



## **BUDGET SPEECH 1985-86**

**Shri K.M. Mani**

22<sup>nd</sup> March 1985

Sir,

1. I present the budget for 1985-86 before the House.

2. The nation is on the threshold of a new era of self-confidence and hope. Meeting the grave challenges against the nation's integrity and secularism, defeating reactionary forces and winning the unprecedentedly massive support of the Indian Public in the last Parliament election, our Prime Minister provides inspiring leadership to our people. This gives us great hope while we proceed with the formulation of the 7th National Plan and the State Plans.

3. We are completing the Sixth Plan by the end of this financial year. Kerala's Seventh Plan commences with the budget I present now. It will be appropriate to briefly explain the financial management of the Sixth Plan and assess the likely financial trends in the Seventh Plan period.

### **Financial Management of the Sixth Plan**

4. While we launched the Sixth plan, the financial resources prospects appeared satisfactory. The Seventh Finance Commission's recommendations had substantially increased the devolution of the States share in Central taxes to States, particularly the share of basic excise duties. In that one item-which is the biggest item of devolution- the increase was 100%. States' total share rose from 20% to 40%. Consequently, a number of States which just managed to get their revenue deficits filled during the earlier commissions' periods, became revenue surplus. Kerala was in this category. The non-plan revenue expenditure provisions assessed by the Commission for the period 1979 to 1984 were, assuming reasonable stability in prices, quite adequate. On the non-plan capital side, the Seventh Finance Commission had taken a refreshingly realistic approach. Apart from rescheduling the old loans, the commission made a scientific study of the application of loan funds and wrote off a good part of the central loans deployed for build up of the infrastructure for development. Kerala was one of the biggest beneficiaries of this approach. Consequently, the relief we received on the non-plan capital account was Rs. 115 crore. Against this background of reasonable optimism on the financial front we launched the Sixth Plan with an outlay of Rs. 1550 crore for which the State was to raise Rs. 1119.84 crore and Centre was to give Rs. 430.16 crore as assistance.

5. Almost as soon as the plan started, the financial situation changed radically. Both the Seventh Finance Commission and the Planning Commission had based their projections on the assumption of reasonable stability of prices. This assumption did not materialise. The main impact, as far as the State Government's finances are concerned, was in the expenditure on dearness allowance to employees. All through the Sixth Plan period, this commitment increased steadily. In 1980-81, five instalments of D.A. had to be given. The five year commitment was Rs. 162.00 crore. In 1981-82, four instalments had to be given. The four year commitment was Rs. 111 crore. In 1982-83 five instalments had to be given. The three year commitment was Rs. 110 crore. In 1983-84, six

instalments had to be given. The two year commitment was Rs. 86 crore. On the three instalments sanctioned this year, the commitment is Rs. 28.00 crore. So the total additional commitment taken up on this item of expenditure is Rs. 497 crore during the Sixth Plan period. The six additional instalments of D.A which the Government have now decided to give are in addition to this. .

6. General increase in prices caused escalations not only in D.A. but in other non-plan expenditure also as the cost of all services and supplies rendered by Government to the public suffered the impact of price rise. Consequent on these two factors, under all major items, the actual non-plan. expenditure during Sixth Plan period was far higher than the estimates made at the time of formulating the Sixth Plan. I shall give below a few examples:

	<i>Non-plan expenditure 1980-85, assumed while formulating Sixth Plan</i>	<i>Actual non-Plan expenditure (Including R.E.for current year), 1980-85</i>
Education	1099.37	1261.54
Medical	232.95	269.06
Pension & other retirement benefits	153.73	268.72
Social Security & Welfare	113.93	201.28
Police	152.25	187.44
Stationery & Printing	21.00	30.06

7. This increase in non-plan expenditure adversely affected plan resources. We are faced with the distinct possibility of cutting plan expenditure. In fact, some other States, faced with similar problems, did take recourse to that method. But we were clear in our minds that, reduction in the plan size was certainly not the right solution. So, in spite of the increasing financial problems, we went ahead with the implementation of the Sixth Plan. Instead of cutting plan expenditure, we increased the outlays for some important programmes. As we close the Sixth plan on 31-3-1985, our Sixth Plan expenditure will be Rs. 1748 crore as against the original outlay of Rs. 1550 crore. We achieved this by a determined effort in three directions. One was to improve our own receipts. In the matter of additional resource mobilisation we exceeded the plan target. The second was to effect savings in expenditure wherever possible. The third was to seek help from the Centre, explaining our problems to them promptly at the appropriate time. While we are grateful for that help, we should not be little our own achievement of taking care of our Sixth Plan in spite of financial difficulties of obviously uncontrollable dimensions. We, the people and Government of Kerala, are able to overcome insurmountable problems in the quest for a better tomorrow.

8. The basic factors that resulted in the increasing deficit and overdraft of the Sixth Plan period will be clear from the analysis made above. In principle, it is not desirable to overdraw from the Reserve Bank. In the ideal situation, every state Government should be able to meet its Plan and non-Plan expenses within available resources. But the Indian experience of the last many years is contrary to this. There is scope for difference of opinion about the factors responsible for this. I do not propose to go into that basic issue now. But the fact is that when many other States Including some of the most prosperous States-do not manage their finances without recourse to overdraft, it is unrealistic to expect Kerala to do so. No doubt, we could meet a part of the additional expenditure in important areas like Education and Health by improving the revenue collections and curtailing avoidable expenditure. In fact we did so but it was impossible to meet the entire additional expenditure by this method. If the State Government wanted to avoid overdrafts entirely in the Sixth

Plan, only three options were available. The first was not to incur substantial additional expenditure commitment-mainly on D.A. The second was to tax our people heavily every year. The third was to reduce Plan expenditure. I should like to state unequivocally that in the special conditions of Kerala, none of these three options is acceptable to us.

### **Adverse impact of the recommendations of the Eighth Finance Commission**

9. As the Government's liabilities on non-Plan revenue expenditure was increasing steadily during the Sixth Plan on account of general rise in prices, it became clear that the buoyancy of normal revenues even in an inflating situation could not by itself meet the situation. Realising this, the State Government presented our case clearly before the Eighth Finance Commission. With detailed forecasts on each item of receipt and expenditure, we brought out the fact that during the period between 1-4-1984 to 31-3-1989, the State's deficit on the revenue account would be Rs. 2916 crore, including the requirements for upgradation of standards of administration. We also submitted the State Government's memorandum suggesting the principles that should govern the devolution of share of Central taxes and the other matters referred to the Finance Commission. Discussions were held with the Commission both at the official level and at the level of the Chief Minister and Ministers. We were hopeful that the Commission would appreciate the realities of the situation, and that we could start the Seventh Plan with a satisfactory surplus in the revenue account, substantial relief in the matter of repayment of central loans and a scientific national formula for meeting future commitments on D.A. But the Commission's Reports-both the interim and the final reports-dashed this hope in almost every aspect. I do not propose to find fault with the Finance Commission or anyone else for this. The State Government had done their best to present the State's case. Political parties in the State also presented their views to the Finance Commission. Whatever be the norms adopted by the Commission, in effect, their recommendations were unfavourable to Kerala.

10. The most important aspect covered by Finance Commission Report is the devolution of shares of some Central taxes to States. The biggest two items are basic excise duties and income tax. These two account for the major part of the amounts received by States as share in Central taxes. Under the earlier (Seventh) Finance Commission's Report, Kerala's share in basic excise duties was 4.035%. The Eighth Commission reduced it to 3.8%. Regarding Income tax our share fixed by the Seventh Commission was 3.948%. The Eighth Commission reduced it to 3.76%.

11. The next aspect covered in the Finance Commission Report is the eligibility for grants under Art. 275. This grant is given to States which are found to be deficit in revenue account even after taking credit for the recommended share in taxes. Kerala did not get any share of an amount of Rs. 2200 crore of revenue gap grants under Art 275 recommended by the Commission for States. We were to be satisfied with the normal share in Central taxes and that too, as explained above, a reduced share in the two major items.

