



BUDGET SPEECH FOR 1987-88 (REVISED)

V. Viswanatha Menon

June 5, 1987

Sir,

I rise to present the budget proposals for the year 1987-88 before the House.

1. As Honourable Members are aware, a budget statement was presented on the 28th of March, 1987 by the Chief Minister. But contrary to the usual custom, there was no general discussion and only a vote on account for 4 months was taken. While presenting the proposals incorporating the basic policies of this Government, already briefly enumerated by the Governor in his address to this House, along with an alteration memorandum would be presented in the succeeding session of the House. It is based on this assurance made to the House that I now present the detailed budget proposals for the current financial year along with an alteration memorandum.

PART I

INTRODUCTION

Crisis of the State Economy

2. I would like the Honourable Members of this august House to seriously consider the grave economic crisis that has engulfed our economy before they take up the detailed proposals contained in the present budget. I shall only emphasise a few of the many dangerous trends discernible in the "Economic Review-1986", already circulated among the Members of this House.

3. During the last one and a half decades (1970-71 to 1985-86) our State domestic product grew only at an annual average growth rate of 2.1 per cent while the national income growth rate for the same period was 3.1 per cent. On per capita basis Kerala's performance turns out to be even worse. Our growth rate was a mere 0.2 per cent while national growth rate was 1.6 per cent for the same period.

4. The most disastrous performance was in the agricultural sector. The total agricultural production in 1985-86 of the State was around 15 per cent lower than what was a decade back. The overall productivity has also declined. There has been a decline in the gross cropped area, sharp increase in the fallow lands and perceptible decrease in the cropping intensity. Average number of employment available to male agricultural workers has declined from 196 days in 1964-65 to 146 days in 1983-84.

5. Industrial sector also presents a dismal picture. All the traditional industries are in the doldrums with workers getting an average employment of less than 100 days a year. Nearly a quarter of the thirty-five thousand and more registered small scale

industrial units are either closed down or sick. Record of the past Government in reviving these units is abysmal-believe me a paltry twenty-five for the year 1985-86! The situation in the large scale industrial sector is not very different. The rate of growth of factory sector in Kerala is only around half the national average.

Impending Catastrophe?

6. The illusion of buoyancy in the economy has been preserved thanks to the large-scale inflow of remittances from outside. I shudder to speculate on the consequences of a sharp decline in the remittances. There are already indications that this catastrophe may very well materialise. The question I would pose before the Hon'ble Members is whether we should wait for these fateful days to come or take bold initiatives to revive the productive sector's of the economy and usher in a new chapter in the economic development of the State. The alternate policies contained in the election manifesto of the Left Democratic Front lays a firm basis for the choice of the latter course.

7. The rise and fall of the "blade companies" in Kerala is symbolic of the unregulated manner that our economy has been growing-nay drifting. Neither Reserve Bank nor the previous State Government did anything to regulate these companies. In fact, it was under the political patronage of the latter that these companies mushroomed in Kerala. The manner in which the half-hearted attempt of legislative regulation was dropped is indeed instructive. These companies have been a cancerous growth in the economy of Kerala diverting funds from productive investment to speculative channels. And finally, thousands of depositors find that they have been swindled and rendered penniless. The present Government has firmly taken steps to bring the crooks to book and protect the depositors. Government is also actively considering measures to provide alternative investment channels for the savings in the State so that they can be mobilised for industrial development. The scheme to be launched by Financial Enterprises to which I will have occasion to refer to later is an experiment in this direction.

8. The gigantic task we now face cannot be carried out without the allround co-operative on of all sections of the people in the State. As I had explained in my brief remarks during the pre-budget discussions, with some of the eminent economists in the State, the Government is keen to ensure co-operation and participation of expert talents in various fields for charting out a new course of development for the State. I appeal to the Hon'ble Members to rise above partisan sectional interests and view the budget proposals from the larger interests of the State.

9. Budget is not merely an account of the receipts and expenditure of the Government. It is a powerful policy instrument to guide the course of development. I would like to draw the attention of the Hon'ble Members to the severe constraints under which I am wielding this instrument.

The Centre and the State

10. The State Government has to operate within the larger policy framework set by the Central Government. We cannot independently chart out a totally new course of development. I need not explain to you how many of the recent economic policies adopted by the Central Government have adversely affected the interests of the State. Further, our national economy itself is facing serious economic

crisis. In fact, our situation in Kerala is only a manifestation, even though, a most acute and distorted form, of the bankruptcy of the capitalist path of development pursued by the Central Government.

11. Kerala being a constituent State of the Union of India, the present Government is keen that these be reversed and an alternative development strategy adopted. May I recall to your memory the leading role played by the United Front Government of 1967-to formulate such an alternative development policy framework and initiate discussion on it in the National Development Council. We shall continue to uphold this tradition. However, while resisting the bankrupt policies of the Central Government the present Government shall be next to none in utilising the various provisions in the national plan in order to further the welfare of the people of the State. The State Government proposes to host a national seminar on Alternative National Development Policies and the problems of Kerala's development later in the year.

Drought Aid

12. Apart from the constraints imposed by the crisis ridden capitalist development path, we are further constrained by the unhelpful attitude of the Central Government towards the special problems faced by the State. I would like to draw the attention of the Hon'ble Members to certain concrete matters in this regard. Let me start with the drought itself. I do not have to explain to you the gravity of the drought we faced at the start of this financial year. The State Government has undertaken all possible measures to provide immediate relief to the people. But our efforts have been gravely hampered by the paucity of funds. So far, the ways and means advance released by the Government of India has amounted to only Rs. 20 crore. The Government of India has however restricted the expenditure allowance to an unrealistic ceiling of Rs. 15.5 crore, which is even less than the ways and means advance released by them. This, Hon'ble Members will agree, is a serious matter for which an appeal crossing political affiliations will have to be made to the Central Government. Whatever be the final amount granted by Delhi, the State Government cannot stand by as a silent spectator and accordingly another Rs. 10 to 15 crore will be utilised to complete the ongoing works and for paying off the bills to transporters of water. Besides, the flow of even these meagre funds has not been regular. This has caused a serious dent in the ways and means position and great strain on the financial administration of the State.

13. Despite our repeated appeals there is no concrete evidence yet of any steps being taken to redress the neglect Kerala has suffered in the Central Public Sector investments. According to statistics of the Bureau of Public Enterprises, the share of Kerala in the total gross block of Central Public Enterprises is currently only around 1.7 per cent. The injustice to the State is evident if you remember that our share of national population is around 4 per cent. A massive investment programme by the Central Government in the coming years is a precondition for the rapid industrialisation of the State. Here, I should also add that the credit-deposit ratio of commercial banks in Kerala ranks pretty low, well below the all States average. Further, even in the allocation of Central loans as well as State's own market borrowings Central Government has been unhelpful during the current year. The Central Government is not willing to give any special consideration to the fact that Kerala is the leading earner of the precious foreign exchange for the country.

