

**“ORISSA’S RELATIONS WITH THE CENTRE :
Political and Financial Dimensions”
(1980-92)**

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(i) *Sangram Sekhar Panda*

PREFACE

Two most important Dimensions of the Centre-State Relations are the Political and the Financial Relations in recent years. There is no dearth of literature on the centralising tendencies of Indian Federalism, Questioning the federal Character of our constitution. According to some critic, the states in India owe their existence to the Centre rather than the constitution. This feeling is strengthened when we analyse the nature of dependence of the states on the Centre. It is worth examining the ways in which the central and state leaderships have evolved and are evolving "Working Relationships". It is also interesting to study how they influence the state and regional politics, the economy, the social conditions and their impact on the evolution of the Centre-State behavioural patterns.

I seek to expand the focus from a narrow concern of the legal and formal Federal arrangement to a wider area of the Federalising Process. This, operates on the party lines, determines the real nature of Indian Federalism. While it has been seen that political relations of the State Governments with the Centre are dependent on the nature of leadership and party ruling at the state level vis-a-vis the Centre, Financial relations have much to do with the

strength of the state's economy and the bargaining power of state. These two aspects are not always related, though one can influence the other considerably.

In my dissertation, these two aspects have been dealt independently to examine the nature of dependence of the Government of Orissa on the Centre during the period 1980-1992. To understand the trend in the 80's, I have discussed the nature of political and the financial relations of the Government of Orissa with the Centre in the pre 80's as dealt by available literature on Orissa, in the Chapter Two.

Chapter Three deals with the nature of political relations of the Government of Orissa with the Centre during 1980-1992. Congress (I) was dominant at both the Centre and the State during this period, hence, political relations operated mostly on the party lines i.e. Factionalism, Dissensions and the directives from party 'High command'. This period is characterized by central dominance in the state politics. The dependence of the state government on the central leadership was absolute. But the period from 1990 onwards shows the relative independence of the State Government in the decision making process under the leadership of Mr. Biju Pattanaik.

However for Orissa, the most crucial is the Financial relations, since it directly affects the developmental prospects, the economic growth and the standard of living of the people of the state. The dependence of the Government of Orissa on the Centre in the financial sphere is due to its weak resource base. Hence central transfers constitutes the major source of its revenues. Chapter Four contains an analysis of the Orissa's finances in the 80's and the dependence of the Government of Orissa on the central transfers.

Chapter Five deals with the grievances of the state in the present set up of central transfers and articulation of demands through memorandums to Finance Commissions comparing the inter-regional disparities with few other states.

CHAPTER ONE

AN OVERVIEW OF CENTRE-STATE POLITICAL & FINANCIAL RELATIONS IN INDIA

Indian Federalism is the creation of different forces in history that affected the nature of Indian Federation today. It was the need of the time that shaped the institutional arrangements. Being a plural society it has been always been difficult to uphold federal principles with national unity and reconcile States independence satisfying regional aspirations. For the founding fathers federal principles did not appeal as much as preserving unity and integrity. Federal principles infact have been adopted as a matter of administrative convenience. Hence, we find the absence of typical federal features in our Constitution.¹ The reason for a stronger Centre was very clear during the time of Independence. The trauma of partition, need of faster economic growth to compete with the other nations, food crisis, security concerns, goal of achieving socialist pattern of society, providing equal status and opportunity to all its citizens, social justice, balanced economic

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1. The constitution doesnot declare India to be a federal State but "Union of States" (Art 1), unequal representation of states in upper house, integrated judiciary, provisions of Emergency, Role of Governor, Residuary Powers to the Centre, amendment procedure, Distribution of Powers between Centre and States tilted heavily in favour of the centre.

development and equitable resource distribution were the main reasons, that brought a consensus among the founding fathers to make a stronger union giving States' rights a secondary concern. Apart from the fact that the Constitution makes the Centre more powerful, what concerns much to the States is the growing trend of centralisation. The trend of centralisation over the years could not be explained by the need of the time or otherwise. There are political and economic factors that are responsible for the growing power of the Centre. While it is observed more or less universally that the federal States elsewhere in the world getting centralised for reasons of financial crisis, defence needs, India shows a different picture altogether. The role of a stronger centre is undeniable for the purposes of planning, uniformity of economic development, co-ordination of programmes and policies.² However, what is haunting the states is the growing trend of centralisation over the years for not so genuine reasons. The role of political parties is most important to understand this factor. Party system in India is an extraconstitutional institution. The need for healthy party system in a society is essential for

2. Planning as an effective instrument of development has been recognised in Capitalist federal states like the USA, Australia etc which gives more powers to the centre.

the promotion of individual liberty and to uphold democratic principles. But in India the national parties have failed to promote unity and integrity by effectively articulating and aggregating popular demands and resource distribution. In a plural society like India with multiple ethnicities it is difficult to represent common interest as such. Hence, we see the growth of regional parties representing narrow local interests in the recent years. There is a necessary relationship between the nature of party system and the growing tendency of centralisation of the Indian federation. The ruling party at the Centre enjoys immense powers by virtue of India being a centre dominated federation. The Central government intervenes in the affairs of the units through various institutions prescribed in the Constitution.

1.1 General grievances of States and concern over trends of centralisation

Apart from the constitutional position of a stronger Centre, the Centre has been dominating the states through amendments. Some of the amendments which eroded States' powers are :

(i) 3rd Constitutional amendment act 1954 provided the Centre can fix prices, control production, supply and dis-

tribution of essential commodities.³ This has affected poor States like Orissa with major sources of income from agriculture⁴ States like Orissa, U.P., Andhra Pradesh have been raising this point before the successive finance commissions to evolve some mechanism to compensate the loss incurred on agricultural support price.

(ii) By the 6th amendment 1956 the Parliament assumed the power to regulate State trade, to levy tax on sale or purchase of goods other than news papers in the context of inter-state trade or commerce. The source of central income has been increased at the cost of States' interests.⁵

(iii). The 7th amendment made acquisition and requisition of property, a subject in the concurrent list, thereby enabling Parliament to acquire property for state purposes also.⁶

(iv) The 42nd Constitutional amendment epitomises the era of centralisation eroding State autonomy. Now the Centre could deploy paramilitary forces without the consent of State governments. Subjects like administration of

3. Essential Commodities Act, 1955.

4. Dealt in Chapter III.

5. West Bengal Govt. Memorandum to Sarkaria Commission, 1988, Vol.II, p.321.

6. Govt. of Orissa, Memorandum to the VIII Finance Commission, 1983 p.22.

justice, forest, protection of wild animals and birds, education including technical, medical and university, weights and measures, population and family planning were transferred from State list to Concurrent list.

The states are much concerned about the use of Article 200 (Bills affecting judges of high court) 201 (reservation of bills by Governor for President's assent which are discretionary) for their political and arbitrary use.⁷ There are several other instances of pending of bills by President for indefinite period. Rajamannar Commission⁸ and West Bengal government Memorandum on Centre-State relations⁹ recommended for the dissolution of these articles. Administrative and political relations are strained because of the office of the Governor. The politics of appointment, dismissal and partisan role of Governor,¹⁰ the use of Article 356 in a Partisan way has made the federal government unitary by way of dismissal of State government on weak

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7. Kerala Education Bill 1959, Industrial Dispute Bill of West Bengal 1969, M.P. Panchayat Bill 1960, Hindu Succession Act (Haryana amendment) 1979, Kerala Law Reforms (fixation and ceiling) Bill 1980 were rejected.
 8. Government of Tamil Nadu, Rajamannar Commission report on Centre-State relations, 1971, P-73.
 9. West Bengal Government memo 1977, p., 72.
 10. 82 instances of President's rules are of Political nature Bhambri, C. P., Political Process in India, Vikas, New Delhi, 1991, p., 145.

grounds.¹¹ This is found in Congress as well as Janata government at the Centre. Sometimes the President does not wait for the Governor's report for dismissal.¹²

The use of All India Services as branches of Central government for Policy implementation is another area of tension after 1967. The opposition ruled States always feel threatened because they do not have full control over these officers. They are (I A S, I P S) more loyal to the Centre and ideologically influenced by the Party in power at the Centre.¹³ Some State governments have preferred their state officials to be at key posts.¹⁴

Discrimination against states ruled by opposition in terms of Plan allocation by Planning and Finance Commissions, grants in aid has been complained by them to the Sarkaria Commission. Punjab during Akali government had complained less number of Public Sector units. A railway coach factory was installed at Kapurthala after persistent

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11. Recent examples of President's rule in 3 BJP ruled states i.e. Rajasthan, Himachal Pradesh and Madhya Pradesh on the 15th Dec., 1992.
 12. S. S. Barnala (Governor, Tamil Nadu) had not reported for dismissal of DMK Government in Tamil Nadu. TOI. 5th July 1991.
 13. Sarkar, R.C.S. Union-State Relations in India, National Publishing house, New Delhi 86, p., 57-58.
 14. Haryana has preferred its own officials in reply to the Questionnaire by Sarkaria Commission on Centre-State relation, 1988, (Vol.II), p. 166.

demand from the Akali Dal. The success of the regional parties in getting the regional aspirations fulfilled through mobilisation of public support gets them more legitimacy in the state politics.¹⁵ K. Karunanidhi, the then Chief Minister of Tamil Nadu had threatened that he would not endorse the 4th Plan if a steel plant was not allocated for his state.¹⁶ Biju Pattanaik's (C.M. of Orissa) threat to go away from the Union,¹⁷ in the light of lack of funds for second steel plant and developmental schemes from the Centre highlight the process of a "bargaining federalism"¹⁸ in India. The State governments are pitted against one another in the NDC meeting for the relative backwardness and grow animosity in the instance of differential fund allocation for various schemes.¹⁹

Irritants in Fiscal relations

The most controversial area of Centre-State relations is the field of finance and central transfers. In India, the

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15. Gupta, Saini & Gupta (ed.), Confrontational Politics commonwealth, New Delhi, 1989, pp. 161-214.
 16. The Hindu, Dt. 8th Feb 1967.
 17. The Patriot Dt. 7th Sept. 1992.
 18. Used in Jones Morris, Government and Politics in India, Hutchinson, London, 1971 p.162.
 19. Gupta, Saini, Gupta (ed.), Confrontational Politics op.cit., p. 172.

Constitution is tilted in favour of the Centre on the plea that objective decisions can be taken by the Centre. But after 45 years of independence the States are so dependent on Centre's assistance that to the centre alone they were to pay a debt of 17000 crores by 1981²⁰ and it is multiplying there after. Even new central loans granted to the states are utilised in clearing interest on the old loans, a fact reiterated by Sarkaria Commission²¹ and 8th²² and 9th²³ Finance Commissions. Apart from this the States are resorting to overdrafts of crores of rupees with the Reserve Bank of India.²⁴ Situation in Kerala is highlighted more for the massive over drafts it had incurred.²⁵ Finance Commission, Planning Commission and NDC have not been able to resolve the financial imbalance among the States themselves and between the Centre and the States. The States have been consistently asking for fiscal autonomy because the Centre has eroded the financial powers and positions of the

20. R.B.I. Report on Currency & Finance, 1983, p. 76.

21. Government of India, Commission Centre-state (C.S) relations 1988, Vol. I p., 362.

22. Report of 8th Finance Commission 1983, p., 103.

23. 1st Report of 9th Finance Commission 1989-90 p., 56.

24. RBI, Annual report 1991, p., 29.

25. *ibid.*, p. 23.

States.²⁶ The States grievances are identified in the following areas:-

a) Inadequate Resources

In comparison with the Centre, the States get inadequate resources for utilisation. A comparative study of tax revenues of the union and all the States taken together justifies their point.²⁷ This analysis shows that tax resources of the States have been far behind those of the Centre and allocation of Independent resources to the states is grossly inadequate, for running public administration at the state level. On the other hand Union government has blamed the States for not mobilising resources²⁸ from farm sector which accounts for roughly 50% of the national income. This elastic source of income from tax on agricultural income could improve the resource position of the States.²⁹ But political considerations have overtaken financial in this area.³⁰

26. Gupta U.N. (ed.), op.cit., p., 102.

27. Sarkar, S.C.. (ed.), - Indian Economy - Socio-Economic research inst. (Cal), 1965, p.115.

28. Government of India, Commission on C.S. relations 1988 (Vol.II) Reply by central government to the Commission p.,55.

29. ibid., p. 56.

30. The government has tried to

Despite the recommendation of successive finance commissions to increase the "compulsory permissible taxes"³¹ union has ignored this.³² Other items of taxes which affected the States revenues are

(i) Corporation tax which was kept out from the divisive pool from 1960 -61 deprived the states of Rs. 2600 crores in 1984.³³

(ii) surcharge on income tax was declared non-shareble in the same year. On this count the States lost another 207 cores.³⁴

(iii) In the present economic policy the government has increased the exemption limit on income tax thereby decreasing the shareble revenue.³⁵

(iv) By consenting the States to surrender their constitutional right to impose sales tax on certain item i.e. Textiles, Tobacco, Sugar and in turn promised additional

31. 85% of income tax and 95% of excise duties recommended by VIII F.C.

32. The present government has however decided to disburse 85% of the income tax to the states, TOI Dt. 5th April, 1992

33. Siwach, J. R. - Financial Relations in Dynamics of Indian Government and Politics Sterling, New Delhi, 1985, p.,226.

34. *ibid.*, p. 226.

35. TOI, 5th August, 1992.

duties on excise,³⁶ the Centre deprived the States of one elastic source of revenue to the State's budget. Orissa government's share of additional excise duty increased only by 72% whereas State's sales tax increased by 139%³⁷ during 1971 - 72 to 1980 - 81.

(v) In 1950 Union government levied a tax on railway passenger tickets for States but the same was abolished in 1961 to be compensated by 16 crores which remained constant though income from railway traffic went manifold during latter periods.³⁸

Sometimes, unilateral financial decisions by the Centre upsets the State budgets. For example, whenever the Centre increases dearness allowance and other emoluments of Central government employees, it adds to the fiscal problem of the States,³⁹ because the States are forced to give the same benefits to its employees. The recent proposal of reducing D.A. in the NDC⁴⁰ has evoked considerable strain between the

36. Goods of Special Importance Act 1957.

37. Sen Tapas, Orissa Finances in 80's Paper presented in Teen Murty (unpublished) 7th Feb, 1993

38. Government of Orissa Memoranda Submitted to the VIII Finance Commission 1983, p. 26.

39. Panigrahy, D.D. Centre State Financial Relations, Vikas, New Delhi, 1985, p.116.

40. 72nd round of NDC 1993, TOI, Dt. 22nd April 1993.

members. This time the states were opposing the Dearness Allowances (D.A) Cut.

The 8th and 9th Finance Commissions have advised the states not to incur deficit financing but are silent about Centre's deficit financing which upsets States budgets with the value of money going lower.⁴¹ Periodical rise by the Centre in the prices of essential items like coal, petroleum, fertilizers, cement etc, affects the States adversely.⁴² The centre always takes a national perspective in pricing mechanism without taking the regional specificities affecting a particular region. Sometimes the backward regions suffer on this count by incurring losses instead of making profits on a commodity produced in that region.

Declining role of Finance Commission

Article 280 lays down an important role to the finance commission as to recommend to the President the share of States in the net proceeds of taxes in the divisive pool, and allotting grants in aid on different basis. The creation of the Planning Commission as an extra-constitutional

41. Thimmaiah G., Some burning issues in Centre-state Financial (C.S.F.) Relations, Sterling, New Delhi, 1990, p.62.

42. Memorandum submitted to the Prime Minister by the C.M. of Orissa Mr. Biju Pattanaik, Dt. 7.9.92, p.9.

body in 1950 has resulted in decreasing role of Finance Commission over the years. At present the Planning Commission and the Ministry of Finance are two important bodies through which Central transfers take place. In fact between 1951 - 86 more funds were transferred through them than through Finance Commission.⁴³ The Plan outlays which are considered developmental are controlled by the Planning Commission and discretionary grants are allocated through the Finance Ministry and the Planning Commission. These bodies are resented by the States for their increasingly political nature and weapons of ruling party at the Centre to punish the opposition ruled states.⁴⁴ More than that Planning process is a centralised affair. States are taken for granted. The priorities and the size of the State plans are broadly chalked out by the Planning Commission at the National Development Council. The process of planning over the years has been of bargaining rather than of needs.⁴⁵ The time for discussion on the requirement and necessity of

43. Thakur, Ramanand - Finance Commission and Centre State Relations in India. Deep and Deep, New Delhi 1989, p.25

44. Memorandum submitted by the Karnataka government during R. K. Hegde (CM) to Sarkaria Commission 1988, Vol. II p.,210.

45. Das, H. H. and Chaudhuri, B.C. - Federal and State Politics in India, Discovery, New Delhi, 1990, p.XX.

states is very short, so the backward States often fail to put forth their case at the NDC meeting.⁴⁶

Limitation over market borrowing by the State

Centre is empowered with the monopoly of external borrowing. States power of borrowing is limited to the internal market with the permission from the Centre. Centre is generally the biggest lending agency to the states, through the RBI. But the interest rates charged by the Centre is quite exorbitant. For example, the Centre gets loan from the international agencies at about 2% interest but passes on to the states at 10% interest earning a huge profit.⁴⁷ Moreover, the Centre is to repay such loans within 40 or 50 years while for states it has stipulated this repayment to be in 10 - 15 years. So with heavy amount of money goes as interest, there is few left for the developmental purposes. The States are in a stage of perpetual indebtedness.⁴⁸

46. Complained by many States in their reply to the Questionnaire by the Commission on Centre-State Relations, 1988 (Vol.II).

47. *ibid.*, jp. 140.

48. See in, Trends and Issues in Indian Federal Finance - NIPFP, 1981, p-15.

Control over the Industrial activity

Union List (entry 52) gives vast powers to the Parliament to bring under its control any industry including small scale. While previously the number of industries was limited to key industries, over the year the trend has been to bring more and more to its net. Today more than 90% of the organised industries in terms of value output have been brought under control of the Union.⁴⁹ Things like the manufacture of razor blade, match sticks, zipfastners have been brought under central government, reducing the number of industries under the control of the State government.

1.2 IMPORTANCE OF FINANCE IN THE INDIAN FEDERAL SYSTEM & THE ROLE OF EASTERN ZONAL COUNCIL IN THE REGION

Underlying the structure of power in Indian federal system and politics of bargaining,⁵⁰ the nature of finance determines the direction of Centre - State relations. The States differ greatly in area, population, density, percapita income, net savings and contribution to the national income through income tax and productivity. These aggravates other elements of regional disparity in literacy,

49. Commission on Centre State Relations, 1988. (Vol.II) p.,152.

50. Jones Morris, Government and Politics in India, Hutchinson, London, 1971, p.,82.

administrative, efficiency, urbanisation and underdevelopment.

It appears that large states are able to exercise a greater influence on the Central government in the meetings of NDC, Zonal Councils and other all India forums through greater political clout and effective voice⁵¹ as complained by smaller and economically backward states seeking to emulate the more advanced ones. This keeping up with the Joneses provides a powerful factor in the dynamics of inequality⁵² which is one aspect of structure of power in the Indian federal system. The acceptance of socialism as a goal of national policy and widely accepted principle that planning must reduce regional disparities are in favour of small and backward states which naturally agitate for greater federal attention.

Some governments and political parties have been quick to take advantage of the unsatisfactory fiscal arrangements in the federal system and of the allocation of resources for the projects located in one state or other. In the Indian system the states have been left with all the rigid and

51. Das H.H. and Chaudhury. B.C. - Federal and State Politics in India. Discovery, New Delhi, 1990, p.,102.

52. May, R.J Federalism and Fiscal Arrangement (Oxford) : The Clarenton Press, 1969, p.,44.

unproductive sources of taxation rendering them financially dependent on the Centre.⁵³ Moreover, during the period of Five Year Plans the states have had to face the costs of growing responsibilities.

State political parties have used the Centre as a whipping boy to maintain their own image in the minds of people. This phenomena is substantiated by the growth of regional parties using the plank of discrimination and underdevelopment. Their only contribution has been to mobilise masses in their dealings with the Centre often contributing to "Black Mailing federalism".⁵⁴ Political parties have also been sore with the apology of participation involved in the process of plan formulation. The AIADMK, Cheif Minister (CM) Miss Jayalalita of Tamil Nadu's criticism of the way in which the plans were formulated in the recent meetings of NDC and Orissa CM Biju Pattanaik's complain about negligence of Orissa in fund allocation for his state gives testimony to this.⁵⁵ The working of NDC, the main plank for Prof. Morris Jones, "Bargaining federalism" has caused considerable misgivings for its style of

53. Das, H.H. & Chaudhury, B.C., op.cit. p., 12.

54. Ayyar S.P. - "The structure of Power in Indian federal system", in Grover (ed) Political System in India deep and deep, New Delhi, 1966 p., 93.

55. TOI Dt. 5th April, 4.93.

fermenting without a permanent continuing secretariat. The Council has been working more as the sounding board for the policies of the Union than as a deliberative body. The meetings of NDC turn out to be a debate both on plan objective and Centre-State relations. It became impossible to keep the two issues separated and conduct the discussion in a fruitful manner. So far as Orissa is concerned, being an underdeveloped backward State, its needs and requirements should be effectively articulated at these decisive resource distribution agencies. This is possible through a strong, effective and articulative leader at the State level to represent the State's interests. Though Orissa had strong leaders in the 60s and 70s like, H.K. Mahtab, Sadasib Tripathy and Biju Pattanaik, financial issues and resource transfer were not highlighted in the State because of the obsession of State politics in factionalism and political rivalry, (which will be discussed in Chapter II), intra regional issues of discrimination etc. Secondly, NDC and other forums for articulation of demands were not effective for the reasons of constraint of time for discussion and the attempt of the parties to politicise issues. Hence, vital issue of regional justice was undermined in favour of polit-

ical manoeuvres.⁵⁶ Thus the atmosphere of distrust and suspicion plays a great role in vitiating the Centre-State relations and it has not been possible for most of the other wise well meaning and objective central agencies to maintain their impartiality and objectivity. Although the objectivity of the Finance Commission is not left unchallenged by some of the opposition ruled States, it is to be admitted that it is a Constitutional body and has the support of the Constitution behind it. This has now been overshadowed by Planning Commission and Ministry of Finance, which are supposed to be mere advisory bodies. Hence, the opposition ruled States are vulnerable on this count as Centre sometimes use this discretionary Plan grants to punish them.

However, there are various institutional arrangements present in Indian federal system to sort out differences between various states and the centre through negotiations and bargaining. Constitutional bodies like ISC (Art. 263)⁵⁷ and other forums like NDC, Zonal Councils, Governors Conference, Chief Ministers Conference, Chief Secretaries Conference provide adequate platforms for solving inter-state and

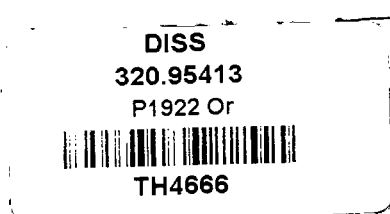
56. Panigrahy D. D. - Centre-State Financial Relations, Vikas, New Delhi, 1985, p.158, discussed weak representation of issues of Orissa in NDC in the 70s.

57. Until early 1990 it was not created Inter-State council has been yet in a formulatory stage and likely to be an effective instrument of cooperative federalism.

Centre-State disputes thorough meaningful discussion from time to time. Constitutional mechanisms like ISC however, has not been tried out till recently. Zonal Councils only provide a partial solution, for it is constituted on the basis of geographically contiguous regions and do not address to broader inter regional issues of resource distribution and inter state tax proposals on a wider basis. There are six Zonal Councils. Problems of natural resources distribution, transportation are however, not confined to any particular Zone. For example, Orissa comes under Eastern Zonal Council and its border States Andhra Pradesh, Madhya Pradesh come under different Zones. So border problems of Orissa which is an important area of concern with these states have not been taken up at Zonal Councils on a mutual basis. Secondly, mutual exemption of taxation proposals, water disputes, royalty from minerals are not effectively discussed at these councils for their composition exclusively on the geographic lines. Another problem for Orissa in Eastern Zonal Council is the presence of different political parties dominant in different States at different point of time. Sikkim is interested to go to the North Eastern Zonal Council and takes little interest in strengthening Eastern Zonal Council and broader issues of State autonomy are looked at differently from different point of view by dif-

ferent States. Natural resource rich states like Orissa and Bihar demand for more royalty and freight equalisation.⁵⁸ West Bengal government is pressing for more central investment in the state, and Assam asks for more grants from centre for its developmental efforts. The unequal and uneven nature of development of States within the Zone creates problem for pressing of a common approach and uniform resolutions. Orissa since 70's has been asking for stronger ties between the States in the Eastern Zone and co-operation in the fields of irrigation, power generation, transportation and communication, technical training, man-power planning and formation of common police force. However, Zonal Councils are not a complete failure. Formation of common reserve police force between Assam and West Bengal in 1962, safeguarding the interest of the linguist minorities in Nagaland in 1966, the supply position of rice in Kerala, the release of foreign exchange for tied projects in 1967, the demand of States for central assistance for enhancement of D.A. of State government employees etc. have been successfully articulated. The recent step of formation of Joint Task Force between Karnataka and Tamilnadu to nab the Notorious sandal wood smuggler Veerapan from a decision at

58. Recently, The Government of India has decontrolled Price of steel.



the Southern Zonal Council shows the possibility of co-operation between the States for specific purposes. Zonal Councils have grown stronger in the environment of competitive politics and loosening of one party dominance model in the Indian politics. The success of Zonal Councils depends on the political will and rational calculation of issues affecting different States. For broader issues more Joint sittings of inter Zonal Councils should be encouraged by the Central government which is given the power to convene and initiate process for Joint Sittings of the inter-Zonal Councils.

A study of proceedings of Eastern Zonal Council in the 60's and the 70's shows that the nature of issues discussed were more of implementation of various programmes and evaluation. Things like land reforms, power projects, irrigation, transport, communication etc. were the common areas of discussion. In the 80's however, the nature of discussion shifted to more of the course of development and strategies for getting more attention from the Centre by the opposition ruled State i.e. West Bengal. The more conflicting areas were the way in which Plans of the State have been chalked out.⁵⁹

59. The Hindustan Times (New Delhi) Oct. 15, 1986.

The picture in 90's however, shows a confrontationist approach by the Council to the Centre. This is because of the reason that except Sikkim all other States i.e. Orissa, West Bengal and Bihar were ruled by the opposition parties. Even during the short period of the Janata rule at the Centre in the early 1990, these states were active and successfully asserted their positions and got more Central allocation through Centrally Sponsored Schemes and Central Projects.⁶⁰

Another important cooperative machinery is the National Development Council created in 1952 at the suggestion of Planning Commission. Its functions are manifold, starting from strengthening and mobilising efforts to raise resources for Plans to promote common Economic Policies ensuring balanced Economic development promoting efficiency through participation and co-operation. The nature of the NDC has been changing from time to time. Since 1967, it has come to be reckoned as a bargaining counter for states in deciding their size of the State Plans. The Central government, surviving on precarious coalition or quasi coalition evidently, lacks the capacity to decisively assert itself. The

60. Speech of Biju Pattanaik (C.M. of Orissa) in 18th Eastern Zonal Council Dt. 21st Sept. 1991, The Economic Times, Dt. 1st Sept. 1991.

States, on their part have come to be ruled by political leaders who have parochial outlook, seldom raising their head much above their individual states. The Council's meeting held on April 1993 is a fairly reliable pointer to the likely shape of things to come.⁶¹

Beneath the political postures adopted by different States lie the hard Economic realities. That the politics was subservient to economics was made evident by the deliberations at the Council, which cut across political alignments. The States confronted the Central government with complete unity, and almost in the same breath, gave ample indication of inter-State differences, both kinds of role being imposed on them by the prevalent Economic conditions. The Congress Chief Ministers joined hands with the non - Congress ones in demanding an upward revision of States outlays in the Eighth Five Year Plan. At the same time the States stood divided between the haves (Maharashtra, Tamilnadu, Punjab, Haryana, Gujarat) and have-nots (Bihar, Orissa, M.P., U.P., Rajasthan). Unlike during the 4th Five Year Plan, where the developed States got the Planning Commission to define the backwardness more generously, this time, the backward states succeeded to impress upon the Planning

61. On the question of dearness allowance, the centre had to accept the views of states for maintaining a status quo - TOI, Dt. 22nd April 1993.

Commission for more Plan assistance on the basis of the revised "Gadgil formula",⁶² is evident from the quantum of transfers from Central government to the States. The convention of voting, introduced during the 4th Plan 1967, has been very effective in giving it the legitimacy and powerful instrument to mould the public policy. The NDC is now holding many informal meetings at the instances of the opposition ruled states and with more time given for discussion and assisted by an advisory committee of experts, NDC could go a longway in fanning the grievances of States and give alternative of a viable and progressive policy.

Most of the Indian States face socio-economic crisis so also Orissa. However, sufficient light has not been focussed on the relationship between the nature of politics and the economic development of the State. The poverty and backwardness of Orissa presents a contrasting picture, when compared with the high growth rate and development in some of the advanced States.⁶³ This has considerably influenced politics in the State which has an acute sense of deprivation. The process has been responsible in weakening the

62. Revised in 1980, giving 55% Weightage to Population, 30% to backwardness on the basis of per capita income and 15% to net tax efforts. Again revised in 1990, discussed in Chapter IV.

63. Discussed in Chapter IV.

integrative forces and encouraging parochialism and regionalism as a reaction against the central dominance. The regional political parties basically grow and thrive on such sentiments of the people and derive their support base from the negative perceptions of the people towards the centre. This element of political mobilisation is extensively used by the Left Front government in West Bengal by bringing "issues of backwardness and underdevelopment as a result of Centre's negligence" to the streets. Though politics of Orissa is marked by the growth of regional parties in the pre 70s., they are not the result of regional disparities or economic underdevelopment rather, political rivalry between the factional leaders. However, recently, the leaders are using issues of the Centre's negligence on areas of calamity relief funds and industrialisation, for political mobilisation.⁶⁴ He has even threatened to float a regional party taking up genuine demand of backwardness of Orissa economy. A similar move is noticed by the formation of another regional party in late 80s by Pabitra Mohan Dhal for the promotion and all-round development of Orissa.

64. Recently, Biju Pattanaik blamed centre for lack of funds in Kalanandi (drought affected area) and other development works in the State, the Samaj (Oriya Daily) 7.2.93.

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The interaction between the economy and polity in a State cannot be over emphasized. Just as the State politics in India is greatly influenced by the economic factors, including its economic relations with the Centre, its political infrastructure considerably influences its economic development and its relations vis-a-vis the Centre. The nature of political leadership, pattern of party system, strength of pressure groups, factional situation obtaining in a State and so on determine the style of its politics which have natural repercussions on its economic development. Nature of political relationship is not static. There are different phases of relationship between the Centre and the State. Since the nature of political relationship is largely influenced by the nature of the party hierarchy at the centre, its ideology, programmes, strategies for economic development and electoral support, it is worth studying the political parties in the Indian context. In a Plural Society like India, political parties thrive on two important tendencies in their strategy to gain power. One is the integrational approach aimed at capturing power at the all India level by addressing the broad issues and uniform sociopolitical legislations. The second type is the regional types who garner political support on the basis of primordial loyalty and segmental cleavages in Indian Society.