12. In the matter of relief in non Plan capital account also, the Commission's recommendations are not helpful to Kerala. As States often find themselves in revenue deficits, most of the funds used for investment in Plan are borrowed. These loans are taken from open. market as well as financial institutions like LIC. Even the Central assistance given to States for Plans is 70% loan. State Governments do not find it possible to deploy all these loan funds in projects which give a commercial rate of return to Government. For instance, we spend a good amount on roads and bridges. That does not give a direct return to Government. In the long run, such investment will lead to better buoyancy in revenues; but for the immediate and medium range perspectives, the repayment liability is too heavy. This is why relief in the non-Plan capital budget has become a standard term of reference to Finance Commissions. As I stated earlier, the Seventh Finance Commission had appreciated this problem and went to the extent of writing off a part of the loans deployed for infrastructure build up. But the Eighth Commission took a rather theoretical view of the

State's ability to repay Central loans. Consequently, as against the previous Commission's recommendation giving Kerala a relief of Rs. 115 crore, this Commission's recommendation give us only a relief of Rs. 53.80 crore, when actually our loan liability had substantially increased over the levels reached at the time of the Seventh Commission's Report. So, the Eighth Finance Commission's recommendations have left Kerala with a reduced share in taxes, no grant under Article 275 and grossly inadequate relief in the matter of repayment of loans. I have explained earlier now, even during the Sixth Plan which was launched with the optimism generated by the refreshingly realistic Seventh Finance Commission Report, we ran into serious difficulties. The honourable Members can easily visualise what our financial difficulties are likely to be during the Seventh Plan, which we launch against the background of the disheartening report of the Eighth Finance Commission.

### **Problems in the Formulation of the Seventh Plan**

13. The discussions held so far in the context of the formulation of the Seventh Plan have already given enough indication of the problems we have to face. The resources for the Seventh Plan as well as Annual Plan 1985-86 were discussed at the official level in November, 1984. The assessment was made jointly by the officials of the Planning Commission, Union Finance Ministry and the State Finance Department. The five year Non-plan revenue deficit of the Seventh Plan period was assessed as Rs. 800 crore. For the five year period of the Seventh Plan, the Non-Plan capital deficit is Rs. 308.25 crore. The deficit on the revenue side will increase if the commitment on further dearness allowance is to be taken up. If that commitment is assumed to be the same as in the Sixth Plan period, the non-plan revenue deficit of the Seventh Plan will increase to Rs. 1300 crore. Total Non-Plan deficit will be over Rs. 1600 crore. Funds raised by the State Government during the Seventh Plan period-whether from public account, or from additional taxation or from borrowings-have all to be set apart for meeting this huge deficit in the non-Plan revenue and capital accounts. What is left, if any, and the Central assistance alone can be invested in our Seventh Plan.

14. This is the exact size of the problem resulting from the Eighth Finance Commission's report. It will not be in the larger public interest if we ignore the adverse effect of their recommendations or fail to assess the dimensions of that adverse impact on our developmental efforts.

15. Rightly, it can be asked whether we should not try to meet the situation with our own efforts. Yes, certainly, we can do that to an extent. For instance, on the side of receipts, we can try to collect more from existing taxes. In fact, for next year, I have taken credit for revenue yields higher than those assessed by the Finance Commission in some major items like sales-tax. But can we honestly say that, improvement of our own revenue collections and reduction in our non-Plan expenditure should be enough to meet a combined revenue and capital deficit of Rs. 1600 crore in five years? My answer is clearly, No. Even States which are far more prosperous than us cannot meet this order of deficit by their own efforts.

16. I may therefore state categorically that the formulation of even a modest Seventh Plan for Kerala depends substantially on the Planning Commission's ability to extend to us reasonable special consideration to compensate the adverse effect of the Finance Commission's recommendations. This has to be a grant in addition to the Plan assistance under the Gadgil Formula. Now that the Planning Commission has a realistic assessment of the State Government's non-Plan revenue and capital deficits, we have every right to expect this help from them. As the Commission postponed the final round of discussions with State Chief Ministers, We are yet to know what they propose to do for Kerala. I take this opportunity to assure the House that the Chief Minister and myself will try our best to present the State's case forcefully and clearly before the Planning Commission and the Central Government.

17. The Honourable Members may kindly appreciate that till these discussions with the Deputy Chairman, Planning Commission take place, I am not in a position to indicate our outlay for the Seventh Plan. However, the Plan for the next year had to be finalized as, otherwise, the pace of our developmental activity would slacken. If next year's Plan is determined by the level of resources assessed at the official level discussions, we cannot have any worthwhile plan expenditure. Notwithstanding our difficulties, we cannot fix the Plan for 1985-86 at a level less than the approved outlay of 1984-85. While we will make, as in the past, all efforts to raise additional resources on our own, we also expect substantial special help from the Centre. With this hope, the outlay for the next year's Plan has been fixed at Rs. 355 crore.

#### **Accounts 1983-84**

18. Though we expected to close the year 1983-84 with no deficit, there was actually a deficit of Rs. 75.24 crore. The expectation of a medium term loan of Rs. 86 crore from Government of India did not materialise fully. The loan actually received was only Rs. 42.26 crore.

#### **Revised. Estimates 1984-85**

19. While presenting the budget for 1984-85 I had assumed that the year would open without deficit. However as explained above, there was a deficit of Rs. 75.24 crore carried forward from 1983-84. The transactions of the current year also are estimated to result in a higher deficit than I had envisaged while presenting the budget. The basic factors which result in the deterioration of our financial position during the period of the Sixth Plan have already been analysed in detail earlier in the speech. According to the revised estimates, the closing deficit of the current year will be Rs. 297.33 crore. The Government are however trying to reduce this deficit to the extent possible.

#### **Budget Estimates for 1985-86**

20. The total revenue receipts estimated for 1985-86 are Rs. 1156.30 crore inclusive of State's share of Central taxes to the extent of Rs. 234.51 crore. Of this the receipts from the State taxes and duties are estimated at Rs. 638.58 crore. Non-tax revenues are estimated at Rs. 121.37 crore and grant-in-aid from the Government of India at Rs. 161.83 crore. Revenue expenditure is estimated at Rs. 1235.42 crore of which Rs. 1034.33 crore represent non plan expenditure. The non plan expenditure of Rs. 1034.33 crore shows an increase of Rs. 175.84 crore over the budget estimates 1984-85 of Rs. 858.49 crore. The areas where major increases in non-plan expenditure have been estimated are interest payments, pension, Police, Education, Stationery & Printing, Medical and Social Security & Welfare.

#### **Annual Plan 1985-86**

21. The financing pattern for the next year's plan has not yet been finalised as the Planning Commission postponed the discussions. However, a Plan outlay of Rs. 355 crore has been included in the budget estimates on a tentative basis. In the official level discussions held in November, 1984, the Central assistance and open market borrowings indicated by the officials of the Planning Commission was Rs. 136.46 crore and Rs. 53.27 crore respectively. Including the Central assistance for centrally sponsored schemes and other assistance for anti sea erosion works and E.S.I., the total developmental outlay for 1985-86 will be Rs. 521.89 crore.

#### **Ways and Means**

22. The financial position of the State, as emerging from the transactions of 1985-86 included in the budget estimates is as follows :-

(Rs. in crore)

### 1985-86 Operations

(i)	Revenue account	
	(a) Receipts	1156.30
	(b) Expenditure	1235.42
	(c) Revenue deficit	(-)79.12
(ii)	Capital account	
	(a) Receipts	558.98
	(b) Disbursements	672.90
	(c) Net Capital Account	(-) 113.92
(iii)	Public Account	
	(a) Receipts	1368.05
	(b) Disbursements	1332.05
	(c) Net Public account	36.00
(iv)	Deficit	(-)157.04

This does not take into account the closing deficit of the current year or any expenditure on pay revision.

