crores we lost in terms of Agricultural Income Tax due to imposition of this duty, was not conceded to on the ground that such sharing was not contemplated in the Constitution. Besides, Assam has always exempted tea sold in the Gauhati Auction Market from the purview of the State's taxes. The wisdom of this measure has been borne out by the decision of the West Bengal Government to grant similar exemptions in their Budget for 1979-80.

16. As far as oil is concerned, Assam's case for an increase in the rate of royalty at parity with the imported price of Middle East crude, which would have brought into the exchequer an additional Rs. 60 crores annually, has not yet been agreed to by the Government of India. As advised by this august House we propose to send a High Power Delegation to again move the Prime Minister for revision of the rates. In regard to sales tax on crude oil the limit is laid by the Central Sales Tax Act.

17. In the context of the position I have just described it is unlikely that it would be possible to do much about raising further resources within the limits of our low taxable capacity. However, steps are being initiated to put our tax system on a more rational basis. Already steps have been taken to strengthen and reform the tax administration. The Honourable Members may recollect that I had indicated the State Government's intention of reforming the financial administration. Unfortunately, however, the Seventh Finance Commission did not allocate any funds for this purpose. While we stand committed to the policy enunciated at that time I am not very sure what we would be able to achieve within this constraint.

18. As far as non-tax revenue is concerned, while there has certainly been an increase in the quantum



over the years, the share of this source in the total revenue has decreased from 40.03 percent in 1960-61 to 13.26 percent in 1978-79. The poor return from the State's public corporations and departmental undertakings has had a depressing effect on non-tax revenues. The Seventh Finance Commission has laid down certain norms in respect of returns to be expected from different sources. In the case of public undertakings, for example, they have fixed the return at 6 percent. In the case of forests the rate is 8 per cent. In the case of major and medium irrigation the return to be achieved by 1983-84 is 1 per cent beginning with 0.2 per cent in 1979-80 and going up 0.2 per cent each year. In the case of minor irrigation the level of losses should be reduced to half by 1983-84. We propose to adhere to these rates as far as it is practicable. We also propose to lay more emphasis on the collection of arrears.

19 In respect of shared taxes, I have already apprised the Honourable Members about the award of the Seventh Finance Commission in my statements of the 27th November, 1978 and the 6th December, 1978.

20. As the Honourable Members are aware, during the five years (1974-79) covered by the Sixth Finance Commission's award we got a total of Rs. 272.54 crores as grants-in-aid under article 275 of the Constitution. In the five years (1979-84) covered by the Seventh Finance Commission's award we will receive nothing under this head. I have already apprised this august House about the serious consequences on the State's finances as a result of the injustice done to us by the Seventh Finance Commission. This will necessitate further augmentation of the State's own resources to make up for the complete drying up of this important source of revenue.

21. In this connection, the deep disappointment expressed by an unanimous resolution of this august House was duly communicated to the Government of India. In reply, the Government of India have advised as follows: "The Finance Commission is a statutory body and the Union Government have accepted their recommendations regarding shares of Central taxes and duties and grants-in-aid of the revenues of States under the substantive provision of Article 275 of the Constitu-

tion, except for the recommendation regarding grants-in-aid to compensate States' loss in excise revenue consequent upon the introduction of prohibition. I am further directed to draw your attention to para 7 of the explanatory memorandum which states that "the Government while taking decisions on the recommendations of the Seventh Finance Commission have taken note of the interse distribution of resources resulting from the Commission's recommendations. Having regard to the fact that some of the States may not be as favourably placed as others vis-a-vis their developmental requirements, particularly in so far as the minimum needs programme is concerned, Government have decided that modalities will be worked out, in consultation with the Planning Commission, to see that the States with relatively weak financial resource base are enabled to implement adequately the revised minimum need programme, covering rural water supply, house sites for the homeless, rural roads, rural electrification, rural health care, bonded labour and elementary/adult education". With your permission, Mr. Speaker, Sir, I lay a copy of the reply received from the Government of India on the table of the House.

