

Synopsis of Commemorative Volume on 80 Year Odisha Budget

1. Background

Government of Odisha is pleased to release a book “**Commemorative Volume on 80 Year Odisha Budget**” on eve of the formation of Odisha on 1st April, 1936. Since 1936, It has been eighty years. During these eighty years, eighty number of budgets have been prepared. In remembrance of eighty years of formation of Odisha, Government of Odisha is releasing the book on volumes of budgets.

2. Structure and Organisation of the book

The book is organised with five chapters. The chapters are: 1) Movement for a Separate Odiya Speaking province & Emergence of Odisha as a separate province on 1st April, 1936, 2) Evolution of the Budget System & Intergovernmental Fiscal Transfer System in India during British Rule, 3) Eighty years of budget in Odisha and Analysis of Budgets since 1936-37, 4) Empirical Analysis of State Finance, 5) Way Forward

The salient features of each chapter are outlined below.

3. Chapter 1: Movement for a Separate Odiya Speaking province & Emergence of Odisha as a separate province on 1st April, 1936

This chapter one outlines the historical Overview of the Administration of Oriya-speaking , the year 1866 marks a turning point in the history of modern Odisha, unification of Odia-speaking tracts, the process of the formation of a separate province for the Odia-speaking people, the Utkal Sammilani, the Province of Bihar and Odisha, movement towards a Separate Province for Odisha, round Table Conference held on 16th January 1931, the Draft Order in Council constituting the Province of Odisha was laid before Parliament on 21st January 1936 under the title “Government of India (Constitution of Odisha) Order, 1936”, creation of separate Province of Odisha, Communiqué. Viceroy Merger of Garhjats, creation of modern state of Odisaha.

A detailed analysis of formation of Odisha on linguistic basis is presented.

4. Chapter 2: Evolution of the Budget System & Intergovernmental Fiscal Transfer System in India during British Rule

The focus of the chapter is to trace the evolution of Budgetary System in British India starting with the Imperial System of Finance. A thorough analysis of the Imperial System of Finance is attempted along with an in-depth analysis of Provincial and Federal Financial System. Thereafter, the Inter-Governmental Fiscal Transfer System in India under British Rule is evaluated. This Chapter is categorized into two sections. Section I deals with the Evolution of the Budget System in India under the British Rule. Section II elaborates Federal Finance and Emergence of Fiscal Transfer System in India.

4.1 The framework of Imperial Financial System of the Government in India which came into being in the year 1833, flaws in the system, Parliamentary Select Committee – 1852, Centralization of Government Finance – 1858, The Evolution of Budget System, the Systematization of Indian Budget in 1890, Introduction of Financial Year ending on 31st March, Failure of implementing the Federal Proposals, Synopsis of the Measures adopted by Lord Mayo, The Provincial Financial System in accordance with the Financial Resolution of 14th December, 1870, Lord Lytton's Reforms (1877) on provincial financial system, Financial Settlement of 1896-97, financial implications of Quasi-permanent settlement (1904) and Permanent Settlements (1912), Diarchy and Government of India Act of 1919, Review of Diarchy System, Simon Commission Report, Percy Committee Report, the Report of the Second Peel Committee – 1932, the Government of India Act 1935, the financial implications of 1935 Act, allocation of Sources of Revenue between the Federation and the Federal Units, the role of Finance Department in the Government, Government Accounts and Their Audit, Essentials of Public Accounts are described in section I of Chapter 2.

4.2 The section II of Chapter 2 deals with Federal Finance and Emergence of Fiscal Transfer System in India, Central Budget and Provincial Budget in accordance with Government of India Act 1935, the Niemeyer Committee (1936-47), the Niemeyer

Committee report on vertical sharing of the of Income Tax, Financial Adjustments, Recommendations of Deshmukh Award, Administrative Reforms Commission on Centre-State Relations, Sarkaria Commission on Centre-State Relations, the evolution of Finance Commission, the highlights of each finance commission, the role of Planning and establishment of Planning Commission, Bombay Plan, NITI AAYOG, Dichotomy of Plan and Non-Plan expenditure, Fiscal Responsibility and Budget Management (FRBM) Act and implementation of FRBM Act by different States in India.

Essentially, the Chapter 2 examines the evolution of **“Budget System & Intergovernmental Fiscal Transfer System in India during British Rule”**

5. Chapter 3: Study of Eighty Years of Budget

The Section I of this Chapter deals with the preparation of the Budget and Budget control System & Review of Control. Analysis and Evaluation of Odisha’s Budget since 1936-37 to 2016-17 are described in Section II, which is the theme of the commemorative volume **“Eighty Years of Odisha Budget”**.

