

**SPEECH OF SHRI C.D. DESHMUKH, MINISTER OF FINANCE
INTRODUCING THE BUDGET FOR THE YEAR 1952-1953 (INTERIM)**

Sir,

I rise to present the budget of the Central Government for the year 1952-53.

This is only an interim budget although it has been prepared as usual for a full year. Its main purpose is to place before Parliament an account of the finances of the Central Government for the current year and the prospects for the coming year on the existing basis of revenue and expenditure so that the House may know the general background against which it has to deal with the demands which will be placed before it for a vote on account to meet the expenses of the administration till the new Parliament considers and passes the budget for the whole year. The budget which I am now presenting will be presented again in due course to the New Parliament with such changes as the new Government may consider it necessary. Meanwhile, Government propose to ask the House only for a vote on account to meet the anticipated expenditure during the first four months of the next year and to approve of the continuance of the existing measures of taxation.

A White Paper giving an account of the economic conditions in the country during 1951 and the main features of the revised estimates for the current year and the budget estimates for the next year is being circulated with the budget papers. I do not therefore propose to make any detailed speech introducing the budget but I shall content myself with giving the House a brief account of salient features of the budget.

Before I deal with the estimates I should like to mention briefly the main developments in the economic conditions in the country during the year which is now drawing to a close. As Hon'ble Members are aware the vagaries of the monsoon have again left the country to face a substantial deficit in foodgrains during the coming year. In the other respects the years' results are, however, more encouraging. For some months the steady rise in prices, which has been one of the disconcerting features in the country's economy since the commencement of the Korean war, has been halted and from July 1951 onwards there has been a steady downward movement in the price level. This welcome development can be traced as much to the world-wide falling of trend commodity prices as to the general disinflationary effect of the very large revenue surplus realised during the year and the withdrawal of a substantial volume of purchasing power from the public by the sale of imported wheat purchased from the American loan. The level of production in the principal industries of the country has also been higher than in the previous year and the larger supplies thus made available for internal consumption have had a steadying effect on prices. Agricultural production also showed some

improvement although in the case of foodgrains the increased production secured by the Grow More Food campaign was more than wiped out by the shortages created by adverse seasonal conditions.

The balance of payments position during 1951, was not as favourable as in the preceding year. This was due partly to a fall in the demand for the principal export of this country after the first phase of stock piling by the United States and other countries was over and partly to our having had to pay more for our imports, owing to rise in world prices and increase in freight rates. I do not expect that these conditions will change materially in the coming year. We shall still have to import substantial quantities of foodgrains, and essential raw materials and capital and consumer goods, while no appreciable expansion of our principal exports is likely to take place, although Government will continue to take all possible steps to maintain and develop the country's export markets. Among such steps I would mention the recent lowering of the export duty on hessian. I see little prospect of any reduction in the volume of our imports and in dealing with the problem of the adverse balance of payments position of the sterling area as a whole I made it abundantly clear that while we would assist in every way in stimulating the country's exports there was no scope for this country cutting down its imports to any significant extent in its present stage of development and with its chronic shortage of food.

The House will remember that in the current year's budget I had provided for a revenue surplus of Rs. 26.1 crores and an overall budget deficit, taking the revenue and capital budgets together, of Rs. 51.88 crores. I now estimate the revenue surplus for the year at Rs. 92.61 crores and the overall budget deficit at Rs. 3.7 crores. The improvement in the revenue position is mainly due to the extraordinary buoyancy of receipts from Customs which are now estimated to show an improvement of Rs. 76 crores over the budget. Union Excise duties and Income-tax are also expected to show larger yields. Revenue as a whole is now placed at Rs. 498 crores against the budget estimate of Rs. 402 crores. Of this improvement of Rs. 96 crores, Rs. 30 crores will be absorbed by additional expenditure, mainly on the payment of food subsidies and expenditure on displaced persons, leaving Rs. 66 crores more than the original estimate for assisting the capital budget.