Low Plan Outlay

14. Another constraint that the present Government faces in initiating measures to accelerate the rate of growth is the low outlay of our Five Year Plan. Per capita outlay of the 7th Five Year Plan works out to be nearly 30 per cent lower than the national average and nearly half that of States like Punjab, Haryana and Maharashtra. The records of this Assembly would show how the spokesmen of the previous Government have paraded statistics to prove that Kerala received a fair allocation of the Central share in the plan outlay. But in their enthusiasm they ignored the raw deal Kerala received at the hands of the 8th Finance Commission. The non-plan surplus determined for Kerala by the Finance Commission was far below the national level. I shall not burden you with statistics. But, I would like to impress you about what it means for the resource mobilisation efforts within the State. For example, according to a financial expert, if Kerala wants to increase the per capital plan outlay to the level of Punjab, an additional resource mobilisation to the tune of about 10 percent of the State domestic product will have to be undertaken. It is a task, I am sure, you will agree, both politically as well as economically unacceptable.

Fiscal Mismanagement

15. Leaving aside such hypothetical situations, mobilising resources for even the current modest plan has been rendered a most unenviable task due to the fiscal mismanagement during the last five years. Lest I should be accused of levelling unjust charges, let me present you a few facts: The total amount of additional resources mobilised by the end of the second year of the Plan, according to latest estimates is only Rs. 189.09 crore which is a far cry from the level of Rs.1002.96 crore that we have to mobilise for implementing a plan of Rs. 2100 crore. The failure to mobilise resources at a vital period of the Seventh Plan has therefore landed the Government in a serious situation because, unless a strenuous effort is made from the current year, we would be no where near the target assigned to us.

16. As was pointed out by many of the eminent economists at the pre-budget discussions, Kerala today has the dubious distinction of being one of the States with the highest tax arrears pending. It was also generally pointed out that the growth of revenue has not kept pace with the natural increase of resources that should have occurred due to buoyancy. In many key sectors, particularly plantation sector, tax evasion with political patronage has been pervasive.

17. I am sure, the Hon'ble Members would remember a rather hilarious debate that took place last year whether the previous budget presented in this Assembly was a surplus or deficit one. I do not intend to dwell at any length on the financial manipulation and window dressing that have been resorted to, to camouflage fiscal mismanagement under the previous Government. Now, we have before you final figures for the financial year 1986-87. Even much scaled down tentative surplus estimate of Rs. 4.75 crore that was indicated in the financial statement presented in this House in the month of March 1987 has proved to be illusive. The final figures now available with us show that the year ended with a deficit of Rs. 21.11 crore.

18. It may thus be observed that the present Government has not only to start the financial year with a deficit, but also face the prospect of a scaling down of assistance from the Centre by Rs. 50 crore for the current year because of advance Plan assistance of Rs. 125 crore taken by the previous Government which being adjusted. Thus, while the net Central Plan assistance during the first two years of the Seventh Five Year Plan were Rs. 284.32 crore and Rs. 280.08 crore respectively, the net Central assistance for 1987-88 is only Rs. 219.64 crore. Further more, the current year's budget has to shoulder interest charges amounting to Rs. 211 crore on account of the escalation of public debt to a record level of Rs. 2708 crore by 1986-87. The past five years have been remarkable for this sharp escalation of the public debt of the State.

19. The State Government has also got to bear the burden of payment of longstanding D.A. arrears to the Government employees entailing an additional expenditure of Rs. 43 crore.

Social Welfare Measures

20. Besides, additional allocation has got to be provided for the various social welfare schemes that the present Government intends to initiate. A policy of steady expansion of social welfare activities is necessary if the benefit of economic growth is to be more equitably distributed. We do not subscribe to the philosophy of 'trickle down theory.' Further, in a State like Kerala where due to the demographic changes the proportion of aged in the population is rapidly increasing, stepping up of social security provisions is unavoidable. More than 10 per cent of the population in 1981 was above the age of 55. Increased social security provisions are necessary not only on welfare grounds but also to encourage the present trends towards decline in the birth rates in the State. Apart from the need for more equitable distribution, the social welfare measures have a very important role to play in unleashing the popular enthusiasm and securing the participation of mass of people in the various developmental programmes. Unless this is ensured, there can be no acceleration of the economic growth. Therefore the characterisation of welfare schemes as 'unproductive' by certain critics of our approach, I must say, springs from a very narrow minded view of the development process.

21. But I also want to point out to the Hon'ble Members that increased social welfare provisions have not been made at the expense of development expenditure. Not only has the Plan outlay been maintained but additional provisions have also been made for developmental schemes in key sectors such as agriculture, industry and power. You may compare this effort with the record of the past Government. The Plan expenditure of Kerala during the first two years of the 7th Five Year Plan as a percentage of the total Plan outlay was only 19.6 while it was 37 per cent for Tamil Nadu and 28 per cent for Andhra Pradesh. The past Plan efforts have not been to the desired level.

Public Sector

22. An important element of the additional allocation for development expenditure proposed is the emphasis given for revitalising the public sector units. The present Government is committed to strengthening and expanding the public sector units in the State. Therefore, all the more are we conscious of the present morass in which most of the public sector units are to-day. We shall adopt a time-

bound programme to revitalise these industrial units so that they generate adequate surpluses not only for their own expansion but also contribute to larger development. I am proud to announce the success of the Government in reopening some of the prominent industrial units in the State like Ceramic Factory at Kundara. It has been estimated that a total of 10,000 workers have been given re-employment in the various factories (both public as well as private) in the State.

23. A thorough overhauling of the managements of the public sector units will be undertaken during the current year. The adhocism, generalism and political patronage that characterised the system of appointments of the heads of the public sector units will be put an end to. The workers will be given representation in the management boards. Every step will be taken to root out inefficiency and corruption in the public sector. I am confident that with the co-operation of the politically conscious and motivated working class we will be able to achieve these goals. It has been decided that all the purchases of the government departments and undertakings, particularly those of the Electricity Board, Water Authority and Health Department, will be made from the public sector units in the State if the latter can supply the required goods.