Congress party represents the 1st category as in the 1st twenty years after Independence with the absence of an effective opposition and hence, the only national party in the "one party dominant model".⁶⁵ Given its role in the freedom struggle it could address broad issues and encompass a variety of interest groups within its political and social support base".⁶⁶ The strength of Congress Party was its aggregation of various interest in society and a consensus on the programme of economic development. This strength was also supported by a popular charismatic leader like Nehru at the helm of affairs used to enjoy confidence of regional, state leaders as well as general mass. Hence, the regional leaders could not do much about their image and thrived under the image of Nehru. This nature is reflected in the organisation of Congress Party and the concept of the "high command". So Congress Party has always favoured a strong centre to implement national policy uniformly, to achieve the goal of a "socialistic pattern of society",⁶⁷ and demo-

65. Jones Morris - Govt. and politics in India Hutchinson, London, 1971, p.,112.

66. Kochanek, Stanley - Congress Party of India : The dynamics of one Party democracy, Princeton, 1968, p.,-116.

67. Avadi session of Congress 1955.

cratic socialism. So centralised federalism has been the objective of Congress Party.

Among the other parties, the Jan Sangh which came in 1950, has also stood for a centralised federation. On occasions it even went to the extreme of putting forward the view, "In the interest of the nation and preserving national unity it may even be desirable to scrap federalism and to substitute a decentralised unitary system for it".⁶⁸ Communist Parties have, however, taken an ambivalent attitude towards federalism. They want a strong centre with substantial autonomy to the States.⁶⁹ Communist Parties after 1967, however, took a confrontational attitude towards the Centre in demanding more decentralisation. "The Swatantra Party had generally been in favour of a balance between the centre and the States and satisfied with the Constitution".⁷⁰

However, on the the other hand the regional parties have been vociferous in their demand for more State autonomy and less Central intervention. DMK in Tamilnadu, Akali Dal in Punjab, Telgu Desam in Andhra Pradesh, Assam Gana Sangram

68. Shyama Prasad, Mukharjee, M.P. Jansangh in Parliament, 7.5.52. See in Grover (ed.), op.cit., p. 132 (vol.V).

69. Subramanyam K. S. Parliamentary Communism in India Ajanta, New Delhi, 1989, p.114.

70. Venkatarangaiya M. Impact of Political Parties in Indian Federation, Deep and Deep, New Delhi, 1989, p.157.

Parishad in Assam have been fanning their grievances due to Centre's intervention and demand for radical restructuring of the Centre-State relations.

Analysis of the working of Centre-State relationship in the context of political parties shows many peculiarities. While, in the Congress dominated one party model, the nature of Indian federalism was one of unitary type, the implementation of policies was however, not uniform. For example, land reforms, legislation was passed by parliament way back since 1950, but many states have not adhered to the policies even though consented by the State Chief Ministers. Similarly, implementation of Hindi as the national language in the three language formula had found opposition in the Southern States, especially in Tamilnadu with DMK spearheading the agitation. Growth of regionalism is said to be routed in States' Reorganisation in 1956 on language principle.⁷¹ The State leaders were not totally influenced by the central leadership for their popularity was routed in the local power structure independently of the Central "High command". Except for broad consensus on economic development and large scale social legislations, there was difference of opinion in other subjects like land reforms etc.

71. Bhattanagar Pradeep Kumar, (ed.) Regional Political Parties in India; ESS, New Delhi 1988, p.-79.

There was no autocratic interference by the Central leadership in the State unit of the Congress Party which functioning more or less democratically in the 1st two decades.⁷² The non-adherence to these principles in the Congress organisation gave rise to the tussle between leaders at the central level for dominance and Congress split in 1969. The personnel of State governments in such a case became tools in the hands of central government. This defeated the federal balance. To strengthen the Congress government at the Centre, the Congress "High command" has consistently followed a policy of toppling Congress governments in the States, not only those governments which were headed by leaders of the Congress (O) like Virendra Patil in Mysore and Desai in Gujarat but also those which have been led by persons belonging to the ruling Congress if they happened to be powerful local leaders like Sukhadia in Rajasthan and Bramhanand Reddy in Andhra.⁷³

This trend is partly the outcome of the attempt made by the Chief Ministers of some of the States to influence the Central leadership. Lal Bahadur Shastri's choice as Prime Minister was possible because of supports from powerful State Chief Ministers. However, Indira Gandhi did not like

72. Kochanek S. op.cit., p-72.

73. ibid. p.75.

to be dominated by State Chief Ministers who were her mentors. This succession politics was a corollary to another trend in Indian Politics in the 60s.

"By mid 1960s the places of the "old guards" were taken by a new breed of politicians... the younger generation, the regional bosses, the rural factional leaders, the ideology oriented intellectuals were replaced by vote bank based political leaders in the power structure. In most of them the high standard of public morality was wanting. They found it essential to combine money and muscle power with populist slogans, to capture and stay in power. They were easy prey to nepotism, favouritism, casteism, communalism and parochialism, Corruption was rampant, at the same time, the failure of monsoons during the mid sixties resulted in poor harvests, food shortages and famine in certain areas, a set back to industrial growth and a steep hike in prices throughout the country. The developmental plans had brought about a heightened political awareness in the Indian masses. The exposure to modernisation created the revolution of rising expectations. Its dilemma was that political aspirations and expectations rose much faster, than the system could develop the capability to meet them. The resulting discontent made for a political instability encouraged by extravagant hopes built by its political leaders. Thus a search for identity, a need for security and a demand for a "fair share" in the national cake in terms of education, employment, and industrial opportunities led to the rising of sub nationalist groupings."⁷⁴ Even Sarkaria Commission in its report testifies this trend.⁷⁵

74. Dube, M.P., - "Changing pattern of Centre State relations in India" in Chakravarti Bidyut (ed.), op.cit., 1990 - p.109.

75. Sarkaria Commission, Vol.I, Para 1.4.32, 1988, p.31.

Till late 60's the role of Planning Commission or NDC were not questioned during the Nehru era and the power of these bodies grew enormously, to be called as Super Cabinet,⁷⁶ and as New Leviathan.⁷⁷ In view of flexible constitutional scheme, the actual pattern of Centre-State relations had come to be shaped by extraconstitutional, political and economic factors, like impact of planning, impact of single dominant party at the Union and the States and the impact of single dominant leaders, like Jawaharlal Nehru, (1950 -64), Smt. Indira Gandhi, (71 -77) and again (1980 -84) and Rajiv Gandhi from 1984 to 89.

Writing of the period 1950 - 1963, K. Santhanam, a Congress stalwart, who occupied leading positions in the party and government said -

"The actual relations between the Union and the States have been very different from those postulated in the Constitution. India has practically functioned as a unitary State though the Union and the States have tried to function formally and legally as federation. This state of affairs can continue so long as the Union and most of the State governments are dominated by a single political party and the Union continues to finance economic and social developments in the States in

76. Chanda, Asok - Federalism in India London 1965, p.65.

77. Rao, K. V. - Parliamentary democracy in India, World Press, Calcutta 1961, p.221.

the same massive scale as they have done during the 1st and 2nd Five Year Plan."⁷⁸

Growth of regionalism in the country is also ascribed to this period by States' Reorganisation on linguistic lines in 1956. However, the leadership of Nehru had suppressed all other divisive issues by accommodating various interests. After Nehru's death for a brief period there was importance of the State Chief Ministers in deciding the Prime Minister. But the 4th general election is a trend setting year in the history of the Centre-State relations as well as party politics in Indian federalism.

1.3 1967 GENERAL ELECTION AND NATURE OF CENTRE - STATE RELATIONS THEREAFTER

Result of 4th general election is considered as a watershed in the Indian politics. It marks the end of an era of "one party dominance" model, since Congress lost in 8 States and non Congress governments came to rule those states, such as the Punjab, Haryana, U.P., M.P., Bihar, and Tamil Nadu, and Orissa. they began to question the Central domination and to demand revision of financial allocations. The Left Front Government in Kerala claimed that the State

78. Santhanam. K, - Conventions and Proprieties of Parliamentary Democracy in India, Oxford University Press, New Delhi, 1966, p., -39, "Kamaraj Plan by which Nehru made six Chief Ministers step down shows the height of this system."

should be allowed a share of its foreign exchange earnings to enable it to purchase rice from China.⁷⁹ In Tamil Nadu the Chief Minister, C. Annadurai demanded that Madras should be allowed to obtain rice from Burma as a compensation for the loss suffered by repatriates belonging to his State.⁸⁰ Even Bihar Chief Minister, M.P. Sinha appealed to the U.S.S.R. to come to the State's aid to meet the famine situation in the State.⁸¹ At the meeting of the NDC held on 1.12.1967, all the Chief Ministers were reported to have opposed the Planning Commission's proposal for the levy of an agricultural income tax and its integration with the general income tax.⁸² Nearly half a dozen Chief Ministers disfavoured any Plan holiday and asked for additional excise duties on sugar, cloth, tobacco be restored to be the States.⁸³

The nature of issues that were debated during this period were, constitutional, political and financial. Since Congress had retained power at the Central level and sup-

79. Jain, H. M "Changing Pattern in Centre-state relations: in, Chakravarty, (ed.) Centre State relations in India, Segment, New Delhi, 1990, p.,47.

80. *ibid.*

81. The Hindustan Times, 21st August 1967.

82. TOI, Dt. 3rd Dec. 67 (editorial).

83. *ibid.*

ported many minority governments,⁸⁴ office of the Governor became the most controversial. The dismissal of the Left Front government in West Bengal in 1967, Government of Rao Birendra Singh in Haryana (1967), induction of Sukhadia in Rajasthan, (1967) Lachman Singh in Punjab (1967), B.P. Mandal in Bihar (1968), of Daroga Prasad Rai in Bihar (February 1970, of Biswanath Das in Orissa (1971) and Nandini Satpathy in 1972 of Sharad Pawar in 1978 in Maharashtra, case of UP when Governor denied an alternative Ministry after the resignation of Charan Singh, opened the debate on the constitutional position of Governor. The intervention in states through the Governors was used by Central government after the Congress defeat.

Similarly, the Financial and Planning positions of the central government was questioned. Among these, the Opposition ruled states decried the increase in discretionary Plan grants (Article 282) and erosion of statutory transfers under Art. (275). In this context, K. Subba Rao a former Chief Justice of India remarked, "Unless the Party that happens to be in power at the centre develops conventions to shed its party affiliations in the matter of its relations with the states, Federal governments cannot effectively

84. P.C. Ghosh, in West Bengal, B.P. Mandal in Bihar, Lachman Singh Gill in Punjab.

function in our country."⁸⁵

Election in 1967 shows a shift from the national to the regional parties and factions. The latter cut into the strength of national parties considerably. After the split in Congress in 1969, the position further worsened and the Indian Political System reached its low water mark. The Congress lost its majority at the Centre too and had to rely on the Communists, D.M.K. & Akali Dal's support. This probably weakened the position of the Centre to take arbitrary decisions. However, the inner party discipline in Congress became more stronger and loyalty to the leader was acclaimed widely.⁸⁶ State Congress Chief Minister were more or less shadows of the Prime Minister.

Prof. C.P. Bhambri in "Political Process in India 1947-91" observes, "The impact of a coalition form of government on the authority of the Centre over the State governments awaits further analysis of both the attitudes of the major national political parties towards the role of the Centre and of the organisational capacity of the parties in upholding a strong Centre. Patterns of Centre-State relations depend on the relative power positions of the major politi-

85. Jain, H.M. op.cit., p.51.

86. Bhambri. C.P Political Process in India, Vikas, 1991, New Delhi p., 85.

cal parties."⁸⁷

During 1971 -77 and 1980, when we have the phenomena of multiparty competitive polity with Congress ruling at the Centre and opposition in the States, the financial and economic relations are being slowly readjusted in favour of States asserting in NDCs, Zonal Councils and other consultative bodies for better co-operation through Bargaining.^v

However, it is seen that Indian party attitudes are contradictory and depend a great deal on expediency. The electoral politics and the nature of coalition has brought closer the ideologically opposite political parties into the same platform, at centre as well as State level. There are also regional variance of the nature of stands taken by political parties deviating from the Parent party line, for electoral compulsions, For example, State unit Congress opposed to establishment of NTR in Baliapala, Orissa. A discussion on Orissa's political relations with the centre would reveal some other aspects of Orissa's relationship with the Centre.

87. *ibid.*, p.,87.

CHAPTER TWO

POLITICS OF ORISSA: POLITICAL AND FINANCIAL RELATIONS WITH THE CENTRE (1967 - 80)

Section I

Survey of Literature

The survey of available literature on Orissa politics shows that it lacks in terms of focussing much attention to the relations with Central government. The first major attempt to study Orissa politics was by F.G. Bailey in his book, "Politics and Social Change in Orissa in 1959".¹

In his work Bailey has analysed the composition of Oriya people in Orissa as well as in neighbouring states showing the cultural and social background of the area. The politics of the State and political culture has been analysed in terms of regional variations. He has focussed on issues of land reforms, economic development of a particular region and how it has influenced the political and social beliefs of the people of the state. In the article "Politics in Orissa-voting pattern in hill and

1. Baily, F.G., Politics and Social Change in Orissa in 1959, Univ. of California Press, Berkeley, 1963.

coast"² he has analysed politics of hill and coastal areas in terms of social, cultural and economic variations. Geographically, Orissa is divided into two well demarcated areas, the coastal districts and hilly areas. These two areas are connected both culturally and economically for they had same language, religion, and cultural values. But there are fundamental diversities between these two regions as they had different administrative systems. Bailey has analysed the impact of these differences on the pattern of politics in Orissa. Bailey has also written about "Ganatantra Parishad" a regional party of ex-Princely States which affected the politics of Orissa in the 50s and early 60s.³ He has shown the prominence of regional parties in Orissa based on personal interests and how Orissa remained free from the Congress dominance in the 50s.⁴ We get informations about the nature of politics in Orissa in the context of political relations with the Centre through regional based interest groups. Orissa's Politics in the aftermath of independence is characterised by intra regional rivalries rather than Centre-State or

2. Bailey, F. G. - in "Economic Weekly" (Bombay), 12th Sept. 1959.

3. Baily, F. G. - "Politics in Orissa: The Ganatantra Parishad Economic weekly, 24th Oct. 1959.

4. Bailey, F. G. - "Politics in Orissa: "The feudatory states", Economic Weekly 19th Sept. 1959.

inter-State issues. Most of the Princely States remained cut off from the main currents of Indian freedom struggle owing to the deliberate policy of British government alienating the people in the princely States from national freedom struggle and suppression by local rulers. These princely states were mostly in the Western Orissa, and their nature of interests differed considerably from the coastal regions in terms of Economic, Political and social aspects. Despite Praja Mandal movements in Western Orissa, the people could not be accelerated as people in the coastal regions who participated vigorously in the Freedom Struggle and asserted their dominance in politics after independence. This caused suspicion and envy in the minds of people in the western upland which characterised the politics of Orissa in the first two decades after Independence with fierce intra-regionalism.⁵ This aspect of Orissa politics has been dealt by Dr. Kishalaya Banerjee in "Regional political parties in India".⁵ Dr. Banerjee's work gives a sufficient insight to the background of geography, history and politics of Orissa and discusses the causes and genesis of regional political parties in Orissa. In his work he traced the roots of

5. Banerjee Kishalaya, Regional Political Parties in India, B. R. Publishing, New Delhi. 1984.

regionalism in interest based resource distribution in terms of political, educational and infrastructural availabilities within the State. Infact the movement for regional justice was taken up by the erstwhile Princes who felt alienated in the new political alignments with the emergence of Congress party at the State level. They were organised under "Ganatantra Parishad" to fight 1951 elections. The main issues raised were, growing dominance of outsiders i.e. from coastal region and non Oriyas, underdevelopment in terms of low literacy, infrastructure, government expenditure and finally, bureaucratic harrassment. They capitalised more in the "Anti Hirakud agitation" which was supposed to save Cuttack from flood submerging large tracts of land and evacuation of thousands of people from Western Orissa. Though the movement soon died out after a green revolution in the area by canal irrigation, the ex-rulers in the regional party of Western Orissa had taken political advantage out of this. Transformation of certain territories to Bihar and West Bengal also created anger among people. Adivasi uprising and their exploitation by outsiders taking away their forest produces and land at unfair prices also made them hostile towards the other regions i.e. (coastal) in Orissa. All these factors are responsible for a regional interest based politics in

Orissa. Dr. Banerjee also examines leadership element in Orissa politics vis-a-vis Centre and shows how in the early decades Orissa was free from the one party dominance syndrome. Congress has not been able to secure absolute majority in the assembly elections except the 1961 midterm elections, 1980 and 1985 assembly elections. The presence of strong opposition parties and factional ridden Congress was a cause of concern for the central leadership. Creation of Jana Congress in 1967 from Congress factional politics in Orissa shows the weakness of the Central leadership to effectively channelise resources and reach compromises. Dr. Banerjee also examines the organisational structure of regional parties in Orissa. A potential point has been shown by his analysis i.e. while national parties like Congress organised their party in a hierarchical manner, allegiance to one leader at the national level, picking up membership and leadership from all sections of society, regional parties were more or less based on decentralised pattern of leadership. Important decisions emerged from the village committees and local units. This probably explains their stronger organisational capacity and effective coordination between leaders and members. So their social support base remained unchallenged and unthreatened from any other party. In

dealing with the ideology and programme of regional political parties of Orissa, he concludes that all the regional parties are centrist parties with the exception of Biju Pattanaik's "Utkal Congress" which was rightist. All other regional parties like "Jana Congress" and "Ganatantra Parishad" except Utkal Congress addressed removal of regional disparity as their main plank. Ganatantra Parishad accepted the over Lordship of Central government.⁶ Charging Congress to be antidemocratic. The "Gananantra Parishad" pointed out that "It is not obligatory for the party in power at the Centre to be in power in the component States also nor is it a proposition contrary to the Constitution of India".⁷ In other areas of relations its ideas were similar as prevalent in the 50s and 60s by the Central government. The party referred to the opinion of eminent economists who had advised the Centre to take the case of Orissa as special problem of India.⁸ The Parishad vehemently criticised the Congress for its complete failure in Economic Policy and held it responsible for the backwardness of Orissa. It charged the Congress unit in

6. Banerjee, Kishalaya, op.cit. P-129.

7. Ganatantra Parishad "Nirbachana Istahar", Bolangir, 1951, p-2.

8. *ibid*, p-9.

the State for its failure to bring adequate aid from the Centre for the developmental works in the State even though the same party was there at the Centre. On the other hand it also criticised the State government for its failure to promote balanced regional development. The Parishad criticised the alleged neglect of Orissa by the Centre in Plan allocations and Public Sector projects.⁹ It also raised issues of Oriya speaking areas which were merged with Bihar and West Bengal. In particular it raised the question of Sareikala and Kharaswan in this regard, and demanded restoration of Oriya tracts. Amongst the regional parties of Orissa Parishad's ideology was the most rational and all comprehensive which attracted attention of many Central leaders.¹⁰ Apart from, organisation and ideology, Dr. Banerjee has analysed leadership patterns of regional parties taking age, education, caste and occupational background as variables. In examining the performance of regional parties, he has credited the Congress-Parishad coalition Ministry in 1961. This period is considered as the golden period of Orissa's development history. Among other things, implementation of land

9. *ibid*, p-4.

10. Banerjee, K., *op.cit.* p.145.

reforms, development of Paradip Port, Cooperative farming, food grain policy, separation of Judiciary from executive on 1st May 1960, decentralised administration, are prominent. The coalition gave priority to balanced regional development. The ministry also took steps to explore new avenues of resource mobilisation through new system of taxation or non tax resources. The achievements of the coalition government was expressed in Governor's address in the Budget Session in February 1960.

However, Ganatantra Parishad merged with Swatantra Party in 1962 and lost its identity as a regional party in favour of national identity. Dr. Banerjee blames Congress for this. Puspa Asthana in her Doctoral thesis¹¹ has tried to argue this point in more detail. Her work is an useful way of looking into the politics of Orissa in terms of factional rivalries and personality clashes. Showing the trend of factionalism from pre-independent period to the 60's and 70's, she has blamed the illiterate electorate and selfish motives of the leaders in Orissa which made the prime issues of development and growth secondary to Power Politics. She has made a historical and empirical study of different political parties since independ-

11. Asthana, Puspa, Political Parties and Political Development in Orissa, 1984, CPS, JNU.

ence. She has also argued leadership crisis, factional politics, in relationship with the Centre till 1980. A new factor of representation of different regions in the council of ministers has been analysed to show underrepresentation of certain regions and dominance of the other. The same could be applied at the Centre showing political underrepresentation of some states like Orissa which are also economically backward. The politics of pre-1967 shows that the factionalism at the State level had nothing to do with political alignments at the Centre. So differences of views and opinion of state leaders was not the result of infighting of leaders at the Centre. Rather the differences were at personal level and factional leaders could garner support from fellow men in the party on their own merit i.e. Charisma and ability to exploit regional issues. So strong was the cult of personality in Orissa politics in pre 67 Phase that individual leaders like Biju Pattanaik, R.N. Singh Deo, H.K. Mahtab could change, manipulate or break the Ministry with the support of fellow members irrespective of party loyalties the leader has at the point of time. So ideology and concept of High command was not so decisive in the pre-67 Phase.

Neglect of regional issues was the reason for increasing support base for regional parties. For example,

N.K. Choudhury Government's failure in 1952 to manage flood, drought situation and loss of Orissa government on account of food policy of Government of India 1952 cost 4 crores.¹² Preoccupied with the "Bhoodan Movement", issues like inclusion of Sareikala and Kharswan (Two regions still in Bihar and West Bengal) in Orissa was neglected.¹³ Issues of State reorganisation in 1956 made him unpopular, even among his colleagues. On the eve of 1957 election Congress in Orissa was divided on the question of leadership. However, Mahatab became the Chief Minister in October 19, 1956 because the Central leadership was left with no choice. Between 1957-61 Biju Pattanaik emerged as a powerful factional leader. Congress had done badly in 1957 elections because Congress did not fight as a united party. It got only 55 out of 140 seats. Owing to the large scale defection in Congress and withdrawal of CPI from Congress, effort for formation of an alternative ministry started by R.N. Singh Deo. However, from 1959 - 61 Orissa experienced a Congress led coalition, which was successful. But Biju Pattanaik's election as UPCC (Utkal Pradesh Congress Committee) President aggravated the

12. Panigrahy, D. D. - "Centre-State Financial Relations". Vikas, 1985, New Delhi, p. 26.

13. Speech of Biju Pattanaik on 18th Eastern Zonal Council meeting in Bhubaneswar, Samaj, 22nd Sept 91.

factional rivalry as he wanted withdrawal of Congress from coalition which the centre favoured. Mahtab resigned and Orissa for the first time brought under President's rule on February 24, 1961.

In June 61 mid-term election Congress won under Biju Pattanaik in a narrow margin. He had the support from Congress leadership at the Centre. This period shows a cordial relationship between the state and the centre and all round development with industrialisation. Formation of State Planning Board, Public Corporations were set up to carry out and execute policies and programmes of the government. Congress rule was stable under Biju's leadership. But soon he fell victim to "Kamraj Plan"¹⁴ and resigned in August 61 in favour of Biren Mitra. Biren Mitra was not a consensus candidate. There were other leaders who claimed for leadership (Mahtab, Vishwanath Das, Choudhury, Nityanand Kanungo, Radhanath Rath, Surendranath Pattanaik and Banamali Pattanaik). Mahtab being a member of Congress Parliamentary Board at Centre could channelise the dissidents' demands at Centre and got favours in getting his persons elected as UPCC President

14. Mooted in "Aug. 63" to Strengthen Congress Organisation. So many congress Chief Ministers resigned to work for the organisation. Biju Pattanaik had active support for this plan.

(Banamali Pattanaik), General Secretary (S.N. Pattanaik). Later this group formed Jana Congress in 1967.

Biren was not a very popular man lacking leadership qualities with corruption charges leveled against him. On February 1, 1965 he resigned and succeeded by Sadasib Tripathy on February 21, 1965.¹⁵ There was consensus for a ministerial reshuffle in view of the coming 1967 election. However, the ministers were not satisfied for not being consulted for reallocation of portfolios and resigned. They met under the leadership of Nilamani Routroy, the deputy Chief Minister in Biren's Ministry, at the residence of Mitra. Since, Routroy was a trusted of Biju Pattanaik, it is believed that Pattanaik had manoeuvred this. However, this affected adversely as Congress faced debacle at 1967 polls. Indiscipline and lack of unit in the party are the main reasons for defeat.

However, it is seen that Orissa has progressed during the period of coalition ministries. Sukhdev Nanda's work "coalition Politics in Orissa"¹⁶ reveals this point. He has analysed the three coalition Ministries i.e. 1959, 1967 and 1971. While the first coalition was

15. The Prajatantra, 21st Feb 1965.

16. Nanda Sukhdev, Coalition Politics in Orissa, Sterling, New Delhi, 1979.

between Congress and Parishad the second consisted Swatantra and Jana Congress and the third was constituted of Utkal Congress, the Swatantra and the Jharkhand. All the coalition Ministries were alliances between regional parties except the first, where Congress was a major and third coalition ministries had Congress elements since, Jana Congress Chief H.K. Mahtab and Utkal Congress Chief Biju Pattanaik were erstwhile Congress leaders. The first coalition was the result of convenience as no party was in clear majority and Congress formed a coalition with Ganatantra Parishad after CPI's withdrawal to save the Ministry. The second coalition was a pre election understanding and Swatantra aligning with Jana Congress fought the common enemy i.e. Congress in 1967 on the basis of a common 22 point programme. 1971 coalition was the result of convenience again since no party had won majority of seats. This time again the coalition was formed against Congress with Mahtab back in the Congress fold and Biju Pattanaik forming Utkal Congress, a regional party. Dr. Nanda, in dealing with these reveals that the nature of coalition depended more on the proximity and friendship between the leaders of different parties irrespective of ideology.

Due to lack of coherent ideology of any regional

party, factional politics is rampant in Orissa. This element has been explained by B.K. Pattanaik in "The politics of floor crossing in Orissa".¹⁷ Dr. Pattanaik has analysed the different defection politics during pre-67 and post - 67 phases. He has pointed out the post 1967 election phase to be the most troubled time in Orissa politics marked by rampant defection and horse trading. This trend was the result of breaking of Congress monopoly in most of the states and Congress party ruling at the Centre resorted to large scale manipulative politics encouraging defection by luring the M.L.As of promising ministerial berth or, buying them.¹⁸ This created an unstable climate in Orissa politics. This does not mean that there were no defection before 1967. However, what happened in late 1960s was quite different both in quality and quantity. There occurred a dramatic increase in the number of defections and some of them changed sides several times in a short time.¹⁹ Little respect was paid to party ideology and programmes. While in the pre 1967 phase defections were characterised by on questions of

17. Pattnaik, B. K., The Politics of Floorcrossing in Orissa, Santosh, Cuttack, 1985.

18. *ibid*, p.112.

19. *ibid.*, p.113.

principle the post 1967 defections in Orissa politics is characterised by random unprincipled shifting of loyalties from one party to another. Secondly, while previously, the change in loyalties were done by groups i.e. a whole group under powerful leader changing over to a different party as Ganatantra Parishad under R.N. Singh Deo did in 1961 by merging with Swatantra Party, Mahtab forming a different party i.e. Jana Congress etc. In the post 1967 phase defection is characterised by individuals shifting loyalty to other parties on the basis of personal interest.²⁰ State politics is greatly influenced by what happens at the Centre. The weakness and political uncertainty at the Centre seems to have encourage floor crossing in the States. For example, in the early years of her Prime Ministership Mrs. Gandhi appeared to be vacillating and weak. That encouraged the growth of factionalism in the Orissa Congress. This ultimately led to the defection of Mahtab group from Congress forming a separate party in 1967. similarly, the split of Congress in 1969 was a factor of group fighting and defection in Orissa. the Biju faction which incurred the anger of Mrs. Gandhi had to leave the party in 1970 and finally forming "Utkal

20. *ibid.*, p.151.

Congress". This has been pointed out by J.K. Mahapatra in "Factional Politics in India".²¹ Balaram Mohanty has also written about Orissa politics in the 70s about the support base, ideology and programmes of different regional parties in Orissa vis-a-vis the Centre.²² J.K. Baral and Jayant Mahapatra in their Jointly written "Political Culture of backward Indian State : Orissa"²³ have revealed the grassroot factors of backwardness in Orissa politics. Showing Orissa's underrepresentation in Central Cabinet blame the Central leadership dominated by north. This is probably because of Orissa's low participation in freedom struggle. H.K. Mahtab was the only Minister of Cabinet rank for sometime before he was dropped out unceremoniously in early 50s in the Congress dominant period. Long after that during the Janta period, 1977-79 the Central Ministry included two Oriyas in the rank of cabinet Ministers. They were Biju Pattanaik and Rabi Roy. Mrs. Gandhi's government formed in 1980 included one Oriya i.e. Janaki Pattanaik in the rank of Cabinet Minister, but soon

21. Mahapatra, J. K., Factional Politics in India, Chug Publications, Allahabad, 1985 p.158-173.

22. Balaram Mohanty, "Orissa Rajanitika itihās" in Oriya, (Orissa's Political history), Books and Books, Cuttack, 1979.

23. Jena and Baral (ed.), Govt. and Politics in Orissa, Print House, Lucknow, 1988, p.82.

after he was sent back to Orissa as the Chief Minister. Since then there was no Oriya at the Central Cabinet till 1989 when Nilamani Routroy was inducted as a Minister in the Cabinet rank. This lack of political clout at Centre could not be explained by the size and population or economic backwardness of Orissa. Because there are other small States like Punjab and Haryana enjoying considerable political clout at the Central Cabinet. Baral and Mahapatra accounts for this to the location which is neither strategically important nor, nearer to the Capital, and its contribution to the national income in terms of tax mobilisation is not so high. Secondly, due to the culture of political opposition, many times the Congress which has ruled mostly at the Centre, failed to win absolute majority in the state legislature and as a result Orissa has been considered a strong fort of the opposition.²⁴ On the contrary during the ten years of Congress rule in the state from 1908-89 there was not a single Oriya in the central cabinet. This shows that, why Orissa is better represented at the Centre during non Congress rule.

Surya Narayan Mishra in his "Party politics and

24. Baral and Mahatatra in Jena and Baral(ed.), Govt. and Politics in Orissa, Print house Lucknow, 1988, p-85.

Electoral choice in an Indian State"²⁵ has tried to look into Orissa politics during 1947 to 1985 from the point of view of Centre, i.e. how change of governments or leadership at the Centre affected politics in Orissa. He has also analysed the nature and implication of President's rule for Orissa through interplay of political parties at national and regional level. In the 1st phase of political development during one party dominant Congress system, he has shown that due to its uniform rule, the Congress had shown unitary tendencies in spite of a federal Constitution, which is continued till today. The Congress victory during the Nehru era in the first two general elections else where was not seen in Orissa. The failure of the Congress to sweep the polls but the success of Congress party to form government in Orissa in 1950s strengthens the feeling that Congress has desired throughout to remain in power whether at the Centre or the States.²⁶

✓ A similar kind of study by H.H. Das and B.C. Choudhury in "Federal and State Politics in India"²⁷ linked the

25. Mishra, S. N., Party Politics and electoral Choice in an Indian State, Ajanta, Delhi, 1989.

26. *ibid.* p.9.