23. Though these estimates are based on a Plan outlay yet to be approved by the Planning Commission, it is clear that even for this modest outlay, we have to raise additional resources. It is not within the State's ability to cover the entire deficit of 1985-86 transactions through additional resources mobilisation. However, we have to do the best we can.

### Departmental Schedules

24. I shall now attempt a brief review of the activities of the Government.

25. In the context of soaring input costs of paddy cultivation an effective method to help the farmers is to assist them in increasing their productivity which would bring down the unit cost of production. Keeping this in view, a liberalised scheme for procurement of seeds of high yielding varieties will be implemented. Under this scheme, farmers who deliver seed paddy of high yielding varieties will be given a higher price than the grain price. Every effort will be made, with timely and effective liaison with the Government of India and the Commodity Boards, to ensure the economic viability of Plantation crops like tea, coffee, cardamom and rubber, in terms *or* remunerative prices, increasing productivity and enhancing research inputs. Kerala Agricultural Extension Project and the various schemes aimed at the increased production of coconut will be continued during the coming year. The multi-state cashew project, being implemented with World Bank assistance, will be continued and 2000 hectares more will be brought under fresh planting of cashew. Considering the fact that 18,000 hectares have already been brought under Cocoa cultivation within the State with an annual production of about 4000 tonnes of cocoa, it has become necessary to provide adequate cocoa processing facilities. In addition to continuing the present pattern of assistance for the agricultural development of the Scheduled Castes and Scheduled Tribes colonies, a new component will be introduced next year for training the unemployed youth of S.C./S.T. communities on nursery technic,

use of mini tractors, power sprayers and minor repairs of agricultural implements so that they can start Agro Centres in rural areas. A new programme to promote Oil Palm cultivation in private holdings by subsidising the investments will be taken up availing assistance under the Western Ghat Development Programme. An eco restoration Project for the development of Periyar River Basin through management and development of land and water resources is proposed to be taken up with Swiss assistance.

26. In the Animal Husbandry Sector, cross breeding facilities will be extended to more areas and an Intensive Cattle Development Project together with 150 breeding centres will be established. A Poultry Development Agency will be established. Poultry Estates will be set up to improve poultry production and to provide opportunities for employment. For the optimum utilisation of the available resources and for maximising livestock production as well as to bring scientific achievements to the doors of the farmers, 'Panchayat level-Extension Service' will be provided to the farmers. This programme will be implemented in a phased manner. District Veterinary Centres will be established in selected districts to provide referral support to the field organisation to make use of technological developments.

27. A Dairy Development Project has been formulated in Manjeri with the whole of Malabar as its project area and it will be implemented in a phased manner within a period of 5 years from next year. An Intensive Dairy Development Project will be established at Marangattupilly covering Meenachil and Vaikom Taluks which has a breedable cattle population of 60,000. This project will be started this year and completed during the 7th plan period. The project is intended for fodder development, upgradation of local cattle through cross breeding and better milk marketing arrangement. Since around 80% of the total requirement of cattle feed in the State is imported at present from neighbouring States, it is proposed to establish 3 more cattle feed factories having a capacity to manufacture 100 metric tonnes of cattle feed per day. It is Governments' intention to establish one District Fodder Farm in each District with an area of not less than 100 hectares. An Intensive Dairy Development Programme to benefit Harijans and Girijans in the State will also be implemented next year to provide employment to about 125 lakh Harijans and Girijans families during five years. The Operation Flood II Programme is being implemented successfully through the Kerala Co-operative Milk Marketing Federation Ltd. The State Government will attempt to provide to the Federation adequate lands free of cost for establishing dairy plants, milk product factories and other infrastructure facilities under this scheme.

28. The development of fisheries is a vital programme in the economic development of the State. Government intends to implement a comprehensive scheme to improve productivity in this sector for which institutional finance from N.C.D.C. and other financing institutions will also be made available. Deep sea resources will be exploited in an increasing measure by the introduction of large size modern trawlers. Besides completing the National Fish Seed Farms at Malampuzha and Polachira, another Fish Seed Farm will be set up in the Malabar region. The construction of fishing harbours and landing centres already undertaken will be expedited. The construction of Puthiappa Harbour Project is expected to commence in 1985-86. A new housing scheme for the construction of 10,000 houses for fishermen, with the assistance from HUDCO, will be started during the year. The construction of the 3000 houses taken up under the Voluntary Housing Scheme and the 5000 houses started under the Flood Relief Scheme will be completed during the year. An integrated programme for providing drinking water, electricity, link roads, sanitation and health care facilities will be implemented in a phased manner to cover all the fishermen villages. A scheme for supply of lifebuoys, life jackets and radios to fishermen is being introduced.

29. Under the programme of forest conservation, permanent juntas will be set up in an area of 800 Kms. Teak, eucalyptus and other varieties of plants having economic importance are proposed

to be planted in 1000 hectares during 1985-86. Bamboo cultivation will be undertaken in another 1000 hectares. Social forestry programme is being implemented successfully. This will be continued during the coming year. The activities of the division started in the Forest Department for the protection of wild life will be improved during 1985-86. Steps are being taken to get the Thekkady Wild Life Sanctuary also declared as a National Park. A massive programme will be taken up for harmonising socio-economic growth with eco-restoration, eco-preservation and eco-development in the hilly areas of the State.

30. The programmes under Co-operation during 1985-86 relate mainly to the consolidation and strengthening of co-operatives as viable institutions capable of catering to the needs of the community, providing potential for employment opportunities and economic development of the weaker sections. The Deposit Mobilisation scheme will be continued during 1985-86 with the objective to utilise a substantial portion of the deposit thus mobilized for implementing productive and employment oriented schemes.

During the year a new District Co-operative Bank will be opened in the Kasaragod District. The scheme for the payment of 5% interest subsidy on agricultural loans taken by the, farmers will be continued on a permanent basis. The Kerala State Co-operative Housing Federation will, be strengthened to avail larger institutional credit for implementing the Co-operative Housing Schemes. The Co-operative marketing structure will also be strengthened. The existing societies will be revitalised wherever possible and new marketing and processing co-operatives will be organised if found necessary. The value of fertilisers distributed by the co-operatives has increased substantially during the recent years. The programme in 1985-86 is to distribute fertilisers worth Rs. 45 crore through co-operatives.

31. Efforts will be made to complete, during the year, the Irrigation Projects started during the previous plan periods. Vamanapuram and Meenachil Projects will be completed during the VII Plan. The bridge-cum-regulator at Chamravattam will also be completed during the VII Plan. Survey and investigation of new irrigation schemes like Thuppanad, Aralam, Maruthapuzha, Irrinjapuzha, Chaliapuzha etc. will be undertaken during the year. The major share of the outlay for the year under minor irrigation is proposed to be utilised for the completion of the spill-over works. The Kerala Water and Waste Water Authority has already embarked on a scheme of providing water supply to 50% of the harijan and girijan population in the State. The scheme formulated for the drilling of 1300 numbers of bore wells and providing hand pumps in all the tube wells in the various harijan and girijan habitats is going on in full swing. In addition to the Vakkom-Anjengo and Nattika-Firka Water Supply Schemes which are being implemented with the assistance from the Government of Netherland, five more new schemes are proposed to be posed for bilateral assistance from the Netherlands Government. A scheme for water supply to Sabarimala Sannidhanam at estimated cost of Rs.112 lakh has been commissioned. 295 Rural Water Supply Schemes, including schemes benefiting harijans and girijaris will be commissioned by the close of this year which will benefit 5.85 lakh population.