24. The approved outlay of the current year's plan is of the order of Rs. 440 crore. The size and composition of this plan was determined during the tenure of the previous Government. The financing pattern of the Plan does not leave much scope for adjustments. Net central assistance for the plan is estimated at Rs. 219.64 crore. The balance of Rs. 220.36 crore was to be met out of an estimated opening surplus balance of Rs. 11.66 crore and internal resource mobilisation to the tune of Rs. 208.70 crore. As already noted, the year has actually started with a deficit of Rs. 21.11 crore. Therefore, internal resource mobilisation for the current year comes to be of the order of Rs. 241 .47 crore.

25. Taking into consideration the increased concern of the present government on the need to conserve the forest resources of Kerala I felt compelled to give up revenue to the tune of Rs. 13.87 crore that we envisaged in the financial statement submitted earlier. If this, along with the deterioration in the opening balance is taken into account the total amount of fresh measures should, in fact, be nearly Rs. 255 crore. This order of raising additional resources during the course of a single year requires strenuous and dedicated measures on the part of all Members.

26. I shall come to details of the financial proposals later. Now let me briefly present you the broad approach adopted. A significant part of the additional resources are mobilised through the collection of arrears, prevention of evasion and allowing for buoyancy and economy. In the new taxation measures proposed, care has been taken to see that their incidence do not fall upon the common man and is justified by the ability to pay. There has been an attempt to rationalise the existing tax structure to facilitate easier administration and, more importantly, to have built in incentives to increase production in the State. In future, fiscal policy will increasingly be deployed to encourage industrial production in the State. A modest approach has also been made to make certain development schemes self-remunerative and thus contribute to the non-tax revenues of the State. Steps are also initiated to make the public sector units viable enough to generate surplus. These, I believe, will be the broad outline of the long-run fiscal policy that the present Government will adhere to.

Expenditure Commission

27. Despite the best efforts at resource mobilisation, budget leaves a deficit. The deficit would be bridged during the course of the year through serious efforts at economising on the expenditure side. It is proposed to appoint an Expenditure Commission to closely scrutinise every item of expenditure of the Government and give suggestions regarding wasteful expenditure and redundant schemes. It is expected that the Expenditure Commission will complete its exercise in the shortest time possible. But careful monitoring of the expenditure and progress of the schemes will not be a once and for all affair. It will be a continuing process and it will be an important task of the Planning Board that the Government intends to constitute.

State Planning Board

28. I would also like to add a few remarks on the future role of the Planning Board of the State. It must be admitted that despite the presence of some of the best experts in the country, the Planning Board in Kerala has not made any significant impact on the planning process. Apart from the Board holding occasional meetings which are not preceded by necessary preparations, planning is reduced to the activities of various departments in which the specialists in the line have only a secondary role. Departments of the Government including the Planning Department function virtually as nothing more than the post offices of the ministries and the Planning Commission at the Centre.

29. This state of affairs has to be brought to an end. Institutional mechanisms and modalities have to be worked out to ensure that in all major policy matters regarding development, the advice of the Board will be sought for and be given due consideration. The Board should be able to give overall guidance in the formulation and implementation of plan as well as co-ordinate and evaluate the development activities. A greater co-ordination will be ensured between the Plan priorities and the Budgetary provisions. These measures will I am certain, herald a new era of planned developments in Kerala.

PART II

SCHEMES

I shall now attempt a brief review of the activities of the Government with special emphasis on some of the new schemes to be introduced during 1987-88.

Agriculture

30. The contemporary agrarian crisis of Kerala defies any simplistic analysis or solution. We failed to undertake the necessary follow up measures of the land reforms. And therefore the beneficial impact of land reforms on production has not been commensurable to the radical redistribution of wealth that the reforms resulted in. We need to adopt an integrated approach covering organizational matters such as possibilities of co-operativization, land consolidation, surplus and waste land distribution etc., technological issues such as the choice of cropmix, appropriate seed, fertiliser and pesticides practices etc., and economic considerations such as prices of the agricultural inputs and products, ecological problems such as soil erosion, water conservancy and so on have also got to be emphasised. It shall be the endeavour of the present government to concretise such an approach into an

action plan in the coming years. I shall only bring to the notice of Hon'ble Members some of the new measures that are being adopted during the current year.

Drought Relief

31. The drought relief was tackled on a war footing. The Government entrusted each District under the personal supervision of a Minister and this was followed up by constant reviews at the headquarters at the highest level. Popular committees were set up in each District to conduct and co-ordinate the relief programmes and also to clear proposals for the construction of bore wells, open draw wells and other works of a minor nature which would require only a minimum period for execution and which would give standing benefits to the people in the locality. We have the satisfaction that despite sparse financial assistance from the Central Government, the State Government have been able to give considerable satisfaction to the affected people.

32. As part of the drought relief measures, the Government have decided to extend the period of repayment of short term loans availed of by small and marginal farmers from co-operative institutions. The interest on such loans becoming due to the co-operative societies for the period from 1-1-1987 to 30-6-1987 has consequently to be paid by Government. Precise figures are not available but it is estimated that the interest liability to be so paid will be about Rs. 15 crore. It is expected that atleast a part of this liability will be covered through special Central assistance for drought relief. A sum of Rs. 5 crore has been set apart as an additionality in the alteration memorandum to meet the interest liability of those repaying the loans after the extended period promptly.

Agricultural Relief Fund

33. The present drought has brought to the forefront the periodic loss sustained by farmers on account of natural calamities. When a widespread calamity occurs, as in the present case, the damages are studied comprehensively and relief measures undertaken. However, localised incidents are not properly taken care of. In order to give timely assistance to such farmers, a special fund will be constituted. A sum of rupees one crore is additionally provided for the purpose. The crop insurance scheme will be simultaneously amplified and strengthened.

Long Term Drought Preventive Measures

34. There is not sufficient awareness, especially at the Central Government level, about the calamitous impact the recent droughts have had on the agricultural sector. Given the high incidence of the long duration crops in Kerala's cropping pattern, droughts have a long term adverse impact on the production and productivity.

35. Though I have called the recent recurrent droughts as natural calamities, it is not difficult to see that they are also partly man made. Therefore, apart from the short term measures described earlier it is important to draw up a comprehensive long term plan for the prevention of droughts in the State. It would include measures such as better utilisation of water resources, including the ground water resources through measures such as construction of check dams, deepening of village ponds etc., and, above

all, afforestation of the Western Ghats, especially, the catchment areas. The schemes of forestry, irrigation, rural works etc., have to be co-ordinated to this end. A special committee of experts will be constituted for this purpose.