27. Das, H. H. and Chadhury, B. C., Federal and State Politics in India Discovery, New Delhi, 1990.

issue of regionalism to the Centre-State relations. It has been seen that the growth of support based on regional parties is linked to the negligence of certain regions by the Centre. Though, the regional parties use various other means like, language, culture, caste and community to appeal the electorate on parochial lines, their popularity is accelerated by the sense of deprivation, negligence and discrimination. Gradually, regionalism could culminate in extreme form of secessionism as the case in Punjab. Regionalism sometimes takes the shape of communalism, not merely in terms of religion but hostile attitude of people of a region toward outsiders who are dominant in trade and industry and administration in that region. Orissa is a case to be studied in this regard as trends of violence against outside communities like Marwaries, Punjabis, Biharis is noticed.²⁸ Having analysed the stresses and strains of Indian Federalism, Dr. Das has drawn attention to social change in Orissa and growing factional politics. He has emphasized the financial aspect of Centre-State relations in the context of Orissa, because it directly affects the population at large and

28. Communal riots in Bhadrak, agitation against Marwaries in Sambalpur district, employment of outsiders in Major dam projects in Koraput are the evidences of this trend, Hindustan times, 5th March 1993.

any change in the Financial relations would go a long way in shaping the development of the region either in positive or negative direction.

✓ The financial relations of Orissa with the Centre has been analysed by Sirish Chandra Pattanaik in "Orissa finances in perspective (1951 - 52 to 1965 - 66)".²⁹ He has analysed the trends in Orissa finance and budgetary position of the State during different Plan periods. While Orissa's position was not different from all other States during 1st Plan period showing overall deficit and widening revenue gap in the Second Plan Period the position of Orissa on revenue account was in contrast to the consolidated revenue position of all States.³⁰ The recommendation of the second Finance Commission instead of being able to eliminate the revenue deficit from the States revenue budget had the effect of only reducing it to Rs. 625 lakhs from Rs. 730 lakhs in the first Plan period. In the third Plan period the consolidated revenue account of all States witnessed surpluses for 1962 - 63 and 1963 - 64 and deficit for remaining three years as against the continuous deficits for Orissa during the same

29. Pattanaik, S.C., Orissa Finances in Perspective (1951-52 to 1965-66), Peoples publishing, New Delhi, 1970.

30. ibid., p-19.

period. Normally, expenditure on revenue account should be met from current receipts, loans and other capital receipts of the trust funds, which come under the capital account of the State should be spent for financing capital investment. Dr. Pattanaik has shown how this financial practice was grossly violated in Orissa. Analysing the 15 years of Orissa's budgetary practice, he showed how mounting revenue deficits are made from capital receipts (both the trust fund receipts as well as loan receipts). The practice of utilising trust fund receipts³¹ and other loan receipts for financing revenue expenditure simply adds to the loan burden with its growing interest obligations without creating any interest yielding assets against them. Such practice weakens the finances of the State to a considerable extent. I have attempted to examine the budgetary position of Orissa during 1980s in Ch.IV to understand how far Orissa has been successful to come out of this trend. To balance the budgetary deficits Orissa indulged in the practice of overdrafts on the RBI. Dr. Pattanaik has examined the Public revenue from both tax and non-tax sources of Orissa and devolution of Central revenues to augment the budgetary position of the state

31. Includes Provident fund of the govt. employees, depreciation fund, sinking fund etc.

during the period 1951 - 52 to 1965 - 66. His findings show the level of revenue of Orissa is determined by its own mobilisation as well as by Central devolution to the State. Such devolutions are made through the shared taxes and the grants in aid to balance the deficit in the non-Plan expenditure. Orissa being a revenue deficit state has enjoyed grants in aid from all the finance commissions hence, dependent on Centre for its Plan outlay because of a weak tax base and poor resource mobilisation potentialities.³² But in spite of Central devolution Orissa along with many other backward States remained backward. His study of growth of public expenditure during the Plan period reveals the following facts.

(i) Though there has been a significant growth of Public expenditure it has failed to create growth of the State income and employment situation.

(ii) There has been relatively a rapid growth of non-development expenditure on account of high administrative cost, high cost of tax administration and growing debt serving charges.

(iii) In spite of higher growth of expenditure on human capital, the level of per capita expenditure is still of a lower order. Orissa lags far behind most of

32. Pattanaik, S.C., op.cit.,

the other States in terms of per capita income (the lowest in the country next to Bihar), education, medical and public health services.

(iv) Expenditure on infrastructure facilities is one of the lowest in the country affecting the investment prospects and industrialisation.

I will examine these findings in Ch. IV for the period 1980 - 90 to see whether there has been any improvement in this regard.

Dr. Pattanaik has pointed out the importance of Planning for balanced Economic development removing inter State Economic disparity. This was also the motto of 1st Five Year Plan.³³ Subsequent Plans have also pointed out balanced regional development as necessary for Industrial growth of the Country.³⁴ Dr. Pattanaik has taken, occupational structure of population per capita income, level of consumption, number of factories, employment, power, transport and communication, public health, education as indices of development and shown that there is considerable disparity between Orissa and the other States in

33. Govt. of India Planning Commission, The First five year plan, Govt. of India Press, Nasik, 1952, p.42.

34. Pattanaik, B. K., op.cit. p-244.

respect of Economic and Social development. The impact of Five Year Plans on reduction of such disparity has been very weak. He has shown, because of late start of Orissa in the field of Economic development, small sized Plans and the limitation of resources, Orissa remained backward.³⁵ The Planning Commission in defining the criterion for determining the State Plans has maintained that in determining the Plan of each State, consideration would be given to its needs, problems, past progress and lags in development, likely contribution to the achievements of major national targets, potential for growth and the contribution of resources which the State could make towards its development Programme.³⁶ For backward States like Orissa, need based Plans would be effective rather than resource capacity which it lacks, for the reduction in regional disparity.³⁷ Secondly, the pattern of Plan outlay is equally important to remove regional disparity by creating productive aspects and spending in manufactur-

35. *ibid.* p-265.

36. Govt. of India, Planning Commission, the 3rd five year plan, 1961-62 to 1966-67, p.60.

37. The famous principle of resource transfer known as Gadgil formula which came into effect during 4th plan i.e. 1967 will be discussed in Chapter IV.

ing sector thereby creating employment opportunities.³⁸

D.D. Panigrahy³⁹ has also examined Orissa's financial relations with the Centre till 1980. His study, shows the weak tax base of Orissa and poor resource mobilisation capacity. On resource transfer and rate of finance Commission, he draws more or less the same conclusions as Dr. Pattanaik's. "Orissa suffers from the vicious circle of poverty".⁴⁰ Because its size of the Plan is small, hence, expenditure on infrastructural and social overheads is low. With low infrastructure the productivity is low and it cannot attract outside investment. Since, productivity is low investment is also low. so income of the State becomes low. With low income and low saving it cannot afford to fix a large plan size. Hence, the vicious circle of backwardness continues.⁴¹ Above all, Orissa has a backward population in terms of composition (SCs and STs constitute more than 24% of the total population). D.D. Panigrahy also analysed the Debt burden, market borrowings, institutional finance, problem of overdrafts, investment criteria and argued for the active

38. Pattanaik. B. K., op.cit. p.268.

39. Panigrahy, D.D., Centre-State financial relations, Vikas, New Delhi, 1984.

40. ibid. p-141.

41. ibid. p-142.

role of central government to remove the hurdles.⁴²

Dr. Bhagawan Patra⁴³ and Dr. N.B. Pradhan⁴⁴ in their Doctoral works have tried to study the impact of financial relations of the State with the Centre. Dr. Patra has emphasised, tax sharing, borrowing and grants-in-aid as important instruments at the disposal of the centre to control the States. He also deals with the resource transfer through Finance Commission, tax sharing and its role in the State and shows positive impact and necessity of these funds for a backward state like Orissa.

Section II

POLITICAL RELATIONS OF ORISSA WITH THE CENTRE (1967 - 80)

Politics in Orissa in the Post 1967 phase was qualitatively different from politics in the pre 1967 phase. 1967 general election marked the end of, "one party dominance Congress system" and emergence of various opposition parties in different states including Orissa. This shift

42. *ibid.* p. 224.

43. Doctoral thesis by Patra, Bhagawan, Orissa and Centre State financial relations, submitted in Berhampur University, 1984, Orissa.

44. Doctoral thesis by Pradhan, N.B., Economic backwardness and development of Orissa (Unpublished Ph.D thesis), Berhampur Univ. 1979.

from the "Congress System" is the culmination of factional rivalry in Indian politics. Factional groups were acting as parties of pressure and lying on the periphery of the system they influenced the intra-party competition between the Congress factions. The political consensus developed under Nehru was seriously challenged after his death. Factional leaders often presided over large groups with the capacity to tilt the balance against the Congress would withdraw support from the party, if their demands for a greater share in the spoils of victory were not fulfilled. This was what several factions did.⁴⁵ Ideology and Principles were matter of convenience. Defection was seen among left parties as well. The internal group structure of Congress became institutionalised in the post 1967 period, both at the district and State level, often resulting in keen competition and rivalry between the parliamentary wing and the organisational wing. The organisational wing in many states represented the role of the opposition. Factionalism mainly arose on questions of political strategy. In each case the Congress "High command" intervened but succeeded in some cases only to bring out a solution. Its mediation had to take into

45. Paul. R. Brass, Factional Politics in an Indian State: The Congress Party in U.P., Oxford Univ. Press, Bombay, 1966, p.56.

account the prevailing balance of power in the state politics. In many cases the central leadership had to intervene to facilitate the change of leadership. In this process of change of leadership the opposition parties played their role from outside. The presence of an elaborate group structure within the Congress representing almost all shades of opinion and interest facilitated the opposition parties to affect the balance of dominance dissident relations within the Congress. The opposition parties have at times provided refuge to dissidents from Congress, who were to temporarily wage their battle against the ruling group inside the Congress and have often returned to the Congress party once the rival group in the Party had lost power.⁴⁶

On the eve of the 1967 general elections, dissident Congressmen formed regional political parties and played a significant role in defeating the parent party.⁴⁷ In many cases the defeat of official candidate of Congress was manoeuvred by powerful Congress leaders. The electoral reverses of the party were also attributed to the failure

46. Mahtab formed Jana Congress in 1967 after a leadership clash with Biju Pattanaik in Congress. Again Biju Pattanaik formed "utkal congress" in 1970. Mahtab after Biju's departure made a comeback in Congress.

47. Jana Congress in Orissa as Bangla Congress in West Bengal.

of the post Nehru leadership at the Centre, to mediate intra-party disputes. The nomination politics and ministry formation led to the discontented factions to turn themselves into dissidents in the party.⁴⁸ The factional strategy of competitive politics and group representation that emerged in the period of Congress dominance had contributed to the politics of coalition making since 1967. The Congress split in 1969 and latter in 1978 had resulted in factionalism in Orissa politics. However, intra party squabbles at the Centre did not always encourage factionalism as seen in formation of alternative ministry by Charan Singh in 1979, which did not result in division at the State level in Routroy led ministry, even when Biju Pattanaik at the Centre joined Charan Singh Ministry. The 1967 electoral debacle of the Congress followed by further defections from the Congress legislature party in many States created favourable circumstances for having coalitional governments.⁴⁹ The factional strategy of competitive politics and group representation that emerged in the period of Congress dominance had

48. Das and Jena, op.cit., p.188.

49. Coalition Governments were formed in the state of Punjab, Haryana, U.P., M.P., Orissa, Bihar, West Bengal and Kerala.

contributed to the politics of coalition making since 1967.⁵⁰

Orissa has shown the tradition of opposition politics as Congress, except 1961 mid-term election 1980 - 1985, could never win absolute majority in the State assembly. The study of politics in Orissa shows some contradictory trends. Firstly, the nature of President's rule in the State. Orissa till today, has experienced President's rule six times. It is interesting to study the circumstances and actions behind such action in Orissa, to examine role of Governor in the context of Centre - State relations. President's rule was imposed for the first time in Orissa on February 22, 1961 when Mahtab the Chief Minister of the "Congress - Parishad coalition ministry" resigned. Governor Y.N. Sukthankar dabbled in party politics in order to protect the interests of the ruling party at the federal level and did not give a chance to the formation of alternative government. This emergency situation was developed, the way the dominant faction of the State Congress Party wanted it to develop. What was more amazing was that Nehru, who was averse to petty manoeuvring in State party politics showed reluctance to

50. Owing to the split of Congress in 1969 invisible coalition system took place at Centre as well.

disregard the wishes of the local Congress Organisation.⁵¹
The motive behind the President's rule was however, to marginalise the Parishad's growing clout in the coalition.

The President's rule was imposed for the second time on January 11, 1971 and assembly dissolved on January 23. This time again it was engineered by State factional leaders. Mahtab had formed "Jana Congress" in 1966 after breaking away from Congress and fought the 1967 election in alliance with Swatantra Party. Owing to the anti Congresswave because of large scale corruption, mal administration of the government, the alliance won and formed a coalition government with R.N. Singh Deo of Swantantra as Chief Minister. But soon, Mahtab asked his followers to leave the party in order to make a come back in Congress in January 1971. On the other hand Biju Pattanaik who lost the confidence of the "High command" in the Presidential election in 1969 because of cross voting and on the question of a Rajya Sabha seat. Finally, he left the Party along with his supporters to form "Utkal Congress" in 1970. Mahtab back in Congress field had engineered the fall of the coalition government. This time the State

51. Mishra, Digambar, "The role of the governor in the Indian States : A Case study of Orissa" in Jena and Baral (ed.) Govt. and politics in Orissa, Print house Lucknow 1988, p.129.

assembly was kept under suspended animation for 12 days from January 11 to January 23, 1971, to enable a Congress ministry with either by merger with "Jana Congress" or engineering defection from other parties. However, the political background of Mahtab, the main claimant to the Chief Ministership, did not inspire Mrs. Gandhi's confidence in him.⁵² Consequently, she decided in favour of a mid-term election for the State assembly.

The 1973 President's rule was however, different in the sense that governor used his own reason in not allowing Biju Pattanaiks combined "Pragati Party" to form government on the ground of rampant defection and instability. In his formal report to the President of India the governor said : "Members of Present "Pragati Legislature Party" belong to different parties having different political ideologies. In my view the government formed by such a party may not be stable. It will be better to obtain a fresh mandate from the people".⁵³

The second Congress (R) Party government of Nandini Satpathy on 6th March 1974 remained in office for little over half of its five year term. It fell on 16th December,

52. *ibid.*, p-129.

53. Quoted in Nanda, Sukhdev., Coalitional Politics, in Orissa, Sterling, New Delhi, 1979, p.121.

1976 as a result of a severe intra-party conflict. On the same day for the fourth time, Orissa was brought under a brief spell of Central rule. However, unlike the three previous emergencies the State assembly during this was kept under suspension in order to provide a breathing space in the State Congress party to set its house in order.⁵⁴ On 29th September, 1976 the Central rule was withdrawn and another Congress Party government headed by Binayak Acharya was installed in office. Although the strict press censorship made the charges unverifiable it was rumoured that Sanjay Gandhi strongly supported the Orissa Congress Party dissidents to oust Mrs. Satpathy.⁵⁵ 1976 emergency in Orissa was promulgated when national emergency was in force. Chief Justice, S.N. Shankar of Orissa High Court who was then acting as Governor of the State was summoned to New Delhi by Sanjay Gandhi to discuss Orissa affairs; and told to dismiss Satapathy government if not resigned.⁵⁶ However, the Chief Minister chased the former and resigned, to give way to Binayak Acharya Ministry to be formed. The opposition parties who had branded Mrs. Gandhi's national emergency as the Indira

54. *ibid*, P.60.

55. Mishra, Digambar., *op.cit.* p.132.

56. *ibid.* p.134.

Emergency described the 1976 emergency in Orissa as "Sanjay emergency".⁵⁷

The 5th Emergency in Orissa was declared on April 30, 1977 by the Janata government on the plea that Congress(R) governments have no right to continue in office since they lost the popular mandate in the 1977 general elections. Unlike the past the Centre did not seek reports from the governor concerned because of its fear that being Mrs. Gandhi's appointee, he would not oblige.⁵⁸

The assembly was dissolved for the 6th and last time on 19th February 1980 after the general election which saw a complete sweep of Congress (I) at the polls in Orissa (19 out of 20 Lok Sabha Seats). This time it was again the factional politics and defection in Janata Party under Nilamani Routray a confidant of Biju Pattanaik (Bharatiya Lok Dal) at the Centre, and defeat of Janata Party in general election due to mal administration corruption and high rate of inflation. about the political scenario of Orissa during this period " The Organiser" (New Delhi) writes: "Over the past 2 1/2 years the political scenario has been confusing cutting across party line what moved

57. TOI, 2nd May, 1977, p.3.

58. Pattanaik, B. K., op.cit., p.109.

the politicians was not political morality or ethics but power and money. Bargaining succeeded in favour of Congress (I) when other parties were disorganised and disunited succumbed to the Congress (I) game plan."⁵⁹

Secondly, leadership and personalities played an important role in Orissa politics, till 1980. Before 1980 the survival of the leaders was dependent on the support he claims in the house and leaders had support base not only in their own party but also in opposition.⁶⁰ On the other hand, leaders had also their rivals in the same party. Biju Pattanaik became a rival of H.K. Mahtab in 1961 and influenced Orissa politics for nearly a decade. Similarly, Janaki Ballabh Pattanaik had Basant Biswal, Nandini Satpathy etc. as rivals.⁶¹ The relations with the Central leadership is a matter to be studied in the light of factional politics of the State.

Jana Congress and the Swatantra Party fought the 1967 elections on the basis of a 21 point programme and formed coalition ministry with R.N. Singh Deo of Swatantra as

59. The Organiser, (New Delhi) 3rd Feb. 1980.

60. Biju Pattanaik while in "Utkal Congress" was getting tacit support from Congress M.L.A.S on issues like industrial Policy and development of backward regions.

61. The factional leaders even appointed commission of enquiry to prove the counter part corrupt. Mahtab appointed Khanna Commission against Biju and Biju appointed, "Madhukar" to examine charges against Mahtab.

Chief Minister and Pabitra Mohan Pradhan as Deputy Chief Minister. Till July 1969, the coalition government did not face any internal conflict and till August 1970 there was no serious crisis. The 1969 split in the INC (Indian National Congress) had serious repercussions on the continuance of the coalition government. While the Swatantra Party was anxious to continue in power and to enhance its political stature, the Jana Congress especially Mahatab and his followers were more interested in rejoining their parent party i.e. Congress. Earlier during the Presidential Election in August 1969 there was a difference of opinion on the choice of the candidates contesting the Presidential Office of the Indian Union. While the Swatantra Party supported the independent candidate Shri C.D. Deshmukh, the Jana Congress legislators voted in favour of Mr. V.V. Giri. The followers of Biju Pattanaik voted for the official Congress candidate Mr. N. Sanjeeva Reddy.⁶² The first and most important factor in the process of formation of the "Utkal Congress" was the imposition of choice by Central leadership which led to the allegation

62. In Orissa, Giri got 67 votes, Deshmukh 46 votes and Reddy - 15 votes.

of "Bossism".⁶³ Mahtab was interested to rejoin Congress after the exit of Pattanaik and his associates from the party. He could not initially convince his Jana Congress colleagues to decide to resign from Congress, as there was opposition from Pabitra Mohan Pradhan (Deputy C.M.) and Surendranath Pattnaik. The Singh-Deo Mahatab rift was precipitated with the proposal for setting up of a Commission of enquiry to probe corruption charges against Mahatab. It was intended in the agenda for discussion in a Cabinet meeting to be held on 6th January 1971. With these developments, the Jana Congress State level meeting on 4th January 1971 arrived on a consensus in favour of withdrawal from the coalition, although most of the members of the ministerial wing were feeling uneasy.⁶⁴ In the first week of January the ministers belonging to the Jana Congress resigned resulting in the end of the coalition.

The results of the mid-term election in March 1971

63. The immediate cause of desertion was that Mr. Pattanaik was denied, a party nomination for Rajya Sabha election in April 1970, despite the support of Cong. M.L.As in the state. Central Parliamentary Board approved the candidature of N. Patra and PCC sponsored T. Sangma in defiance of central directive. Both of them lost and P.K. Deo of Swatantra, Surajmal Saha of Jana Congress and B. K. Mohanty of Cong. (O) won.

64. Earlier Mahtab resigned his Primary membership of Jana Congress on 6th August, 1970 and resigned from his assembly seat.

gave the verdict in favour of a coalition Government. No single party was in a position to form the government. However, alternately a coalition government assumed office with the support of Swatantra, "Utkal Congress" and the Jharkhand parties, headed by Biswanath Das.⁶⁵ The Das coalition Government lacked ideological cohesion. Contradictions and tension among the coalition partners over many issues resulted in the collapse of the coalition. The defection of 6 legislators belonging to the Swatantra Party led by Gangadhar Pradhan, a Deputy Minister in the coalition and later the decision of the Utkal Congress to merge with Congress (R) led to the collapse of the multi-balance coalition led by Biswanath Das on 9th June, 1972. A Congress (R) Government led by Smt. Nandini Satapathy assumed office on 14th June 1972 with an unprecedented support of 94 members in the house out of 140.⁶⁶ The Satapathy Ministry was an invisible coalition with the support of MLAs who won on Congress(R), PSP, Utkal Congress, Swatantra, Jharkhand, and Congress (O) tickets and one independent legislator. The Congress (R) Party in

65. Not a member of assembly but subsequently elected from Rourkela

66. Satpathy who was union minister of state for information and broadcasting was sent to Orissa to lead the government.

Orissa under Smt. Satapathy's leadership opposed a total merger of the Utkal Congress, resulting in the revival of the Utkal Congress Party. The period between 14th June 1972 and 1st March 1973 was doubly coalitional in the sense that there was an invisible coalition government and the opposition parties also formed some sort of a coalition among themselves to oppose the Government.⁶⁷ In December 1972 the Utkal Congress divided in favour of revival of the party and in response to that eleven members of the erstwhile Utkal Congress resigned from the Congress party. In January 1973 five of the Congress members formed a separate block under the leadership of Mahatab and styled themselves as the "Independent Congress Block". The polarisation of political forces led to the formation of "Pragati Legislature Party" with the coming together of three important political personalities, Mahatab, Pattanaik and Singh Deo. At a joint meeting on February 1973, it was decided that the Pragati Legislature Party would function under the leadership of Biju Pattanaik". The Pragati Dal which was a federation of Utkal Congress, Swatantra and independent Congress led by Mahatab ultimately was successful in engineering defection

67. Nanda, Sukhdev, op.cit. p.95.

from the Congress (R) Legislature Party resulting in the collapse of the Satapathy ministry on 1st March 1973. The Pragati Legislative Party, which staked its claim to form the ministry under the leadership of Biju Pattanaik, was denied the chance. However, consequent upon Satpathy's resignation, the State was placed under President's rule on the recommendation of the Governor paving the way for a mid-term poll to the State assembly.

The Second Government led by Smt. Nandini Satpathy was formed after the mid-term poll of 1974, February. The Satpathy ministry was supported by 69 Congress members in the house of 147. The 7 member C.P.I. legislature party supported the Satpathy ministry but did not share political power. The Congress party had an electoral understanding for adjustment of seats on the eve of 1974 mid term poll, though there were friendly contests in Nimapara and Bhubaneswar assembly constituencies in Puri district. After the Emergency was proclaimed there was a steady flow of opposition members to the side of the Congress and it consolidated the Congress strength in the assembly. The Satapathy ministry collapsed because of the internal dissensions in the ruling party. The ministry which was smoothly running for the first two years consolidated the position of the Chief Minister after the emer-

gency to counter the internal threats. Subsequently, the intra party factionalism came to the surface because of the non cooperation of the Chief Minister with the newly formed State unit of the Youth Congress, constituted under the direct patronage of the Congress "High command".⁶⁸ There were serious charges of political corruption against the Chief Minister. She was also accused of going for confrontation with the Centre and deviating from the national mainstream.⁶⁹ There was also criticism about her style of functioning⁷⁰, and her increasing dependence on CPI.⁷¹ The anti Satpathy faction in the Congress with the knowledge of the Congress "High command" created a political situation which led to her resignation as discussed earlier. This led to the formation of new Congress ministry headed by Binayak Acharya on 29th December 1976 after a short spell of President's rule in the State. The Acharya Ministry could not survive long because of his inability to attract his party colleagues. The pro-Satpathy Congress men continued to create hurdles for him.

68. Das and Chaudhury (ed), op.cit., p.201.

69. The Hindu 4th Feb. 1976.

70. Her party men accused her of using Emergency measures against political opponents inside the party, ToI, 14th Jan 1976.

71. She was in Communist Party in 1962 before joining INC.

The Acharya Ministry came to an end as Janata government at the Centre had decided to dissolve the assembly in April 1977.

POLITICS IN ORISSA SINCE 1977

In Orissa, the Janata Party fought the Lok Sabha elections of March 1977 in alliance with the "Congress for democracy" and CPI(M). In this election the Janata led opposition could win 16 out of 21 seats to the Lok Sabha. The Janata victory is attributed to the dynamic leadership of Biju Pattanaik on an anti-Congress wave and effectively mobilised public opinion against emergency, corruption and factional rivalry within Congress.⁷²

A section of the Congress leadership was willing to join the Janata Party or extend its support, to an alternative Janata Party led Ministry at the Centre.⁷³

This had not found favour with the State Janata Party leadership who preferred to seek a fresh mandate. The debacle of the Congress was largely due to the cracks in the State organisation. In most places Congress candidates did not take the local party men and M.L.As into confidence, while Janata Party candidates worked in close

72. Biju Pattanaik latter joined the Morarjee Cabinet at the Centre as Minister of Steel mines and coal.

73. The Telegraph, 21 March 1977, p.3.

collaboration with the local party workers. The main slogan of the Janata led opposition was "defeat Indira and save democracy".⁷⁴ The euphoria that characterised the formation of the Janata government at the Centre continued to influence the political scene in Orissa. Even the Congress members like Gangadhar Mahapatra demanded Binayak Acharya's resignation for his activities to pull down the Satapathy ministry in the past.

While the Party functionaries tried to put the entire blame on Congress-men in the government as well as the Youth Congress, the Congressmen in the government held the organisational wing responsible for the poll debacle.⁷⁵ A section of the organisational leaders who supported the move to oust Smt. Satapathy as Chief Minister and encouraged indiscipline in the party were rewarded with Ministerial berths in the Acharya Ministry. However, Acharya Ministry was brought down by Janata government at the Centre on account of having lost its representative character on 30th April 1977.

Fresh election to the State legislative assembly were

74. TOI, 2nd April, 1977.

75. Link, 10th April 1977.

held on 10 June 1977. Biju led Janata swept the polls.⁷⁶ This was an unprecedented victory for any single party in any elections to the State assembly earlier. For the first time a non-Congress political party got an absolute majority in the State assembly. However, Mrs. Satapathy (the official Janta Party candidate) got elected from Dhenkanal constituency, defeating Mrs. Malati Choudhury (wife of Nabakrushna Choudhury, the ex Chief Minister) who contested independently. Mrs. Choudhury had accused Mrs. Satapathy of excesses done by her during emergency. Quite a few of Janata Party members were tacitly supporting her. A new dimension was added to this problem by Jayaprakash Narayan publicly supporting the candidature of Smt. Choudhury as against the official Janata candidate. There were many dissidents from both the Congress and Janata Party who contested as independent or on behalf of the regional parties.

The Janata Party assumed office with Nilamani Routray as Chief Minister on June 26, 1977. Despite the overwhelming majority the Janata government in State experienced factional rivalries. A section of the Janata Party leaders were of the opinion that the socialists and the RSS elements in the party were trying to capture the

76. Out of 147 Seats the Janta secured 110.

organisation at the cost of the erstwhile BLD faction, which was popular due to its leader Biju Pattanaik.⁷⁷ The Janata Party at the Centre was divided owing to differences between Charan Singh and Morarjee Desai. This had an adverse impact on the Janata Ministry in the State. The Janata Party was bifurcated into Janata (JP) led by Chandrasekhar and Janata (Secular) led by Charan Singh. The ruling Janata Party under Routray was identified with Janata(S) and Janata MLAs under Prahallad Mullick had supported the Janata (JP). This was because of Biju Pattanaik's links with Charan Singh and Nilamani Routray was seen as a confidant of Biju Pattanaik. The Mullick faction met on 18th August 1979 and elected Prahallad Mullick as its leader. The group felt that after the recent development in the Janata Party at the Centre Sri Routray failed to clarify his position and allegiance even after specific request by the party president Mr. Chandrasekhar. Instead of complying with the instruction of the Party he dismissed two of his Cabinet colleagues for their having agreed to convene such a party meeting. The Party President expelled Sri Routray from the primary membership of the party on 17th August, 1979. Latter Mr. Mullick

77. Link, 11th Sept. 1977, p.21.

staked his claim for the post of leader of opposition in the State assembly as he commanded the support of more number of MLAs in comparison with the Congress (I) in the State legislative assembly. On 18th August, 1979, Mr. Routray had intimated to the speaker of the legislative assembly that, Sri Biswanath Das, Prahallad Mullick, Biswabhusan Harichandan, Mrs. Satapathy, A.N. Singh Deo and Sri Bhagabat Behera were expelled from the Janata legislature party for their anti party activities, detrimental to the cohesion of the party. The Chief Minister was of the opinion that, if any breakaway group of the Janata Party legislators wanted to be in opposition they may be allowed to do so but he objected to the using of the name the "Janata legislature party" by the breakaway faction.

The Janata Party government at the Centre led by Morarjee Desai fell in July 1979 and thereafter a new government of the Janata (S) came into being under the leadership of Charan Singh,⁷⁸ who revived the Lok Dal in 1979⁷⁹. In Orissa the supporters of Biju Pattanaik who first joined the Pragati legislature party inside the

78. Biju Pattanaik, and Ravi Ray were in the Cabinet in Charan Singh's Ministry.

79. The erstwhile BKD of 1967 had merged with BLD in 1974 and then into Janata Party in 1977.

assembly latter joined the Bharatiya Lok Dal of Charan Singh. When the BLD merged with Janata most of them joined the new party and when the Lok Dal was revived they expressed their confidence in Charan Singh's leadership. The Routray ministry in Orissa, which identified itself with the Lok Dal at the all India level had to face factional rivalry when the ministry was expanded. The Lok Dal legislators are unhappy over the inclusion of Sri Brundaban Nayak and Jagannath Mullick in the Cabinet. Nayak, who had defected from the Congress (I) (He was leader of the Congress legislature party) to join the Lok Dal, was given important portfolios of Public Works and Rural development department in the Cabinet. Nayak was taken to ensure victory in Aska and Berhampur Parliamentary Constituency. But dissidents gave the instance of 1971 election when Brindaban Nayak in Utkal Congress could not ensure victory of Biju Pattanaik. Mullick had also previous records of creating plot to oust Routray from Chief Ministership. Crisis emerged when these two refused to be inducted as minister of state. Secondly, the inclusion of 3 out of 4 Cabinet Ministers and 3 out of 9 Ministers of State from the Cuttack district brought the old issue of discrimination and under representation of other districts. the ministerial berths were given on quota

basis of different parties who merged to form the Janata party. The Lok Dal government also faced opposition from its own M.L.As on the issue of the transfer and posting of some bureaucrats. A large number of legislators were opposed to the appointment of a senior officer as the secretary of the Information and Public relations department, as they felt that he had misused the mass media and tutored the press during the Emergency as the Chief Censor of Orissa.⁸⁰ They also opposed the appointment of all non-Oriya officers in the top position of the Industries department, which they felt would stand on the way of speedy industrialisation of Orissa.⁸¹

The change in the political complexion at the centre and Presidential proclamation of February 1980 put an end to the Routray ministry in Orissa. The State legislative assembly was dissolved after the spectacular victory of the Congress (I) under Smt. Gandhi's leadership in the mid-term poll of January 1980 to the Lok Sabha.⁸² Prior to the dissolution of the assembly on 23rd January 1980, Yashpal Kapoor a close confidant of Mrs. Gandhi visited

80. Link, 18th Nov., 1979.

81. Asok Das in TOI 19th Sept., 1979.

82. Out of the 21, Congress (I) secured 19, Lok Dal got 1, after the Keonjhar seat was also won by Cong.(I) in a by election.