32. Work on the 75 MW Idamalayar Hydro Electric Project and 390 MW Idukki Stage-II are progressing satisfactorily and they are expected to be commissioned by June 1985. Idukki State-III and Sabarigiri Augmentation Schemes will also be completed by 1985-86. With the commissioning of these four Projects during the year, the installed capacity of the State will be raised to 1476.5 MW from the present capacity of 1011.5 MW. In addition to completing the Kallada, Kakkad and Lower Periyar Projects, works on 5 small Hydro Electric Projects will be taken up in 1985-86 to be completed during the 7th plan. It is programmed to establish a 400 KV Sub Station at Trichur which is the first of its kind in Kerala. This station will be inter-linked with Ramagundam Super Thermal Power Station by a 400 KV inter-state grid through Tamil Nadu and Andhra Pradesh. The Sabarigiri



Edamom 220 KV D.C. line and the 220 KV Sub Station at Trivandrum will be completed during the year. All the revenue villages in Kerala have been electrified. Unelectrified Karas have however been identified and all these Karas will be electrified early during the Seventh Plan. 18,000 agricultural Pump sets are proposed to be connected in 1985-86. Besides electrification of 530 harijan and tribal colonies will be undertaken.

33. It is the aim of the Government to provide at least one Industrial Development Plot or Functional Estate in each district during the course of the VII Plan. One Functional Estate will be set apart exclusively for harijans. At least 700 of the closed sick units will be reviewed so as to revive as many of them as possible. Training to entrepreneurs will be imparted through specialist institutions such as the Centre for Management Development. In order to encourage entrepreneurs to take up industrial units based on new technologies developed by the National Research Laboratories, a scheme for setting up pilot plants in collaboration with such Laboratories will be introduced. The State Government has provided all infra structural facilities for the Export Processing Zone (CEPZ) established at Cochin. A special package of incentives for CEPZ has already been announced by the Government with a view to attracting industries to the Zone. In order to avoid recurring losses in the public sector undertakings, Government are determined to enforce better financial discipline. full capacity utilisation and efficient management. The Kerala State Industrial Development Corporation will continue to play a vital role in the State's industrial development and concentrate its efforts on setting up more joint sector projects. Among the new projects to be taken up for implementation, an important one is the Rs. 49 crore "Nylon Filament Yarn Project". The Kerala State Drugs and Pharmaceuticals Ltd. will be implementing a project for the manufacture of Aspirin at a cost of 11 .30 crore for which a new Company viz., "Kerala State Salicylates and Chemicals Ltd." has been incorporated. Government will continue to, attach great importance to the development of Electronic Industries in the State in view of its great potential for providing economic growth and employment. Preparatory steps have already been taken by the Government for the setting up of the 50 crore "Special Refractories Project".

34. The Kerala Financial Corporation will be disbursing loans to the extent of Rs. 10.5 crore during the current year. The Corporation has also been able to avoid delay in the sanctioning and disbursements ,of loans. The Corporation which is playing an important role in the industrialisation of the State will continue its programme for imparting training to the entrepreneurs and hold Credit Camps at periodical intervals to attract prospective investors.

35. It is proposed to enact a comprehensive legislation for the proper management and up-keep of the roads in the State. A master plan will be drawn up at district levels for an integrated road development programme. The Department has taken up 234 roads with a total length of 1200 Km. as per the "Two roads in a Constituency" scheme announced during 1982-83. Administrative sanction has been issued for 140 roads costing Rs. 26 crore. Action is in progress for taking up the work relating to the other roads and issuing administrative sanction. Twenty-nine roads are being laid under the Cashew Project area roads scheme in Palghat, Malappuram, Calicut, Cannanore and Kasaragod districts at a cost of 182 lakh with the assistance of World Bank. Construction of 64 houses is expected to be completed during the year, out of the 131 houses proposed to be constructed in tribal areas. Steps have been taken for the construction of new bridges, office buildings and quarters for government employees in various districts through the Kerala State Construction Corporation securing assistance from financial institutions. The first stage of the Legislature Complex estimated to cost Rs. 550 lakh, constructions of the guest house at Trivandrum and the civil station at Idukki are in progress.

36. Government would be paying more attention to the development of technical education. Government propose to start 15 Junior Technical Schools in the State during next year. Diploma

courses in Computer Technology and Pharmacy will be started in a few Polytechnics. It is also proposed to start diploma courses in "Cinematography" and "Pulp and Paper Technology" in the Government Polytechnics. A modern Planetarium will be constructed, attached to the Kerala State Science and Technology Museum at Trivandrum with all facilities for the study of Astronomy and Space Sciences. Vocational courses will be introduced at the higher secondary stage in 100 more schools during 1985-86. For the effective implementation of the various programmes relating to vocational higher education, a separate Directorate of Vocational Higher Secondary Education will be set up. The Institute set up at Calicut by the Government of India for imparting IT.I. Training in Modular pattern is proposed to be taken over by State Government during the Seventh Plan period.

37. Schemes for the improvement of health care at the Primary Taluk, District and State levels will be implemented. Public Health Centres, subsidiary Health Centres and Community Health Centres will be opened, wherever highly necessary improvement of hospitals as also improvement in specialties will be made during the year. National Programme for the control of Leprosy, Blindness, T.R., Filariasis and the National Malaria Eradication Programme etc. will be implemented vigorously. Taluk hospitals in newly formed taluks as well as in taluks where there are no taluk headquarters hospitals will be started. Advanced specialties in Cardiology, Cardio thoracic Surgery, Neurology, Neurosurgery, Nephrology etc. is proposed to be further developed during the year. Expansion of the Regional Cancer Centre at Trivandrum will be undertaken. More Homoeo dispensaries will be opened under the tribal sub plan programme. The programmes under public health for prevention and control of communicable diseases will be implemented vigorously.

38. Government have been implementing from 80-81 a scheme for the modernisation of police force involving a total cost of Rs. 9.86 crore. This will be continued till 89-90. The Police strength has been augmented by recruitment and training of about 4000 more police men in the Battalion and Armed Reserve. Telecommunication facilities with the police organisations will be improved. Even in the face of tight financial constraints, government have been keen to provide maximum welfare measures for Police personnel and their families and this will be continued. Steps have been taken to open new Fire Stations at Kattappana, Kalpatta, Angamally and Attingal during 1985-86. Modernisation schemes of the Fire Force Department will be implemented utilising also the finances from institutions like General Insurance Corporation of India. Training in modern fire fighting techniques will be imparted to the fire force personnel.

39. The administrative and functional set up of the KSRTC will be reorganised during 35-36. Five new Sub Regional Transport Offices have been ordered to be started which is expected to go a long way to lessen the hardships now being experienced by the Public in the matter of registration of vehicles, remittances of tax getting driving licences etc. Government are considering the question of constituting an Expert Committee with high level Officers to make a study into working of the Motor Vehicles Department and to make proposals for its improvement. The Water Transport Services will be strengthened to cater to the needs of the travelling public.

40. Government will continue to pursue a positive and pragmatic labour policy with the objectives of promoting harmonious industrial relations through collective bargaining providing better life to workers by effectively implementing various welfare schemes and increasing the production and productivity in both industry and agriculture. The Labour front has been comparatively peaceful and, therefore, there has been a considerable fall in the mandays lost which again was due to timely and meaningful intervention by the Government conciliation machinery. The Kerala Head load Workers' Act, initially implemented in the Chalai area of Trivandrum Corporation, is proposed to be extended to all the Municipalities and Corporations of Cochin and Kozhikode. An additional number of 20,000 employees has been brought under the E.S.I. scheme consequent on the recent amendment to the E.S.I. Act.

41 . The achievement of the Government on the Civil Supplies front during the past one year has been significant since it could produce a salutary effect on the open market price situation. The price of food grains could be kept stable throughout Kerala at levels comparable to those prevailing in the neighbouring surplus States. To suit the convenience of the Card holders, 316 new ARDs have been opened in the various districts of the State during the past one year. Kerala could provide one retail outlet for every 1850 population when the Government of India norm in the matter is one retail outlet for every 2,000 population. The Government have been able to arrange an uninterrupted supply of essential articles such as rice, wheat, edible oils etc., through the ARDs and the public distribution system. The Civil Supplies Corporation has already opened Super Markets in Ernakulam and Kozhikode and the Super market in Trivandrum will start functioning soon.

42. The Kerala State Beverages Corporation at present, is having monopoly over the distribution of Indian made Foreign Liquor among the wholesalers. With a view to curtail adulteration of liquor, three Mobile Laboratories are proposed to be set up shortly.