Coconut Development Programme

36. The Government is keen that EEC assisted Coconut Development Scheme be implemented as quickly as possible. In anticipation of clearance by Government of India for the programme an allocation of Rs. 1 crore is made by diversion within the plan. The Coconut Board's programme of integrated farming in small holdings will also be taken up for implementation for which an amount of Rs. 13 lakh is provided in the budget. The programme will consist of the removal of unproductive trees, for which compensation will be given, followed by supply of hybrid coconut seedlings at subsidised rates. In view of the integrated nature of the scheme, subsidies will also be granted for irrigation including that of pump sets. It is hoped that this scheme, the scope of which will be progressively enlarged, will arrest the declining trend in the production of coconut.

Promotion of Paddy Cultivation

37. The alarming decline of area under paddy cultivation has got to be arrested. All the important recommendations of Janardhanan Nair Committee for the benefit of small and marginal farmers will be implemented in a phased manner.

Fertiliser Subsidy

38. The total consumption of fertilisers continues to be on a low level although there has been some increase in the consumption of potassium fertilisers. At present a subsidy is granted to the farmers for fertiliser consumption in Kuttanad and the Kole lands of Trichur. We now propose to extend the scheme to cover all farmers irrespective of their location but to discontinue the grant of subsidy to the larger farmers owning more than 1 hectare of land. An amount of Rs. 2 crore is accordingly provided for the purpose.

Extension of Cashew Cultivation

39. A comprehensive programme for the development of cashew cultivation will be implemented. The basic ingredients of the scheme consist of developing progeny gardens, laying out demonstration plots, encouraging vegetative propagation and providing subsidies for inputs at Rs. 300 per hectare for the areas newly brought under cashew. An additional allocation of Rs. 20 lakh is made for the purpose.

Vegetable Kitchen Gardens

40. A significant portion of the demand for vegetables in the State is today being met by imports from Tamil Nadu. A scheme is being drawn up for promoting vegetable kitchen gardens. There is also great scope for vegetable farming on a

commercial scale as an inter crop in coconut lands and rotation crop in the paddy fields. An amount of Rs. 21 lakh has been earmarked for the development of vegetable cultivation not only in the traditional but also in potential areas. The scheme involves closer interaction of householders, students, farmers and agricultural experts.

Extension of Cocoa Cultivation

41. The establishment of a chocolate factory at Puthoor near Mangalore by CAMPCO will give a fillip to the cocoa cultivators in the State. The factory is prepared to buy raw cocoa at Rs. 8.50 per kg. Keeping careful watch of the trends in the demand for cocoa it is proposed to distribute cocoa seedlings through the agricultural department for encouraging cocoa cultivation as an inter-crop.

Plantation Crops

42. The State Government is committed to a policy of ensuring remunerative prices for our plantation crops such as rubber, cardamom, tea, spices etc. The various package schemes to increase the productivity of these crops are already a part of the Plan programme. It is hoped that restructuring of agricultural income tax as detailed in the tax proposals, will provide the grower with an in-built incentive for increasing production, and relieve him of unnecessary harassment by assessing officers. Further steps will be taken to strengthen the regulated marketing system in cardamom, arecanut and introduce it in other crops.

Extension Services

43. To make the agricultural programmes a success, extension services, will also be strengthened by making available at the Panchayat level, Agricultural Development Officers and Demonstrators who will provide not only the focal point for all extension service but will also fulfil the need of a link up between the farm and the institutional agencies. The surplus personnel available on completion of programmes like SADU, will be re-deployed for the purpose of the Kerala Agricultural Extension Project. The outlay the State Plan will be readjusted to accommodate these requirements.

Land Reforms

44. Failure to distribute surplus land has been the major weakness of land reforms in Kerala. Vigorous steps are being taken for the strict implementation of the ceiling provisions of the KLR Act and to distribute the surplus land.

45. Government also propose to exempt tenants who hold one or less than one hectare of land from paying compensation for the purchase of their tenancy rights. Kudikidappukars and Kudiyirippukars also will be exempted from paying compensation for the purchase of their Kudikidappu or Kudiyirippu rights. The small holders whose lands are being purchased will be eligible to get the amount of compensation from the Government.

46. According to the land use statistics, the cultivable waste-land in Kerala is 1,30,000 hectares. Urgent steps will be adopted to identify the public cultivable wasteland and distribute it.

Animal Husbandry

47. Development of animal husbandry as a sideline occupation can contribute significantly to the welfare of farmers. As far as dairy development is concerned, the main scheme during the year will be the extension of the Operation Flood Two Programme in the northern districts of Kerala. The model farm at Ayyanpilli Kunnu, Trichur District which will be developed during the current year is expected to give a new thrust to the fodder development programme Rs. 20 lakh has been earmarked for revitalising the State Livestock Farms. A special scheme for piggery development will be implemented in selected areas.

Registration Scheme for Veterinary Service

48. It is proposed to provide either vehicles or conveyance allowance to Veterinary Surgeons to enable them to visit the farmers at the farm-steads. A scheme for registering farmers with the nearest veterinary dispensary by collecting a registration fee will be adopted. The farmers who do so will be provided free veterinary service at their door-steps instead of having to take their animals to the dispensary.

Poultry Development

49. As an experimental measure, a scheme will be implemented at the I.P.D. Block at Trivandrum to provide one hundred poor farmers with a package of birds, institutional back up and the necessary training for broiler farming. The scheme will be taken up in other areas later. In view of the great potential for broiler production, it is also proposed to improve facilities at the State Farms.

Fisheries Development

50. An important task before this Government is to adopt measures to arrest the rapid decline in the marine fish landings. It involves a number of policy measures, both short-term and long-term, that will have to be finalised in consultation with experts.

51. Meanwhile, the present schemes to provide infrastructural facilities will continue to be taken up during the current year. It is hoped that the fishing harbour at Neendakara will be completed by the middle of this year and the construction of the second phase at Vizhinjam commenced soon. Work on three more fishing harbours is expected to be started during the year. Greater emphasis will be laid on the development of inland fisheries than in the past. Two national seed farms will be commissioned during the current year. Further, a Prawn Farmers' Development Agency with matching Central assistance is proposed to be started during the year. Establishment of prawn hatcheries, one of them at Cannanore, with the assistance of Marine Products Export Development Authority is already under way. A major scheme involving Rs. 20 crore outlay for developing prawn farming in about 1,200 hectares is being formulated.