Orissa where he contacted the Chief Minister Mr. Routray and discussed the prospects of forming a Congress government through defection. He reportedly, asked the Chief Minister that he had to join the Congress with the Lok Dal legislators in the "Haryana Style" (where the M.L.As shifted to Congress I and the Chief Minister continued in office as Congressman) or else must be prepared to face dismissal. The State legislative assemblies were dissolved extending the same logic on which the Janata Ministry at the Centre had done after the 1977 Lok Sabha elections. Biju Pattanaik, the Chairman of the Orissa unit of the Lok Dal criticised the decision. Pattanaik saw in the decision of the Congress (I) government a step aimed at demolishing the federal structure of India.

CHAPTER THREE

ORISSA'S POLITICAL RELATIONS WITH THE CENTRE - 1980 TO 1992

The elections to the Orissa legislative assembly held in May 1980 was a sequel to the victory of Cong (I) in the Lok Sabha election held in January of that year. The Janata Party which emerged to be a tremendous force in 1977 broke into pieces by 1980, owing to the leadership crisis and factional cleavages. Party factor, in the election influenced to a small extent, but the major factor was the return of voters to Mrs. Indira Gandhi. In view of the dismal record of the non-Congress parties, the people seemed to believe in her leadership.¹ So the victory of the Congress was not due to its organisational strength at the ground level or local leaders but for a unifying party under the strong leadership of Mrs. Gandhi. This has changed the nature of the relationship between the central and state leaders. The central leadership became more assertive and autocratic henceforth. The party became more centralised and imposed strict disciplines. Loyalty to one leader was encouraged by special favours. Hence, the leadership in the

1. Kochanek, Stanley; Congress party in India; The dynamics of one party democracy, Princeton University Press, Princeton 1968 p. 117.

State, very much depended on the confidence of the Central leadership rather than own support base. State leaders increasingly depended on the Central leadership for mass mobilisation during the elections.² There is a peculiarity about Orissa's politics in the post 1980 period. While at the national level, regional parties remained dominant, in the State of Orissa they collapsed. It may be because of the success of the Congress (I) in getting factional leaders (who formed regional parties) back in its fold. Leadership thrust changed in favour of the centre. This shows that the regional parties in the past were personality based representing the reights interest. As soon as they got accomodated in the dominant party, the regional party vanished.

The Congress (I) party led by Sri Janaki Ballav Pattanaik swept the polls in the May'80 assembly elections, which was a serious blow to the Janata(S) leadership.³ Mr. Pattanaik, previously, a Cabinet Minister at the centre, was unanimously elected as leader of Congress Legislative Party and assumed office on 9th June, 1980 as the Chief Minister, subsequently elected in a by-election.⁴ He led a Council of

2. The Samaj (Oriya daily) 5th March'81.

3. Das Chaudhri, (ed.), Federal and State Politics in India, Discovery, New Delhi, 1990, p., 208.

4. By-election results in Orissa are mostly pro-establishment.

Ministers with Seven Cabinet Ministers, ten Minister of State and one Deputy Minister.⁵ Pattanaik took the credit of leading a stable government in the State and enjoyed proximity with the central party leadership.⁶ The party Government in the State however experienced factional rivalries. In the first two years that Pattanaik has been in power there were many a memorandum submitted to the party 'High Command' charging his Government with corruption and inefficiency. The Congress men who spearheaded the campaign included Bipin Das (the Chiefwhip of the party in the assembly) and Sheikh Matlub Ali, the then Secretary of the Congress (I) legislature party along with many M.L.A.s of the ruling party. Among the charges levelled against Pattanaik in the memorandum submitted in April 1982, there is allegation that he was a sympathiser of the R.S.S.⁷ The most controversial Minister in Pattanaik's Ministry was Mr. Basant Kumar Biswal known as "Super Chief Minister".⁸ He was given the important port folio of Works, Mining and Geology, Housing and Urban Development though he was just a Minister of State in the Pattanaik Ministry. This created

5. Das & Chaudhury, (ed.), op.cit. p.,20.

6. He himself was a member of Congress Working Committee.

7. The Hindu, 22nd April'82.

8. Mishra, S.N. Party Politics and Electoral Choice in an Indian State, Ajanta, New Delhi, 1989, p., 192.

dissensions among other senior members in the party.⁹ Biswal's influence in the party and the Government was due to his close association with the Chief Minister and his capacity to raise funds for the party.¹⁰ The aggrieved Ministers had formed an informal group to resist Biswal's dominance in the Pattanaik administration. Niranjan Pattanaik,¹¹ was in the anti-Biswal group. Rajiv Gandhi's visit during that period had opened the possibility of a change in the leadership in the state, but Rajiv Gandhi's report to the Central Leadership was not in favour of a change.¹² In the meantime the price situation in the state was alarming. On the 19th Oct. 1982 Biju Pattanaik demanded central rule in Orissa in view of the famine conditions in Kalanandi.¹³

Factionalism within Congress

There was stiff competition between different factions within the Congress (I) to influence the Central leadership for the political power. Different factions undertook various means to bring down the influence of the other

9. The Sunday 12 -18th Sept. 1982, "Orissa's Corrupt politicians", pp., 22-25.

10. He himself was a contractor before coming to politics.

11. Brother of the son-in-law of the Chief Minister.

12. "The Telegraph" - 20th feb.'82.

13. TOI, 19th Oct., 1982.

faction. Hemanand Biswal, the Congress (I) M.L.A. and the Chairman of "Public Undertakings Committee" on March 30, 1983 was disallowed from tabling his report. He read his report in defiance of the Chair and later distributed copies of the report to the press.¹⁴ The findings of the committee contained some facts which contradicted the earlier statements of the Chief Minister on those issues. The P.U.C. report was virtually a stricture against the Chief Minister.¹⁵

The anti-Pattanaik faction was led by the then Union Minister of State for Chemicals and Fertilizers Mr. Rama Chandra Rath.¹⁶ Rath had with him Mr. Kanhu Charan Lenka.¹⁷ Their main allegation was that Pattanaik's Government was not implementing the 20 point Economic Programme and that it was not competent enough to do so. Mr. Rath as a Central Observer came thrice to Orissa to assess the implementation of the "20 point programme". There was growing unity among opposition parties as Orissa Congress (S) merged with Janata.

14. Prajatantra (Oriya daily) 2nd April'83.

15. The Telegraph (col) 7th April'83.

16. He was included in the Central Council to maintain a balance in the factional Politics. "The Telegraph", 18th Dec., 1982.

17. Who was earlier sacked from the council for his differences with the Chief Minister.

Party on January 9, 1983. Earlier, Lok Dal had merged with Janta Party on January, 1. In the mean time a new party was born on March 20, 1983 founded by Pradyunna Kishore Bal, called "Gana Samukhya" (people's front) in Cuttack to restore faith of people in the morality and the public life. More important reason cited was to restructure centre-state relations and assert Orissa's positions politically at various forums i.e. NDC, Zonal Councils etc.¹⁸ However, the party had no mass base. But the attempt to take the Centre-State issues to the streets gives clear indication of leaders using centre as a "whipping boy" to mobilise people.¹⁹ The other prominent persons joined the party were Dr. Radhanath Rath, Manmohan Mishra (one time leftist), Trilochan Kanungo (Pro-Indira legislator in '69 split).

The factionalism in the Congress(I) took a definite shape with the joining of more M.L.A's and M.P's in the dissident group. The dissidents, who were lying low for the time being because of central directives, latter concentrated their factional activity. The dissidents were encouraged after the debacle of the party in the Andhra and Karnataka assembly elections of 1983. They got a positive encourage-

18. Told to "The Telegraph" in an interview, 24th March '83

19. Franda, M., West Bengal in the Federalising Process, Princeton, New Jersey, 1968, p.,121.

ment with the change of A.I.C.C.(I) General Secretary. G.K. Mupannar and Smt. Rajendra Kumari Bajpai, known for their pro-pattanaik attitude.²⁰ The appointment of Chandulal Chandrakar, as the General Secretary of the A.I.C.C.(I) in charge of Orissa was a source of encouragement for the dissidents. They managed to get the support of Adivasi legislators²¹ The other prominent leaders who joined the dissident group were, K.C. Pattanaik, Lalit Mohan Gandhi, MP's like Brijmohan Mahanty, Laxman Mullick, Krupasindhu Bhoi and Shyam Sunder Mahapatra. The charges were listed out and submitted to the Prime Minister on 24th January 1984. The charges included the bungling in the mani Bhadra Dam issue, manipulation in the state organisational elections, Casteism in party, Parochialism, Nepotism, Impropropriety and Corruption. The strained relationship between the central leadership and the Chief Minister is reflected in the speech of the Governor on the floor of the house on 25th January, 1984 criticising the Pattanaik Government for its failure in clean administration and implementation of various developmental programmes.²² However, Rajiv Gandhi's

20. Das & Choudhury, (ed.), op.cit., p.,211.

21. The development works in the Adivasi areas slowed down which resented the M.L.As the Samaj (Oriya Daily) 5th Aug. '83.

22. The Statesman - 26th January, 1984.

report showing charges of corruption on Mr. Pattanaik as baseless was convincing to the dissidents of their loose hold at the central level.²³

The factionalism was curbed by the central leadership with a compromising formula called the "assimilation".²⁴ The former Chief Minister Mrs. Nandini Satapathy's attempt to come back to Congress was opposed by Pattanaik group.²⁵ In relation to it she floated a new party called "Jagrat Orissa". Despite all factional rivalries, the Pattanaik Ministry completed its full five year term. However, the development in the field of industry suffered a set back. The much talked about "one thousand industries in one thousand days with one thousand crores investment" project was a failure.²⁶ Orissa experienced negative growth rate in the economy and his Government was alleged by the Planning Commission to have indulged in last minute spending at the 57th meeting of National Development Council 1984.²⁷ The Chief Minister knew that his continuance in the office didnot depend on his support base in the State Legislative

23. The Telegraph, 22nd March, 1984.

24. *ibid*, p.,9.

25. TOI, 21st June, 1984.

26. The Economic Times, 5th July'84.

27. *ibid.*, p.,12.

assembly but on the blessings of the Prime Minister. On the other hand, the anti-Pattanaik faction knew it very well that any change in the State Leadership could be possible only with the intervention of the central leadership. On the otherhand, the party at the centre didn't have any problems of factional politics, because of strong, unified leadership of Mrs. Gandhi. Hence, factional groups in the state were deprived of benefiting out of the revalry at the central level. Central control over the state's affairs was absolute. Janata Party on the otherhand was facing a leadership crisis at the centre which resulted in the relative independence of the satate unit under the strong leadership of Mr. Biju Pattanaik.

New Dimensions of Orissa Politics Vis-a-vis Centre

The Congress (I) swept December 1984 elections to the Lok Sabha by capturing 20 seats out of 21 in the State. Biju Pattanaik from Kendrapara Constituency was the only non-congress M.P. Rama Chandra Rath after being dropped from the Ministry joined Janta Party but lost the Aska constituency to Somnath Rath of Congress. The Congress(I) victory in the state was attributed to the posthumous Indira wave

and a sympathy for the new leadership.²⁸ In the subsequent election to the state assembly in 1985 Congress (I) nominations were denied to 43 sitting M.L.As under the new guidelines given by Rajiv Gandhi in selecting party nominees. J.B. Pattanaik continued as Chief Minister for the second term, this time comparatively as a cohesive team, under the guidelines from the centre.²⁹ However, Congress (I) party had electoral reverses in three by elections to the State Legislative Assembly, from Khurda, Keonjhar and Kakatpur. Subsequently, in the Kendrapada parliamentary constituency the Congress (I) candidate Mr. Basant Kumar Biswal lost to Janta party nominee, Sarat Kumar Dev. This was a prestigious fight between Biju Pattanaik, the leader of the opposition in the State assembly, whose resignation from the Kendrapada constituency necessitated the by-election and J.B. Pattanaik, the Chief Minister. The defeat of Biswal was to some extent attributed to the internal Sabotage by party Colleagues. The allegations were against the supporters of the P.C.C. (I) President Nityanand Mishra, who was known to be unhappy with both the Chief Minister and Mr. Biswal. There

28. Incidentally, Mrs. Gandhi had addressed the last Public meeting of her life in Bhubaneswar and her speeches were used extensively in the election.

29. Dissidents were deprived of Party tickets in the elections, sometimes absorbed by way of compromises.

were also some senior Congress leaders who were happy with the electoral debacle of Mr. Biswal in the Kendrapada by-election.³⁰ An important observation in respect of electoral behaviour during this period is that centre's dominance in the political sphere did not affect the Congress (I) support base as it is seen from the 1984 Assembly Election. Secondly, the central leadership hardly encouraged rival leaders. So Intra-party squables in the state unit was independent from central influences.

On the other hand, Janaki Government tried to create his mass base through various developmental programmes Agriculture and irrigation were emphasized. However, Janaki Government was criticised for its inability to attract central assistance for the second steel plant in the State.³¹ The fund was diverted to Andhra Pradesh for mini steel plant in Vishakhapatnam. Biju Pattanaik capitalised on this saying, "Had my Government in 1979 lasted for another six months the 2nd Steel Plant would have been established".³² The central leadership during that period undertook a "Direct contact with Masses" programme, owing to the

30. The Prajatantra (Oriya daily) 5th April '85.

31. Mrs. Gandhi had declared in 1981, June that, 2nd Steel plant to Orissa would be a Puja gift, from Centre, The Samaj, (Oriya daily, 7th June '81).

32. The Telegraph. 5th July '85.

defeat of Congress (I) in four by-elections. The Chief Minister was not consulted. But the areas to be inspected by the Prime-minister was completely stage managed.³³ The backward regions were kept out of the schedule deliberately. A congress dissident on conditions of anonymity, confided to Kuldeep Nayar that, "Because there is so little protest the centre has treated the state as a colony and exploited it."³⁴

"No other government has been connected with so many scandals of land, university appointments and licenses and no other Chief Minister has had so many allegations and still remain in power."³⁵

This shows the weaknesses of the the central leadership, to effect a change. On the other hand, J.B. Pattanaik had a stronger lobby working for him at the centre.³⁶ There was serious differences between the Chief Minister and the Governor for lapses in Kalahandi. The "Estimates committee" of the state brought out the distorted reports of the Gov-

33. The Sambad (Oriya Daily) Dt. 15th January 1986.

34. Current Weekly, (Bombay) 5th April '86.

35. *ibid*, p., 9 (Kuldeep Nayar).

36. Arun Nehru, M.L. Fotedar Thwarted the attempt of T.N. Anjiah (Central Observer) to change the leadership in the State, TOI, 4th June '86.

ernment presented to the centre on Kalahandi.³⁷ The survival of J.B. Pattanaik in the wake of all these is attributed to the defeat of Congress stalwarts like Basant Dada Patil in Maharashtra, Saikia, in Assam and sacking of Solanki, Arun Singh & N.D. Tiwari owing to dissident activity. So the central leadership had made it clear to suppress dissidence and intra-party rivalry strongly. Party discipline was sought to be observed seriously. Central leadership grew stronger after the anti-defection act 1985 (52nd amendment). Henceforth, differences between the members of the party did not lead to breaking away from the party. Hence, stability was achieved. The Chief Minister on the other hand sought to crush the dissident activity by expanding ministry which was okayed by Central leadership, on 22nd July, 1986. Dissidents like Rash Bihari Behera, Saraswati Hembram, Hari-Hara Karana were inducted. Hence, Mr. Pattanaik successfully marginalised strong dissident leaders like Gangadhar Mahapatra and Hemanand Biswal. But on 2nd August '86 forty five M.L.As sought to meet the Prime Minister for a change of leadership to save the image of the party.³⁸ The dissidents were not against the Central leadership but constant patronage to Janaki by Rajiv Gandhi had frustrated them. The

37. The Deccan Herald, 9 April 1986.

38. TOI, 2nd August, 1986.

state leadership resumed to frequent transfers of high officials as a punishment. A veteran leader Rabi Ray commented "Pattanaik is bound to pay the price for insulting the people of Orissa by saying : He will continue in power as long as he has the blessings of the Prime Minister."³⁹

There are two implications in the context of centre-state relations. Firstly, Mr. Pattanaik has enjoyed Prime Ministers confidence for over six years. Despite the free hand given to him by the Central Leadership in side lining, S.S. Mahapatra, R.C. Rath, the record of administration remained poor. It is another thing that the centre has always preferred a docile, submissive and weak leader, in the state because of reasons that pertains to the question of Centre-State relations. Secondly, trapped in a domestic war the state leader could little afford to see the economic rehabilitation and other anti-poverty programmes, be worked out. Drought relief, grants by centre remained unutilised.⁴⁰ Central leadership was more concerned with the stability which the Janaki Government represented. Mr. Pattanaik's tenure was characterised by status quo in management and stagnation that epitomizes the political and economic back-

39. The Telegraph, 7th Aug. '86.

40. The Statesman, 24th August 1987.

wardness of Orissa.⁴¹

One notable fact in the State politics during that period was the refusal by the cabinet to the "Sal Seed deal" by Mr. J.B. Pattanaik, led to demand for resignation of the Chief Minister by Biju Pattanaik. Charges and counter charges by the two leaders showing reports of commissions holding guilty, passing strictures against each other were important.⁴² Biju Pattanaik had managed to unite the dissidents and the oppositions against J.B. Pattanaik, which worsened the situation. The most notable thing on the eve of anti-pattanaik campaign was, seventy out of one hundred and fifteen Congress (I) M.L.As lined up against him which is a sufficient number to cause change in the leadership. Above all, dismal electoral record in the by-elections, Governor's dissatisfaction over the state administration could not impress upon the central leadership for a change. This undecisiveness to some extent was due to lack of consensus among dissidents for an alternative.

41. The reply to the questionnaire by Sarkaria Commission submitted by Orissa during Mr. J.B. Pattanaik's leadership didn't carry any complaint about the growing trends of centralisation in political and financial sphere and satisfied with the present set of relations: "Commission for centre state relations" 1988 Vol II, pp., 224-232.

42. Padhy. K.S., Corruption in Politics, B.R. Publishing, New Delhi, 1986, pp., 100-121.

On 12th February 1987, the AICC central observer for Orissa denied any possibility of change before for Budget session. He also told officers not to be influenced by what may happen politically.⁴³ This shows the influence of central leadership over the administration. However, the dissidents were not satisfied with this and asked permission of the central leadership to resign. Presidential poll was ahead. So the conceivers "High command" was worried about it. The role of the constitutional functionaries like Speaker & Governor was dubious.⁴⁴ There cross voting by nineteen Congress M.L.A.s for opposition party's resolution of "committee on Kalahandi" report. This would have called for disciplinary action. But Dixit didn't think it as a serious offence. Such an incident would have been more than one reason to impose "President's Rule" in a non Congress State.

The Central Government was worried about the allegation of kick backs from Bofors and "Fair fax affair" during that period. There was also Congress debacle in Kerala and West Bengal. On the other hand, demand for "Change the leader-

43. TOI, 12th Feb, 87.

44. The speaker on 14th February, 87 had send a report to the Governor about the stormy session ahead and the Governor had asked the "High Command" about a conciliatory move. Times of India, 15th Feb., 1987, p - 2.

ship in the state or we with draw" attitude of the dissidents in the state troubled the central leadership. There was fear of Orissa to go in the "Haryana" way.⁴⁵ Situation in the state worsened with 18 M.L.As signing for President's Rule in the state and presented to the Governor on 25th August 1987. The "Central Administrative Tribunal" (Cuttack Bench) quashed the promotion of R.N. Dash as Director General of Police.⁴⁶ High officials in the state became political appointees, which irked the MLAs & M.P.s. Another tour by the Prime Minister to the State on 28th Sept. 1987 was Stage managed by the Chief Minister to show only the brighter side of rural Orissa.⁴⁷ So the state leadership is responsible to some extent for the backwardness of the state. Personal survival was more important, and the strategy was to make central leadership happy by asking less favours for the state.

This should be seen in the light of political situation of the Centre. The central leadership was getting weaker after the Bofors Scandal, V.P.Singh had left the party. Congress (I) image was tarnished. Congress (I) had faced

45. Congress Ministry fell because of withdrawal of support from Government by Congress M.L.As.

46. R.N. Dash was the brother in law of J.B. Pattanaik.

47. The Indian Express, 28th Sept. '87.

major poll debacle in Kerala and West Bengal. So the Central Leadership was looking forward to the State leaders' for political support. J.B. Pattanaik provided unconditional faith in the Central leadership. So loyalty to the "High Command" in the light of growing opposition was rewarding for J.B. Pattanaik.

Political situation in the State began to swing in favour of the Pattanaik group. Bhajaman Behera, the state PCC General Secretary Joined Janmorcha alongwith Anadi Das. Many dissident leaders didn't like this since they had no complains about the central leadership. Gangadhar Mahapatra, Sitakanta Mahapatra, Sushil Prusty (all dissident M.L.A.s) were brought back by conceding important port folios and Rajya Sabha tickets.⁴⁸

Though J.B. Pattanaik was safe from the dissidents side, became unpopular on the economic front. All his tall claims seemed to be gimmicks after the Central Statistical Organisation's statistics which showed the per capita income of the state dropped to Rs.512 in 85-86 from Rs.529 in 80-81. All other states except Bihar were better off in this respect.⁴⁹ National sample survey figures showed per capi-

48. K. C. Lenka on 20th Feb., 1988, got elected to Rajya Sabha.

49. The Indian Express, 23rd April, '88.

tal consumer's expenditure at Rs.98.50 way behind the national average Rs.112.45. (lowest after Bihar).⁵⁰ On industrial front, the CAG report showed "large proportion of small scale units set up in Orissa are closed down or sick and corporations which were supposed to work as implementing agencies had no cell to monitor, evaluate and build effective information systems of various activities. Deficient in power supply with 50 to 75% cuts to Industry and total generation less than half the estimated daily demand of 1020 mw."⁵¹ More of Orissa's Economy during this period will be discussed in Chapter IV. However, Governor's report carried total lies distorting the Statistics.⁵²

In the meantime Nandini Satpathy joined Congress (I). Her in coming was welcomed in view of the growing unity move of opposition parties at "Bangalore convention held on October, 11 1988. Prof. Nurul Hassan's swearing in ceremony was not attended by Biju Pattanaik because he felt the dual charge of Orissa and Bengal denegrates Orissa's pride. Normal habit of Chief Justice of the High Court acting as

50. *ibid.*, p.,11.

51. Report of The C.A.G. 1985-86, p., 129.

52. Das & Chaudhury (ed.), Federal & State Politics in India op.cit. p., 213.

Governor was given go by.⁵³ The importance of legislatures in the State decreased as seen from the meeting of the assembly very rarely.⁵⁴ It was said by a veteran parliamentarian "Had it not been constitutional requirement they would have closed the shop."⁵⁵ Non-issues figured in the agenda of budget session of 1989. The most important issue of "Ninth Finance Commission awards" could not be discussed.

The year of 1989 is a watershed in the history of Orissa Politics. Lok Sabha elections were to be held. "Agni" was launched from Chandipur (Balasore) with much protest from the local people. The state saw one of its worst cyclone and flood, in the coastal areas. Central leadership in view of the forthcoming polls chose Hemanand Biswal as the leader of the house after Nandini Satpathy declined the offer to lead the Sunken ship and preferred to be the PCC(I) President. However, Congress faced defeat in the Dec'89, 9th Lok Sabha Polls and JD, CPI, CPM captured Eighteen out of Twenty one seats. In the March'90 assembly elections Janata Dal under the leadership of Biju Pattanaik

53. The Chief Justice had in the 1 cr. suit filed by J.B.Pattanaik had not given the judgement in his favour.

54. The assembly met for only 29 days in 1980, 32 days in 1985 (election years), The Sun Times, 5th Aug.'86.

55. B.B. Das in an interview to The Samaj (Oriya daily) 20th Feb.'89.

swept the polls, creating history by capturing 130 out of 147 seats. The defeat of Congress is ascribed to the loss of faith & confidence of people in Congress leadership.

Relations with Centre Since 1990

The political relations with centre in the 80's is characterised by superior-subordinate relationship with centre's decision imposed on the State Politics, when congress was ruling both at the centre and the state. This trend was in conformity with the all other Congress ruled states. However, the post 1990 phase shows a different trend. At the central level no party could win absolute majority resulted in the coalition government of V.P.Singh with the support of BJP and Left Front. In the state however, Janata Dal with an absolute majority formed the government under Biju Pattanaik's leadership. Biju Pattanaik in the state managed to act independently without much of centre's interference. Since, Biju Pattanaik had a mass base and is a stalwart in the party at the central level, this was possible. He by-passed many central directives for seat adjustments with CPI. He had gone ahead with appointing various committees regardless of the party constitution.⁵⁶ Secondly, he emphasized more onwards the

56. The Hindustan Times, 20th Sept. '89.

domestic affairs rather than national like productivity in agriculture and industry, irrigation in the state. He also waived the marginal loans as promised during election campaign, which cost the government Rs.900 crores. The success of the leaders in the post eighties in any non-Congress ruled state depended on mobilisation by looking into domestic affairs rather than national. Jyoti Basu in West Bengal also acts as a regional leader rather than national. So the decisions sometimes were opposed to the decision taken by the party at the national level.

But the induction of four Oriyas in the Central Cabinet shows Biju Pattanaik's weak clout at the centre as only Srikant Jena among the four was a Biju loyalist. Other members like Bhajaman Bekera was a V.P.Singh nominee, B.C. Das a protege of Chander Sekhar and Bhage Gobardhan was a Devi Lal follower. The only Oriya Cabinet Minister Nilamani Rout Ray was a Biju Pattanaik ally and Rabi Ray who was appointed the speaker of Lok Sabha was a former Socialist, Biju Pattanaik group was his followers were loyal to him and not to any ideology or programmes.

But soon dissatisfaction was felt among the left out group on 8th August 1990 Ministry expansion⁵⁷ A new dimen-

57. This group of MLAs were mostly from Western Orissa which was under represented in the Council inspite of returning 40 MLAs to the Assembly.

sion of differences was created by the state leadership and the centre about the implementation of Mandal Commission recommendation.⁵⁸ Differences between Biju Pattanaik and V.P. Singh widened. Among the supporters of Mr. Singh were Srikant Jena and Bhajaman Behera whose wife was allegedly defeated by Biju Pattanaik in Talcher Assembly constituency. At home front, Biju Pattnaik saw growing difficulties in administration because of non-cooperation from the high officials. The appointment of B. Sivaraman as Deputy Chairman of State Planning Board and K.C. Mahapatra as Chairman of OSEB was resented by other officials.

In the meantime there was a split in Janata Dal at the centre. Biju Pattanaik supported Chandra Sekhar and Devilal faction and approved Chandra Shekhar's asking support from Congress (I) to form government. It is interesting to note that in the earlier split also Biju Pattanaik switched over to the Charan Singh camp which was to form government. The attitude of other party workers were completely different. While the MPs supported Chandra Shekhar side,⁵⁹ most of the party M.L.A.s backed V.P. Singh. The M.P.s were lured by

58. The Deccan Herald-Biju Categorically denoted to implement the recommendation. 23rd sept.'90.

59. B.C. Das, A.N. Singh Deo, Bal Gopal Mishra, Nakul Nayak Mangaraj Mullick etc. joined Chandra Shekhar camp.

Ministerial berth at the centre. The instance of shifting loyalty for political favour is evident from Bhagey Gobardhan's changing party three times in a year to retain his ministerial berth. In the light of these developments of the Central level Biju Pattanaik told to newsmen on being asked about his stand: "you are asking an old Congress man".⁶⁰ To prevent a split in the state he expanded the ministry. On the other hand he emerged out to be a powerful regional leader maintaining close ties with Jyoti Basu, N.T. Rama Rao in a bid to create a pressure group for States' rights and independence. His growing disenchantment with the central leadership is discernible from the speeches given in various by-elections. He was talking of forming a regional party to press for Orissa's demands at various forums.⁶¹ He didn't rule out the possibility of a merger of Congress (I) and Janata (S)⁶² But this time he was not successful in getting the support of majority of M.L.A.s to join Chandra Shekhar group.⁶³ This shows that the political culture in the state is getting bi-polar in terms of party situations and existence of a Third Party, either regional

60. TOI, 13th Dec., 1990, p.,1.

61. The Deccan Herald - 29th March'91.

62. ibid p.,2.

63. Other leaders like Srikant Jena, Bhajaman Behera were against the merger.

or otherwise seems to be remote because the regional demands now are efficiently channelised by the national parties.

the by elections, Biju Pattanaik heavily criticised the central government for the delay in the developmental programmes for not releasing fund, and even threatened to go away from the union in case the regional demands are not fulfilled.⁶⁴ He was criticised for this opportunistic demand when his government could not fulfill the promises given to people for a second Steel Plant in Orissa⁶⁵ His demand for "fiscal autonomy" should be seen in the context of political situation during that period. Elections were round the corner and his government had not done enough to rise upto the peoples expectations. He was sidelined in the national politics after the Janata Split, for which he even resented the dominance of U.P. Leaders in national politics. Lastly, he blamed Janata Dal at the centre for not having done anything for effective decentralisation of powers in favour of states as recommended by Sarkaria Commission.

Inspite of his attempt to arouse strong regional anti-centre feeling Janata Dal faced Lok Sabha poll debacle in

64. Pattanaik - 5th April, 91. at a meeting in Bhubaneswar, The Samaj (Oriya Daily) 6th April'91.

65. Incidentally, though Biju Pattanaik Championed the cause of fiscal autonomy, this topic didnot figure in the agenda of 18th Eastern Zonal Council at Bhubaneswar on 21st Sept. 1991, "Orissa Review", Oct. 91, p., 2.

July '91. But Biju Pattanaik gave the reason of Sympathy vote for Congress (I) in the aftermath of Rajiv Gandhi's assassination for the defeat, of his party. In the meantime there was another split of Janata Dal at the centre on 20th July 1991 with Ajit Singh Faction forming a separate group to revive Lok Dal. Biju Pattanaik had three options during that time.

- (i) To remain in the Janata Dal (Bomai faction)
- (ii) To go to Janata (Ajit Singh) group & revive Lok Dal.
- (iii) To float a regional party as "Utkal Congress" in 1970.

The last option was remote because he was getting unpopular among the colleagues for his style of functioning.⁶⁶ Joining Ajit Singh's group would not be supported by many of his followers. So the split in the state assembly could not be materialised. On the other hand, he had developed a working relationship with the centre which was ruled by Congress (I) in November '91. His soft corners for Congress Government at the centre is attributed to a conciliating approach to escape arbitrary dissolution of the assembly by the centre.⁶⁷ He went to the extent of advocat-

66. Several Janata Dal leaders in the State Complained of the Chief Minister's autocratic style of functioning Samaj (Oriya Daily) 16th Sept. '91.

67. Das & Chaudhury, (ed.), op.cit. p.,124.

ing Janata Dal - Congress (I) merger or a coalition between two parties. State Janata Dal leaders were divided on it. Srikant Jena, Umesh Swain and many of his party colleagues opposed this move where as Prasanna Pattanaik and others announced to follow the Chief Minister if he joined Congress. However state unit Congress (I) reaction was against Biju Pattanaik's entry in the fear of getting marginalised.