43. As part of tourism development, it is proposed to exploit our unique water way system to attract domestic and foreign tourists. K.T.D.C. will strengthen its conducted tour programmes and centralized reservation system and provide suitable accommodation facilities to tourists. The Corporation intends to complete during the year its Thampanoor Hotel Project.

44. It is proposed to start one Gymnastic Training Centre in each of the districts and 30 primary Gymnastic Training Centres in selected schools covering all districts during the year. It is proposed to set up a "400 metres 8 line Synthetic Track" in a suitable place in the State. Cochin which has been the venue of many prestigious tournaments of national and international importance does not have a good stadium at present., It is, therefore, proposed to construct a stadium in Cochin with facilities to conduct national/international competitions in football, hockey, athletics etc., having a capacity to accommodate at least 50,000 spectators.

45. "Eradication of urban slums", which is a programme coming under the new 20 Point Programme, is being successfully implemented by the State. The living conditions of about 82,000 people have been improved under this programme. The implementation of this programme will be continued vigorously. The town Planning Schemes which involve financial assistance to the development authorities will also be continued during the year.

46. Under the legal aid scheme it has been possible to give legal aid to many persons belonging to the weaker sections of the community under the auspices of the Legal Aid and Advice Board which was constituted recently. The Government intends to, establish legal aid clinics at important centres and also to hold, legal aid camps.

47. Government have ordered bifurcation of the existing Villages and formation of new villages taking into account the better convenience of the growing population of the State. 120, new villages have already been notified and another 83 villages will be notified shortly. The implementation of the various provisions of the Kerala Land Reforms Act, with special reference to, the distribution of surplus land and rehabilitation of Kudikidappukars, has been intensively monitored and the targets are expected to be fully achieved. The administration at the district level has been streamlined with the introduction of procedures to eliminate delay, improve the system of reporting and decision-making and record-keeping. The Collectorates of Quilon, Ernakulam and Kottayam have already adopted the streamlined procedures with the other districts to follow soon. A systematic programme has been worked out to introduce similar processes in selected taluks in the different districts. Conduct of Revenue Camps in certain villages has proved to be very effective in resolving issues like transfer of registry, issue of certificates, conferring title to lands etc. Similar Revenue Camps will be organised in selected villages all over the State under the supervision of the

District Collectors. A significant achievement this year is the successful cultivation of 1500 acres of Q, S & T Kayals in Kuttanad under the auspices of the Revenue Department. The Survey of these kayals will be completed during this season and the assignees given possession of their entitled areas. The approval of the Government of India is being obtained for the regularisation of titles of occupants of forest lands prior to 1-1-1977 after which title deeds will be issued to them.

48. The target for the construction of 25,000 houses under the programme for providing Houses and house sites to the economically weaker sections will be achieved during the year. Construction of another 14,000 houses for the economically weaker sections affected by natural calamities has been launched. During 1985, which is the "International year of shelter for the Homeless", a series of projects are proposed to be implemented. The Integrated shelter project which is one of the major projects to be taken up during the year has been inaugurated in February 1985. An intensive effort will be made to ensure production and supply of building materials, as also for the development of new technologies in this field to meet the massive requirement for housing the shelterless. A housing programme will be launched in 1985-86 for the construction of 5 lakh houses during the 7th plan period. The State has also finalised a project costing Rs. 100 crore to be posed for World Bank assistance with an integrated approach to provide the necessary infrastructure and other housing facilities. A proposal to create a Shelter Finance Corporation with adequate seed capital to attract funds from other financial institutions is under consideration. A housing scheme for providing improved housing facilities for the State Legislators will be taken up by the Housing Board during 1985-86 with the assistance of financing institutions.

49. The LC.D.S. Projects, under implementation in 61 blocks now provide a package of services to women and children such as supplementary feeding, health education, immunisation, medical checkup, and non formal pre-primary education. Government propose to construct more working Women's Hostels in the localities where there is chronic shortage of accommodation for working women under the concerned centrally assisted scheme.

50. Kerala stands in the forefront of Indian States in its achievement under the 20 Point Programme. The Planning Commission has appreciated the performance of Kerala in improving the lot of the Harijans and Girijans through measures adopted under this programme. We have achieved creditable success in the implementation of IRDP & NREP. We did well in the provision of house sites for economically weaker sections, the rehabilitation of slum dwellers, in the number of Harijan Families assisted and the establishment of Small and Village Industries.

51. Community development programmes such as IRDP, NREP, RLEGP etc. will be continued in 1985-86. During the current year more than 70,000 families have been assisted under the IRDP scheme of which about 40,000 are SC/ST families. Under the IRDP scheme, a comprehensive survey of all eligible families below the poverty line has been launched throughout the State. The State Government is finalising a shelf of projects to be implemented under the RLEGP in various districts to be undertaken during the year.

52. Significant achievement has been registered in the field of Harijan Welfare during 1984-85. Transport Services owned and operated by SCs and STs have already been formed in seven districts and arrangements have been made for starting such ventures in other districts also. To improve the skills of SCs and STs, training programmes have been started in fields having employment potential. 178 seats have been additionally created in different medical colleges to train this category of students in para medical sciences. "Priyadarsini Institute of Para Medical Sciences" has been established in the Trivandrum Medical College campus to train 150 SC and ST candidates a year. Five Gandhi Bhavans have been set up for the rehabilitation of the aged and destitute SCs and STs. Four more Gandhi Bhavans will be set up. A scheme to construct 30,000 houses to SCs and STs is progressing. The rate of educational concessions for SCs and STs have been increased by 30

per cent. The advance given to SCs and ST for the purchase of agricultural land has been enhanced from Rs. 7500 to Rs. 15000 while the grant given by the Harijan Welfare Department to SCs for construction of houses has been enhanced from Rs. 4000 to Rs. 6000 per house. Three coaching centres are being set up at Ernakulam, Calicut and Trivandrum to equip SC/ST candidates to appear for competitive examinations. Steps will be taken to start residential schools in tribal areas to improve the quality of education imparted to tribal children and special incentives to the meritorious students in this category will be given to enable them to pursue their studies in premier institutions within and outside the State. Three Regional Training Camps will be conducted to equip SC and ST candidates for recruitment to Armed Forces. "Nirmithi Kendras" which are organisations engaged in the manufacturing and processing of building materials will be formed to provide employment to SCs and STs.

### **New Schemes**

53. Let me now mention some new schemes to be introduced during 1985-86.

### **Assistance to Traditional Industries**

#### **Coir**

54. It is most important to revitalise Coir Industry which is our premier traditional industry. Government is formulating a comprehensive scheme for improving the quality of coir products by modernisation, for promoting sales through better marketing facilities and for ensuring better wages and working conditions for Coir workers. But Government will not allow this scheme to adversely affect the employment opportunities of the workers in this industry. It is the intention of the Government to introduce modernisation through Coir Co-operatives. A sum of Rs. 1 crore is earmarked for this purpose.

#### **Handloom**

55. The Handloom industry in Kerala which operates 95,000 looms has to compete with States like Hariyana, Uttar Pradesh and Tamil Nadu in the marketing of its products. 60% of the Handloom Workers have been brought to the co-operative fold. Government have undertaken a programme for modernizing handloom industry and for distributing better quality looms. It is proposed to set up a full fledged Institute of Designs-cum-Handloom Technology which will keep abreast the most modern trends in importing countries and provide designs, colours and qualities to suit their preferences. A sum of Rs. 1 crore is set apart for the starting of the Institute and for modernising handloom industry.

#### **Cashew**

56. Cashew Industry provides employment to 1.45 lakh workers and earns foreign exchange worth Rs. 125 crore annually. The fortunes of this industry depend on the fluctuations in international price of cashew products and the availability of raw cashew nuts. It is imperative to strengthen and streamline the working of CAPEX and extend cooperativisation in cashew industry for ensuring the opening of all the closed cashew factories and for providing employment to entire cashew workers. A sum of Rs. 1 crore is earmarked for extending cooperativisation in cashew industry.