22. In regard to the resources for the Plan, I may inform the Honourable Members that in the meetings of the National Development Council and its Committee on Centre-State Fiscal Relations our Chief Minister represented Assam's case, assisted by me. In presenting our case it required great effort on the part of the Chief Minister and myself and a considerable amount of research and background work on the part of the Finance and the Planning Departments. I am glad to say that the results have been commensurate with our endeavour. We have been able to retain our right to special dispensation, outside the Gadgil formula, as a special category State in respect of distribution of Central Plan assistance. In respect of centrally sponsored schemes, which were dropped or pruned, we will receive an adequate amount to compensate any deficit outside the new formula called the Income Adjusted Total Population Formula.

23. As a direct outcome of this decision of the National Development Council, during 1979-80 we will receive an amount of Rs. 103.70 crores as Central assistance for our Annual Plan. In addition, an amount of

Rs. 2.79 crores, out of the Centre's additional resource mobilisation, will also be passed on to us. Further, an amount of Rs. 7.90 crores for the Hill Plan and another amount of Rs. 3.25 crores for the Tribal Sub-Plan will also be made available to us in respect of the Additive Components of the State's Annual Plan for 1979-80. In respect of certain centrally sponsored schemes, mentioned earlier, the funds received from the Centre outside the IATP formula will be provided for by Supplementary Demand in due course. Similar arrangement for the Five Year Plan (1978-83) are also under contemplation. Now that the tangle about the distribution of Central Plan assistance has been resolved we expect final decision of the Planning Commission very soon.

24. Beside the resources from the Centre, the State Government has pledged a total amount of Rs. 48.51 crores for the Annual Plan for 1979-80. In order to provide this amount, the State Government will have to resort to additional market borrowing of Rs. 1.51 crores in addition to the programmed borrowing from the open market and the financial institutions. The rest of the amount will have to be provided from out of the balance of current revenue and additional resource mobilisation.

25. I now turn to the expenditure side of the Budget. As the Honourable Members are aware, there has been an increase in the non-Plan revenue expenditure of the State Government, over the years, due to expansion of administrative and other services provided to an ever increasing population. This is sometimes inescapable. We, however, propose to try to contain such expenditure, as far as possible, within the limits fixed by the Seventh Finance Commission.

26. During the current financial year, due mainly to a number of commitments made by the new Government, there has been a substantial increase in the non-plan expenditure as reflected in the Supplementary Demand, a portion of which was voted earlier and the remaining portion of which has been presented last week to this august House. The total amount will come to Rs. 23.76 crores. Moreover, the revenue receipts will go down by an amount of Rs. 6.86 crores including Rs. 5.00 crores on account of the uncovered gap in Plan resources

which was to be filled up by additional resource mobilisation and Rs. 1.86 crores on account of exemptions granted by the Government. This will however be offset, to some extent, by the increased receipt of Rs. 0.83 crores as share of Central taxes. The major items included in the amount of additional non-plan expenditure are Rs. 3.55 crores for regular scale of pay to Grade IV staff of Schools, higher remuneration to School Mothers and financial assistance to retired teachers, Rs. 3.00 crores for Government scale of pay to the Elementary School teachers, Rs. 4.06 crores for payment of University Grants Commission scales of pay to teachers, Rs. 1.61 crores for non-Plan expenditure in connection with the disturbances in the Nagaland border, Rs. 2.68 crores for the Police including the amount required for raising of an additional Police Battalion, Rs. 0.42 crores for payment of enhanced wages to workers in the Medical Department and on diet for the patients, Rs. 0.55 crores for additional un-Budgeted expenditure on Panchayat Elections, Rs. 0.65 crores for additional expenditure on maintenance of irrigation projects, Rs. 2.25 crores for additional advances to Government servants for House Building etc. and Rs. 1.20 crores for arrear dearness allowance to Government Servants. Besides, substantial amounts will have been spent on further revision of the pay scales of the Subordinate Engineers and the Health Officers.