On the other hand Biju Pattanaik went back on his promise to forestall the centre's motives of establishing National Test Range (NTR) at Baliapala, which irked the people of the area when Sharad Pawar announced to establish the NTR in that region.⁶⁸ This shattered the confidence of people in Biju Pattanaik's leadership and launched an independent movement without the support of any political party. Leasing out Chilika Lake to Tatas for Prawn Culture, had also aroused public resentment.

In the Congress circle the leaders feared a Biju-Rao alliance. Because each time the Congress leadership in the state asked the centre to dismantle the government in the pretext of maladministration, mismanagement, the centre used to ignore. The central leadership which depended on states for political support turned a deaf ear to the charges levelled against the Chief Minister by his own party men.

68. The Samaj (Oriya Daily) 4th Feb, '92.

Biju Pattanaik on the other hand declared he and the Prime Minister are operating on the same wavelength as far as the development of the country and the state is concerned.⁶⁹ Biju Pattanaik widely supported the liberalisation policy of the Central Government. He had congratulated S.D. Sharma for his candidature in the presidential election before the election where as G.G. Swell was Janata Dal's official candidate.⁷⁰ He even reiterated the Centre's dismissal of four B.J.P. ruled states. The most controversial support of the Governor to the Chief Minister against the appointment of a Judicial commission to probe into Cuttack liquor tragedy. In the Financial sphere Orissa got more resources from the centre through Finance Commissions, which will be discussed in the Chapter IV. The Centre-state cooperation syndrome during this period is not only typical of Orissa but other opposition ruled States also adopted the same attitude. Jyoti Basu's speech at Inauguration ceremony of 2nd Hooghly Bridge in the presence of P.V. Narasimha Rao praised the central leadership's and efforts to accelerate economic advancement of the country and the state in partic-

69. The Telegraph, 6th January, 1992.

70. The Samaj (Oriya Daily) 3rd July 92.

ular.⁷¹ Even leaders of other states like Gujarat and Tamil Nadu call for cooperation with the Centre.⁷² Biju Pattanaik's endorsement of the Eighth Plan and emphasis on optimal utilisation of resource than allocation,⁷³ gives testimonay to this.

Mutual exchange of views at the recent NDC⁷⁴ meeting in March, 1993 about observance of austerity measures in Financial administration, reducing wasteful expenditure, slashing of Dearness allowance (which was resented by other states) between Biju Pattanaik and P.V. Narsimha Rao shows the convergence of interests between the state leadership and the Centre. The recent confidence of Biju Pattanaik on the Prime Minister in the Scam,⁷⁵ saying the charges levelled against the Prime Minister as a bluff, surprised the state Congressmen. On the other hand Prime Minister's sympathy for Biju Pattanaik in the unpleasant beating incident of the Chief Minister in the Secretariat saying "The persons involved should be strongly punished" are instances of cooper-

71. TOI, 13th Oct., 92.

72. The Hindu, 5th Feb'93.

73. 42nd NDC meeting 1993, March, TOI, 21th March'93.

74. *ibid.*

75. Harshad Mehta, alleged to have paid one crore rupees to the Prime Minister TOI, 30th June'93.

ation at the personal level.⁷⁶

far the political cooperation at
influence the nature of overall c
and the state in the coming years.

Implications for Centre-State Rela

I. Political and Finance Aspects

in Orissa are not related, in

Relations with the Centre c

elections.

II. So far as independence is c

enjoyed considerable freedom

than in the Congress.

76. Times of India, 5th May'93.

CHAPTER FOUR

ORISSA'S FINANCIAL RELATIONS WITH THE CENTRE IN THE 80'S

4.1 NATURE OF THE ECONOMY

The economy of Orissa is characterised by rich endowments of natural resources, low but reasonably fast growing per capita income, underdeveloped social services (Appendix I to V) showing backwardness indicators), a primarily rural and agricultural dependence population and underdeveloped infrastructural facilities.¹

The state has an area of 155,707 Sq.kms out of which 36% is recorded as forest area.² This is a reasonably high percentage and has implications for government financing. It has a long Coastline, making it possible to exploit the resources of the Bay of Bengal. The population density was 202 persons/Sq.km in 1991 (169 in 1981)³ which is not high as Kerala nor too low as in Rajasthan for administrative convenience and Central transfers. The Share of mining in total

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1. Sen, Tapas, "Orissa finances in perspective-80's", Paper presented in Teen Murty on 7.2.93. (Unpublished), p.1.
 2. Government of Orissa, Economic Survey 1991-92, Dept. of Planning and Coordination, Bhubaneswar, Orissa, p.21.
 3. Sen, Tapas, op.cit, p.39.

State Domestic Product (SDP) was 4% in 1989-90.⁴ The State has a major port in Paradip and a large brackish water lake in Chilka having large prawn culture potentials. The population has a relatively high percentage of SC's (22%) and ST's (15%)⁵, Urbanisation is progressing apace (13.4% in 1991 as against 11.8%) but a substantial majority (above 85%) still lives in rural areas and is dependent on agriculture.⁶ Literacy rate is rather low (48% in 1991 as against 41% in 1981) even more so among women (34% in 1991).⁷ Official estimates of poverty put it at 48% in 1987-88 down from 65% in 1977-88.⁸

The per capita SDF of Orissa is fairly low and is near the bottom in the ranking of Indian states by the same. In 1989-90 it stood at Rs. 3066, above that of Bihar (2122) and M.P. (Rs.2878) in 1980-81 prices, when Per capita SDP in Orissa was Rs. 1231.⁹ In total SDP the share of agriculture is hovering at a little above 40% for the last few years,

4. *ibid.*, p.42.

5. Census of India 1991, General Population Table p.109.

6. *ibid.* p.111.

7. *ibid.* p.117.

8. Government of Orissa Economic Survey, 1988-89, Department of planning of coordination Bhubaneswar Orissa, p.16.

9. *ibid.*, 1991-92, p.-32., *ibid* - p.26.

the share of manufacturing has declined from 7.4% in 1980-81 to 7% in 1989-90.¹⁰

Overall index of the relative development of infrastructure in Orissa as computed by CMIE¹¹ stood at 82 in 1980-81, fell to 81 in 1985-86 and was at 86 in 1990-91. The lowest value of the Index was observed for Madhya Pradesh-72 in 1990-91 only state lower than Orissa. The highest was in Punjab at 211. The study shows Orissa's position much behind the All India Average in terms of, Power consumption, Irrigation, use of Fertiliser, Productivity, Road length & railway route length etc.¹²

Mahatma Gandhi once described Orissa as India's epitome of poverty.¹³ India was poor but Orissa was the poorest. After 43 years of planning and economic development the same situation continues. Some say, Orissa is in the lowest rung of the ladder, others say it is on the lowest but one.¹⁴ A study of the nature of economy of Orissa shows that Orissa is primarily an agricultural dependent economy with agricultural sector contributing more than 50% of the SDP and

10. Appendix (I to V).

11. CMIE, Study, Lakdawala, Bombay, 1992, p.123.

12. *ibid.*, p.102-121.

13. Quoted from Sep.80, Orissa review, "Strategy for Economic development of Orissa", J.B., Pattanaik, p-3.

14. *ibid.*

engage about 80% of the total work force of the state.¹⁵ The nature of agriculture is of primitive kind in so far as the traditional method of cultivation is concerned. It is also said to be a gamble of monsoon since irrigation network is very poor. So the productivity scenario is very grim.

4.2 PLANNED DEVELOPMENT IN ORISSA AND DEPENDENCE ON CENTRAL TRANSFERS

In order to understand the backwardness and Underdevelopment of Orissa it is necessary to look at the Orissa finances in a historical perspective. It is often argued that Orissa is backward for historical reasons. At the time of Independence there was already an inbuilt inequality among the States arising out of the policy of the Colonial rule. The regional disparity during the British rule was aggravated by three important policies of the British Government i.e. (1) system of land revenue (2) Government expenditure (3) Construction of railways.

(i) The System of land revenue

Britishers had adopted different systems of collection of land revenue for different regions. Zamindari system was introduced for Bihar, Bengal and Orissa. The amount of exploitation was the highest in this system. Land never be-

15. Government of Orissa 8th Plan Strategy, 1992, Ch.I P.2.

longed to the cultivator. Lack of interest in generating productivity affected the resource position of the state adversely with the absence of forward link of agriculture with industry.

(ii) **The Government expenditure**

The Government expenditure constitutes a major source of development of infrastructure in a background state. In the pre-independence period the government expenditure was heavily biased for certain states like the Punjab, Western U.P and Madras presidency in terms of irrigation and construction of roads.¹⁶

(iii) **The Introduction of railways**

In the overall framework of industrialisation of India during the pre-independence period, introduction of railways is an important landmark. British government introduced railways for easy transportation of raw materials. So major railway lines were constructed to connect the port towns of Madras, Bombay and Calcutta. This imperialist policy resulted in draining of raw materials from resource rich areas to the coastal areas. So pre-Independence industrialisation marked with the industrialisation of the coastal regions at

16. Panigrahy, D. D. - Centre State financial relations
Vikas, New Delhi, 1984.

the cost of hinter lands from where raw materials were transported. This imbalanced development is a major factor continued till today resulting in the backwardness of regions like Orissa. A study by D.D. Panigrahy of Orissa finances in pre-Independence period shows by 1950, 34.7% of the productive capital was in western region, 24.65% was in West Bengal where as Orissa had only 9%.¹⁷

Plan Financing & Development in the Post Independence Period

Planned development was envisaged after the independence. Central government had the twin objective of rapid growth and industrialisation with equitable distribution of resources removing the regional disparities. But the overall comparison of states since independence shows an increasing trend of growing inequalities among the various regions. The richer states with the better infrastructural facilities got industrialised faster and the backward regions like Orissa had to rely on central grants to implement its plans.

Plan expenditure is the major vehicle through which the state governments have been trying to push up in terms of the economic development.¹⁸

17. *ibid.* p. 142.

18. *ibid.*, p.211.

Adequate infrastructure is the sine-Qua-non of the economic development. Accordingly the approved plan schemes are meant to increase infrastructural facilities by allowing the states to incur the necessary capital expenditure with the central assistance. The revenue component of the plans are basically meant for the social services and poverty eradication programmes. A state with a large percentage of poor and inadequate infrastructure like Orissa, should have relatively large plan expenditure¹⁹. This has not been the case. As Table 4.1 shows, the index of relative per capita plan expenditure in Orissa was 85 and 108 during the sixth and 7th five year plan respectively. While relatively developed states like Haryana, Maharashtra and Punjab had much larger per capita plan expenditures. This is because the plan expenditure depends on the revenue raising capacity of the state-both directly and indirectly through the matching requirements for a part of the central assistance, when underdeveloped states have low revenue capacity.²⁰ This inequity in the Plan expenditure results in the gap between the levels of development in the states like Orissa and the states like Haryana, Punjab, Maharashtra.

19. Pattanaik, S.C., Orissa Finance in Perspective (1951-52 to 1965-66) Peoples publishing, New Delhi, 1970, p.279.

20. Sen, Tapas Papers, "Orissa finances in 80s", op.cit, p.23.

Table 4.1

Annual Averages of Plan outlay and SDP (in Current Prices)

	<u>Sixth Plan Period (1980-85)</u>				<u>Seventh Plan Period (1985-90)</u>			
	per capita	Index	per capita	Index	per capita	Index	per capita	Index
	1	2	3	4	5	6	7	8
Andhra Pradesh	117	86	1785	9	190	93	2659	93
Bihar	81	60	1152	6	148	72	1893	66
Gujarat	218	160	2637	14	258	126	3750	131
Haryana	235	173	2892	15	327	160	4338	152
Karnataka	139	102	2035	10	173	84	3078	108
Kerala	123	90	1785	9	149	73	2641	92
Madhya Pradesh	141	104	1463	7	229	112	2263	79
Maharashtra	200	147	2907	15	295	144	4363	153
Orissa	115	85	1496	8	222	108	2255	79
Punjab	217	160	3409	18	356	174	5345	187
Rajasthan	108	79	1563	8	150	73	2293	80
Tamil Nadu	140	103	1883	10	227	111	3134	110
Uttar Pradesh	112	82	1517	8	168	82	2307	81
West Bengal	88	65	1974	10	137	67	2907	104
Average	136	100	1878	10	205	100	2861	100

- Notes :
1. Average of per capita SDP for different years.
 2. Based on 1970-71 series SDP, while all other SDP figures are based on the 1980-81 series.
 3. For the period 1985-89.
- Sources of Data : (i) Central Statistical Organisation.
(ii) Planning commission. (Compiled)

State wise Budgetary Position, for 1991-92 at 1990-91 rates of taxation shows that only 3 states presented surplus budgets, apart from the North Eastern special category

states. They are Haryana (60.1 Cr), Maharashtra (43.3 Cr) and Rajasthan (3 Cr.).²¹ The surplus is, however, a result of the Additional Resource Mobilisation (ARM) measures and the states share in the centre's additional taxation measures.²²

Among the 19 deficit budget states, Jammu Kashmir has the highest deficit (280.1 Cr.) followed by Assam (275.2 Cr.), Himachal Pradesh (139.7 Cr.) Andhra Pradesh (137.9 Cr.), U.P. (137.3 Cr.) and Bihar (121.0 Cr.). These six account for 68.9% of the total deficit of the 19 states.²³ The states with deficit budgets propose to bridge their gap through buoyancy and greater efficiency in tax collections, cuts in non-plan non-productive expenditure, and assistance from the central government.

Orissa, over the years has been a budget deficit state. Plans in Orissa are financed through 4 major sources. (a) Balance from current revenue (BCR), (this is in excess of the revenue receipts over non-plan expenditure) (b) Contri-

21. RBI Report on Currency and Finance 1990-91, Economic review, (Vol. I), P.260.

22. *ibid.*, 261.

23. *ibid.*, 261.

bution of the State Public Sector Undertakings (CPSU) (c) Net borrowings from various sources other than the central government and (d) the Central Transfers. Of these the last is important in so far as it constitutes a large proposition (almost 60%)²⁴ of the total revenue receipts in Orissa and this proportion has been rising. Within Central Transfers the shared taxes have accounted for a greater amount than the grants. During the last decade receipts from shared taxes have been greater than its own tax revenue and grants have outweighed its own non-tax revenue.²⁵ This clearly points to the dependence of the government of Orissa on Central Transfers. Table 4.2 and 4.3 reveal that more than half of the total plan resources during the Sixth plan and a little more than 40% during the 7th were contributed by the Central Transfers. Of the resources raised by the state 1/3rd during 6th Plan and 1/4th during 7th Plan were raised through BCR, CPSU were negligible or negative through out, as the small positive contributions of the State

24. Conspectus of Orissa (Vol.II), 1991, P.26.

25. Sen, Tapas, - "central transfers to Orissa", EPW, May 8, 1993. P-939. Showing the dependence of the state on central transfers.

Electricity Board was cancelled out by the drain on the resources caused by the road transport undertakings. Miscellaneous capital receipts, including debt repayment by

Table 4.2

Sources of Orissa Finances in the 80's

Item	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
1. B.C.R included (ARM)	88.70	69.72	17.50	87.62	17.90	94.02	75.25	108.71	31.80	130.71
2. Up gradation/Special Grants	0.00	0.00	0.00	0.00	0.00	0.00	17.61	15.64	19.11	39.60
3. Contribution of PSEs (incl. ARM)	4.33	6.02	6.72	7.22	4.74	8.05	13.21	30.77	11.63	15.97
(i) State Electricity Board	6.77	6.21	7.22	7.88	2.50	14.17	15.90	24.85	4.36	27.96
(ii) Road Transport	2.44	0.19	0.50	0.66	7.24	6.12	2.69	5.92	7.27	11.99
4. Contribution of Local Bodies	0.00	0.00	0.00	0.00	0.00	0.00	8.00	10.87	2.00	15.00
5. Market Borrowings (net)	21.67	33.53	39.11	49.24	64.35	78.88	79.61	91.07	110.26	142.45
6. Small Savings	11.30	15.44	20.92	28.03	11.10	46.77	44.19	53.30	74.16	138.61
7. Provident Fund	14.00	12.89	19.39	45.95	57.45	56.02	68.38	85.79	100.18	113.23
8. Misc. Capital Receipts	- 25.41	- 5.79	- 43.39	57.45	- 86.59	11.63	- 88.30	- 27.12	65.85	-201.12
9. Negotiated Loans	18.31	25.71	24.03	29.28	24.30	29.40	23.08	76.53	66.29	65.16
10. WFR/Overdrafts	- 23.55	- 24.43	74.69	0.00	30.38	0.00	0.00	0.00	0.00	0.00
A. Total State Resources	106.35	138.14	155.97	305.14	114.15	324.77	241.03	384.02	458.02	962.61
B. Central Assistance	158.31	134.55	167.46	186.32	168.60	201.54	241.26	281.30	333.60	299.66
C. Aggregate Resources	264.66	267.69	326.43	491.46	282.75	526.61	482.29	665.32	791.68	762.27
D. Opening Balance	- 21.56	- 23.55	- 24.43	- 74.69	52.89	- 53.25	23.92	- 61.82	-108.41	- 73.35
E. Plan Expenditure	266.65	268.57	376.69	363.88	388.89	449.44	568.03	711.91	756.62	826.02
F. Closing Balance	7- 23.55	- 24.43	- 74.69	52.89	- 53.25	23.92	- 61.82	-108.41	- 73.35	-137.10
Memo. Central Transfer on a/c of Externally Aided Projects	12.34	15.65	14.59	23.30	29.35	37.26	56.93	52.20	62.07	58.13

Source: Government of Orissa, Budget in brief, 1992-93, Directorate of Economics & Statistics, Bhubaneswar, Orissa, pp21-23

TABLE 4.3

Plan Financing in Orissa : 1980-81 to 1989-90 (in Percent)
(Share of Contributions from Various Sources)

Item	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
1. BCR (incl. ARM)	33.51	26.05	5.36	17.83	6.33	17.85	15.60	16.34	4.02	17.15
2. Upgradation/Sp. Grants	0.00	0.00	0.00	0.00	0.00	0.00	3.65	2.35	2.41	5.20
3. Contribution of PSEs	1.84	2.25	2.06	1.47	- 1.68	1.53	2.74	- 4.62	- 1.47	2.10
(incl. ARM)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i) State Electricity Board	2.56	2.32	2.21	1.60	0.88	2.69	3.30	- 3.74	- 0.55	3.67
(ii) Road Transport										
Undertaking	- 0.92	- 0.07	- 0.15	- 0.13	- 2.56	- 1.16	- 0.56	- 0.89	- 0.92	- 1.57
4. Contribution of Local Bodies	0.00	0.00	0.00	0.00	0.00	0.00	1.66	1.63	0.25	1.97
5. Market Borrowings (Net)	8.19	12.53	11.98	10.02	22.76	14.96	16.51	13.69	13.93	18.69
6. Small Savings	4.27	5.77	6.41	5.70	3.93	8.88	9.16	8.01	9.37	18.18
7. Provident Fund	5.29	4.82	5.94	9.35	20.32	10.64	14.18	12.89	12.65	14.85
8. Misc. Capital Receipts	-10.73	- 2.14	-13.29	11.96	-30.62	2.21	-18.31	- 4.08	8.32	-26.38
9. Negotiated Loans	6.92	9.60	7.36	5.96	8.59	5.58	4.79	11.50	8.37	8.94
10. WFR/Overdrafts/W&M net	- 8.90	- 9.13	22.88	0.00	10.74	0.00	0.00	0.00	0.00	0.00
A. Total State Resources	40.18	49.74	48.70	62.07	40.37	61.67	49.98	57.72	57.85	60.69
B. Central Assistance	59.82	550.26	51.30	37.91	59.63	38.33	50.02	42.28	42.15	39.31
C. Aggregate Resources	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Memo : Central Transfers on AC of Internally wided projects	4.66	5.85	4.56	4.74	10.39	7.08	11.80	7.85	7.84	7.63

Source: Compiled from Government of Orissa, Budget 92-93, & Draft 7th Five Year Plan 1985-90, Government of Orissa, Bhubaneswer.

ARM : Additional Resource Mobilisation,

WFR : Withdrawals from Reserves,

W&M : Ways and Means.

the state caused a drain on the resources which was about 13% during the 6th and 7th Plan period.²⁶ About 80% of the state's resources during the 6th Plan and over 85% during the 7th Plan were thus borrowed funds. Of these relatively high cost borrowings, small savings and provident fund are contributing an increasing proportion.²⁷ An examination of the four important sources of non-tax revenue i.e. forest, mining royalty, water rates and public undertakings exposes serious weaknesses which affects the prospects of raising adequate revenue from this source. There is huge loss in the forest revenue due to operation of most of the timber coupes and all the bamboo coupes by the private parties.²⁸ In case of mining royalty the interest of the state suffers due to the unfavourable central policy. "The Supreme Court's decision that States had no right to levy cess on major minerals would adversely affect the resource position of Orissa."²⁹

26. Orissa budget, 1991-92, (Dept. of Planning and Coordination). Bhubaneswar, p.61.

27. *ibid.*, p.2.

28. Panigrahy, D.D., Centre State Financial relation Vikas New Delhi, 1984, P.82.

29. Orissa Review, Ministry of Information and Public relations, Bhubaneswar October 91. p.3.

Implementation of it further decision that the cess already collected should be refunded would result in serious erosion of the resources.³⁰ Similarly, economic water rates are the lowest in comparison to the other irrigated states like Haryana, Punjab where it is more than 10 times that of Orissa. This is because of the fact that farmers are poor and they can't afford to pay higher water rates owing to the low productivity. Public sector undertakings in Orissa are showing losses with the exception of SEB's (State Electricity Boards)³¹. On the other hand the borrowed resources have to be repaid along with interest (except when they are written off). Hence any plan expenditure financed through borrowing creates the liability of repayment during subsequent plans and reduces BCR by increasing the interest payments. When BCR is lower and the Contribution from public sector undertakings are not forthcoming even a constant plan size would necessitate increased borrowings, further

30. Biju Pattanaik, at 18th meeting of the Eastern Zonal Council, 21 Sept. 91, Orissa review, October 91. p.1.

31. Orissa Review, Sep. 1992, p. 24.

reinforced by repayment liabilities.³² There seem to be only two options open (a) To Curtail Plan Size (b) liquidate some assets and use the proceeds to repay existing debt and ensure spending the borrowed resources in the productive assets giving higher returns than interest payment. Orissa however, has not reached this type of financial crisis.³³ Any proposal to reduce the plan size would hamper the image of the government hence, politically considered unwise, and selling off public assets (Privatisation) would be opposed by vested interests i.e. bureaucracy and workers. It is also difficult to find out avenues of investment that gives higher returns as well as socially desirable.

In the light of the backwardness and poverty of Orissa it is often argued by some that Centre is responsible for the growing unemployment and backwardness of the state. This line of argument is supported by some writers on account of growing centralisation in the financial sphere encroaching state's rights on certain financial aspects to take the

32. Pattanaik, S.C., *op.cit.*, p.,182.

33. This has already been observed in states like Kerala Reserve Bank of India, "Report on currency and Finance" Economic Review (Vol. II) 1991, p.,-263.

independent and priority-based decisions. While it is true that the state is dependent on the grants of the centre immensely, hence susceptible to the decisions by the centre on matters of the strategy, ways and means of economic development which distorts the regional priorities, on the other hand one sided approach to the problem would lead to mislead our conclusions. So it is important to look into the pattern of expenditure in the state government to examine the efficacy and genuinness of asking for financial decentralisation. For this purpose I have attempted to answer the following questions.

- (A) How far Orissa has been able to maintain an equilibrium between its revenues and the constitutional responsibilities i.e. expenditure, which is discussed in the budgetary trends in Orissa.³⁴
- (B) To what extent it has depended on the central grants and thereby become financially subservient to the Centre.

34. For convenience a limited period of 80s is taken i.e., 6th and 7th Plan period in Orissa.

- (C) As a result of devolution of central revenues and grants has the state of Orissa compared with other Constituent states obtained horizontal justice.
- (D) Whether central assistance to the state has been based on the uniform criteria of need or it has been determined predominantly by the bargaining strength of the the state. In this part I will discuss the various areas of financial constraints and examine the formula of distribution of central revenue (Gadgil formula) from the states point of view.
- (E) Finally, I will analyse the various memorandum and articulation of states views on financial relations at various levels, i.e. Finance Commission, NDC, Zonal Councils etc.

Of these the first two Questions will be examined in this chapter and rest in the V Chapter.

It is already discussed about the nature of Orissan economy, and historical reasons for backwardness. But planned development after the independence was sought to bring down the growing disparities between states in order to attain goal of uniform development and regional justice.

Now it would be important to examine the pattern of Orissa's revenue and expenditure and show how far it has contributed to the development and dependency of the state on the central government.

4.3 BUDGETARY TRENDS IN ORISSA IN THE 80's

A study of Orissa Budget in the 80's shows that from a surplus of more than 80 Cr. in 1980-81, Orissa went to a revenue deficit of Rs. 105 crore by the end of the decade.³⁵ Only the first two years of the decade show surpluses in 1983-84 the government of Orissa practically broke even on the revenue account and all the rest of the years saw substantial revenue deficits which exhibits a broad increasing trend. Capital expenditures and loans advanced under various functional categories exhibit a steadily increasing trend, while capital receipts (excluding borrowings) show much smaller and fluctuating figures. The resulting deficit in the capital account went to cause overall fiscal deficits which broadly show an increasing trend. This resulted in a growth of borrowings. In 1980-81 a little more than a third

35. RBI Report on Currency and Finance, Economic Review, (Vol. II), 1990-91 p., 261.

of the capital disbursement was funded through net borrowings. This went upto about 2/3rd by 1989-90. Orissa is not the only state showing such a trend.³⁶

Several other states were in the same situation. The revenue receipts didnot grow as fast in Orissa as in other states, while revenue expenditures grew equally fast. The recent RBI direction to all state governments to observe budgetary balance and curtail expenditure shows the concern of central government over this trend.³⁷ The 8th and 9th finance commissions have also expressed in their report a need to check the federal fiscal imbalance by observing cannons of public expenditure in both the states and the centre.³⁸ To understand this trend it is important to analyse the receipts and expenditures on revenue account of Orissa government.

(I) Revenue Receipts.

Major components revenue receipts are tax revenue and

36. *ibid.*, p.225.

37. RBI bulletin March, 1993, p., 82.

38. Chelliah, Rao & Sen - "Issues Before 10th Finance Commission, EPW November, 21st 1992. p.,2539.

grants from the centre. Non tax revenues are insignificant for their amount has been very little. Total tax receipts have grown at 15.7% per annum in Orissa during the last decade, out of which own taxes grew even faster at 16.6%.³⁹ The slower rate of growth of shared taxes (14.9%) pulled down the rate of growth of total tax revenue. The growth rate of total revenue receipts is however, much lower at 13.4% which implies a tardy growth of non-tax revenues. In fact grants from the centre grow at about 11% per annum during the reference period while other non tax revenue receipts grew at an even lower rate of about 7% only.⁴⁰

Estimates of relative tax effort show that Orissa does have some taxable capacity that remains to be exploited.⁴¹ The ratio of tax revenue to GDP can be used as crude indicators of tax effort. The ratio of total tax revenue to GDP is much lower in low income states although the poorer states had the benefit of about half their tax revenue accounted for by their shares in taxes levied by the Centre as com-

39. *ibid.*, p., 2541.

40. Sen, Tapas, *op.cit.*, p., 31.

41. Sen and Tulsidar, EPW, July 12th, 1988, p., 762.

pared to less than a third in other states. This shows the dependence of low income states like Orissa on the central transfers.⁴² Among its own tax revenue and sales tax, sales tax is the most important source of revenue. But there are other constraints that prevents the state government from better collection on this count, such as, need for parity in the tax structure all over the country as directed by the centre, competition among states to care outside investment by lowering the tax rates,⁴³ and incentives to industrialists. However, given that the majority of retailers are too small and numerous to bring into the sales tax net, it is still not possible for Orissa to change the sales tax system radically. This fact is high lighted more by the low purchasing power of the people in Orissa (for a large chunk nearly 61% of population below poverty line) according to Orissa government memorandum to 8th Finance Commission⁴⁴ as

42. *ibid.*, p., 763.

43. For Political reasons (popularity) states waive off some tax burdens. Andhra Pradesh during NTR lowered tax rates. Orissa also did the same during 82-83 to encourage investment.

44. Government of Orissa, memoranda submitted to VIII Finance Commission 1983, p. 22.

a study on expenditure in consumers goods shows Orissa in the lowest rank (Rs.72/- per month).⁴⁵

The other taxes which need scrutiny are, stamp duty and registration fees, motor vehicle taxes and state excise duties. The first has a very low rate of growth because of tax evasion.⁴⁶ In the case of motor vehicle tax, there is a scope for better collection after the privatisation of road transport.⁴⁷ The revenue significance of state excise is reason enough to examine the system afresh. The recent liquor tragedy in the state exposes the weakness of government, since this is a very important source of revenue collection for the state government.⁴⁸ Although electricity duty is one of the taxes yielding a sizeable revenue it is conceptually indistinguishable from electric tariff. Entertainment tax has really no future due to technological changes in the area and it is futile to try and generate

45. TOI, 1st March, 1992, p.5.

46. Hindustan Times, 5th April 1991 p.2. Also see, in Orissa Budget 1991-92, op.cit, 1-51.

47. TOI, 7th August 1984.

48. The Samaj (Oriya daily) 25th Sep.'92

additional resources from this source.⁴⁹

There appears to be much better scope for resource mobilisation through non-tax revenues. Two important sources of non tax revenue in Orissa have been revenue from minerals and forests. Due to the relative stagnation in royalty rates paid to the state by the centre, a cess on the royalty of minerals was levied at fairly high rates ranging from 150% to 500% (treated as a part of land revenue in the budget). A recent supreme court judgment (Orissa cement Ltd. Vs. State of Orissa April 1991 disposed along with two other cases of similar nature) has declared the cess to be unconstitutional.⁵⁰ Though the central government subsequently raised the royalties on minerals raised in Orissa, this is unlikely to compensate for the loss of revenues from the cess. Forest revenues, sale of timber and kendu leaves primarily have been growing fast (Rs. 37 Cr. in 1980-81 and Rs. 109 Cr. in 1989-900, but for two reasons this source of revenue has been constrained in recent years. Firstly, the concern of ecology over fast depletion of forest cover and secondly,

49. Orissa budget 1991-92 Dept. of planning and coordination. p.112.

50. The Samaj (Oriya daily) 25th Sep.'92.

illegal felling of trees on the pretext of legal wood cutting. However, the selling of Kendu leaves would continue to be a major source of non-tax revenue.⁵¹

Taking current expenditures first (Table 4.4) the overall rate of growth of 14.7% per annum is higher by 1.4% than of the revenue receipts implying a long term trend of slowly increasing deficit on revenue account. This is in conformity with the trends for all states taken together which shows a higher growth of revenue expenditure as compared to revenue receipts and hence rising revenue deficits.⁵² Within revenue expenditures, fast increasing interest payments (22% per annum)⁵³ is a matter of concern. Leaving aside interest payments which shows the highest growth among all the broad categories of revenue expenditure during the last decade the next highest growth (15% per annum)⁵⁴ is exhibited by general administration including

51. Kendu leaves accrued a revenue of 169 Cr. in 1990-91 and 206 Cr. in 1991-92, Orissa budget, 1992-93, op.cit., p., 28.