#### **Rebate for Khadi throughout the year**

57. Khadi and Village Industries Sector with its vast potential of employment has special significance in Kerala which faces acute unemployment. Here is a sector in which 1000 rupees can create a job. It is felt that by revising the present rebate system khadi can be made more popular and the Khadi Industry strengthened. Therefore a sum of Rs. 12 lakh is provided for giving rebate to

khadi sale throughout the year instead of the present system of giving rebate on special occasions only.

### **Interest Relief for paddy Cultivators**

58. Rice production in Kerala has been stagnating around 13 lakh tonnes as against the current requirement of about 30 lakh tonnes. This has caused heavy dependence of the State on outside sources for meeting internal demand for consumption. The area under paddy has been on the decline. Cost of cultivation has also been on the increase over the years. There is practically no scope for reducing the cost of paddy cultivation and making it economically viable. Considering the present unremunerative nature of paddy cultivation, and appreciating the hardships faced by the predominantly small and marginal farmers engaged in this cultivation, it is proposed to give interest relief to those who own 2 hectares or less in respect of the short term loans taken by them from Co-operative financing institutions under this scheme. If half the arrears of principal outstanding as on 31-12-1984 is repaid on or before 30-6-1985, 50% of the interest due on that portion of principal will be waived. If the balance of arrears of principal is repaid on or before 31-12-1985, 50% of the interest due on that portion of principal will also be waived. Interest loss to the Co-operatives on account of this measure will be reimbursed by Government. A sum of Rs. 35 lakh is set apart for this.

### **Government Jobs for Sportsmen**

59. Kerala's contribution in the field of sports has been commendable. Our Sportsmen / Women performed creditably in the Asian Games and Olympics. We have to encourage our sportsmen if we have to maintain this record of good performance and improve on it. If we can evolve a scheme to motivate our sportsmen we could achieve magnificent results in this area. For this we should recruit sportsmen in the Civil Service and, under their leadership, organise and train teams in each department. Among sportsmen there are some who want to make a career of it and often who would like to retire from sports after some time and take up regular jobs. Government propose to offer supernumerary posts to the former type of sportsmen and regular employment for the latter. Only players who have participated in recognised International Tournaments and those who have secured positions in recognised National Tournament/Inter-University Meets and State Championships would be made eligible for recruitment. Twenty such appointments will be made in class II, class III and class IV posts. A Committee will be formed to make these recruitments. Necessary relaxation in rules will be made to facilitate this Similar recruitments will be made in public sector undertakings also.

### **Employment for Physically Handicapped**

60. Physically handicapped persons constitute a weaker section of the Society. It is the responsibility of the Government to help them to forward in life. Even though several economic concessions were granted to this section through earlier budgets, Government could not do much for providing employment opportunities to them. It is necessary to make a beginning in this regard and accordingly Government will formulate a scheme for the employment of the physically handicapped persons similar to the one announced for outstanding sportsmen. Under this scheme it is proposed to appoint handicapped persons in subordinate service, last grade service, part-time contingent service of the Government for direct recruitment of physically handicapped persons. Government companies and Corporations would also be enabled to make similar direct recruitment of physically handicapped persons by suitable modifications of the rules of recruitment of the Public Service Commission. Medical Boards, would be set up in each district to determine the eligibility of the physically handicapped persons for employment under this scheme.

### **Administrative Tribunal for the State**

61. The Administrative Tribunal bill passed by the Parliament provides for the constitution of Administrative Tribunals in States. Therefore it is proposed to constitute an Administrative Tribunal for Kerala for quick disposal of pending service cases. All service matters pending before courts except appeals pending in High Court or Supreme Court shall be transferred to the Tribunal. A sum of Rs. 5 lakh is set apart for this.

### **Group Insurance Scheme to Local Bodies Staff**

62. The Group Insurance Scheme introduced in the current year's budget has been well received. Action is in progress to include the maximum number of Government employees in this scheme. In order to extend the benefit of this scheme it will be made applicable to the employees of the Panchayat, Municipal and Corporation services also.

### **District Relief Fund**

63. The existing relief scheme at national, state and district levels provide relief to victims of natural calamities, rail/motor and fire accidents etc. But there are no schemes for providing any relief to the poor families whose suffering and distress are not covered by these schemes. So the State Government will constitute a permanent fund in each district to assist those poor families who are in acute distress due to the death of the bread winner, disease and disability of members etc. This scheme will be operated by the District Collectors. Government will contribute Rs. one lakh each to the fund initially. The fund will be replenished by voluntary contributions and other methods. A sum of Rs. 14 lakh is earmarked for this.

### **Prawn culture Project**

64. Kerala is richly endowed with the potential for fisheries development. To exploit this potential adequately and to maximise employment in this vital sector, it is essential to modernise this sector and execute scientific developmental programmes. With this objective in view, it is proposed to launch a massive project for prawn culture. Kerala has a potential of 1.22 lakh hectares of brackish water area suitable for development of prawn/fish culture. But the area presently brought under culture consists of around 6000 hectares of seasonal prawn filtration fields, used for raising alternate crops of paddy and prawns, and about 65 hectares of farm owned by the department of fisheries. Scientific culture of prawns is highly remunerative; but as it involves heavy initial investment, a programme on a large scale can be conceived only with substantial assistance from funding agencies like the World Bank. Such a project has been prepared covering the period of the Seventh Plan. Under this project, five prawn hatcheries, three feed manufacturing units, thirty five peeling sheds, three freezing cum storage plants, fifteen insulated vans as marketing unit, a research wing with laboratories and an extension unit will be established. The overall investment of this project will be Rs. 135 crore. To finance the project, World Bank assistance is estimated to be Rs. 94 crore, the balance being provided by Central and State Governments, commercial banks and farmer's contribution. This project with a rate of return of 36% will be a landmark in our development. For this project, I am making a provision of Rs. 50 lakh for preliminary work in 1985-86.

### **Agricultural Marketing project**

65. Agricultural Marketing has been identified as a weak link in our economy. Lack of adequate storage facility and the inability of farmers to hold stocks for long periods often lead to near distress sale of agricultural produce. The situation benefits traders mostly based outside the State, who move the goods out of the State without attempting any processing form. Thus, ninety per cent of Rubber, almost 100% of pepper, ginger and turmeric and 50% of Copra move outside the State as primary commodities. The Honourable Members may recall that in my speech presenting the budget for 1981-82, I had envisaged the idea of modernising our agricultural marketing complex.

Based on detailed studies conducted in pursuance of that idea, it has been possible to draw up a massive project to be executed with the aid of World Bank. The implementation of this project will be with the active involvement of the public as well as institutions in the private and co-operative sectors and local bodies. Under this project fresh storage capacity of about 3,00,000 tonnes will be established. Facilities for processing about 1,00,000 tonnes of copra, solvent extraction of about 55,000 tonnes of coconut cake and rice bran, crumbing of 10,000 tonnes of scrap rubber, diversified production of 1,000 tonnes of made tea, primary processing of about 1,500 tonnes of cocoa, processing of 7,000 tonnes of fruits and value added manufactures of 3,000 tonnes of spices will be established. Covering all these activities, a major line of credit will be established through commercial and co-operative banks to provide term finance on the basis of an appraisal of individual projects. About 25 urban agricultural marketing complexes will be established in metropolitan towns like, Calicut, Cochin and Trivandrum and in other municipal areas. Each complex will provide a package of services for agricultural marketing-drying yards, way bridges, grain exchanges, store sheds, warehouses, lorry terminals, wholesale and retail outlets, cold storage, water supply, drainage, banking, overnight stay rooms, refreshment stalls, utility areas etc. The comprehensive agricultural production and marketing project envisaged on these lines, involves an investment of Rs. 150 crore. I am confident that this project will give a new thrust and buoyancy to an agricultural economy. A provision of Rs. 501akhs is set apart for this project in 1985-86.