27. Some of the commitments made will result in additional non-plan expenditure during 1979-80 also. This, along with the impact of the additional dearness allowance, has been provided for in the next year's Budget. However, the additional liabilities which will occur in implementing the recommendations of the Anomaly Committee and the proposed Pay Committee have not been provided for in the Budget. I may take this opportunity to apprise the Honourable Members that a one-man Committee has been appointed to go into the anomalies of the 1973 Pay Commission's Report and the recommendations are expected early in the next financial year. Similarly, the proposed Pay Committee is expected to submit their Report in about a year's time. At present, however, it is not anticipated that the Report of the Pay Committee will have any Budgetary impact in the next financial year.

28. The measures I have just outlined will show that the State Government is alive to the genuine grievances of its employees and is always sympathetic to them. I may also mention that during the current year Government will pay as salaries and allowances an amount equivalent to 101.5 percent of the State's total revenues from its own sources, including tax and non-tax revenues, to its employees and teachers numbering 1,89,240.

29. The Honourable Members will agree with me that while substantial non-Plan expenditure is inescapable it is essential to ensure that as much resources, as it is possible, are ear-marked for Plan expenditure. As I have already indicated, the State Government will pledge Rs. 48.51 crores for the Annual Plan for 1979-80. This will necessitate additional resource mobilisation of at least Rs. 4.00 crores.

30. The allocations made to different sectors in the Annual Plan for 1979-80 are given at Annexure I to my speech. The details will be available in the Plan Supplement. I would only like to mention that in consonance with the national policy and the Janata Government's commitments to the people we have given greater priority to Agriculture and the Allied Sector. Out of the total Annual Plan size of Rs. 166.15 crores an amount of Rs. 44.62 crores or 26.85 percent has been ear-marked for this Sector. In order to accelerate the process of electrification we have allocated Rs. 55.00 crores or 33.10 percent to the Power Sector. Similarly, a total of Rs. 23.87 crores or 14.36 percent has been allocated to the Irrigation Sector, including Rs. 13.22 crores for Minor Irrigation. In short, we have scrupulously followed the national priorities as laid down in the Five Year Plan (1978-83) which was drafted after the Janata Government took over office in the Centre.

31. The Honourable Members will be glad to learn that a substantial allocation has been made for the Hill areas in the Annual Plan for 1979-80. An amount of Rs. 11.00 crores has been quantified to flow from the State Plan and another amount of Rs. 7.90 crores will be received as Additive Component from the Centre. The total of Rs. 18.90 crores for the Hill areas will mean a per capita Plan outlay of Rs. 415 for the Hill areas as against a per capita Plan outlay of Rs. 104 for the General Areas. This will be a considerable step up when compared to the position obtaining during the period covered by the Fifth Plan

(1974-78) and the current year (1978-79). The total per capita Plan outlay during the five years was only Rs. 979.00 for the Hill areas and Rs. 296.00 for the General areas.

32. I may mention that in the past many works departments felt handicapped because they did not have the manpower and the machineries for implementing Plan Projects. The Honourable Members will be glad to learn that during the current financial year these Departments have been substantially strengthened by sanction of staff and machineries. In the Public Works Department, for example, 253 additional technical posts, including 1 Additional Chief Engineer, 5 Superintending Engineers, and 10 Executive Engineers, have been sanctioned. The additional non-technical manpower sanctioned is 509. Besides, 45 additional vehicles at a total cost of Rs. 24.39 lakhs, 105 additional road rollers at a total cost of Rs. 171.15 lakhs and 38 additional heavy machineries at a total cost of Rs. 78.06 lakhs have been sanctioned. In the Irrigation Department, 157 additional technical posts, including 1 Superintending Engineer and 6 Executive Engineers, and 113 additional non-technical posts have been sanctioned. The number of additional vehicles sanctioned is 46. One additional drilling rig was also sanctioned. In the Public Health Engineering Department, 246 additional technical posts, including 2 Superintending Engineers and 3 Executive Engineers and 261 additional non-technical posts have been sanctioned. The number of additional vehicles sanctioned is 26. Moreover, 4 additional rotary drilling rigs and 1 additional percussion drilling rig have also been sanctioned at a total cost of Rs. 51.32 lakhs.

33. I may inform this august House that this is the largest ever expansion allowed in one single year in the works Departments. Let us hope that these Departments will now be able to function more effectively and will be able to utilise Plan funds fully so that the process of economic development of the State may be accelerated.