5.1 Section I of the Chapter 3 presents the preparation of the Budget during British India that includes Procedure of the Budget, the voting of the budget, and The Estimates in the Legislature. Besides it deals with Budget control system and review of control during British India that captures Distribution of Grants, Sub-Heads of Appropriation, Appropriations and Re-appropriations, Public Accounts Committee, financial Statement on estimated and actual revenue expenditure, establishment of and Reserve Bank of India and transaction with RBI. In addition to above, Finance Accounts, Structure of Government Accounts in Odisha, Compilation of Accounts, The Process of Budget Formulation are discussed.

5.2 The budget speech since 1936-37 to 2016-17 are examined and evaluated in section II of Chapter 3. The aim of this section II of the chapter is to have a clear cut picture in terms of fiscal structure in a different regime of our State. Each budget (total 80 nos. of budgets) is analysed in terms of budgetary measures, budgetary thrusts, budget discussions and major events during each budget period. Budgetary measures

evaluate opening & closing balance, revenue and capital receipts and revenue and capital expenditure. Budgetary thrusts examine the sector wise outlay. The evolution of budgets in terms of budgetary measures and budgetary thrusts in terms of its trend, priorities during a particular regime of the government are identified and analysed.

6. Chapter 5: Empirical Analysis of State Finance

The focus of the Chapter four is to analyse the financial position of the State since its formation. This chapter is organized into two sections. In Section I, “Financial Position of Odisha during Pre Plan Period” is analysed covering Financial Position during Pre-War Period (1936-37 to 1938-39), War Period (1939-40 to 1945-46), Post War Period before Integration (1946-47 to 1948-49), Post Integration, Pre-Plan Period (1949-50 to 1950-51) and Post war Development schemes. In Section II, “Financial Position of Odisha during Plan Periods” is analyzed capturing comprehensive set of fiscal parameters along with growth of State’s GSDP and structure of the State economy

- 6.1** The Section I of Chapter 4 comprises Financial Position of Odisha during Pre Plan Period that includes Financial Position during Pre-War Period (1936-37 to 1938-39), Financial Position during War Period (1939-40 to 1945-46), Financial Position during Post War Period before Integration (1946-47 to 1948-49) and Financial Position during Post Integration and Pre-Plan Period (1949-50 to 1950-51)

- 6.2** Financial Position of Odisha during Plan Period is dealt in Section II of Chapter 4. This section explains the trends in various macroeconomic as well as fiscal performance indicators and attempts to establish the link between them. The decadal analysis of state specific macroeconomic indicators is performed and compared with national macroeconomic indicators. Broadly, the fiscal performance indicators are analysed since the 1st plan period (inter plan) and central transfers are analysed since 1st Finance Commission (Inter Finance commission). The fiscal consolidation process is captured up to the implementation of FRBM. Pre and post FRBM analysis is also carried out to examine the outcome of the implementation of FRBM Act.

Econometric models are fitted to evaluate the different components of public expenditure on per-capita economic growth of the state, tax efficiency model and structural break analysis. The entire analysis is categorized into Revenue Receipts, debt & borrowings and outlay. The Salient features of this section are comparative analysis of the Growth Rate of Gross State Domestic Product (GSDP) and Gross Domestic Product (GDP) and their composition over the periods, fiscal consolidation process during Pre-FRBM Period: 1980-81 to 2004-05 in Odisha, reform initiatives, trends in various fiscal measures, fiscal scenario in Odisha: Pre-FRBM vs Post-FRBM period, Revenue efficiency analysis, analysis of allocation to different sectors, debt sustainability, deficit ratio analysis and analysis of composition of debt stock and trends in debt servicing ratio.

Actual data is used to examine and evaluate the State Finance the Section II of Chapter 4.

7. Chapter 5: Way Forward

The last chapter on Way Forward deals with “**Envisioning Odisha in 2036**”. The Government of Odisha has conceptualized a comprehensive long term vision to fulfil its goal of bringing about the State's socio-economic development in an accelerated and sustainable manner. The state has set itself an ambitious and bold vision. The objective is to transform from the status quo to a dynamic and thriving Odisha where the blueprint of development is the people of Odisha. The Government has envisioned a People’s State where opportunities to achieve prosperity and wellbeing with a high quality of life and happiness will be ensured. To achieve this vision, a ten pronged mission plan is envisaged.

Although the responsibility enshrined in Envisioning Odisha 2036 will be collectively and separately shared with concerned stakeholders covering the government and public sector, the private sector, the civil society and people at large in the state, the Government of Odisha will take the lead in putting in place a vision governance apparatus that will initiate and coordinate actions and efforts of all players.