### **Computerised Management information System**

66. Modern systems of management information are of great relevance in the developmental efforts of a nation struggling to move into the twenty-first century not far behind the advanced nations. In our country, as the State Government function at the grass root level catering to the most basic needs of the people, adoption of modern management techniques in State administration is quite essential. It was with this objective in view that in the very first budget I presented for 1977-78, provision was made to computerise Data regarding Government's transactions. Though some progress has been made since, a real break through is yet to be achieved. I propose to make necessary provisions next year for achieving this. Under this scheme, Data collection units with the required number of data entry machines will be established in each district treasurer. Data regarding Government's transactions will be collected directly at the District level on low cost floppy diskettes (magnetic media) to be transferred to the Data Processing Centre. The Centre will process these data and generate output information for effective financial and developmental management. To start with, the new system will be introduced in two or three districts and extended to other districts later. For collection of data, we have recently installed a Multi Terminal Data entry System with eight terminals. This will meet the requirements of Trivandrum District. A separate computer is also necessary for the Processing Centre. An amount of Rs. 12 lakh is set apart for the scheme in 1985-86.

### **Resource mobilisation**

67. Now, I may come to the measures for resources mobilisation for 1985-86.

### **plantation tax revised**

68. In the budget for 1981-82 plantations upto 4 hectares were exempted from payment of tax. The revenue loss on this account was made up to some extent by an upward revision of the tax rates for bigger plantations. The prevailing tax rates then were Rs. 50 per hectare for plantations of 4 hectares to 20 hectares and Rs. 70 per hectare for plantations above 20 hectares. In the budget for 1981-82 after retaining the old rate for plantations of 4 hectares to 8 hectares, the tax rates for plantation of 8 hectares to 20 hectares were raised to Rs. 60 and those above 20 hectares to Rs. 90 per hectare, It is felt that a revision of rates for bigger plantations is now called for.



Therefore, the tax rates for plantations above 4 hectares and up to 8 hectares will be revised from Rs. 50 to Rs. 70, plantations above 8 hectares and up to 20 hectares from Rs. 60 to Rs. 90 and those above 20 hectares from Rs. 90 to Rs. 130 per hectare. As a result those in the first, slab will have to pay Rs. 20, those in the second slab Rs. 30 and those in the third slab Rs. 40 per hectare additionally. Since plantations below 4 hectares are fully exempted from payment of tax, the new revision will not in any way affect the small farmers. This will yield an additional income of Rs. 1.25 crore.

### **Stamp Act to be amended**

69. The State Government is suffering heavy loss in the field of document registration, on account of transfer of properties suppressing its real value and remitting stamp duty for a lower price. This is made possible by showing a price lower than the fair value in the registration document. Therefore it is proposed that instead of levying stamp duty on the value of the consideration for a conveyance as shown in the document it will be levied on a fair value notified by the Government in advance. The fair value rates can vary in accordance with the nature of the property and the importance and special features of its locality. Therefore, a Member of the Board of Revenue will be appointed as one-man Commission for recommending scientific yardsticks for fixing fair value to determine stamp duty payable and restricting rates if necessary. Since the rates in the documents referred to in the schedule of the Kerala Stamp Act were fixed long back, I feel it is high time for a revision of many among them. So the following amendment will be made in the Articles mentioned in the schedule of Kerala Stamp Act and Stamp duty should be levied at the rates shown below:

The value of Stamp to be fixed on affidavit under Article 4 of the Schedule of the Stamp Act will be raised from Rs 5 to Rs. 10.

At present Stamp duty levied on the sale of Government securities and Company shares under Article V (b) is Re. 1 for every Rs. 10,000. This will be revised as Rs. 1 for every Rs. 1000.

For documents not otherwise provided for under Article V (c), Rs. 15 will be levied instead of the present rate of Rs. 3.

The Stamp duty of Rs. 200 levied for the registration of Articles of Association of Companies under Article 10 will be enhanced to Rs. 1000.

The Stamp duty for the copies of extracts to be obtained from the Public Officers under Article 23 will be revised to Rs. 5 from Rs. 2.50 as per Sub-Clause 1, and Rs. 10 from Rs. 5 as per Sub-Clause 2.

For the registration of the memorandum of Association a Company accompanied by the Articles of Association under the Companies Act, 1956 under Article 36 (a) the Stamp Duty will be raised to Rs. 500 from Rs. 150.

In unaccompanied cases under Article 36(b) will be raised to Rs. 1000 from Rs. 350.

In regard to cases where the capital of a partnership that does not exceed Rs. 1000 under Article 43, the Stamp Duty will be raised from Rs. 15 to Rs.100.

In other cases the rates will be raised from Rs. 60 to Rs. 200. For the dissolution of partnership the Stamp Duty will be raised to Rs. 100 from Rs. 30.

For the Power of Attorney under Article 44(a), (b), (c), (d) and (f), the prevailing rates of Rs. 1.50, Rs. 3, Rs. 20 and Rs. 40 will be raised to Rs. 5, Rs. 10, Rs.30 and Rs. 100 respectively. The Stamp Duty for other cases will be enhanced to Rs. 30 from Rs. 5.

The Stamp Duty now levied for reconveyance of mortgaged property under Article 47(b) will be revised to Rs. 150 from Rs. 75 in the first category and Rs. 100 from Rs. 50 in the second category.

These steps will yield an additional income of Rs. 75 lakh.

### **Amendments to Kerala Registration Act**

70. Government propose to amend the Registration Act too as in the case of the Stamp Act. The fee levied for registration of documents is 1% of the value of documents in Books I and IV under Para I(a) (i) of the Table of Registration Fees framed under section 78 of the Indian Registration Act. There is ample justification to enhance the registration fees in view of the general increase in all types of expenditure. Therefore the fees mentioned above will be enhanced from 1% to 1.5% with effect from 1-4-1985. This will yield an additional revenue of Rs. 1.60 crore.

### **Revision of Vehicle Tax**

71. There is an unprecedented increase in the number of private motor conveyances, motor-scooters and motor-cycles in recent years in the State. Whereas the public transport vehicles registered an increase of 10% in 1984 when compared to 1983, the increase in private vehicles during the period was 15%. The tax rates of private vehicles have not been revised in the recent past. I feel it is essential and justifiable to revise the tax rates of private vehicles considering the damages caused to the roads by heavy traffic necessitating costly periodical repairs. Therefore the quarterly tax rates for motor vehicles under Serial No. VII of the First Schedule of the Motor Vehicles Act will be revised as follows:

For motor vehicle weighing upto 750 kg.	Rs. 45 instead of Rs. 36
For motor vehicle weighing from 750 kg to 1500 kg	Rs. 55 instead of Rs. 45
For vehicles weighing from 1500 kg. to 2250 kg.	Rs. 70 instead of Rs. 60
Those weighing above 2250 kg	Rs. 85 instead of Rs. 75

It is necessary to revise the tax rates of Scooter and Motor-cycle also in this context. Therefore the quarterly tax rates for the motor-cycle and motor-scooter under I Schedule (a), (b), (c), and (d) of the Motor Vehicles Act will also be revised respectively from Rs. 9, 12, 15, 18 to Rs. 12, 15, 18, 21. It is estimated that there are about 70,000 private conveyances and 96,000 motor cycles and scooters now plying in the State. It is therefore expected that these measures will collect Rs. 40 lakhs more as vehicle tax.

### **Tax revised for hosiery Products**

72. The sales tax rates now in force in Tamil Nadu and Andhra Pradesh for the hosiery products mentioned in serial No. 147 of the First Schedule of the Sales-tax Act are 5% and 4% respectively. The corresponding rates for woollen hosiery goods are 9% and 8%. But we are levying only a uniform rate of 3% on all these products. I feel it is fully justifiable to revise this tax rate on par with the rates prevailing in Tamil Nadu. Therefore the Sales-tax rate for cotton hosiery goods will be raised from 3% to 5% and that of other hosiery goods from 3% to 8%. This will yield an additional revenue of Rs. 25 lakh.