Forest Protection

52. There is widespread apprehension among the people of the State regarding longrun consequences of indiscriminate tree felling and denudation of the

Western Ghats. The present government is conscious of the importance of adopting a scientific forest policy. Importance of forest conservation has already been made abundantly clear in many of the recent policy statements of the Forest Department. Except for certain specific purposes from predetermined areas, felling of trees is banned. The emphasis of forest protection is reflected in the short-fall of revenue collection from the forests in the Alteration Memorandum. I am confident that the overall beneficial effect in the economy will more than off set the revenue loss. Increased provision is made in the Budget to strengthen the Forest Protection Force.

Afforestation Scheme

53. A comprehensive scheme for forest regeneration in the State will be drawn up during the course of the year. The massive afforestation scheme that the Government envisages will be an important element of the employment generation programme. Additional allocation of Rs. 50 lakh has been made for initiating soil conservancy methods and forest regeneration in the catchment areas. The Social Forestry Programme will be closely scrutinised and revamped giving special attention for the distribution of fruit trees and other species more suitable to our State. A survey to assess the bamboo resources of the State is being considered. Special attention will be given to the regeneration of bamboo forests.

World Food Programme for Forest Tribals

54. This is a scheme which provides for the regeneration of forests in tribal areas by making use of tribal labour under which if one person in a family is employed, he will not only get wages for the purpose, but also free food for five members of his family. The tribal labour will be used not only for regeneration in the deteriorated forest areas, but also for maintenance and cultural operations including protection from fire. The scheme, if cleared by the Government of India, which it is hoped will be done shortly, will be a great boon for the tribals and will also give a fillip to the forestry programme. An amount of Rs. 2.7 crore is expected to be spent for this in the remaining part of the Seventh Plan.

Irrigation Schemes

55. Irrigation has been one of the most important sectors in terms of development investment undertaken by the State Government. The Government is conscious of the numerous draw backs of our irrigation efforts in the past like taking up projects without sufficient scientific and economic scrutiny, implementing too many projects at a time, the unduly long gestation period resulting in phenomenal cost escalation and the neglect of minor irrigation and local level water management. Steps are already being initiated to remedy this state of affairs. There is need to draw up a comprehensive master plan for management of water resources in the State on the lines of the master plan prepared by Mr. Vaidyanatha Iyer during the tenure of the 1957 Communist ministry. The Government is determined that the emphasis should be on the completion of the existing schemes in the shortest time possible. The Chittoor puzha and Periyar Valley projects will be completed in all respects during

the current financial year. For the former, an amount of Rs. 1 crore will be earmarked to complete the Meenakshipuram lift irrigation scheme. For the Periyar Valley Rs. 1.2 crore will be provided essentially for completing the work of the high level canal. These amounts will be provided by readjustment of the budgeted outlays within the irrigation sector.

56. As far as Minor Irrigation is concerned, the emphasis will be on the quick completion of all ongoing works and taking up for implementation potentially promising schemes like the community irrigation schemes, the construction of bore wells, energisation of pump sets and the deepening of tanks which have an irrigation potential. A total outlay for Rs. 7.7 crore has been earmarked for these schemes during the year.

Industrial Development

57. Even though there is a general consensus regarding the paramount importance of rapid industrialisation of the State, it is not generally reflected in the allocation of funds for the develop of industry. No Government that is serious about industrialisation can ignore this state of affairs. A special effort is being made in the present budget to make additional allocation for industries.

Traditional Industries

58. All the major traditional industries of Kerala, Coir, Cashew, and handloom face serious problems of raw-material shortage. Steps have to be taken for the strengthening of machinery for the collection and supply of raw materials to Production units. These industries, especially coir and handloom face serious problems in the product markets also. A scheme for rebate as well as a machinery for sales promotion of coir and coir products, as in the case of handloom, has to be drawn up. It is also necessary to diversify and modernise the products to suit the changing market taste. It is proposed to establish a model coir factory at Alleppey during the current year. The operations of the cashew Corporation will be expanded. The emphasis given for the promotion of cashew cultivation will alleviate the problems of raw material for the cashew industry in Kerala. An amount of Rs. 2 crore is accordingly proposed as additional allocation to the traditional industrial sector.

Small Scale Industries

59. The scope of setting of more small scale industrial units, for which District Industries Centres would be assigned a pivotal role, would be earnestly explored. 4,000 small scale industrial units are expected to be registered during the curent year. There is an urgent need to evaluate the progress of small scale industrial development in Kerala and assess the reasons for the high proportion of sick units. Measures will be adopted to revitalise the potentially viable units.

Kerala Financial Corporation

60. The Kerala Financial Corporation is the main institution which helps to finance new small scale units. The scale of operations of the Kerala Financial Corporation is expected to be stepped up to a level of Rs. 55 crore as far as sanctions

are concerned. The disbursements are also expected to be in the region of Rs. 45 crore. This will be a great improvement in the performance of the Kerala Financial Corporation and will bring it to the forefront of financial corporations in the country. If the scale of operations as envisaged is to be achieved, it is necessary to step up the share contribution of the State to the Kerala Financial Corporation from the present level of Rs. 150 lakh included in the budget to Rs. 225 lakh which will accordingly be done.

Industrial Rehabilitation Fund

61. A rehabilitation fund is proposed to be created which will form the nucleus of providing assistance to sick public sector units capable of being nursed back to health. Diagnostic studies are proposed to be conducted in all such cases and the possibility of diversification of products and revamping of top and middle level management will be given due consideration. If such studies indicate that with expansion and diversification the units can thrive, every effort will be made to provide funds through institutional and governmental sources. An extra amount of Rs. 2 crore is accordingly earmarked for this specific purpose which has vital importance in sustaining the industrial climate of the State.

K.S.R. T .C. Revitalisation Scheme

62. The Kerala State Road Transport Corporation, which operates more or less on a monopoly basis, has to be geared up to prevent the mounting losses which have already eroded the capital base. In order to improve the functioning of the KSRTC, it is necessary to adopt a realistic approach and to make it a viable entity. For this purpose, the overaged and non-road worthy vehicles will have to be replaced. Government are keen to do so despite the severe constraint of finances for capital investment. The circumstances are such that any delay will only aggravate the problem. It is therefore proposed to allow the KSRTC to purchase 50 new chassis per month for the next two to three years for which purpose a sum of Rs. 10 crore will be specially earmarked during the remaining part of the year as Government contribution. The KSRTC in turn will create a depreciation fund at the rate of 15% of the Capital contributed. The remaining part of the money required for the purpose will be earned by the KSRTC through the IDBI bills rediscounting scheme, gaining matching contribution from the Central Government and by availing of LIC loans. The operational efficiency of KSRTC will however have to be improved upon by inducing a proper work culture, and scientific scheduling of routes. A package approach to the entire problem is a pre-requisite and under these circumstances it is hoped that the KSRTC will soon turn the corner.

