

V. Budgetary Transactions

64. The Central and State budgets for the current year stepped up total outlay by Rs. 428 crores to Rs. 3,385 crores. Nearly 62 per cent of this increase amounting to Rs. 266 crores was in the provision for outlay on the plan which was placed at Rs. 1,465 crores as against the Revised Estimate of Rs. 1,199 crores in 1961-62. Increase in defence expenditure absorbed another 11 per cent and in interest on public debt a further 5 per cent of the total increase in outlay. The balance was distributed in small increases over a number of items, developmental as well as non-developmental. Non-plan development expenditure rose by as much as Rs. 134 crores in 1961-62 due to maintenance and running expenditure on schemes completed during the second plan becoming a commitment outside the plan from the beginning of the third plan. A further increase of only Rs. 66 crores in non-plan development expenditure was budgeted in 1962-63; half of this increase was due to larger provision for stock-piling of foodgrains.

65. Nearly half of the increase in the total outlay was to be financed by the step-up in current revenues of the Centre and States including yield from additional taxation. The Centre raised a sum of Rs. 69 crores through

fresh taxation including increases in railway fares and freights in succession to a sum of Rs. 85 crores raised during the preceding year. States have raised Rs. 33 crores during the current year as compared to Rs. 14 crores in the preceding year. These measures are expected to bring in a total sum of Rs. 1,180 crores over the plan period as compared to the target of Rs. 1,710 crores set for additional taxation in the Third Plan.

66. After allowing for the expected increase in domestic borrowing and the utilisation of external assistance, the overall deficit was estimated at Rs. 119 crores as against the Revised Estimate of Rs. 134 crores in the preceding year. The following table sets out the relevant details.

Budgetary Transactions of the Central and State Governments

(Rs. crores)

	1960-61	1961-62 (R.E.)	1962-63 (B. E.)
I. Total Outlay	2563	2957	3385
(a) <i>Development</i> *	1727	1989	2321
1. Plan	1071	1199	1465
2. Non-plan	656	790	856
(b) <i>Non-development</i> **	836	968	1064
1. Defence (net)	281	328	376
2. Interest on public debt	116	139	162
3. Tax collection charges	70	75	77
4. Police	94	109	114
5. Others	275	317	335
II. Current Revenues	1720	1902	2088
(a) Tax Revenue	1354	1481	1627
(b) Non-tax Revenue †	366	421	461
III. Capital Receipts (net)	891	921	1178
(a) <i>Internal</i>	510	580	667
1. Market Loans (net) ‡	138	141	161
2. Small Savings and Prize Bonds (net)	119	98	110
3. Provident Funds (net)	60	51	54
4. Miscellaneous Capital Receipts (net)	193	290	342
(b) <i>External</i>	381	341	511
1. External loans (net)	216	280	413
2. Foreign grants	33	37	58
3. P. L. 480 investments in special securities (net) §	132	24	40
IV. Overall Deficit	-48	134	119

*Includes plan expenditure of Railways and non-departmental undertakings out of their own resources as well as loans by the Central and State Governments to local bodies, non-departmental commercial undertakings (including Electricity Boards) and other parties

**Excludes transfers to Special Development Fund and other funds

†Includes contributions of the Railways and non-departmental undertakings for the plan

‡Includes borrowings by State Electricity Boards

§Excludes transfer of PL 480 funds from the State Bank of India which is taken as internal receipt under Miscellaneous Capital receipts

67. The Chinese aggression necessitated acceleration in defence expenditures and a supplementary provision of Rs. 95 crores was made in November. There has also been increase in expenditures incidental to defence such as on civil defence in the various States. Part of this increase is, on present expectations, likely to be offset by some shortfall in plan and non-plan expenditures. Even so, the year is likely to end with a much larger outlay than originally budgeted for.

68. On the resources side tax revenues have been showing greater buoyancy than anticipated at the beginning of the year. Collections under income-tax, Union excise duties and customs during the first nine months of the year have amounted to about 80 per cent of the Budget Estimate for the year. On this trend total tax revenue is likely to be significantly larger than originally anticipated. Part of this is, however, expected to be offset by smaller contributions from public undertakings other than railways. Even so current revenues are expected to show some improvement over the Budget Estimate.

* 69. Market loans floated by the Central and State Governments including State Electricity Boards have brought in Rs. 176 crores as compared to the Budget Estimate of Rs. 161 crores. Following the declaration of emergency, Government issued on tap 10-year National Defence Bonds bearing $4\frac{1}{2}$ per cent interest and 15-year Gold Bonds (to be subscribed in gold valued at international price) bearing $6\frac{1}{2}$ per cent interest and exempt from wealth tax and capital gains tax. A new series of Premium Prize Bonds offering 10 per cent premium was also issued. The National Defence Bonds and collections under National Defence Fund together are expected to bring in additional Rs. 65 to 70 crores over the year. Another Rs. 9 crores is the likely receipt from Emergency Insurance Schemes.

70. Small savings continued to show a downward trend in the first quarter of the current fiscal year. Net collections in Post Office Savings Banks during the quarter ending June amounted to Rs. -9.4 crores as against Rs. -3.4 crores in the corresponding quarter last year. The 10-year Treasury Savings Deposit Certificates also showed a decline. As a result, net collections under small savings were practically nil for the quarter as against Rs. 7.3 crores in the same quarter of the preceding year. To arrest this trend the rate of interest on POSB deposits was raised by $\frac{1}{2}$ per cent with effect from 1st August, 1962. The rate of commission payable to authorised agents for canvassing investment in Treasury Savings Deposit Certificates and Annuity Certificates was increased from $\frac{1}{2}$ per cent to 1 per cent with effect from 1st June, 1962. Co-operation of employers and trade unions was secured for extension of the pay roll saving scheme. As a result, a small improvement has been noticed and net collections from small savings rose to Rs. 22.6 crores during the second quarter of the current year as compared to Rs. 22.4 crores in the corresponding quarter last year. For accelerating small saving collections more effectively in the present emergency two new series—10-year Defence Deposit Certificates and 12-year National Defence Certificates—have been issued in replacement of the earlier certificates, both bearing higher rates of interest.

71. Miscellaneous capital receipts are likely to be lower because of shortfall in repayment of loans from third parties and smaller accretions to miscellaneous deposits. Utilisation of external loans, although larger than in the previous year, is not expected to reach the level anticipated in the Budget. On the whole, therefore, the year is likely to close with a higher overall deficit than originally planned.

72. The actual outlay on the plan during the first two years is likely to be around Rs. 2,600 crores. This works out to about 35 per cent of the total provision of Rs. 7,500 crores on the third plan.