

**SPEECH OF
SHRI H.M. PATEL,
MINISTER OF FINANCE, REVENUE AND BANKING,
INTRODUCING THE INTERIM BUDGET FOR THE YEAR 1977-78***

Highlights

- *Assessing the Fifth Five Year Plan*
- *Need to Prioritise Economic Policies Emphasised*

Sir, I rise to present the Budget to this august House.

The Budget and the demands for grants that are being made available to honourable members were prepared on the basis of the directions given by the previous Government. I would like to make it clear at the outset that though these have been circulated, they do not reflect our philosophy, policies and programmes.

There was no time since we assumed office to recast these estimates and to print the Budget documents, afresh. The annual financial statement and the demands for grants prepared earlier will serve the limited purpose of fulfilling the constitutional requirements for taking a Vote on Account before the 31 March, 1977. This will enable Government to meet essential expenditure during the first four months of the ensuing financial year.

The Budget for the current financial year presented in March 1976 envisaged an overall deficit of Rs. 328 crore. Due to certain increases in expenditure, partly offset by improvement in receipts, the year is expected to close with a deficit of Rs. 425 crore. It is not necessary for me to

Interim Budget, 1977-78		
Total Receipts	—	Rs. 14,910 crore
Total Expenditure	—	Rs. 15,542 crore
Deficit	—	Rs. 632 crore

* Lok Sabha Debate, 28.3.1977, cc. 39-42.

take you over the various details of the budgetary developments during the current year for which the present Government can obviously assume no responsibility.

According to the Budget as prepared, while total receipts are expected to go up during the year 1977-78 to Rs. 14,910 crore as compared with the figure of Rs. 13,759 crore in the Revised Estimates for 1976-77, expenditure for the ensuing year is estimated at Rs. 15,542 crore as against the current year's Revised Estimates of Rs. 14,184 crore. This position has resulted from an increase in both non-Plan and Plan expenditure.

The Central Sector of the Plan for 1977-78 involves an outlay of Rs. 5,053 crore and will make a draft on the Central Budget of Rs. 4,096 crore. This compares with the preceding year's (1976-77) outlay of Rs. 4,090 crore and a budgetary support of Rs. 3,347 crore at the Budget stage. Central assistance to States and Union Territories, and for various programmes concerning the Hill and Tribal areas, the North Eastern Council and Rural Electrification Corporation as well as the Andhra Six Point Formula amounts to Rs. 1,692 crore according to these estimates for the year 1977-78. The corresponding figure for the current year is Rs. 1,412 crore. Taking Centre, States and Union Territories together, the Budget envisages a total Plan outlay for 1977-78 of Rs. 9,953 crore as compared with Rs. 7,852 crore in the Budget Estimates of 1976-77.

The net effect of the proposals made in the Budget would be an overall deficit of Rs. 1,432 crore. However, the Budget takes credit for special borrowings of the order of Rs. 800 crore against drawal of foreign exchange reserves, the assumption being that such borrowing would be non-inflationary, as it is covered by increased imports of goods. Accordingly, the Budget document shows a net deficit of Rs. 632 crore.

In the context of the rise in the whole-sale price index of 12.5 per cent that has occurred since March 1976, any deficit financing has to be viewed with concern. In order to reverse the rising trend of prices, and to usher in a period of reasonable price stability, the Government are of the firm view that financing of public expenditure in a manner which would generate inflationary pressures should be eschewed. It is our firm resolve to review the Fifth Plan and to revise the Budget Estimates so that they reflect our thinking and priorities. We propose to complete this exercise in time for the regular Budget which will be presented in May 1977.

Meanwhile, I have asked my Ministry to request all Ministries, Departments and Public Sector Undertakings under the control of the Central Government not to take up new schemes and not to enter into

fresh major commitments till we have completed our review. The possibility of rephrasing and re-scheduling continuing schemes would also be explored. All Ministries and Departments of Government, and Public Sector Agencies will be asked to observe the utmost economy in expenditure, keeping in view the present Government's emphasis on austerity and avoidance of all forms of ostentation.

It is the will of the people of India as expressed unequivocally at the Polls, that there is an urgent need to redirect our economic policies and priorities so as to ensure that economic growth subserves the objective of speedy eradication of poverty and unemployment, and a progressive reduction in inequalities of income and wealth. The House may rest assured that we shall keep our faith with the people. The task ahead is formidable, but with the willing support and goodwill of the people, we are confident that we shall achieve our objective.