52. Nair, K. R. G., - "NEP and development of backward regions, A note on Orissa, EPW, May 8th, 1993, p.,- 939.

53. See, (Table 4).

54. *ibid.*

fiscal services, police, jails and justice. While expenditure on these heads is unavoidable,⁵⁵ the fact remains that these expenditures have no direct positive effect on economic development or well being of citizens. Expenditures on social and economic services that directly affects the socio economic situation of the residents have grown at lower rates of 12 and 14% per annum respectively. Given the high illiteracy, wide spread poverty, unemployment and low agricultural productivity it is the social and economic services that should get the lion's share of state expenditure which is not seen in the expenditure pattern. This is because of the increasing interest payments. Assignment to local bodies claim a small share in Orissa; the growth rate of only 9% indicates that even this small share is shrinking.⁵⁶ This indicates the shortage of funds for local bodies lacking independent sources of revenue (Stagnant) hence lack of commitment to decentralised government. The recent Nagar

55. The recent govt. decision to scrap off D.A. in Orissa led to the unpleasant incident of beating of C.M. (TOI 5th April '93, editorial).

56. Government of Orissa, Budget Estimates, 1990-91, p., - 206.

Palika Panchayati Raj amendment bill (72nd and 73rd) attempt to remove this by providing independent sources of revenue for the local bodies.⁵⁷

Table - 4.4

Growth of Public expenditure in Orissa in 80's
(Rs. in Crores)

Year/Item	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	Growth Rate(%)
<u>Revenue expenditure</u>											
General adm	85.63	100.48	115.03	134.62	156.66	156.66	211.82	231.84	363.64	319.87	15.29
Interest Payment	50.41	66.96	79.68	69.37	101.32	125.99	172.02	207.01	303.77	310.42	22.64
Assignment to Local bodies and P.R institutions	3.65	4.02	4.11	4.53	4.79	6.77	6.27	5.5	7.54	7.53	8.66
Social Services	241.16	245.53	456.04	338.91	385.13	431.38	516.40	587.52	646.21	773.76	12.82
Economic Services	159.67	156.57	169.74	208.28	248.97	280.23	341.45	375.72	437.56	434.53	14.4
Total revenue expenditure	540.52	573.56	840.60	782.71	896.87	1000.93	1247.96	1407.59	1658.72	1846.11	14.73
<u>Capital expenditure</u>											
Irrigation	116.38	120.60	130.48	144.89	148.46	124.90	144.18	183.67	174.86	164.83	4.50
Roads & Bridges	12.41	11.72	14.53	14.81	19.21	21.58	29.11	29.05	37.41	49.97	17.26
Power	0.00	0.00	0.00	0.00	0.39	27.57	51.46	73.30	88.68	88.63	142.00
Total Capital expenditure	240.40	195.19	302.98	140.38	284.46	379.37	455.29	464.76	485.55	11.19	11.19

Source : Compiled from Government of Orissa, Orissa Budget, 90-91, 91-92, 92-93, Bhubaneswar, Orissa.

57. TOI, Dt. 2nd April'93. p.9.

Within economic and social services in total current expenditure, the largest share goes to education. Prima-facie this may look quite proper. But there are examples of primary schools in interior Orissa without students and with the sole teacher engaged in money lending and other non-teaching occupations.⁵⁸ Secondly, given the extent of literacy the share of secondary, university, technical and other education is more than called for, even on grounds of equity. After all, these expenditures benefit only those students who are privileged enough to reach beyond the elementary stage. Also beyond the elementary stage, expenditure per student rises rapidly, and hence a relatively large expenditure can only benefit a few lucky ones. Agriculture and allied activities claim the next largest share. Since irrigation can broadly be considered a part of agriculture the shares of the two together imply that a large share of revenue expenditure (between 11 and 16%) are aimed at farmers.⁵⁹ The falling share of irrigation in the total revenue

58. Reported in The Hindustan Times Dt. 4th Sep.'91.

59. Economic Survey of Orissa, 91-92. op.cit., p.,112.

expenditure indicates, the lack of proper maintenance of irrigation assets. The share of Rural Development(RD) actually shut up in the last decade and declined to the end of it. Since, all the poverty eradication programmes fall under RD, and the anti-poverty programmes started by the centre had large amounts of transfers attached to them, their popularity is immense to states.⁶⁰ Similarly, there is a falling trend of expenditure on medical health, water supply and Sanitation are noticed in the last decade. The rising share of interest payment and various subsidies given by the state government to private and public enterprises would probably explain this, which reduce the share of productive consumption like the expenditure on maintenance of physical assets created and expenditure on the public goods. The increasing rate of Salary and wages in the states is partly the result of pay hike of central government employees in the state, forcing the state government to revise the salary rates. Apart from incising trend of salary and wages the number of employees in the state government has also in-

60. Various anti-poverty programmes are supported by centre through centrally sponsored schemes, showed a decline in the recent years. Memorandum submitted to VIII F.C., Govt. of Orissa. p., 112.

creased.⁶¹

Capital expenditures have grown relatively slowly in Orissa at about 11% per annum as compared to revenue expenditures.⁶² Since these are broadly, expenditures on the creation of physical assets, they are crucial for the long term development prospects of the state. Given the poor infrastructural facilities, the level of capital expenditure on irrigation is at 4.5% actually a fall in real terms. That on roads and bridges shows an annual growth rate of 17%.⁶³ Power, a crucial area of investment had practically no capital expenditure by the State government during the 6th plan period but has got substantial capital investment in the later half of the eighties.

For a state like Orissa the five year plans are very important, as most of its developmental effort is made through the plan expenditures. It would therefore be impor-

61. Rao, B.N. "Survey of public expenditure", CMIE, 1992, p.,16.

62. Government of Orissa, Economic Survey, 1991-92, op.cit., p.,82.

63. Ibid., p.,82.

tant to look at the composition of plan expenditures in Orissa.

The largest share are those of irrigation and power, though their share together has fallen from about 61% in 1980-81 to about 40% in 1989-90 in Orissa as compared to 52 and 42% for all states together.⁶⁴ Growth of irrigation is faster than that of power. However, overall plan expenditures have grown faster in Orissa (15.2% per annum) as compared to all states (12%). Other areas which accounted for significant proportion of plan expenditure in Orissa include agriculture and education, which is growing. Rural development (including direct poverty eradication programmes) increased its share in plan expenditure. But its growth in Orissa is marginally higher than other states. This is little surprising given the incidence of poverty in Orissa. Industry and Transport are two areas where plan expenditure in Orissa grew much faster than in all states (especially transport) and their claim on total plan expenditure was also high. Sanitation and water supply, housing urban development, social welfare and nutrition are areas to

64. *ibid.* p., 162.

which the states in general devote greater parts of plan expenditure than in Orissa.⁶⁵

4.4 GRANTS FROM THE CENTRE FOR THE DEVELOPMENTAL PROGRAMMES IN ORISSA

Orissa has all the features of an underdeveloped economy (agriculture based, low industrial development, low infrastructure and low percapita income etc). Hence, major part of its plan is financed by central government. N. B. Pradhan raised the point of the role of central government in the development of Orissan economy.⁶⁶ He asserted the role of centre playing a remarkable and dominant role in shaping the changing scene of Orissan economy. Central transfers constitute a large proportion of total revenue receipts and its proportion is growing which will be discussed latter. Being a deficit budget state and lack of additional resource mobilisation capacity Orissa heavily depends on grants from the centre, (awarded by Finance

65. Government of India, 7th Five Year Plan 1985-90, pp.129-136.

66. Pradhan, N.B. - Economic Backwardness and Development of Orissa (unpublished) Ph.D. thesis, Berhampur University, 1979, p.,10.

Commission to manage the deficit) centrally sponsored schemes and central investment in the state. So any change in the Policy of central government over investment or criteria of distribution would affect the Orissan economy immensely. It is also evident that centre's role in sharing and shaping the Orissa budget is absolute. Even in matters of statutory tax sharing the decision of criteria to be followed in the divisive pool would affect directly the development expenditure of state government.

Impact of Grants on the Economic Development of Orissa

The centre influences, tailors and monitors the development process of the state through grants. The state government has pleaded for assistance from central government on the ground of "backwardness"⁶⁷ in the 4th Five Year Plan, "Relative backwardness"⁶⁸ in the First Five Year, help was sought because of "limited resources raising capacity of the

67. Government of Orissa, Draft 4th Five Year Plan from 1969-70 to 1973-74, Ch.III, p., 44.

68. Government of Orissa, 1st Five Year Plan, 1951-52 to 1956-57, Bhubaneswar, p., 20.

state"⁶⁹ in the 6th plan and for the imperatives of massive induction of capital resources from outside in the fourth Five Year Plan.⁷⁰ The ground in Seventh Plan however, shifted when the government pleaded for assistance for the "development of basic infrastructure facilities".⁷¹ So it is evident that the state has looked to central assistance for its developmental activities for -

- (a) stimulating growth and employment in the State.
- (b) Enlarging infrastructure base.
- (c) Taking care of special social service like, health education and welfare of weaker section of people.
- (d) Taking care of rapid industrialisation.
- (e) Initiating key projects and programmes of national and regional importance.
- (f) Grants for specific purposes from Finance Commission.

69. Government of Orissa, 6th Five Year Plan - 1980-85, Bhubaneswar, p.,27. /

70. op.cit., p.,29.

71. Government of Orissa, 7th Five Year Plan, 1985-90, p.24.

Orissa being an agriculture based economy which is a primary sector needs more emphasis to be given by centre on agriculture, forestry, fishery etc. The nature of grants from centre depended on the priority given to a particular sector. Orissa benefited in 1959-60 when Primary Sector was given priority.⁷² In 1974-75 it came down to 3%. When agriculture was not in the priority area. However, in 1975-76 Orissa's grant composition contained 95% in the secondary sector.⁷³ Proliferation of grants in the primary sector can be examined under three captions.

(a) **Sector wise grant for employment and growth**

(i) **Agriculture and allied**

Out of the total expenditure in this area grants from the centre was 19% in 1959-60, 22% in 1967-68, 8% in 1975-76, and 17% in 1992-93 (By March).⁷⁴ In terms of absolute figures the total grant has been Rs. 269 crores out of the

72. Grant Content was 34% of the total grants given by Centre.

73. Panigrahy, D. D., op.cit., p.,25.

74. RBI Bulletin, March, 1993, p.,296.

total expenditure of Rs. 2932 crores.⁷⁵

(ii) Irrigation and Power

It received negligible amount of aid from the centre. Only in 1977-78 a sum of Rs. 5.73 crores was given to the state as grant for multipurpose river projects,⁷⁶ and minor irrigation works. Between 1959 and 1992 a total of Rs. 18.2 crores worth of grants was received by the state for irrigation and power.⁷⁷ This is just 2% of total state expenditure in this category.

(iii) Community Development

Community development programme following the recommendation of Balwant Rai Mehta Committee received fresh impetus. The central government extended financial support to the states in a big way. During the period under reference i.e. 1959-92, a sum of Rs.102 crores was received as grant which formed 18% of the total state expenditure worth Rs.

75. Ibid., p.,298.

76. Government of Orissa, Finance Accounts, Bhubaneswar, 1977-78. p. 113.

77. Government of Orissa, Finance accounts, 1992, p-63.

568 Crores.⁷⁸

In tertiary sector, Education, Public health, medical and family welfare and social security find their places. The grant element for education constituted 2% of the total states expenditure during the period 1959-92.⁷⁹ Public health expenditure however, got more grants from the centre constituting 34% of the total states expenditure⁸⁰ and in the year 1969-70 the grant had gone upto 74%.⁸¹ On medical and family welfare the state received sizable grants for medical and family welfare programmes in the 70s and early 80's. In 1981-82 grant constituted 45% of the total expenditure in that category.⁸² Grant element is dominant in social security and welfare programmes as it constituted 85% of the total expenditure for the period 1959-90.⁸³ In 1979-80 it was 138% of the expenditure means the spending was less than

78. Government of Orissa, Orissa budget, 1992-93, p.,67.

79. *ibid.*, p.,68 (Computed).

80. *ibid.*, p.,72 (computed).

81. Government of Orissa, Economic Survey, 1991-92, p.,112.

82. *ibid.*, p. 219.

83. *ibid.*, p.116.

the grant received.⁸⁴ This category covers child welfare, relief, rehabilitation of displaced persons, labour and employment, welfare of scheduled castes and scheduled tribes and so on. This indicates that the centre by way of grants induced the state to move towards an egalitarian society. However, the political leaders of the state have constantly attacked the centre for negligence and lack of grants from the centre.⁸⁵

(b) Infrastructural development

Orissa is lagging far behind other states in terms of infrastructure (Appendix I to V). As infrastructure is the corner stone of development and conditional for industrial growth, it should attract prime attention from the centre. This area includes irrigation and power, transport and communication education, health, special welfare programmes employment oriented programmes etc.

For a rural and agrarian economy like Orissa, irrigation and power generation are very important economic indi-

84. Government of Orissa, Annual Plan 1979-80, p.16.

85. Biju Pattanaik blaming centre for not releasing the calamity fund for Kalahandi, TOI, Dt. 5th March'93.

cators. An analysis of the expenditure of state plans shows, that 54% of the expenditure devoted to this sector.⁸⁶ Central assistance is prominent in all the plans. They are mostly financed through loans given by centre.⁸⁷ During the 1st plan a sum of Rs.49.94 crores was received for the construction of Hirakund Dam but the repayment is yet to start.⁸⁸ As there is delay in repayment of these loans, moratorium and debt relief were given periodically by the centre and such loans partake the nature of grants. The overall view is that the central, expenditure, via state plan expenditure, has considerable expansionary effect on irrigation and Power. Indirectly grants do have influence on these programmes. Projects like Indravati Hydroelectric Project (80 mw) Rengali hydroelectric Projects (80MW) and IB Thermal Station (840 MW) are some of the ventures in the state and grants have had their contribution in them.⁸⁹

86. Pattanaik, S.C, op.cit, p.219.

87. As Grant and Loan ration followed in central assistance given by the centre has been 30:70.

88. Report of VIII Finance Commission 1983, P.,112.

89. Government of Orissa, Economic Survey, 1991-92. p.56.

The grant element in Transport and communication has been 2%.⁹⁰ It has also an expansionary effect as the growth rate of surfaced road in the state during the period 1980-1989 has been remarkable.⁹¹

The Central Sector assistance in education has been discussed earlier. It is confined to promotion of Hindi, and Sanskrit, adult and non-formal education. Dominance of central assistance in health is discernible from the growth of medical and health centres over 5 times since 1959.⁹²

(c) Special Purpose Grants

Expenditure on special welfare programmes are very important since it directly affects the common people. This area is also an important instrument in eradicating poverty creating employment opportunities and removing regional disparity. From the Fourth Plan onwards, attack on poverty and regional imbalance has become the strategy for development. Among other things grants have been used for executing

90. Ibid., p.62.

91. ibid, p149.

92. ibid., p.150,

special welfare programmes. The central government provided assistance for SFDA, MFAL, IRDP programmes. Rs. 111.79 crores was extended on the three programmes till the end of the 6th plan.⁹³ Of these central contribution is 55% in the form of subsidy.⁹⁴ The central grant does play a determined role in poverty alleviation Programmes. The centre also provided assistance for community specific programmes. Till, the end of 6th plan Rs. 379 crores was centre's grants with state government's expenditure of Rs. 963 crores.⁹⁵ Employment generation programmes in the state have been mostly in 1977-78. By 1980, the central government offered Rs. 51.41 crores.⁹⁶ Under NREP started in early 80's the centre showered a help of Rs. 52.90 crores.⁹⁷ RLEGP is a totally central assisted scheme. Rs. 53.50 crores between 1984-87 was

93. Government of Orissa, VI Plan 1980-85, Bhubaneswar, p.113.

94. Annual Plan outlay, Government of Orissa 1981-82, p.,72.

95. Government of Orissa, VIth Plan 1980-85, op.cit., jp. 79.

96. *ibid.*, p.,77.

97. A Centre sponsored scheme with states contribution of 50% i.e. (50:50) scheme.

given to the state of Orissa under this programmes.⁹⁸ Recently, they have been clubbed together under, "Jawahar Rojgar Yojna". Central intervention is positive in these areas and the state with a high backward population (SC's and ST's) needs special attention through these schemes.

(d) Areal diffusion of development activity

The concept of regional imbalance includes intra-state imbalance. The centre could influence this by different area development programmes. Some of the programmes are

(i) Comand Area Development Agency (CADA)

This programme operates in command areas of Hirakund Canals, Mahanadi Delta basins and in Salandi Canals. 55 blocks in the district of Cuttack, Puri, Balasore, Sambalpur, Bolangir come under this. During the 4th and the 5th plans the state received a total of Rs. 18.84 crores as central assistance. (50% of the total expenditure).⁹⁹

98. Government of Orissa, VIth Plan, 1980-85, op.cit., p.82.

99. Government of Orissa, Economic Survey, 1985-86, P-132.

(ii) Drought Prone Area Programme - (DPAP)

DPAP has been in operation in four districts of Orissa. (Phulbani, Kalahandi, Sambalpur and Bolangir). Afforestation soil conservation, water management and horticulture are the main areas. It is financed by both the union and the state government on a matching basis.

(iii) Backward Districts Programmes

The Central Government has identified Bolangir, Kalahandi, Keonjhar, Koraput, Dhenkanal and Mayurbhanj as backward district. During the sixth plan the central government provided investment subsidy of Rs.5.90 Crores.¹⁰⁰ From 1985 to 1987 another Rs. 6 crores was provided for this programmes.¹⁰¹

(iv) No Industry District Scheme

The Government of India identified three districts - Balasore, Balangir and Phulbani as no-Industry districts in the state. The central Government gives grants to each

100. Government of Orissa, VI Five Year Plan, 1980-85., op.cit., p.-70.

101. Government of Orissa, VII Plan, 1985-90, op.cit., p.116.

district for infrastructural development. During the Seventh Plan Rs. 6 Crores¹⁰² was proposed to be given to the state government.

(e) Programmes of National and Inter regional Importance

Certain programmes of national, inter regional importance have been encouraged by central government to promote inter-regional cooperation and national integration. The benefits of these programmes are not only enjoyed by the state itself but a number of states and sometimes throughout the country under various plans, between four to twenty-nine activities with national or inter regional character have been helped by the centre. This has been a welcome feature. But the number has not been large enough.¹⁰³ Some of the notable inter regional projects are river valley projects in Indravati, Kolab, and subarnarekha, Inter state roads check post on borders, power grids and welfare programmes for ex criminal tribes which used to operate across state borders. Projects of national character include, national highways,

102. *ibid.*, p.140.

103. The ARC, 1967, recommended, sponsoring programmes of national interest by central government.

Paradeep port project, research schemes for Ayurvedic medicine coconut, oilseeds etc.

Apart from the specific purpose grants, the Finance Commission has been intended to support and stimulate administrative and welfare measures ranging from police to primary education. However, what constitutes the bulk of state's revenues are the statutory transfers.

CHAPTER FIVE

IRRITANTS IN TRANSFER OF RESOURCES FROM THE CENTRE AND ARTICULATION OF DEMANDS BY THE GOVERNMENT OF ORISSA

5.1 STATUTORY RESOURCE TRANSFER

An analysis of resource transfer from centre to states on the recommendation of Finance Commission shows that, (a) the existing arrangement of tax is not favourable to the states.¹ The shrinkage of the divisive pool (exclusion of corporation tax, surcharge on Income tax, on union amendments and pensions is adequate compensation in lieu of tax on railway passenger fare, additional Excise Duties) and the unhealthy and Fiscal Practices by the Centre has eroded the elasticity of devolution of tax shares. (b) the state is left with no surpluses to meet unforeseen expenditures and the failure to take an integrated review of the financial problems of the states are upsetting their Budgetary balance. (c) the inter-state allocation of shared taxes is not equitable and the principles of distribution has gone in favour of advanced states to further increase the surpluses in their revenue, perpetuating the regional economic disparities (d) Grants in aid to balance the Deficit Budget (275)

1. Thakur Ramanand : Finance Commissions and Centre. State Relations, DEEP & DEEP New Delhi, 1989, p.,186.

of the state is not progressive since it weighs the backward states on the same plane.²

Grants in Aid & Attitude of Finance Commissions : The first Finance Commission took a sympathetic view of the Economic destiny of the state. It felt that grant in lieu of Jute export duty along with tax devolution would not leave any margin for development. The State was unable to make an advance in the field of social services owing to want of adequate finance.³ Lack of communication substantial number of scheduled tribes and other backward caste population were noted as the basis for larger grants flow. Taking all these into account the commission raised grants in aid from Rs.40.00 lakhs to Rs.75.00 lakhs per annum for five years.⁴ Primary education had occupied an important place.⁵

The second Finance Commission was not as articulate as the First Finance Commission in emphasizing the need for assistance, but it did recognise the necessity of grants "both for its basic requirement and for implementing the

2. Discussed in the 1st Chapter.

3. Report of the Finance Commission, 1952, Government of India Press, New Delhi, 1953, p.102.

4. *ibid.* p., 112.

5. *ibid* p., 113.

Five Year Plan.⁶ Grants in lieu of railway passenger fares was instituted for the first time. The total statutory grants under this commission was nearly 3 times the grant of the earlier commission.

The third Finance Commission does not make specific mention about Orissa's need but it kept in view the "relative needs" of the different states in mind.⁷ While thinking of special purpose grants it emphasized the question of development of communication opening of backward area and enlargement of social services, etc.⁸ Orissa benefited on these scores and grants for special purposes was highest in Orissa.⁹

The recommendation of the fourth Finance Commission covered a period of three years. It estimated the non-plan revenue gap for the state at Rs. 231.85 Crores for the five year period which was sought to be filled in through tax devolution and grants in aid.¹⁰ The grants in aid recommend-

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6. Report of the Finance Commission, 1957, Government of India Press N.D. 1957, p., 49.
 7. Report of the Finance Commission, 1961 Government of India Press, Delhi 1962, p., 33, Para 74.
 8. op.cit, p., 32
 9. ibid, p., 202.
 10. Report of Finance Commission 1965, Government of India Press, Delhi, p., 58.

ed is the highest among ten eligible states.¹¹

The Fifth Finance Commission contemplated grants for full five years i.e. from 1969 to 1974. However, under the substantive provisions of Article 275 (1) grants became less in successive periods.¹² The commission took the view that many states over stated their deficits and expecting more grants on that score.¹³ The Commission calculated independently the revenue deficits and recommended grants on that basis. The commission recommended to start with higher grants and allowed time to make financial adjustments with lower grants in subsequent years.¹⁴ By doing this the Fifth Commission alluded to a long standing demand of the state Rs.7 crores of rupees was received by the state for tribal development in this regard (275) which is roughly one per cent of the total aid during the period.

The sixth commission laid emphasis on upgradation of general administration and strengthening of implementing machinery for weaker sections of the people including SC & STs.¹⁵ Presumably, Orissa profited from this consideration

11. op.cit., p., 59.

12. Report of Finance Commission, 1969, pp., 48-58.

13. ibid, p., 59.

14. ibid, p., 65.

15. Report of Finance Commission, 1973, Government of India Press, New Delhi, 1973, Ch. 11, p., 47.

as the component of such population in the state is high. Out of the total sum of Rs. 815.8 Crores for upgradation of administration Orissa got 7% of it, i.e. Rs. 57 crores.¹⁶ The commission recommended a very small sum as grants in place of wealth tax,¹⁷ on agricultural property. Orissa's share in this was negligible.

The seventh commission reassessed the resource position of the state, before making recommendations for the grants. Due to implementation of prohibition policy, the state governments sustained revenue loss from State exercise. The Commission sought to compensate the loss through substantive grants.¹⁸ Orissa received Rs. 17 Lakhs by way of compensation.¹⁹ However, grants flow suffered a set back in terms of the total in comparison to Sixth Finance Commission award.

The consideration and the point of view which influenced the recommendation of earlier commissions also had their impact on 8th Finance Commission substantive grants in lieu of railway passenger fare etc. increased, hence the

16. *ibid*, p., 51.

17. *ibid*, p., 27.

18. Report of Finance Commission, 1978, TOI Press, Delhi, 1978, Ch. 2, p., 9.

19. *ibid*. p., 72.

quantum of total grants swelled to Rs.355.57 crores.²⁰ Grants on account of railway passenger fare formed a negligible fraction it being Rs.7.5 crores.²¹

The total grant awarded by the ninth commission is Rs.1452.48 crores which looks impressive. Two conditions however qualify this statement. The recommendation covers a period of six years. The 1st Report covering a period of one year i.e. 1989-90 and the second to cover a period of five years i.e. from 1990-95.²² Then the amount is split into non-plan revenue gap grant and a grant towards revenue gap grant and a grant towards revenue component of the Eighth Plan.²³ The (tables 5.1 & 5.2) attached overleaf to show the relative position of Orissa in comparison to other states in terms of statutory grants.

20. Report of the Finance Commission 1984 GOI Press, New Delhi, p., 17.

21. *ibid*, p., 43.

22. The Economic Times, 19th June, 1987.

23. First report of the 9th Commission, 1989-90, July, 1980, p., 50.

Table - 5.1

**Statutory Grants to States under Finance Commission Awards
A Comparative Picture**

(Rs. in crores)

Sl. No.	States	1st	2nd	3rd	4th	5th	6th
1.	2	3	4	5	6	7	8
1.	Assam	5.00(2)	20.25(2)	24.00(5)	49.56(4)	101.97(2)	254.53(2)
2.	Himachal Pradesh	--	--	--	--	--	160.96(9)
3.	Manipur	--	--	--	--	--	114.53(11)
4.	Jammu & Kashmir	--	15.00(7)	8.00(8)	19.71(8)	73.68(4)	173.49(8)
5.	Maghalaya	--	--	--	--	--	74.67(14)
6.	Nagaland	--	--	--	21.21(6)	77.95(3)	128.84(10)
7.	Sikkim	--	--	--	--	--	--
8.	Tripura	--	--	--	--	--	112.5(12)
9.	Bihar	2.48(5)	19.00(5)	3.00(9)	--	--	106.28(13)
10.	Madhyapradesh	2.04(7)	15.00(7)	12.00(7)	8.10(9)	--	--
11.	Orissa	4.72(3)	16.75(6)	53.00(1)	87.54(1)	104.67(1)	304.73(1)
12.	Rajasthan	1.19(10)	12.50(8)	21.00(6)	6.73 (10)	51.49(7)	230.53(4)
13.	Uttarpradesh	--	--	--	--	--	198.83(7)
14.	Andhra Pradesh	1.20(9)	20.00(3)	38.00(2)	21.66(5)	65.03(6)	205.93(6)
15.	Karnataka	2.00(8)	30.00(1)	27.00(3)	54.72(3)	--	--
16.	Kerala	2.25(6)	8.75(10)	25.00(4)	62.46(2)	49.65(8)	208.93(5)
17.	West Bengal	4.00(4)	19.25(4)	--	--	72.52(5)	234.86(3)
18.	Tamilnadu	--	--	12.00(7)	20.52(7)	22.82(9)	--
19.	Punjab	7.37(1)	11.25(9)	--	--	--	--
20.	Maharashtra	--	--	--	--	--	--
21.	Haryana	--	--	--	--	--	--
22.	Gujarat	--	--	21.00(6)	--	17.99(10)	--

Sl. No.	States	7th	8th	9th (1st)	9th (2nd)	Total	Average of the rank
		9	10	11	12	13	14
1.	Assam	--	355.81(3)	310.38(3)	874.23(7)	1995.73(6)	3.6
2.	Himachal Pradesh	207.07(2)	243.68(5)	247.25(5)	523.09(8)	1382.05(9)	6.3
3.	Manipur	146.32(4)	169.87(10)	201.87(9)	371.65(13)	1004.24(12)	9.8
4.	Jammu & Kashmir	199.56(3)	381.48(2)	387.45(1)	1096.42(4)	2354.79(2)	4.7
5.	Maghalaya	92.61(7)	138.98(13)	163.26(15)	256.18(16)	725.70(15)	13.3
6.	Nagaland	218.35(1)	201.95(8)	204.75(7)	458.67(10)	1311.72(10)	6.9
7.	Sikkim	35.72(8)	40.93(16)	76.14(21)	84.68(18)	237.47(17)	16.0
8.	Tripura	136.57(6)	203.51(7)	239.88(6)	466.01(9)	1158.47(11)	8.5
9.	Bihar	--	214.65(6)	247.43(4)	1374.27(3)	1967.11(7)	6.5
10.	Madhyapradesh	--	169.57(11)	160.62(16)	1047.81(6)	1415.14(8)	8.9
11.	Orissa	136.92(5)	348.06(4)	179.68(11)	1082.98(5)	2319.05(3)	3.7
12.	Rajasthan	--	137.69(14)	166.40(14)	1446.79(2)	2074.62(5)	8.0
13.	Uttarpradesh	--	189.43(9)	350.73(2)	3235.10(1)	3974.09(1)	4.0
14.	Andhra Pradesh	--	141.74(12)	168.91(13)	341.25(14)	1003.72(13)	8.3
15.	Karnataka	--	15.00(21)	79.02(20)	--	207.74(19)	10.7
16.	Kerala	--	29.31(18)	64.29(22)	412.54(11)	863.18(14)	10.0
17.	West Bengal	--	629.36(1)	183.22(10)	998.65(6)	2141.96(4)	4.6
18.	Tamilnadu	--	21.87(19)	129.26(18)	43.79(20)	250.26(16)	13.7
19.	Punjab	--	35.00(17)	105.11(19)	53.91(19)	212.64(18)	13.8
20.	Maharashtra	--	18.12(20)	149.03(11)	--	167.15(21)	17.3
21.	Haryana	--	11.25(22)	41.62(25)	--	52.87(22)	23.0
22.	Gujarat	--	71.87(15)	62.49(23)	--	172.35(20)	14.8

Source : reports of the Finance Commissions - 1952, 1957, 1961, 1965, 1969, 1973, 1978, 1984, 1989-90 and 1990-95

Table 5.2

Per Capita Statutory Grants to States under Finance Commission Awards

(Rs. in crores)

Sl. No.	States	1st	2nd	3rd	4th	5th	6th
1	2	3	4	5	6	7	8
1.	Assam	5.53(2)	17.05(2)	20.21(3)	41.7 3(4)	69.72(3)	174.03(7)
2.	Himachal Pradesh	--	--	--	--	--	465.20(5)
3.	Manipur	--	--	--	--	--	1067.38(2)
4.	Jammu & Kashmir	--	42.12(1)	22.47(2)	55.35(2)	159.58(2)	375.76(6)
5.	Maghalaya	--	--	--	--	--	737.84(3)
6.	Nagaland	--	--	--	574.77(1)	1510.66(1)	2496.90(1)
7.	Sikkim	--	--	--	--	--	--
8.	Tripura	--	--	--	--	--	723.00(4)
9.	Bihar	0.62(10)	4.08(11)	0.65(11)	--	--	18.85(14)
10.	Madhyapradesh	0.96(7)	4.63(10)	3.70(9)	2.49(10)	--	--
11.	Orissa	3.21(3)	9.54(4)	30.20(1)	49.86(3)	47.69(4)	138.86(8)
12.	Rajastan	0.78(8)	6.20(5)	10.42(7)	10.02(7)	19.98(6)	89.47(10)
13.	Uttarpradesh	--	--	--	--	--	22.50(13)
14.	Andhra Pradesh	0.64(9)	5.56(7)	10.56(6)	6.01(9)	14.95(8)	47.34(12)
15.	Karnataka	2.20(5)	12.71(3)	11.45(5)	23.20(6)	--	--
16.	Kerala	2.42(4)	5.18(9)	14.79(4)	36.95(5)	23.25(5)	97.87(9)
17.	West Bengal	1.61(6)	5.51(8)	--	--	16.38(7)	53.00(11)
18.	Tamilnadu	--	--	3.56(10)	6.09(8)	5.54(10)	--
19.	Punjab	5.83(1)	6.94(6)	--	--	--	--
20.	Maharashtra	--	--	--	--	--	--
21.	Haryana	--	--	--	--	--	--
22.	Gujarat	--	--	10.18(8)	--	6.73(9)	--

(Rs. in crores)							
Sl. No.	States	7th	8th	9th (1st)	9th (2nd)	Total	Average of the rank
		9	10	11	12	13	14
1.	Assam	--	178.83(8)	155.99(8)	439.37(8)	1003.03(8)	5.3
2.	Himachal Pradesh	483.70(6)	569.21(7)	577.55(7)	1221.88(7)	3228.33(7)	6.5
3.	Manipur	1029.70(3)	1195.43(3)	1420.61(3)	2615.41(3)	7067.14(3)	2.8
4.	Jammu & Kashmir	333.32(7)	637.18(6)	647.15(6)	1831.33(6)	3933.17(3)	4.4
5.	Maghalaya	693.19(4)	1040.26(4)	1222.00(4)	1917.51(5)	5431.88(5)	4.3
6.	Nagaland	2817.42(1)	2605.80(1)	2641.93(1)	5918.32(1)	16925.41(1)	1.0
7.	Sikkim	1130.37(2)	1295.25(2)	2409.49(2)	2679.75(2)	7514.87(2)	2.0
8.	Tripura	665.22(5)	991.28(5)	1168.44(5)	2269.89(4)	5642.81(4)	4.5
9.	Bihar	--	30.70(13)	35.39(12)	196.56(13)	281.26(14)	12.25
10.	Madhyapradesh	--	32.50(12)	30.78(17)	200.81(12)	271.20(15)	11.5
11.	Orissa	51.92(8)	131.99(9)	68.13(9)	410.68(10)	856.67(9)	6.2
12.	Rajastan	--	40.27(11)	48.57(11)	422.27(9)	605.52(10)	8.4
13.	Uttarpradesh	--	17.09(17)	31.63(15)	291.76(11)	358.47(12)	13.6
14.	Andhra Pradesh	--	26.46(14)	31.54(16)	63.73(16)	187.44(16)	11.3
15.	Karnataka	--	4.03(21)	21.27(21)	--	55.94(18)	11.3
16.	Kerala	--	11.51(18)	25.26(19)	162.07(15)	339.11(13)	10.1
17.	West Bengal	--	115.30(10)	33.57(13)	182.97(14)	392.44(11)	10.0
18.	Tamilnadu	--	4.51(20)	26.70(18)	9.05(18)	51.70(19)	14.7
19.	Punjab	--	20.85(16)	62.61(10)	32.11(17)	126.65(17)	11.2
20.	Maharashtra	--	2.88(22)	23.74(20)	--	26.62(22)	21.3
21.	Haryana	--	8.70(19)	32.21(14)	--	40.91(20)	17.6
22.	Gujarat	--	21.08(15)	18.33(22)	--	39.42(21)	15.0

Source : Ibid.