The capital budget was also assisted during the year by the net receipts from the sale proceeds of the wheat purchased from the American loan of 190 million dollars and wheat obtained from certain Commonwealth countries under the Colombo Plan. These together are estimated at Rs. 76 crores and taken With the increased revenue surplus of Rs. 66 crores more than balanced the shortfall of Rs. 50 crores in public borrowing and the contraction of Rs. 30 crores in the floating debt during the year, resulting from the liquidation of their investments by some of the States and other authorities. This also made it possible to make increased allocations for some of the capital schemes such as the River Valley projects during the year.

At the existing level of taxation and expenditure, I estimate the revenue for next year at Rs. 425 crores and the expenditure at Rs. 406¹/₄ crores, leaving a revenue surplus of Rs. 18³/₄ crores. The actual surplus may be Rs. 15 crores more than the figure I have just mentioned and which Hon'ble Members will also find mentioned in the budget papers. The reason for this increase is that of the provision of Rs. 25 crores taken in the estimates for food subsidies, Rs. 15 crores is not likely to be required as a result of the decision announced last week by my Hon'ble colleague the Minister for Food and Agriculture about the abolition of the food subsidies except to a very limited extent.

The drop of Rs. 73 crores in revenue in the coming year as compared with the current year is mainly due to a reduction of Rs. 42 crores under Customs and Rs. 23 crores under income-tax. The fall in Customs revenue is accounted for by the reduction in the export duty on hessian recently announced and also by an estimated fall in the receipts from import duties which have been unusually high this year. The reduction in income-tax reflects the result of the action taken in the current year for the clearance of arrears and also the gradual disappearance of arrear collections of taxes no longer in force. I have also taken into account the disappearance from the Central budget of the revenue and expenditure of the five Part C States which will have their own separate budgets from next year.

The total expenditure next year is estimated at Rs. 4061 crores, of which Rs. 197.95 crores will be on Defence Services and the balance under Civil heads. As a result of the abolition of the food subsidies a saving of Rs. 15 crores is likely on these estimates. Defence expenditure will be Rs. 17 crores more than this year, mainly owing to the carry over of certain liabilities for stores on order from the current year. The other variations as compared with the original budget and the revised estimates are explained in the detailed memorandum circulated with the budget papers and I do not propose to weary the House by repeating them here.

Substantial provision has been included in the budget for the coming year for capital and development expenditure and for loans to State Governments to assist them in financing their development schemes. The provision for capital and development expenditure broadly follows the pattern laid down by the Planning Commission in the draft Five-Year Plan. The House may remember that the Plan envisaged the Centre producing a revenue surplus of the order of Rs. 26 crores in each of the 5 years covered by it. Although the estimated surplus this year is about Rs. 67 crores larger than the sum envisaged in the Plan, this improvement is only fortuitous and cannot be carried forward to subsequent years. It only helped partially to fill the gap in borrowing during the year and there was no net addition to our resources on this account-indeed we had to run down to some extent the unforeseen accretion to our balances from the previous year.

Next year's budget taken as a whole provides for an overall deficit of Rs. 56 crores, which the increase in the revenue surplus resulting from the abolition of food subsidies will reduce to Rs. 41 crores. This will be well within the estimated balance of

payments deficit for the year and will not therefore add in any way to the inflationary position. At the end of the year I expect that our cash balances would be of the order of Rs. 116 crores. Included in this figure will be an unspent balance of Rs. 40 crores received by way of foreign assistance.

I do not propose to embark at any length on a review of the fiscal and financial policy of Government on this occasion of presenting what is virtually a caretaker budget. But looking back on the year just drawing to a close I feel that there is justification for sober satisfaction. Although the country's food problem still remains acute, there has been a notable improvement in other directions. The rise in prices has been halted and there has been a progressive decrease in the price level in recent months. In spite of the difficulties in obtaining some of the essential raw materials there has been an all round increase in production. The emergence of a realistic and coordinated plan of development, as a result of the labours of the Planning Commission, has, I think, convinced people both in this country and outside that we mean, and have, set about in right earnest, to tackle the problem of the proper development of the country's resources. I venture to think that the cumulative effect of the fiscal and financial policy in recent months has definitely been to enhance the creditworthiness of this country. It will I hope, pave the way for a larger flow of international assistance and foreign investment to this country, to help us in our planned campaign for developing the latent resources of this country for the raising of the standards of life of our people.

(February 29, 1952)