63. Despite the increase in wages, which will cost the under taking Rs. 6 to 7 crore annually, we are not raising the bus fares as a gesture of good will to the travelling public although the rate per kilometre for the ordinary routes is to-day less than that of the neighbouring States of Tamil Nadu and Karnataka.

Power Development

64. The recurrent power cuts have once and for all removed all illusions of self-sufficiency in power that we have had. Now it is evident that we will be a power deficient state, with even the best of efforts, till the end of this century. Power has become a high priority sector where the on-going schemes have got to be completed on a war footing and new schemes taken up.

65. The on-going schemes of Edamalayar, Idukki Stage III Sabarigiri, Kakkad, Kallada and Lower Periyar have all been provided with adequate financial outlays. Government are determined to see that cost and time overruns are kept to the minimum and that there is no cause for complaint on the quality of work in these projects.

66. Among the new schemes, Pooyamkutty Project Stage I was sanctioned by the Planning Commission in September 1986 and it is hoped that the work will begin during the current year for which a sum of Rs. 2.5 crore has been provided in the budget. Apart from the larger schemes, the strategy that has been adopted is to investigate and take up for implementation smaller schemes with shorter gestation periods. The Malampuzha, Mattupetty and Myladumpara hydro-electric projects are all under construction, for which Rs. 4.5 crore have been provided. Urgent measures will be taken to minimise the transmission loss.

67. The Government is convinced that we have got to diversify our sources of energy and all possible potential sources are to be explored. Setting up of a thermal station seems to be the best alternative we have for the present. We are expecting effective Central assistance in this direction. As an indication of the State Government's earnestness in this regard, a provision of Rs.10 lakh has been provided for it this year.

68. Government will also encourage certain major industries in-going ahead with the concept of captive electrical generation, so that even if power cuts become inevitable these industrial units need not shut down their factories.

Public Works Programmes

69. Numerous demands for construction of roads and bridges have been made by the Hon'ble members to many of which, despite my best intentions, I cannot comply with for the present.

70. In the "MLA road scheme" there are 172 works in progress out of which it is expected to complete 40 during this year. It is not possible to complete all the works and to take up new items unless the whole structure of the Plan is distorted. Despite financial stringency the Pallathuruthy-Nedumudi bridge will be opened and construction works of the Francis Road over bridge in Calicut, Thavakara under bridge at Cannanore and Vallathole Nagar over-bridge in Trichur will go ahead. The diversion road near Wadakkancherry, which will avoid two level crossings in the Trichur-Shoranur Section will be completed. A sum of Rs. 2.5 crore has been allocated for improving the road system in the congested parts of Trivandrum, Cochin and Calicut. Other major bridges expected to be completed are Vellaikadavu, Mangattukadavu and Poovar bridges in Trivandrum.

71. As a measure of strategy a master plan of a communication net work in the State will be formulated in which the needs in the tribal, hilly and backward areas in the State will be given preference. Modern techniques will be adopted for ensuring quality not only for initial work but also for its upkeep. The DIRQ Board will be strengthened. Emphasis will also be laid on the functional specialisation of the technical personnel in the P.W.D.

Kerala State Construction Corporation

72. In order to complete construction programmes under taken by the Kerala State Construction Corporation, which include the Legislature Complex, a share capital contribution of Rs. 75 lakh is additionally provided in the current year.

Water Supply Schemes

73. Provision for clean drinking water has already been recognized as one of the main national objectives. About 50 percent of the rural population and 85 per cent of the urban population of the State have already been provided with protected water supply. There are about 500 water supply schemes which are in various stages of execution. It is estimated that 240 schemes can be completed during the course of the year if an additional amount of Rs. 21.73 crore is provided. Out of this, Rs. 5.7 crore is required for Angamaly, Thodupuzha, Kodungalloor, Pathanamthitta, Tripunithura urban water supply schemes and the Trichur augmentation scheme. The balance is for ongoing rural schemes.

74. Taking into account the urgent needs in the water supply sector an additional amount of Rs. 4 crore is proposed to be included as an additionality on this account during the current year's plan. A significant part of the resource requirements for the schemes will be met by loans from LIC and aid of various external agencies.

75. It should however be borne in mind that water supply schemes are to be considered as remunerative schemes, a part of the running expenses being collected from the beneficiaries. There are heavy arrears of payments to the Water Authority from local bodies and Government departments. Urgent steps will be taken to expedite the collection of arrears.

Housing Schemes

76. It is significant that in this international year for shelter, the Government has pledged itself to a target of 5 lakh houses to be built within a span of five years. An important aspect of the programme envisaged by the Government is housing schemes for special categories like plantation workers, workers in the traditional industries, fishermen, Government servants, teachers and municipal workers.

77. A scheme of granting maintenance loans ranging from 5 to 50 thousand rupees to benefit about 10,000 people will be implemented for which purpose a sum of Rs. 50 lakh is set apart in the budget. The second phase of the rehabilitation housing programme is to be completed in the shortest possible time and this requires an outlay of Rs.7.5 crore. To make a beginning, an amount of Rs. 3 crore is specially included for the purpose.

78. The rental housing schemes have lagged behind because of insufficient allocations in the budget. To complete the existing schemes, an amount of Rs. 1.7 crore is required out of which Rs. 0.50 crore will be provided in the budget. More Government servants, and private school teachers will be encouraged to take loan for which already there is a stepped up provision in the budget.

Consumer Federation Revitalisation

79. An area requiring closer attention is that of Consumer Federation and Wholesale Consumer Stores, many of which have been sustaining steep losses. The result is that the primary object of supplying consumer articles at reasonable prices has not been achieved. A state level committee has already been appointed to suggest remedial measures and to recommend financial assistance to the Whole-sale Stores and the Federation. Viable schemes for revitalisation will be taken up and financial assistance granted on the fulfilment of certain pre-determined conditions. During the remaining part of the 7th Plan, approximately Rs. 5 crore will be earmarked for the purpose. During the current year a sum of Rs. 50 lakh is provided for this scheme.

Civil Supplies Corporation

80. The Civil Supplies Corporation has played a crucial role in controlling the market prices of essential articles through the Maveli Stores. The number of Maveli stores will be progressively increased and their work improved and streamlined. In view of the high cost of vegetables prevailing in the State, the Civil Supplies Corporation will also enter into the field of procuring vegetables through Agricultural Co-operative Societies and by mobilising internal production of agricultural farms.