Orissa has been listed by all the nine Finance Commissions to get grants in order to balance the deficit budget. The following table shows the amount of grants recommended by the Finance Commissions for Orissa.

Grants in Aid

Finance Commissions	Grants in Aid (in Crore)	Positinal/ Rank
I	4.72	3
II	16.75	6
III	53.00	1
IV	87.54	1
V	104.67	1
VI	304.73	1
VII	136.92	5
VIII	348.06	4
IX	179.68	11

(The First Award)

Source : Report of the Finance Commissions.

Even though Orissa has been fairly treated by the Finance Commissions, no other Finance Commission except the first referred to the relative backwardness of Orissa. the ninth Finance Commission has also adopted some kind of normative approach so far as resource transfer is concerned which enhanced the resource position of Orissa.²⁴

(ii) Distribution of Divisible Tax Resources

Finance commissions role in recommending the share of

24. op.cit, p., 72.

States in the divisive pool of resources has been another area of statutory resource transfer. The percentage distribution of resources transferred from the centre to the state of Orissa on recommendation of Finance Commission is done below. Since sharable taxes constitute one major source of states resources,²⁵ the government concerned about the criteria to be followed by the commission to benefit its resource positions.

Percentage Distribution of Resources transferred from the Centre to the State on the Recommendation of Finance Commission:

Finance Commission	Income Tax	Estate Duty	Union Excise	Additional Excise	Tax on Railway Fare
I	3.5	-	4.22	-	-
II	3.73	4.10	4.46	3.20	1.78
III	3.44	4.07	7.07	4.50	-
IV	3.40	4.07	4.82	2.58	2.12
V	3.75	4.08	4.72	3.13	-
VI	3.73	4.05	4.06	3.59	2.24
VII	3.74	-	4.68	2.17	1.73
VIII	3.79	4.00	4.92	2.89	1.56
IX	3.62	4.12	4.79	2.42	1.62

Source : "Government of Orissa", Orissa Budget 1990-91, p.126-132.(compiled)

25. Shared taxes constituted nearly 11.64 percent of the Orissa budget, 1992 - 93, Government of Orissa, p.,6.

The fluctuation in distribution of different tax revenue varies according to the weightage given by successive Finance Commissions on population. The table above shows the priority of different commissions on population and collection. But a constant Criticism by Orissa Government of the Finance Commission is that, it does not weigh the relative backwardness of the population in terms of health education, per capital Income, rural population, backward classes etc.

5.2 DISCRETIONARY PLAN GRANTS

Over the years the statutory element in resource transfer has been decreasing. This task has been overtaken by planning commission and ministry of finance. Where as resource transfer through Finance Commission doesnot have conditions attached it constitutes only 2/5 th of the total resource transfer. The discretionary plan grants constitute a bulk of the state plans over the years. Out of the total expenditure the contribution of Planning Commission through plan grants in the state plans is considerable. Since the internal resource mobilization capacity is very poor, its plan size heavily dependent on the plan grants. Between 1956 - 1987 a study by George Shows the share of central grants for Punjab, Haryana, Maharastra, Gujrat and Orissa it

was 23.2%, 28.4%, 24.1%, 25.4% and 57.3%, respectively.²⁶

This shows the dependence of the government of Orissa. The per capital expenditure of plans and plan grants from centre for some states show:

Period - 1956 to 1987

Name of the State	Per capita states own Resources (1) Rs.	Per Capita Centural Plans grants (2) Rs.	Per Capita total plan expenditure (1+2) Rs.
Punjab	2372	720	3092
Haryana	2674	942	3316
Maharashtra	2046	662	2708
Gujrat	2052	700	2754
Orissa	752	1011	1611
All States	1367	844	2211

Source : George, 1988, op.cit., p.116-122.

This shows the increasing dependence of Orissa on the Central plan grants. The planning commission learned from its Experiences, Discretionary Politics, Economics Pressure, group tactics, and regional compulsions all forced the commission to change its schemes. As a consequence central aid flows along three different routes under three different nomen-clatures, viz., centrally assisted schemes, centrally sponsored schemes and central sector plan schemes. The centrally assisted schemes entirely fall within the state

26. George 1988, op.cit., pp., 116-122.

plans.²⁷ The centrally sponsored schemes on the other hand are initiated by the centre. In both these cases assistance consisted of grants and loans of varying degrees. In the fourth plan the Union Government devised a set of schemes named "Central Sector Schemes".²⁸ Programmes of employment SFDA, MFAL, DPAP etc are some of these. The impact of schemes has already been discussed. However, the criticisms forwarded by the State Government to the Sarkaria Commission in its memoranda²⁹ blames it for distorting plan priorities and irrelevant to her needs. But she cannot refuse to a scheme for it will deprive of the amount. In the half hearted manner the schemes are implemented with objectives not fulfilled.

On the instance of several Chief Ministers in 1965, the Planning Commission came up with certain objective guidelines for allocation of central plan assistance to the States³⁰ of the total assistance available for state Plans

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27. Agarwal, P.P., The system of grants in aid in India Asia Publishing, Allahabad, 1988, p.,21.
 28. Thimmaiah - "Plan grants in India - A critical evaluation" IJPA, (Vol. XXII), No., 2, Apr., June, 1970, p., 239.
 29. Commission on centre state relations, (Vol II), 1984, p., 191-194.
 30. Rao, Hemalata, op.cit, p.,48.

70 percent was to be distributed among the states in proportion to their population. The rest was to be distributed taking into consideration the special needs of the states and Union Territories of Assam, Jammu & Kashmir and Nagaland, continuing irrigation and power schemes of national importance and necessity of speedy development of backward regions and hilly areas. This became the foundation stone of famous "Gadgil formula" of 1969.³¹ In 1980 a "modified Gadgil formula" came into effect.³² The first claim on total available assistance to states were to go to centrally aided projects, sub-plans and the special category states. The balance was to be distributed on the basis of a formula 60% weightage was given to population, 20% to percapital state domestic product below national average, 10% to states per capital tax efforts and the last 10% was attributed to special problem of states. In 1990 it has been revised again to give 25% weightage of per capital income below national average. This would benefit low income states like Orissa.

About central sponsored schemes though it has helped the states like Orissa has been criticised for its highly

31. Veda Dass, op.cit., p., 177.

32. Thimmaiah, G. op.cit., p., 62.

discriminatory nature and arbitrary priority fixed by Central Government. The state cannot refuse these schemes for its high aid content. The matter has been examined by ARC (1967) by the committee of the NDC (1979), K. Ramamurty Committee set up by Planning Commission (1985) and the Commission on Centre-State relations (1988). A four fold criteria has been the result. It is agreed that the schemes should relate to demonstration, pilot projects, survey and research. The schemes should have regional or inter state character. They must be connected with the building up of institutional framework. The schemes can be sponsored if they are in the nature of "pace setter."³³ It is also felt that while formulating these schemes proper emphasis be given to local conditions regarding agriculture, IRDP, NREP & RLEGP.³⁴

Another source of non-plan, non statutory grants is provided by the Ministry of Finance, to meet the unforeseen events to cope with the crisis situations. Relief and rehabilitation of displaced persons, relief and other measures connected with hostilities, development of border roads,

33. Commission on centre state relations op.cit., 1988 (vol.I), p.,303.

34. *ibid*, p.,305.

meeting natural calamities like, Cyclone, drought famine are such occasions. Though Finance Commission takes care of natural calamities, role of the Ministry of Finance in this regard has come to be increasingly emphasized.

5.3 ORISSA'S GRIEVANCES IN THE PRESENT SET UP OF FINANCIAL RELATIONS WITH THE CENTRE AND ARTICULATION OF DEMANDS.

Orissa being a backward state Economically, suffers from weaknesses in the political sphere. since, discretionary plan grants involve a lot of politics and manipulation and plan size is fixed through a bargaining process at the meetings of NDC it is interesting to examine this area.

From the 1st to 6th Finance Commission the flow of revenue through the grants in aid channel increased geometrically. The reason to some extent is political as well as economic. It is economic in the sense that social service functions of the Government has increased multifariously and so the needs of the states have increased accordingly.³⁵ As the states have no elastic sources of revenue, the transfer has been made from Centre to the States through Grants in Aid. But sometimes political consideration plays a note if the party ruling at the Centre tries to strengthen its

35. Thakur Ramanand Finance Commission and Centre state Relations, Deep & Deep 1989 p.126.

position in the state legislature, it provides more money from the Centre to the states through Grants in Aid. So we find after 1967, when Congress lost its absolute majority at the Centre and could not form governments in nine states including Orissa it utilised this Grants in Aid method and provided an amount more than double than what was recommended for Orissa in the Fifth Finance Commission just to prove that Congress was the only efficient party which could provide maximum social welfare services to the people.³⁶ Again under the award of 7th Finance Commission it was reduced to an amount which is less than half of what was recommended by the 6th Finance Commission.

The Tables (5.1 and 5.2) show the relative position of Orissa vis-a-vis other states and its rank in the awards. It has received aid from all the Finance Commissions. This does not imply that the state has been unduly favoured because there is no indication in grants formula to help the states to overcome its comparative backwardness. It is the grievance of some states that Finance Commission at the time of recommending the transfer of revenue does not take into account the serious loss incurred by the state in implement-

36. Bidyut, Chakravarty, op.cit., p.62.

ing the Central Policy. The Governments of Orissa and Madhya Pradesh pointed out to the members of the First Finance Commission that the price paid to them in the past for rice supplied by them to the deficit states was much lower than the competitive price which reduced the income of the people of the state as it restricted the taxable capacity available to the state government.³⁷

A major bone of contention for the leaders of Orissa irrespective of party lines is the growth of discretionary plan grants under article 282 which has been a major reason for the inter-regional disparities. Moreover, the Finance Commission under the present constitutional provisions confines itself to the non-plan revenue needs of the states and leaves it to the Planning Commission to work out Plan needs and plan assistance. There is also overlapping functions between the two Lack of any agreed formula and considerable confusion in the criteria adopted in determining central assistance has resulted in an unhealthy competition among states to indulge in bargaining and manipulation to obtain larger assistance from the centre. On the bargaining, backward states like Orissa, suffer due to lack of additional resource capacities and lack of political clout.³⁸

37. Report of 1st Finance Commission, p.9. 1951.

38. Ratha Sharada Federalism Today Sterling, New Delhi 1984. p.135.

The role of plan and discretionary transfers to Orissa in its financing of state plans shows that the discretionary element in the Central Plan assistance has benefited the better off states when it involved matching contribution criteria. The matching system is disadvantageous to backward states like Orissa.³⁹ Until "Gadgil formula" was introduced in the plan as a principle of resource transfer there was considerable confusion in the matter of amount of distribution of plan assistance to states. However, Orissa was unfavourably placed in the matter of allocation of plan assistance after the adoption of "Gadgil formula". Central assistance for Orissa's state plans had gone down from 66% in the 3rd Plan to 62% in the fourth. 51% in the fifth and 42% in the Eighth Plan.⁴⁰ In a state like Orissa, where private sector investment is negligible, Government expenditure has profound influence on the standard of living of the poorer section of the society. Hence it may be inferred that progressive decline in the central assistance for Orissa's state plans has resulted in the increase of population below poverty line in the state. Since the plan and discretionary grants have a political overtone and as the process of political bargaining plays a role in this sphere which the state lacks, it stands ignored.

39. Panigrahi D.D., Centre state Financial Relations, op.cit., p.125.

40. Conspectus of Orissa, 1990, p.121.

(i) INVESTMENT CRITERIA

Orissa suffers from the shortage of additional investment expenditure in the name of economic efficiency. In a welfare state main criteria should be social cost and social benefit which would not necessarily mean undermining efficiency in the long run.⁴¹ The social benefits include equity and removal of regional imbalance which would outweigh the cost imposed on richer states. Moreover, productivity per unit of investment depends on the availability of infrastructural facilities. (Power, irrigation, transport, communication, education, research and development, health, nutritional development, banking, insurance etc.). Hence there is no logic in placing Orissa, Rajasthan or Madhya Pradesh at par with Haryana, Punjab or Gujrat. But Orissa's cause cannot be brushed aside on the pretext of low productivity since the growth rate coefficients per unit of infrastructure index in 1966 -67 to 1977 -78 reveals that it ranks 3rd in the list.⁴²

Apart from infrastructure, in other areas like quality of population, geography, topography, weather conditions, distribution of infrastructural facilities, Orissa's position has deteriorated over the years in respect of per

41. Christian Watrin, On the question of measuring the efficiency of Economic systems, - The German Economic Review - No.2.

42. Panigrahy, D. D., Centre-State Relations, op.cit., p.194.

capita plan outlay. It runs by the logic of vicious circle. It has remained poor because of market imperfections, population pressure and underutilisation of resources which leads to low productivity. This in turn leads to low real income which causes low saving. Low saving is the reason for low investment and capital deficiency which is responsible for underutilisation of resources which again causes low productivity thereby allowing the vicious circle to continue keeping poor states poor.⁴³ To determine the productive field of investment the future yields should be taken into account. Investment is necessary in backward areas to prevent socio-political tensions, creating employment opportunities and removing inter-regional disparities. A predominantly agricultural economy like Orissa needs industrialisation to use its natural resources and investment in infrastructures like power, irrigation, road and railways to increase productivity.

(ii) PRIVATE INVESTMENT & INSTITUTIONAL FINANCE IN ORISSA

Concentration of private investments in a few industrial centres is one of the basic reasons for regional imbalances. According to the report of Monopolies Enquiry Com-

43. *ibid.*, p.92.

mission (1968), there were altogether 533 factories under the 75 leading industrial houses of the country of which 288 factories (more than 54%) are located in 3 states i.e. West Bengal (152), Maharashtra (71) and Tamil Nadu (65). Four States e.g. Maharashtra, West Bengal, Tamil Nadu, Gujrat with only 30% of Indian population accounted for more than 60 % of industrial employment and about 62% of industrial output. In 1975 -76 these four states accounted for 46% of capital employed. 52% of industrial employment and 56% of industrial output. During 1975 -76, Maharashtra and West Bengal with only 17% of Indian population accounted for 36% of capital employed, 41.5% of industrial employment, 45% of gross industrial product, with 29% of the productive capital and 33% of the industrial output.⁴⁴ The Centre has not succeeded in counter-acting the snowballing effect of industrial concentration, through its licensing policies, foreign exchange regulations significantly.⁴⁵

Secondly, institutional finance which is now making a significant contribution to the development of Corporate sector in India. Centre has also failed to influence the

44. Dhebar M.J.K. Financial Management of the Government, Sultan Chand & Co., New Delhi, 1978 p.131.

45. The Economic Times, 4th April, 1992.

flow of funds through Banking institutions to less developed areas (Appendix I-V). Another striking element is the policy of deficit financing of the centre. The 7th Plan had estimated a Budget deficit of Rs.700 crores. Some of the states also incur heavy deficit financing because of unauthorised overdrafts from RBI. The NDC expressed its concern over these overdrafts and advised to observe fiscal discipline. Orissa has taken it seriously and has not taken recourse to deficit financing and overdrafts for the last 10 years.⁴⁶ But it is paying the price for fiscal indiscipline shown by the other states. The additional dose of dearness allowance to Central Government employees at consumer price index and higher pay scale has put the State Government in financial stringency. Developed states could overcome this problem through their additional resource mobilisation capacity. A study by George & Gulati⁴⁷ shows between 1973 - 1985 out of the total resource transfer 48.2% were from financial institutions. (commercial banks, Industrial cooperatives, NABARD) While Budgetary Grants are spent in the day to day expenditure, resource through these institutions are spent for productive purpose (Industrial Ven-

46. Report of the CAG. Govt. of Orissa, 1990.

47. op.cit., p.212.

tures). So institutional finance is very crucial for States like Orissa, to attain regional Justice and removing regional disparities. However that is not the case.

Per capita resource transfer

States	Grants for Budget	Transfer through Financial institution	Total 1 + 2	Share of Financial Institutions as% of Total transfer
Punjab	1209	2202	3411	64.6
Haryana	1079	1845	2924	63.1
Maharashtra	1125	2511	3636	69.1
Gujarat	1214	1601	2815	56.9
Orissa	1565	640	2205	29.0
All India	1241	1153	2394	48.2

Source: George, 1988 op.cit.,: pp., 218-219

(iii) BURDEN OF DEBT

The tendency of increasing indebtedness and the consequent problem of fast rising interest payment liabilities in Orissa has been discussed earlier. The Table overleaf shows the debt profile of Orissa in the last decade. In 1981 -82 total outstanding debt of Orissa stood at Rs.1066 crores (no including Rs. 111 crores of State Provident fund) of which 81 per cent was loans from the Centre. Market Loans accounted for 13 percent of the total debt. Within central loans,

Table 5.3
Debt profile of Orissa: 1981-82 and 1989-90

Year and Type of Debt	Amount out sta- anding at the beginning	Interest paid during the year	Effective Rate of Interests	Net increase during the Year	(5) as a per- centage of (2)
1	2	3	4	5	6
1981-82					
Total debt	1065.72	66.89	6.28	117.65	11.04
Internal Debt	202.18	14.46	7.15	30.55	15.11
1. Market Loans	128.36	8.79	6.35	20.03	14.48
2. Others	63.20	5.67	8.97	10.52	16.65
Loans from the centre, of which	863.53	43.88	5.08	87.11	10.09
1. For State Plan Scheme	797.60	10.37	5.25	77.09	39.01
2. For Central Plan Scheme	7.88	0.62	7.87	5.69	72.21
3. For Centrally sponsored Scheme	3.88	0.00	0.00	3.47	89.43
4. Pre 1979-80 Loans	624.37	31.04	4.97	-17.11	-2.74
5. Non Plan Loans	29.81	1.85	6.21	17.97	60.28
State provident Funds	111.33	8.51	7.64	17.86	16.04
1989-90					
Total Debt	2776.51	310.34	11.18	433.23	15.60
Internal Debt	732.39	85.34	11.65	209.86	28.65
1. Market Loans	654.11	77.25	11.81	149.13	22.80
2. Others	78.28	8.09	10.33	60.73	77.58
Loans from the centre, of which	2044.12	152.64	7.47	192.06	9.40
1. For State Plan Scheme	741.67	65.32	8.81	148.21	19.98
2. For Central Plan Scheme	17.13	1.46	8.52	-1.28	-7.47
3. For Centrally sponsored Scheme	50.84	4.15	8.16	-1.73	-3.40
4. Pre 1979-80 Loans	889.07	46.52	5.23	-32.16	-3.62
5. Non Plan Loans	344.12	35.19	10.23	111.60	32.43
State provident Funds	606.15	71.96	11.87	112.62	18.58

Source: Government of Orissa, Finance Accounts, 1981-82 and 1989-90
Also from RBI Report on Currency and Finance 1991-92.

the legacy of previous plans was the major chunk at 72 per cent. By 1989 - 90, the share of market loans, loans from the Centre and Non-Plan loans from the Centre stood at 24, 73 and 12 per cent respectively. Reliance on Provident Funds seems to have increased considerably during the period. The ratio of total debt changed from about 1:10 to about 1:5. In 1981 - 82 the average rate of interest for the State was 6.3 percent which increased to 11.2 per cent by 1989 - 90. This is due to increase of rates of interests on loans for relying on high interest carrying loans. While total outstanding debt increased by 15.6 per cent during 1989 - 90 net increase in institutional loans was more than 77 per cent, even if this is one of the costlier categories. Net reduction of debt was observed in Central Plan Schemes and centrally sponsored Schemes. Loans from centre which carries the lowest rate of interest is on the decrease.

The debt profile latest by March 1992 shows even alarming figures. Total debt has gone upto Rs.5656 crores⁴⁸ Internal debt, Loans and Advances from central government and Provident Funds constitute Rs. 1428 Crores (25.3%), Rs. 3162 Crores (55.9%), Rs. 1066 Crores (18.8%) respectively.⁴⁹

48. RBI Report on currency and finance, Vol.II, 1991, p.160.

49. *ibid.* p.,160.

The Budget of Orissa for 1992-93 shows the percentage of interest payment at 20.17 percent of the total expenditure, which affects the expenditure on other heads.⁵⁰ Per capita interest payment in 1992 is Rs. 170 and percapit debt burden is put at Rs.1500 by the end of 1992.⁵¹

(iv) Criteria for Central transfers

During the last decade receipts from shared taxes have been greater than own tax revenue, and grants have outweighed own non-tax revenue.⁵² This clearly points to the dependence of the Government of Orissa on the Centre. Orissa has benefited from the increasing emphasis on Interstate equity (Defined in terms of percapita SDP) in the distribution of central transfers, the shift from "Gap Filling" (on the basis of extrapolated figures of revenue and expenditure) approach of earlier Finance Commissions to the normative assessment⁵³ greatly enhanced Orissa's receipts from central transfers. Its revenue effort has been relatively good and its expenditures less than normative

50. Orissa Budget in brief. 1992-93, Directorate of Economics and Statistics Orissa, p.,6.

51. *ibid.*, p., 22 and 37.

52. Analysed earlier.

53. Generally, the Criteria of need and Interstate Equity.

levels. Hence, the Ninth Finance Commission (NFC) Awards gave Orissa greater amounts than it would have received under the previously adopted "Gap Filling" approach. So the State should try to convince the Tenth Finance Commission to continue the normative assessment and not to go back to the earlier approaches. Even the tax devolutions have been based on equity criteria as opposed to origin and population Principle which has benefited States like Orissa. There has been demand to increase the States share in the divisive pool. But it would be counter productive in the case of "income tax" where the centre has only 15 percent at stake and used for general allowances and deductions given to income tax payers. Moreover, it will reduce the tax collection and help tax evasion. The Share in excise duty can be raised. Another solution given by Chelliah, Rao and Sen,⁵⁴ to make the whole revenue receipts of the centre shareable. Broadening of tax sharing to revenue receipts sharing seems to be called for to close the possibility of substituting, tax effort by increase in administered Price.⁵⁵ This would

54. Chelliah, Rao and Sen : "Issues before 10th Finance Commission EPW, 21st November, 1992, p.,2539.

55. Recently the States complained the increase in administered prices on goods which is not sharable in the 72nd NDC meeting, TOI, 3rd April'93.

require amendment to constitutional provisions.

A major problem with the Finance Commission Awards has been that whenever they have incorporated some provision to reward efficiency in the management of State finances, they have considered the existing level rather than the marginal efficiency or the change in such efficiency.⁵⁶ This has resulted in penalising State Administrations trying to do better for past sins, while favouring states which are presently doing badly but did well in the past.⁵⁷ The NFC did recognise the existence of such a problem,⁵⁸ and took this into account by diluting the normative estimates somewhat on the basis of actuals. This would encourage the states who are trying to do better in financial administration. Another basic flaw with the Finance Commission Awards as well as the "Gadgil Formula" on which plan transfers are based, is the excessive concern with population as a whole. Population is taken as a liability for the government. But some people contribute for the government than they take from it. The NFC has used a poverty ratio to qualify the population variable in the interim report. But

56. Chelliah, Rao and Sen, op.cit. p.-2540.

57. Memorandum to 9th Finance Commission by Government of Orissa 1988, p.19.

58. Report of Finance Commission 1990, op.cit., p.,112.

taking overall poverty or categorising into children and old would not solve the problem. Categories like SCs and STs could be taken.⁵⁹ A state like Orissa which is not heavily populated but has a large disadvantageous population needs this kind of approach where population is to be weighed qualitatively. Further, adoption of 1971 population as a basis for transfers has the problem that it penalises states whose population has increased due to migration as a result of economic development or reduction of death rate.⁶⁰ Incidentally the "Gadgil Formula" actually more enthusiastic about this for Family Planning. Although it is rewarding for states doing well in containing population growth, it should not be a determining factor for central transfers.

Tax exportation is another issue for inter state equity and for relating central transfers to revenue performance. The developed states indulge in substantial tax exportation in the sense that the tax revenue accrues to them, but the burden is borne by residents of other states.⁶¹ There have been cases of provisions inserted into Sales Tax Acts which

59. Memorandum to 8th Finance Commission, Government of Orissa, 1983, p.,29.

60. Chelliah, Rao, Sen, 1992, op.cit. p.,2541.

61. Government of Orissa raised this Question in the 18th Eastern Zonal Council, 21st Sep.'91.

would result in differential taxation of goods sold to consumers within the state as opposed to inter-state sale, even when in both cases the goods are produced within the state.⁶² The massive revenue from octroi in Maharashtra is to a large extent accounted for by levy on crude oil and petroleum products; since Maharashtra itself consumes only a small part of the tax base, large part of the levy is actually borne by the residents of other states. Gujarat, Maharashtra, Tamil Nadu and West Bengal accounted for more than 54 per cent of the total Central Sales Tax receipts in 1987-88, although their share in total consumption as per the NSS consumption expenditure survey 42nd round, was only a little more than 33 percent and their share of population was just 31 percent.⁶³ When consignment tax comes into operation, the picture would probably look worse. Tax exportation causes over estimation of the revenue effort of the relatively developed states while causing under estimation of the same by the less developed ones like Orissa.⁶⁴

62. Freight equalisation is one of the examples.

63. Memorandum given to 9th Finance Commission, Government of Orissa, op.cit., p.,22.

64. Memorandum to commission on centre state relations, 1988, (Vol II), Government of Orissa, p-245-247.

Another issue that needs to be sorted out is the impact of tax exemptions on exports on different states. The central government, to encourage exports has prevailed upon the states to give such exemptions from sales tax, but there is no compensatory mechanism at all.⁶⁵ Even the sale prior to the actual export is exempted. So the states from which export originates also suffer.⁶⁶ There is no data available to ascertain the losses. But states rich in natural resource like Orissa suffer since exports generally originate in these states.

5.4 ARTICULATION OF DEMANDS

I. Memorandum Presented to Eighth Finance Commission 1983⁶⁷

Explaining the weak financial position of Orissa the Memorandum given by government of Orissa to Eighth Finance Commission among other things requested the following things to consider.

- (i) Grants in Aid (275) given to the state to bridge the gap in non-plan revenue account is not sufficient. The expenditures of the state are growing at a faster rate

65. *ibid.*, p.,251

66. Memorandum submitted by Govt. of Orissa to VIII, Finance Commission, 1983, p.11.

67. The Economic Times, 5th March'92.

with non development expenditure like Dearness Allowance, general administration etc. which is to be met from own resources as 7th Finance Commission award for D.A. was not sufficient.

- (ii) The scheme of fiscal transfer through devolution of taxes should be framed in a way to leave adequate surplus to the weak states for their developmental outlay.
- (iii) To provide grants for maintenance of capital assets (Road, building, Irrigation access), to bear extra burden of D.A.
- (iv) The state was concerned about the decreasing role of Finance Commission and statutory transfers.
- (v) The state suggested net proceeds of union excise duty to be used to contain deficit obtaining in the Non-Plan revenue account, and called for elastic sources of taxes like corporation tax and surcharge on Income tax to be brought under divisive pool. The state also requested to scrap the weightage to contribution criteria, and raise the share of States to 90 percent in income tax with 50 percent on the basis of population and other 50 percent on the basis of proportion of SC, ST to total population.

- (vi) The State submitted to the commission that the adhoc grants in lieu of tax on railway passenger doesn't accrue to the State Government since tax is taken by the state where the Journey Starts. Orissa having less numbers of trains starting from its soil gets less earnings. So it should be made on the basis of route length of railways.
- (vii) On additional duties of excise, the state urged that levy of union excise duty and additional excise duty should be in 2:1 proportion in terms of yields and the net proceeds of additional excise duties may be distributed in proportion to their respective population.
- (viii) In the distribution of Grants in Aid (275) the State Government demanded, grants for education, and irrigation facilities.
- (ix) The state government was most dissatisfied with the Natural Calamity Fund as it was inadequate to meet the drought situation in Kalahandi and intermittent flood situations in the river basins, with several crop failures. Moreover, the share of State in the relief expenditure was to be 25 percent and 75 percent for centre. For a low resource base state like Orissa this

25 percent also is not affordable.⁶⁸ So margin money for relief expenditure for Orissa has to be raised and excess of margin money to be covered by way of non-plan grant from the centre.