### **New tax rate for Upholstered furniture**

73. Upholstered furniture and ordinary furniture are now subjected to identified rates of tax of 7% as per serial No. 143 of I Schedule of the Sales Tax Act. But in Tamil Nadu and Andhra Pradesh, sales-tax rates for upholstered furniture now in force are 10% to 15%. With a view to bringing our tax rate on par with their rates, it is proposed to raise the same from 7% to 10%. There will be an additional revenue of Rs. 10 lakh on this account.

#### **Plastic pipes**

74. Six per cent sales-tax is now levied on plastic pipes and plastic goods under serial No. 156 of the First Schedule of the Sales Tax Act. At the same time, 8% tax is levied on Synthetic pipes referred to in serial No. 168. Since it is difficult to differentiate between Synthetic pipes and plastic pipes because of their similarity in composition it is not proper to levy tax at different rates on these items. Therefore, the tax rate for plastic - pipes and plastic goods under Serial No. 156 is proposed to be raised from 6% to 8%. This measure is expected to yield Rs. 10 lakh.

#### **Tax rates for arrack and IMFL**

75. At present 35% sales-tax is levied on arrack and 50% sales-tax on Indian Made Foreign Liquor at the first point of sale. No hardship will be caused to the common man by a small raise in these tax rates. So the sales-tax on arrack will be raised to 40% from 35% and that of Indian Made Foreign Liquor to 55% from 50%. It is estimated that this step will yield an additional revenue of Rs. 2 crore annually.

#### **Tax revision for Luxury Hotels and Lodging Houses**

76. A new tax was introduced on luxuries provided in hotels and lodging houses in 1976. At present tax is collected ranging from 5% to 10% based on the rent and the service charges collected from the occupants. Since there is no provision for the best of judgment assessment in cases where the assessee files incorrect or incomplete returns, there is substantial tax evasion. In order to plug the loopholes it is proposed to make necessary amendments to Section VI of the Act providing for best of judgment in such cases. This step will yield an additional revenue of Rs. 75 lakh.

#### **Revision of Additional Sales Tax**

77. At present 15% of sales tax is levied as additional sales tax. It is proposed to raise this rate by another 5%. This step will not cause hardship to the common man nor will it give room for any untoward price hike. This measure will yield an additional revenue of Rs. 15 crore.

78. It is expected that the above measures will yield additional resources of Rs. 22.20 crore for the annual plan 1985-86. The cumulative yield from these measures for the five year period of the Seventh Plan will be Rs. 130 crore.

79. Based on Kerala Provisional Collection of Revenues Ordinance, I shall soon introduce before the House the Finance Bill, 1985 incorporating the tax proposals in the Budget.

80. As the scope for further taxation is extremely limited, it is necessary to maximise collection from the taxes and duties now in force. There is lack of co-ordination and collective effort between the various revenue earning departments, which I consider a major lapse in moping up resources. To achieve such co-ordination, a resources task group will be formed in every district with the District Collector as Head of the group and with district level officers of A.I.T. & S.T., Excise, Motor Vehicles and Forest Departments as Members. The group will meet periodically, assess the collection of taxes and other revenue, locate areas of likely short-fall and take appropriate corrective measures in time.

## Problems of plan implementation

81. Even after taking into account the additional resources mobilisation consequent on the measures I have now announced, we have a substantial deficit for the annual plan of Rs. 355 crore in 1985-86. Against this background, it can rightly be asked how we propose to implement the next year's plan. I consider it necessary to explain the full and true position to the House. The first problem is the current year's closing deficit which includes last year's deficit also. Normally this has to be adjusted from next year's plan resources. If that is done, we cannot think, of any plan outlay next year. The position was explained to the officials of the Planning Commission and the Union Finance Ministry at the time of resources discussions. Recently the Government of India has indicated a limit of Rs. 268 crore for our overdraft. This limit and the permissible ways and means drawal of Rs. 30 crore together cover the current year's closing deficit. So inspite of unprecedented financial problems, we are closing the Sixth Plan with actual expenditure higher than the originally approved outlay by Rs. 198 crore and continuing the overdraft within the revised higher limit now indicated by the Centre. It is thus clear that against heavy overdrafts we have successfully accomplished the financial management of the Sixth Plan.

82. The position will however be entirely different next year States which have good resource base will face no difficulty in financing the Seventh Plan. States which though financially weak like Kerala got the benefit of favourable recommendations from the Eighth Finance Commission will also be able to increase their plan outlay. But Kerala has to first meet the huge nonplan deficit resulting from the unhelpful recommendations of the Finance Commission. As explained earlier the deficit on the non-plan revenue and capital accounts together for the Seventh plan period will be at least Rs. 1100 crore. On the average this means a fresh deficit of Rs. 220 crore each year of the Seventh Plan. This works out to an average of Rs. 60 lakh deficit per day on the non-plan side which involves only the basic functions of the Government and not any developmental expenditure. This additional deficit we incur day by day will even from April 1985, increase our overdraft above the limit now indicated. According to the instructions given by the Centre, the Reserve Bank of India should stop 'payments on the bills and cheques of the State Government if the overdraft is in excess of the limit, continuously for seven working days. Such drastic action, if taken by the Reserve Bank, could cause a serious set back to our developmental programmes next year.

83. This cannot be allowed to happen. More resources have to be raised to meet the non-plan deficit and to finance the plan. As in the Sixth Plan period, the State Government will certainly do this best. According to the budget estimates included in the documents now presented, the State Government will raise resources for next year's plan at a level higher than what was jointly assessed by the Planning Commission and the Union Finance Ministry. I have achieved this by increasing the rate of growth of revenue receipts above the levels indicated by the Finance Commission. On the non-plan expenditure side, in some areas, I have allowed only provisions less than what was assessed to be reasonable by the Finance Commission. Further, I have announced certain measures of additional resources mobilisation. But these steps cannot be avoided, as we have to proceed with our developmental work.

84. Even after doing all this, we have a deficit in transactions of 1985-86 as shown below:

	<i>(Rs. in crore)</i>
Deficit in the transactions of 1985-86 as shown in the documents presented	(-) 157 .04
Share of additional market borrowing announced in central budget	10.65

in central budget

Net effect of additional resources mobilisation  
and new measures announced 17.42

Overall deficit in 1985-86 transactions (-)128.97

85. To cover this deficit, we need special help from the Centre. That help will have to be made available from the very beginning of the financial year, to meet the non-plan deficit mounting day by day, so that we do not run into serious ways and means problems. If only the Eighth Finance Commission had given Kerala the same consideration they showed to some other states similarly placed, we would not have asked for such special assistance for launching the Seventh Plan. I hope that the Centre will realise the dimensions of this problem, recognise the sincere efforts we are making to raise more resources and give adequate special assistance for the annual plan 1985-86 and Seventh Plan 1985-90. It is therefore my expectation that the resources mobilisation for the Plan will be accomplished successfully.

86. The expectation is based on my faith in the indomitable spirit of Kerala. Problems and hurdles do not weaken this spirit but only add to its might and purity:

(Sanskrit Slogan- four lines)

Weapons cannot vanquish, fire cannot burn, water cannot soak and wind cannot dry this spirit. This has been proved once again. In the Pilgrimage to a better tomorrow for our people, we have passed a stage of problems and difficulties and successfully completed the Sixth Plan. What remains ahead is even more difficult. The task of launching the 7th Plan overcoming acute resources constraints would perhaps appear impossible to any other State. I have no doubt that we shall fulfill the task. With a deep sense of pride reinforced by our achievements of the past we shall claim, "the extremely difficult jobs we do immediately; the impossible ones take a little longer". Drawing inspiration from the self confidence of our people and with profound optimism, I submit to the House the budget launching Kerala's Seventh Plan. Incidentally this is the seventh Budget I present.

87. I submit the budget estimates and proposals for consideration and approval by the House.

88. Since we do not have the time for a grant by grant discussion and voting by the House before the end of the financial year, I also propose to present a Vote on Account and connected Demand for meeting the expenditure during the first four months of 1985-86.

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