Education

81. The overall strategy for the Education sector will be to consolidate our gains and improve the quality of education. Government has already announced the decision not to open new schools and upgrade the, existing ones; Adequate trained teaching staff will be ensured. The surplus teachers who are now under protection will be usefully deployed. Within the financial constraint faced by the Government, efforts will be made to provide better teaching equipments and school buildings. Government of India's scheme of Operation Blackboard will be introduced in the State. Adequate infrastructural facilities will be provided for Gandhiji University for which Rs.88.5 lakh have been provided in the Plan.

82. Vocational schemes are to be introduced in the high school stage. Already 73 schools each with an intake of 50 students have had the benefit of vocational higher secondary courses. During the current year 27 more schools are proposed to be included in the system and the intake doubled to 100 per school. New courses in computers, business and commerce and tourism will be started.

Chief Minister's Noon Meal Fund

83. It is proposed to create a special fund named 'Chief Minister's Noon Meal Fund' for providing noon meals to all children upto the Eighth Standard. The present

noon meal programme in the lower primary schools will be brought under the new scheme. A provision of Rs. 1 crore is additionally made for this scheme.

Free Text Book Scheme

84. A scheme to supply free text books, slates and pencils to all the children in the first standard will be started during the current year. A sum of Rs. 80 lakh is required for implementation of the scheme.

Health Programmes

85. In the health sector also our emphasis is on quality improvement rather than quantitative expansion. Of course, selective expansion of the facilities will have to be undertaken.

86. Under the Minimum Needs Programme, we intend to start 500 Sub Centres and 150 Primary Health Centres this year. We also intend to establish 25 Community Health Centres by suitably modifying the existing Taluk and Intermediary Hospitals.

87. It is proposed to revamp the School Health Programme to make it functionally more effective. At present there is a team of doctors working in each District headquarter. It is proposed to deploy them to the Primary Health Centres. This will help to augment the medical personnel available in rural areas and to pan the way for more efficient implementation of the School Health Programme.

88. The conditions in the three Mental Hospitals in the State will be improved substantially. Special attention also will be paid to Leprosy Sanatoriums.

Shift System for Hospital Staff

89. As an expression of Government's acceptance in principle of the longstanding demand of Hospital staff for reduction of their working hours, Government have introduced three-shift system for nurses in the six major hospitals in Trivandrum and Calicut. For this, 258 additional posts of nurses have been created entailing an additional expenditure of Rs. 40 lakh per annum. This scheme will also be extended to the Nursing Assistants Grade I and Grade II in the above hospitals. An additional provision of Rs. 20 lakh is made on this account.

90. The diet scheme in the hospitals will be thoroughly revamped and strengthened.

91. Under the Family Welfare and Immunisation Programmes, we have achieved the national targets and it is expected that the tempo will be maintained this year as well.

92. A scheme has been evolved for constructing new buildings for Government dispensaries under NREP-RLEGP programmes. Such constructions will be taken up in SCP and TSP areas on a priority basis.

Sports

93. It is perhaps as a token of recognition of the high quality of the performance of our athletes and sportsmen that it has been decided to hold the next National Games in our State. Preparatory work for the event has already been started, A special sum of

Rs. 1 crore, above the budgeted level has been additionally allocated in the Alteration Memorandum for completing the construction of the Stadia and laying of the synthetic track. Steps will be taken to ensure the democratic functioning of the various Sports Councils and greater involvement of sportsmen in the governance of these bodies.

Tourism

94. The tourist potential of Kerala has not yet been fully exploited. Apart from attracting foreign tourists by providing a better infrastructure, low and middle income groups will also be encouraged by constructing Yathri Nivas at Trivandrum, Cochin, Kozhikode and Quilon Shanghumughom beach will be developed and beautified. Tourism promotion activities through district promotion councils will be encouraged and supported. Being an industry with employment generation potential, more and more younger people will be trained in different aspects of tourism. For this purpose it is intended to start an institute on travel and tourism studies which will meet the requirements of trained manpower, particularly by upgrading the skills of those already engaged in the sector. The existing outlay provided in the plan will be utilised for the purpose.

Culture

95. Preparatory work for drawing up a massive national campaign for complete eradication of illiteracy in the State will be initiated during the current year.

96. Revitalisation and reorganisation of the library movement in the State will be given high priority. The necessary legislative measures will be undertaken during the current financial year itself. The Government also intend to reorganise and thoroughly overhaul institutes like State Institute of Languages, State Institute of Encyclopaedic Publications etc., as well as cultural bodies such as Lalithakala Academy and Sangeetha Nataka Academy.

Local Bodies

97. Preparations for the elections to the local bodies are under way. Decentralisation of administration is one of the major policy objectives of the present Government. The elected local bodies will be provided with adequate funds commensurate with the additional responsibilities that are envisaged in the new set up.

Statutory Women's Commission

98. A Statutory Women's Commission to monitor the condition of women and advise the Government regarding the implementation of legal provisions regarding women will be constituted during the current year. Three Family Courts will be set up in the State. Schemes for encouraging women entrepreneurs and women industrial operators will be further strengthened during the current year.

Scheduled Caste & Scheduled Tribe Welfare Programme

99. During the year the special component and the tribal sub plans will be implemented with greater vigour. The amount of welfare assistance granted to the

scheduled castes/scheduled tribes requires to be stepped up which will be done so by liquidating all arrears. Adequate finances will be made available for equipping them for attaining basic skills in productive enterprises. A total amount of Rs. 13.31 crore has been set apart for programmes relating to scheduled castes/scheduled tribes.

Agricultural Workers' Pension

100. Arrear payments of Karshaka Thozhilali Pension will be expedited. Further, the quantum of Karshaka Thozhilali Pension will be increased from Rs. 45 to Rs. 60. An additional allocation of Rs 3 crore is made for this purpose.

Welfare Scheme for Workers in Traditional Industries

101. It is proposed to institute separate welfare funds on a contributory basis for the workers in coir, handloom, cashew, bamboo and beedi-cigar industries. Various benefits to the workers including pension, medical allowance, concession loans, etc., will be made available to the workers under this scheme. The details will be worked out in consultation with the employers and employees. To begin with, an amount of Rs. 1 crore is provided as the contribution of the Government to the welfare funds.

Welfare Scheme for Fishermen

102. The Fishermen Welfare Board will be adequately strengthened Financial assistance will be granted from the funds of the Board for the marriage of the daughters of fishermen and for the funeral expenses of dependents of fishermen. A death and disability scheme will also be brought within the purview of the fund. Under the third phase of the subsidised housing scheme for fishermen, the target for the year is 5000 houses. Negotiations are under way with the LIC for formulating a Group Insurance Scheme for all fishermen. The possibility of the Government meeting a part of the premium for this scheme will be given due consideration.