- (x) To meet the debt problem the state suggested the commission to recommend Loan : Grant ration to be 30:70 instead of the reverse in the central assistance.⁶⁹ It also suggested moratorium on repayment of central loans in the case of Orissa until Non-Plan revenue account remains in deficit.⁷⁰

II. Memorandum Presented to the Ninth Finance Commission 1988⁷¹

The Commission covered a period of six years supposed to examine the feasibility of merger of excise in lieu of Sales Tax with basic duties of excise,⁷² assess the debt position of states, financing relief expenditure etc. The most important thing about the term of references of commission is the "normative approach" followed in assessing revenue and expenditure requirement of the states, resource

68. *ibid*, p.,23.

69. *ibid.*, p., 32.

70. *ibid.*, p., 35.

71. Finance department, Government of Orissa, 1988.

72. *ibid.*, p.,2.

mobilisation, financial discipline, efficiency effectiveness of governmental functioning etc. The Memorandum showing the trends of backwardness and growing disparity of income and growth between states looks forward hopefully to the Ninth Finance Commission to recommend favourably for the backward regions like Orissa. The State Government submitted that norms and financial discipline in resource transfer should be adequate to correct the vertical imbalance.

- (i) On sharing of Income tax the State desired a weightage of 22.5 percent to population, 22.5 per cent to per capita income multiplied by population of the state and 55 percent to the distance of average percapita income of the state from the maximum, in the most advanced state. As Sarkaria Commission recommendation to include the corporation tax in the divisive pool, Orissa urges, the centre, to implement it.⁷³
- (ii) Union excise duty has been very crucial for it helps to garner surplus in the budget. The government urged 50 percent of the net proceeds to go to the states instead of present 45 percent and deficits to be filled up from the rest. Out of the 50 percent to be distributed among

73. *ibid.*, p.4.

states 25 percent to be distributed on the basis of 1971 population, 25 percent on the basis of income adjusted to total population, and the remaining 50% to be distributed on the basis of distance of percapita income of the stage concerned to the highest percapita income state.⁷⁴

(iii) Similarly, the state has urged for levy of additional excise duty on all commodities be converted into ad-valorem levy.⁷⁵ However the state government is not in favour of merger of additional excise duties in lieu of sales tax with basic excise duties. The government urged the commission to suggest the government of India the urgency of implementing the levy of tax on inter-state consignment of goods through appropriate legislation.

(iv) The state government urged to increase the grant amount in lieu of the repealed tax on railway passenger fare as income in this sphere is increased many fold.

(v) The state affirms its faith on the system of Grants in Aid and urges to extend it to areas of improving standard of administration, natural calamities, Dearness

74. *ibid.* p.16.

75. *ibid.*, p.18.

Allowance, meeting debt serving charges and incentive to mobilise resources.

(vi) The Government reiterated its earlier demand to increase the margin money for relief expenditure, with states right to spend it independently and urged for creation of the national Insurance fund.⁷⁶

(vii) Owing to the growing debt burden and interest serving charges the state urged to increase the repayment period, write off unproductive loans, the structure of 70 percent loans and 30 percent grant in respect of plan assistance may not be uniform for all states. For financially weaker states the pattern may be 50 percent loan and 50 percent grant,⁷⁷ Terms and Conditions of assistance for externally aided projects in Orissa which are mostly infrastructural, should not differ from those applicable to Government of India; i.e., 30 years of repayment period with not more than 2 percent excess of the rate levied by the lending countries.

The state government has also sent memorandum to the Planning Commission for social investment in rural areas of

76. *ibid.*, p.99.

77. *ibid.*, 24.

Orissa, to reduce inter-regional disparities.⁷⁸ In a supplementary note the state planning Board urged to Planning Commission to satisfy certain minimum needs in Tribal areas of the state.⁷⁹

A Composite Index of Backwardness for Orissa.

The Chief Minister of Orissa submitted before the Ninth Finance Commission "The principle of income adjusted total population and the distance method in our view give adequate weightage to backwardness and should continue in the absence of more equitable and scientific composite index of backwardness."⁸⁰ Since the levels of development varies in different states, all the states cannot be judged in the same set of parameters. One way of examining backwardness is undoubtedly testing the socio economic indicators (Appendix I-V). Orissa in this regard falls far behind the developed states which needs attention for balanced regional

78. Rath, Nilakantha, member Orissa SPB "Appraisal for rule based approach to the allocation of plan funds for social investments in rural areas of Orissa" 22nd April'91, p.2.

79. *ibid*, 24th Jan'91, p.3.

80. Speech of Chief Minister of Orissa before the Ninth Finance Commission 1988, *The Economic Times*, 7th Sep.'88, p.3.

development. The effective Socio Economic Indicators could be:-

- (a) Percentage of SC, ST population (1981 census)
- (b) Percentage of area irrigated to area sown.
- (c) Agricultural dependency
- (d) Illiteracy
- (e) Dropout rate at primary education level
- (f) Ratio of urban work force to Industrial workers
- (g) % Area cultivated
- (h) Infant mortality rate
- (i) Ratio of Motor vehicles to population
- (j) Surface road per/1000 Sq. Km. of area.
- (k) Railway length/1000 Sq.Km area.

The value of composite index seems to be satisfactory as they introduce a fair degree of progressivity in favour of the low income group of states, identified by the NFC.⁸¹ viz, Orissa, Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan.

Finally one needs to consider the extent to which the Finance Commission and Planning Commission can influence regional development, within the state. It seems that the

81. Finance Commission, 1989-90 para-5.21, p-28.

Finance Commission constitutionally limited to financial transfer is not the right forum.⁸² Planning commission, by emphasizing District Level Planning could initiate the process of regional balanced development.⁸³

Broadly speaking, the increasing weightage given to backwardness and fiscal performance in the determination of central transfers has worked in Orissa's favour, but the large weightage given to population has not. It has not benefited from the criterion of "special problems" either since these are "ad hoc" in nature and benefit states with political clout and adequate representation among the decision makers, and problem states. Orissa does not fall into either of these categories. However, given its dependence on central transfers, it is absolutely necessary that it thrives for adoption of principles which are just without being unduly partisan.

82. It is only in the NFC, the normative approach would induce a bit of subjectivity to the role of Finance Commissions.

83. Nair K.R.G "Lagging regions in a developing Economy": A case study of Orissa, 1984 ICSSR funded Research study, p.14.

CHAPTER SIX

CONCLUSION

The study of the two aspects of Centre-State relations (Political and Financial) in the case of Orissa shows many interesting trends. While the nature of relationship in the Financial Sphere conformed to the All India trend as complained by almost all the states,¹ Political relations showed a different trend. For example, Orissa does not conform to the "Congress System in India",² in the framework of one party dominant rule in the first two decades of Post-Independence period.

In the pre-80 phase regional party like Ganatantra parishad was a potential force in the state. Congress could not penetrate into the pockets of western Orissa as politics in that region was alienated from the national mainstream for historical reasons. The Parishad was a dominant party in the legislature (The, partner in the coalition ministry of 1959) till 1961 when it merged with the swatanta party. However, there was no confrontation between the state and the centre as the Parishad was more or less similar in nature, ideology and programme with the Congress party, concerned more with intra-state disparity rather than Centre-State problems. On the other hand the Congress leadership at the centre did not interfere much in the affairs of

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1. Commission on Centre-state relations, (Vol., II), 1988.
 2. Kochanek, Stanley, op.cit., p.,22.

the state, allowing a considerable amount of freedom to the state leadership in the domestic affairs of the state. But in the instance of a conflict between the two, the former used to dominate.³ Secondly, whereas at the centre, factionalism was mild, the state experienced rampant factional politics throughout the period since 1951 to 1990. The rivalry between the leaders was the main reason of factionalism and led to the formation of regional parties like, "Jana Congress" (Mahtab), "Utkal Congress" (Biju Pattanaik), "Jagrat-Orissa" (Nandini Satpathy). All these regional parties were the break-away factions of the Congress Party and rallied behind a powerful leader.

On the otherhand it is seen that in Orissa Prospect of regional parties getting electoral support became bleak after 1980, where as else-where in the country, the regional parties grew stronger. Akali Dal in Punjab, DMK in Tamilnadu, Telugu Desam in Andhra Pradesh, "Assam Gana Sangram Parishad" are the instances of regional parties forming government in the post-67 phase and grew even stronger in the after-math of 1980 General elections. Jyoti Basu in west Bengal (CPIM) also acted as a regional leader, raising the issue of state autonomy. The Centre-State relations became strained after the 1967 Phase in the Country and Popular feeling was made to arouse against the Centre's dominance.

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3. The issue of inclusion of "Sareikala & Kharsuan" in Orissa was ignored and the state leadership was proved weaker in pressing for its demands. It was dubbed in the state by the opposition as the a "congress betrayal".

Centre-State issues played a dominant role in the electoral behaviour in Orissa in 1971 elections. It was again in the present phase, after Biju Pattanaik became the Chief Minister, the anti-centre feeling played a significant role in the elections. Secondly the Politics in the pre-1980 period is characterised by Political instability and Coalitional Government in the state. Except in 1952, 1961 and 1977 no party could win absolute majority in the Pre-80 period. The survival of regional parties depended on the strength of the leader. As soon as the leader switched loyalty to another party, the regional party was doomed. Only "Ganatantra Parishad" was constituted on regional basis. Its merger with Swatantra party made it a national party. Hence, the people of western Orissa had now options of national parties in the election. Relation with the central leadership was not confrontational in the pre 80 phase. Out of six instances of imposition of President's rule in the state, four had occurred before 1977. In all these cases factional cleavages within the ruling party were the reason for President's rule. Hence, Article (356) was not so arbitrarily imposed in the state. Janata Government at the centre for the first time dismissed the state assembly arbitrarily in 1977 on the plea of defeat of the ruling party in the Lok Sabha elections. Same was repeated by Congress government at the centre in 1980 in the sixth and last-instance of President's rule.

The feeling of centre's dominance in the political sphere was felt by leaders in Orissa with the leadership

vacuum at national level after Nehru's death. These political changes helped in strengthening the regional level of the federal structure. Subsequently, the politics of the state became increasingly regionalised from 1967 till 1977 and regional parties like "Jana Congress", "Utkal Congress" formed coalition Governments. The "Jana Congress" had no strict regional motivations. But "utkal Congress" of Biju Pattanaik emerged as a separate force and Challenged the Congress led by Mrs. Gandhi in 1971" "Utkal Congress members developed strict regional motivation and effectively appealed to the regioal sentiments of the people. It sought to mobilise the people against the centre with a regional Stand. The past experiences show all the regional parties in Orissa are formed by Ex Chief Ministers, when they got disillusioned with the centre and failed to enjoy its favour. The political culture of the state shows thus-given the choice of a strong leader at the centre, people of the did not give importance to the state leaders. Hence Congress (I)'s victory under J.B. Pattanaik in 1980 and subsequently in 1984 is assigned to the strong India wave & sympathy. So centre during this phase more assertive.

However, Regionalism in Orissa politics seems partly to be a creation of politicians. A call for regionalism has seldom evoked enthusiastic or lasting response from the people. This is evident from the lack of popular support to Pradyumna Kishere Bai's People's Front in the 80's and to same extent Nandini satpathy's "Jagrat Orissa" in the late 70^s.

The pre-80 phase in Orissa is characterised by coalitional politics. It is interesting to see that Orissa progressed much better during the coalitional Government than any other form of Government. Implementation of land reforms, cooperative farming and decentralised administration were successful in that phase. On the other hand past record of Congress shows that Orissa's cause was neglected during Congress rule in the state when there was Congress Government at the Centre. First is the issue of inclusion of "Sareikala and Kharswan", where state Congress Government could not manage to get these areas included in Orissa. Secondly, instite of all the conditions favourable to Orissa for the second steel plant at Paradeep, with a last minute bargaining the venue shifted to Vizag in the 80^S. The cause of regional demands like withdrawal of MTR from Baliapala, Gandha Mardan alluminium extraction, etc. were neglected.

Factionalism in Orissa has always been of local origin and nothing to do with the central leadership. However, when the grievances of one faction was not addressed, inspite of harrasment by the other faction, the factional leaders went against the central leadership by joining other party or floating a new Party. Split at the national level had little impact on Orissa politics in '69 as central leadership was not very strong and Mrs Gandhi was not accepted by a majority at the centre, hence, depended on state leaders for a

support base.⁴ Unlike Janata Party or all other parties, the nature of Congress party in the state has been determined by and moulded by central leadership. The "High Command" has emerged as the sole arbiter of the factional conflict in the state Congress. Personal likes and dislikes seem to influence the attitudes of the "High Command" towards the rival factions in the state. Jawahar Lal Nehru had personal liking for Nabakrushna Chaudhury,⁵ for his simplicity and honesty. On the other hand he had some reservations against H.K. Mahtab, but did not oppose his coming back to lead Orissa in 1950's. But over the years, the attitude of the central leadership towards the state units has radically changed. The state leadership became increasingly dependent on the central leadership for their survival. The autonomy vis-a-vis the High Command has been greatly reduced. This trend is more intensive in the 80^s. The Biju faction in the 70^s was the majority group in the state Congress. But Mrs. Gandhi who was seldom happy with Biju Pattanaik⁶, encouraged Mrs Satpathy's Minority faction.

The central directives and dependence of state leadership on the "High Command" became more prominent in the 80^s. The reason for this centralisation was because of the empha-

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4. However, it ultimately led to Biju Pattanaik's leaving Congress in 1990.
 5. Ghose, Sunit, "Orissa in Turmoil", Bhubaneswar, 1979, p.30.
 6. Biju Pattanaik in the presidential election had voted for the official candidate against Mrs. Gandhi's directive.

sis on loyalty and party discipline by the central leadership. So the "High command" discouraged any kind of factionalism in the state unit and emphasized unity. The period from 1980 to 90 characterised by uninterrupted Congress rule in the state under a single leader ie. J.B. Pattanaik. He has the distinction of the longest serving Chief Minister of India at a stretch after Jyoti Basu. His leadership in the state is characterised by rampant factional politics. However the interesting point is that inspite of the factional politics (At one point of time more than 2/3rd of the Congress M.L.As were against him) he managed to survive with the blessings of the "High Command". He even declared that no one can remove him so long as he enjoys the confidence of the central "High Command". Dependence on the Centre politically, made his position weak at various all India forums such as NDC, Chief Ministers Council etc. The state got an unfair deal in the sphere of Economic advancement as the report of C.S.O., NSS and CAG showed slow growth rate in the economy and inter-state disparity persisted. Important Economic issues were given go by in favour of hectic factional politics in the Assembly. The memorandum submitted to Sarkaria Commission on Centre-State relations carried a soft and status quoist view of Government of Orissa in 1988. Any demand for state autonomy, decenralisation was dubbed as anti-national. Janaki Pattanaik had criticised the opposition conclaves held at Vijayawada, Bangalore, Srinagar and Calcutta, saying these are not healthy for the growth of

cooperative federalism.⁷

In the NDC meeting in 1986 he said "There is no ground to suppose that the Government of India has been neglecting Orissa. Orissa is poor for historic reasons".⁸ within the state Congress, he sought to crush the dissident activity by expanding the ministry, with the consent of the "High Command". Another interesting development during this period was active politicisation of office of Governor and Speaker, as the Governor B.N. Pandey is believed to have sought permission of the Congress "High command" about his role in the situation.⁹ The cross voting of ruling party M.L.As in the 87 Budget session would have called for president's rule in an opposition ruled state. But the Governor acted in a partisan way during that period.

The corruption charges, maladministration and financial mis-management were levelled against the Chief Minister. The C.A.T. (Cuttak Bench) quashed the appointment of a high official by the Chief Minister. Congress at the centre was worried about the poll debacles in Kerala and West Bengal. There was a split following the Bofors case. In all these cases the Pattanaik Government relented faith in central leadership.

The success of the Congress in the period is not because of its ideology or programmes, but due to effective

7. The Telegraph, 4th May '89.

8. The Blitz, 26th March 1986.

9. TOI, 15th Feb., 7 p.2.

management of party disciplines. On the otherhand during Janata rule the state unit enjoyed relative independence. Because the leaders have mass base and central leadership is weak, since no leader at the centre commanded absolute loyalty from partymen. Hence, we see state Janata Dal unit in the post 90 phase divided on the question of loyalty to the central leadership. But one interesting point is that the split at the national level had no impact on the state Janata Dal units. This was because of the strong loyalty of the state Janata Dal unit to Biju Pattanaik. So in 1979 split of Janata Party at the centre the state Legislative unit remained more or less independent from the two factions. But Biju Pattanaik managed to be the state Janata Party's president. The 1990 split also could'nt influence the state politics eventhough the MPs shifted in favour of Chandra Sekhar for ministerial berths.

There are only two instances when Orissa has been ruled by opposition while Congress at the centre. One was in 1967 and the second since 1991. While the 1967 period was characterised by confrontation with the centre, the present phase is characterised by cooperation. The centre state political relationship when Janata Dal was at the centre with the same party in the state under Biju Pataanik was relatively strenuous because of personal differences between Biju Pattanaik and V.P. Singh on issues like Mandal Commission and electoral alliances with other parties in the state. The state enjoyed a certain degree of autonomy in

decision making on domestic affairs. Centre's intervention was resented by the Chief Minister. This was possible because of his strong personality in the party.

Hence, political relations depended more on personal friendship or enmity. This is evident from the present phase of relationship. Biju Pattanaik feels very comfortable with the central leadership. P.V. Narasimha Rao on the other hand, the central "High commaon" does not pay heed to the complaints against Biju Pattanaik by state Congress (I) leaders. Biju Pattanaik's soft corner for Congress (I) is discernible from his support for the policy of liberalisation and austerity measures congratulating S.D. Sharma before presidential election, promising to stand by the prime Minister in the "Harshad Mehta 1 crore pay off allegation" (For which he is criticised by his own partymen) etc. On the other hand the central leadership has taken a soft note on the administration of the state as seen in Cuttack liquor tragedy and taken a strong note of the beating of the Chief Minister in the secretaria and ordered strong action against the culprits (allegedly Congressmen).

This understanding is to establish a working relationship between the state and the centre. The central leadership is politically weak because of a minority government. So freedom of decision making is restrained. In the state, Centre-State issues are increasingly used for political purposes these days. Politics and Finance are related. But political resentment of leaders leads to demand for finan-

cial autonomy.¹⁰

Political relations of the Government of Orissa with the central leadership at the level of party activities has been over the years changing from dependency to a period of relatively independent decision making process. On the other hand, financial relations show just the opposite trend. Government of Orissa over the years is increasingly depending on the central transfers for her plan outlay, industrialisation and developmental activity. There are political, economic and historical reasons for this. Politically, Orissa has a very weak clout at the centre Secondly, fixation of plan size is a bargaining process and in normal situations the decisions at NDC have gone in favour of the better off states. Orissa's backwardness is also the result of pattern of expenditure on various schemes. Historical reasons are traced to its late start in the developmental activities, hence underdevelopment was inherited from the past. But the matter of concern is the inter-state disparity which is growing over the years. However, it is futile to say that Orissa is financially backward and underdeveloped because of political reasons. Political clout and strong leadership pattern is not always a prerequisite for development and economic advancement. Had it been the case of Uttar Pradesh and Bihar, it would have been the most developed states. Where as Economic studies show Bihar as the most underdeveloped state with lowest in most of the backward

10. The Hindu, st, 5th Aug, 1992.

socio Economic Indicators (Appendix I to V), So the reasons are not purely political. However, in a federal democratic country, the disparity could have been brought down by planned development and progressive discrimination of backward regions. The failure of planned development to bring down disparity is a serious cause of concern. To understand this aspect the financial relations of Orissa with the centre becomes important.

The nature of Economy in Orissa is characterised primarily by agricultural, with fast growing per-capita income and underdeveloped social services. Though it is rich with natural resources, forest area, well spread out river system, industrialisation has not been progressed. This is because of the low infrastructural facilities in terms of irrigation, transport and communication, Power and other social service areas (Health, education, sports, community service etc.). There is a large proportion of backward population (SCs and STs) in the state which affects the developmental perspectives. It is the most backward state next to Bihar in terms of per-capita income, consumption and other socio-economic indicators (APPENDIX I TO V). Historical reasons for its backwardness is disirable from the discriminatory policy followed by the colonial Government. However, these ills were sought to be removed by planned development in the post Independence period. Due to poor resource availability, it heavily depended on the centre for the financing of its plans.

Plans in Orissa are financed through fair major sources, which has been discussed in Ch IV. Central transfers constitute the most important source of its plan financing. The sources of non-tax revenue from Forest, mining royalty, water rates and public undertakings are not encouraging. The state has a very weak tax base. In the light of this I have tried to answer some questions, such as how far Orissa is able to maintain an equilibrium between its revenues and constitutional responsibilities (expenditures) to show the reasons for dependence on the centre, in the 80's. Secondly, whether in comparison to other states it has been done Justice? and how far the criteria of central transfers are based uniformly, on the criteria of need.

In the Budgetary trend, the deterioration of financial position of Orissa is analysed, which shows Orissa's deficits & needs to be balanced by grants from centre. Orissa has pleaded for Plan assistance in different plan periods with specific problems. It is increasingly depending on the central assistance for its developmental activities. Centre has provided assistance for agriculture and allied activities, community development, public health, medical and family welfare (138% of total expenditure that means assistance in this area was not utilised). This category includes child welfare, relief rehabilitation etc. and special welfare programmes like SFDA, MFAL, RLEGP, JRY etc. However, Centre's assistance is negligible in education, Infrastructural facilities like power and Irrigation, Road and Trans-

port etc. The schemes like, No. Industry district scheme, Backward District Programme, Drought prone area Programme.

The flow of resources through Finance commission has been very useful for the developmental needs of the state. Though the relatively developed states benefit from the distribution of divisive pool of Taxes, Orissa has been awarded Grants in aid by all the Finance Commissions. The amount of Grants however, varied from one Finance Commission to another, depending on the criteria adopted by each Finance Commission.

However, the Government of Orissa is looking forward to the adoption of a just and progressive formula which could enhance the resource position of the state. Secondly, the growth of discretionary plan grants is another area of concern for its increasing use in the recent years, which has a political overtone. However, Government of Orissa is increasingly dependent on plan grants which constitutes a considerable proportion of the total plan size. The central Government provides central assistance through various schemes, in three categories (i) centrally assisted schemes, centrally sponsored schemes and central sector plan schemes. The state is however, tied with some conditions and contributions from the state which distorts its priorities. But it can not refuse the scheme given the high Grant content in it. This irritant could be removed by adopting the schemes to the local conditions as recommended by the Sarkaria Commission.

As shown in the memoranda what is alarming about Orissa's Financial relations is the growing amount debt of which 81% was loans from the centre by 1992. The debt pressure is mounting over the years and has gone upto Rs. 5656 crores by 1992 March.¹¹ This shows the dependence of the Government of Orissa on central loans. The burden of debt leads to growing rate of Interest payment, The interest payment in 1992-93 budget constitutes 20.17 percent of the total expenditure leaving little resourcess for development expenditure. On the other hand , Institutional financing (Banks, Cooperatives) in Orissa is very low. Central Investment in the state is not forth coming as complained by the Government of Orissa in its memorandum to Sarkaria Commission, (Vol II).

The present formula of plan and non-Plan transfer is not in favour of Orissa as it does not take special problems of Orissa; For example, a high perecntage of backward (SC & ST) population which is a burden on state, poor taxable capacity, hence, it cannot mobilise additional resources for the matching grant, etc. The centre blames the state for not utilising the elastic source of tax on agricultural Income. But productivity is not very high in Orissa, as per-hectare yield of food grains is much lower than other developed states. Secondly, in the absence of adequate irrigation facitities the crops in Orissa suffer the vagaries of mon-

11. R.B.I. Report on Currency and Finance. (Vol II), 1992, p-160.

soon. So the production fluctuates. Thirdly, the land holding pattern in Orissa shows that most of the lands are fragmented. It is difficult to assess the income from agriculture under these circumstances.

In the memoranda submitted to VIII and IX Finance Commission, the state Government shows the general grievances of the states in the present set up with specific problems of Freight Equalisation, Tax exportation and mounting debt problems. Central Transfers is not the solution. Because it has been seen that the dependence of the state increases with increasing central transfers, in the state plan outlay. On the other hand pattern of Expenditure also suffers from many flaws, like increasing, non-developmental expenditure (general administration Interest payment). until the state is able to mobilize its own resources, which is possible with more outside investment for achieving higher level of Economic growth, the backwardness will prevail. Secondly, the plan grants should be distributed among the states on the principle of "need" so the backward states could benefit, and become self sufficient. The criteria of weighing composite backward Index for resource transfer to Orissa would go a long way in reducing regional disparity.

Few Suggestions for improving the financial position of Orissa and reducing dependence on the centre

On Pattern of Expenditure

1. Government of Orissa has indulged in large non-developmental expenditures. This has to be reduced.

2. Loans should be utilised for creating productive assets.
3. Since, Subsidy has benefited the richer section, it as to be curtailed and given to the needy sections only.

On Collection of Revenue:

1. To improve to own tax position, by mobilising additional resources. Agricultural income should be taxed, selectively on commercial crafts.
2. Public Sector Unit should be maintained and made to show profits.
3. Tax evasion should be checked.
4. Small scale industrialisation should be promoted.

For the Centre:

Development of the state dependence on the size on the state plan which is decided by the planning commission. The centre should evolve principle to reduce the regional disparities, which could be fixed in every Five Year Plan. The target of reducing regional disparities should be given priority. For State like Orissa normative approach is beneficial since, it does not weigh all the states on the same plane. Lastly, backwards states like Orissa could be treated as "special category state" until it attained the all India average of socio-economic indicators of backwardness, as shows in the Appendix.

Limitations of my Study

Political and Financial aspects of relations have been dealt separately to analyse the dependency of the Government of Orissa on the centre. It would be interesting to analyse the political relations and nature of politics in the state vis-a-vis the centre through Financial relations. However, I have not attempted to look at one aspect from the point of view of the other aspect. The relation could be established by studying, the working of the NDCs, Chief Ministers Conferences, Chief Secretaries Conferences, Zonal Councils, and Inter-state council (which has recently been created). This aspect needs to be explored as Financial issues (Tax exportation, Freight equalisation, administered price) are increasingly being used by leaders for popular mobilisation.

APPENDIX I

Sl. No.	State	Percentage Distribution of Area 1991	Percentage Distribution of population 1991	Percentage of Urban population to Total population 1991	Density per sq. km of Area 1991	Percentage of literacy 1991	Percentage of forest area to Total Area 1986-87	Percentage of net area down to Total area 1986-87	Percentage of net area irrigated to Net Area Down 1986-87	Percentage of Irrigation potential created to ultimate Irrigation potential (upto 1989-90)
1.	Gujarat	6.0	4.9	34.40	210	60.91	10.0	51.2	24.1	64.1
2.	Haryana	1.3	1.9	24.79	369	53.33	3.9	82.5	64.8	78.5
3.	Karnataka	5.8	5.3	30.91	234	55.98	16.0	55.4	17.2	59.7
4.	Maharashtra	9.4	9.3	38.73	256	63.05	17.4	58.7	10.4	60.0
5.	Orissa	4.7	3.7	13.43	202	48.55	35.9	40.3	26.7	49.5
6.	Punjab	1.5	2.4	29.72	401	57.14	4.4	79.3	88.5	90.0
7.	West Bengal	2.7	8.1	27.39	766	57.72	12.3	60.3	35.8	61.1
8.	Bihar	5.3	10.2	13.17	497	38.54	16.8	43.9	38.8	65.0
INDIA		100.0	100.0	25.72	267	52.11	21.9	46.0	30.7	70.2

Source : Government of Orissa, Economic Survey, 1991-92, Dept. of Planning & Coordination, Bhubaneswar, p.234-235.

APPENDIX II

Sl. State	Consumption of fertiliser per Hectar Kg. 1989-90	Yield rate of rice per Hectar in ___ Triennium end 1987-90	Share of Different States foodgrain production of All India 1989-90	Percent- age vill. electric- fied March end 1991	Per Capita Consumption of electric- ity in KWH Both utili- ties 1989-90.	
1. Gujarat	62.3	12.6	2.8	100	399	
2. Harayana	94.4	24.9	5.1	100	353	
3. Karnataka	66.0	19.5	4.2	100	273	
4. Maharashtra	59.5	15.0	7.8	100	405	
5. Orissa	21.7	11.8	4.6	67	181	
6. Punjab	158.6	18.0	11.2	100	639	
7. West Bengal	81.7	18.4	6.9	73	139	
8. Bihar	54.1	11.1	6.9	69	102	
INDIA		65.4	16.4	100	83	236

Source: *ibid.*, 236-237

APPENDIX - III

Sl. No.	State	Suface Road per 1000 Sq.K.M. (31.3.88) (in K.M)	Registered Motor Vehicles per 1000 population in 1988-89	Percentage distribution of factory workers to total All India factory workers 1987-88	Per Capita Gross output in industry (in Rs.) 1987-88	Per Capita value added by manufacturing (in Rs.) 1987-88
	Gujarat	324	40.4	8.8	4196.1	731.7
	Haryana	527	26	2.7	3469.7	519.8
	Darnataka	408	26.2	4.8	1527.7	312.6
	maharashtra	413	31.3	14.7	4554.1	866.3
	Orissa	122	7.9	2.0	975.8	157.7
	Pubjab	817	55.6	5.0	4033.3	536.1
	West bengal	304	10.8	9.5	1772.7	403.5
	Bihar	174	2.7	5	998.5	235.2
	India	269	20.6	100.00	1945.2	357.9

Source : Ibid., p.,230-239.

APPENDIX - IV

Sl. State	Percapita Annual Appro-ved plan on they (in Rs.) 1990-91	Percapita Total Revenue of states resources transfered from Centre	Percapita Own Revenue 1991-92 (B.T) in Rs.	Percapita Own Tax Revenue 1990-91 B.t in Rs.	Percapita State Budgetary Expnd. 1990-91 B.t (Both Rev. & Cap. Account in Rs.	Percapita Govt.Expnd. medicals Public Health & Family Health 1990-91
1. Gujarat	352.4	981.9	734.8	586.0	1302.9	60.8
2. Haryana	429.0	1160.8	843.4	643.3	1449.2	65.3
3. Karnataka	250.0	851.7	635.0	480.1	1114.2	62.3
4. Maharashtra	311.1	971.7	781.9	602.4	1287.5	57.4
5. Orissa	296.7	787.6	318.3	229.0	1076.8	56.7
6. Punjab	448.2	971.9	728.3	611.3	1654.0	99.4
7. West Bengal	195.3	614.4	376.8	341.0	969.4	69.9
8. Bihar	209.1	503.8	240.4	124.6	693.5	37.8
INDIA	300.6	773.9	456.6	348.5	1068.9	57.1

Source: ibid, 241-242

APPENDIX - V

Sl. No.	State	Percentage of Population below poverty line 1987-88			Per Capita Net State domestic product 1988-89	
		Rural	Urban	Combined	At Current Prices	At Constant Prices (1980-81)
1.	Gujarat	21.2	12.9	18.4	4742	2506
2.	Haryana	11.7	11.7	11.6	5274	3086
3.	Karnataka	35.9	24.2	32.1	3602	2041
4.	Maharashtra	36.7	17.0	29.2	5155	2960
5.	Orissa	48.3	24.1	44.7	2625	1455
6.	Punjab	7.2	7.2	7.2	6227	3552
7.	West Bengal	30.2	20.7	27.6	3423	1930
8.	Bihar	42.7	30.0	40.8	2266	1071
	INDIA	33.4	20.1	29.9	3835	2082

Source : *ibid*, p-240.

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List of Persons Interviewed

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Shri. Bijay Mahapatra, Minister for Irrigation, Orissa
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