## ANNEXURE—I

## ANNUAL PLAN 1979-80—SECTORAL ALLOCATION

Head of Development (1)	(Rs. in lakhs)			
	General Plan (2)	Tribal Sub-Plan (3)	Hill Plan (4)	Total (5)
Agriculture ... ..	791.00	155.00	135.00	1081.00
Minor Irrigation ... ..	1000.00	220.00	102.00	1322.00
Soil Conservation ... ..	110.00	58.50	298.64	467.14
Command Area Development ...	40.00	...	5.00	45.00
Animal Husbandry and Dairying	244.00	61.50	44.00	349.50
Fisheries ... ..	78.00	30.00	15.00	123.00
Forest ... ..	264.00	...	70.75	334.75
Storage and Warehousing ...	29.00	...	...	29.00
Co-operation ... ..	320.00	147.00	40.00	507.00
Community Development ... }	80.00	10.00	13.50	103.50
Panchayat .. ... }				
Land Reforms ... ..	76.00	...	24.00	100.00
<b>I—Agriculture and Allied Sectors ...</b>	<b>3032.00</b>	<b>682.00</b>	<b>747.89</b>	<b>4461.89</b>
Irrigation ... ..	1000.00	...	65.00	1065.00
Flood Control ... ..	354.00	...	33.00	387.00
Power ... ..	5305.00	45.00	150.00	5500.00
<b>II.—Irrigation and Power...</b>	<b>6659.00</b>	<b>45.00</b>	<b>248.00</b>	<b>6952.00</b>
Large and Medium Industries ...	165.00	...	14.00	179.00
Mineral Development ... ..	55.00	...	5.00	60.00
Village and Small Industries ...	239.00	115.00	170.10	524.10
<b>III.—Industry and Mining ...</b>	<b>459.00</b>	<b>115.00</b>	<b>189.10</b>	<b>763.10</b>
Roads ... ..	822.00	130.00	402.71	1354.71
Road Transport ... ..	188.50	...	11.00	199.50
Other Transport ... ..	63.50	...	...	63.50
Tourism ... ..	7.00	...	3.00	10.00
<b>V.—Transport and Communication</b>	<b>1081.00</b>	<b>130.00</b>	<b>416.71</b>	<b>1627.71</b>

Head of Development	General plan	Tribal Sub. Plan	Hill plan	Total
(1)	(2)	(3)	(4)	(5)
			(Rs. in lakhs)	
General Education .. ..	678.00	100.00	64.00	842.00
Art and Culture .. ..	30.00	..	3.50	39.50
Technical Education .. ..	117.00	..	8.00	125.00
Health .. ..	349.00	57.00	48.00	454.00
Nutrition .. ..	46.00	10.00	4.00	60.00
Water Supply and Sewerage .. ..	459.00	125.00	106.00	690.00
Residential Building .. ..	47.00	..	..	47.00
Housing .. ..	35.00	6.00	7.00	48.00
House sites for landless labourers	95.00	..	..	95.00
House Building .. ..	40.00	..	..	40.00
Urban Development .. ..	16.00	..	8.00	24.00
Municipal Administration .. ..	6.00	..	..	6.00
Welfare of Backward Classes .. ..	100.00	59.00	..	159.00
Social Welfare .. ..	15.00	..	4.00	19.00
Labour and Labour Welfare .. ..	16.00	2.00	5.80	23.80
<b>V.—Social Services .. ..</b>	<b>1954.00</b>	<b>353.00</b>	<b>258.30</b>	<b>2660.30</b>
Weights and Measures .. ..	8.00	..	..	8.00
Statistics .. ..	18.00	..	..	18.00
Information and Publicity .. ..	8.00	..	2.00	10.00
Evaluation machinery .. ..	11.00	..	3.00	14.00
Others .. ..				
Administrative Building .. ..	50.00	..	25.00	75.00
Printing and Stationery .. ..	25.00	..	..	25.00
Miscellaneous .. ..	120.00	..	30.00	150.00
<b>GRAND TOTAL .. ..</b>	<b>1340.00</b>	<b>1325.00</b>	<b>1890.00</b>	<b>1665.00</b>