Welfare Schemes for other Vulnerable Sections

103. A sum of Rs. 1 crore is additionally provided for clearing the arrears on welfare payments to the physically handicapped, the old aged, destitutes, widows, cancer or leprosy patients and all other under-privileged groups. The Government is however, keen to ensure that only those who really deserve the benefits should be covered under the scheme. In order to ensure this, it is proposed to publish the list of beneficiaries in the Panchayats which may call for objections and on receiving and considering them, take up the matter with the sanctioning authority. Merely obtaining a village officer's income certificate will not be sufficient ground for claiming the benefits. The present annual income limit in most cases is very low. Taking into account the increase in cost of living and the general standards prevalent in the economy, the income level is proposed to be increased to Rs. 6,000 per annum.

National Schemes for Poverty Alleviation

104. In the current year 95,000 families are proposed to be assisted, out of which 60,000 will receive a second dose of assistance. The rationale behind this is to ensure that those who are assisted do not slip back into poverty. There is urgent need

to ensure that through the IRDP, levels of income are sustained. Special emphasis will be given to improve training facilities under TRYSEM and for women under the DWCRA programme. The programme is expected to generate about 110 lakh man days of employment under NREP and about 95 lakh man days under RLEGP. Other than these programmes there is also a central scheme for assisting small and marginal farmers for increasing agricultural production. The overall outlay for all these schemes is Rs. 51.94 crore for the year 1987-88. Special attention will be paid to see that the benefits of these schemes reach the target population.

Employment and Unemployment allowance

105. Employment or Unemployment allowance' is a slogan that has been raised by all sections of youth in the State and this Government is committed to the creation of an additional 10 lakh employment opportunities in the State during the coming five years. Careful planning and negotiations with the Central Government will have to be undertaken before the massive employment creation programme as has been envisaged in the manifesto of Left Democratic Front can be launched. It will be one of the first and most vital tasks that the reconstituted state Planning Board will be addressing itself to. The afforestation programme, the soil conservancy and local level water management programmes, schemes for extending cultivation into the cultivable waste land, etc., that are so vital to the economic regeneration of the State, have massive employment potential.

106. It would be instructive to work out the employment component of the various new schemes that are initiated in the current budget. For example, a major project that is being initiated by Kerala State Financial Enterprises, targets generation of employment opportunities to approximately 1,11,800 persons within a period of 5 years. A novel scheme of attracting deposits from the public with rates of interest which are marginally higher than that of the Banks will be attempted. With the special deposits collected and guaranteed by the Government, productive equipments such as deep freezers and refrigerators, tailoring machines, washing machines, autorickshaws and Yamaha outboard kerosene engines etc., will be made available to the unemployed youth. The beneficiaries will be expected to repay the value of the equipment adding a flat rate of 10 per cent simple interest within a period of 5 years with a two month moratorium. The emphasis of the Government will be to provide productive employment to the unemployed youth of the State.

107. But in view of the fact that unemployment continues to be a burning problem in the State, the payment of unemployment allowance will be attended to without undue delay. Unemployment allowance of Rs. 60 per month will be provided for all who are eligible for the benefits under the existing scheme. The eligibility criterion will be strictly enforced. An amount of Rs. 4 crore is provided additionally for the scheme for the current year.

D. A. to the Government Employees:

108. In accordance with the declared policy of the Left Democratic Government two outstanding instalments of D.A. to the Government employees from the date on which it was granted to the Central Government employees, will be paid. In order to

accommodate this requirement revenue expenditure estimates have been stepped up by Rs. 13 crore.

109. Government also intends to set up a New Pay Commission for the Government employees during the financial year.

110. While conceding these rightful demands of the Government employees, I would remind them that they are servants of the public. The Government expected every Government employee to do his/her duty most diligently and maintain the discipline and decorum of public offices. Special efforts will be made to ruthlessly root out corruption from all levels of Government administration. Government are actively considering the institutional modalities to be set up for the public to air and redress their grievances.

(i) Government are aware of the various demands of Service Pensioners. They will be considered sympathetically in consultation with their representatives.

(ii) Welfare of police personnel, who are the custodians of law and order will be adequately taken care of along with modernisation of the force. Housing schemes for all ranks will be expedited by utilising the special allocation for the purpose given by the Finance Commission.

PART III

Revenue Proposals

The budget proposals I have indicated require appropriate resource mobilisation efforts which I now proceed to enumerate:

Sales tax

111. The collections for the previous year have been tentatively estimated to be approximately at Rs. 516 crore. The revenue receipts expected from sales tax has been estimated for the current year as Rs. 573 crore. We have altered the sales tax revenue for the current year to Rs.585 crore :-an improvement of Rs. 12 crore, taking into consideration the buoyancy in the economy. Strenuous efforts will have to be made to collect the arrears. A part of the arrears is on account of stay orders of Courts of Law. Nevertheless, a wholehearted, sustained effort to wipe out the arrears is expected to bring in large dividends.

112. It is proposed to adopt a number of measures in the field of sales taxation both to rationalise the system and to raise additional revenues. The overall revenue effect of these measures is indicated at the end.

(i) Two-Tier System

113. The single point system of sales tax which covers almost all the commodities in the State has obviously certain advantages. However, there are chances of revenue leakage because it does happen that goods are initially sold to benami companies at lower rates. Sale to the consumers is made by these benami companies at higher rates for which no tax is leviable, being a second sale. In order to overcome this evasion, a two-tier system will work to the advantage of the State. It is proposed to include a separate schedule to the KGST Act indicating the items taxable at two separate points of sale within the State. A two-tier system will be

introduced for the following goods. The rates proposed are some what higher than those currently obtaining:-

<i>Name of goods</i>	<i>Present rate of tax</i>		<i>Proposed rate of tax</i>	
	<i>First sale point</i>	<i>First sale point</i>	<i>First Sale Point</i>	<i>Last sale point</i>
1 Arrack	40%	30%	15%	15%
2 Foamed Rubber sheets cushions, pillows and other articles of foamed rubber	15%	15%	2%	2%
3 Foreign liquor	55%	60%	15%	15%
4 Laminated sheets & expanded polystyrene of all kinds	15%	15%	2%	2%
5 Liquor other than foreign liquor, arrack and toddy	55%	45%	15%	15%
6 Suit cases, brief cases	10%	10%	1%	1%
7 Lubricating oil, grease, brake fluid, transformer oil & other quenching oils	10%	10%	1%	1%
8 Plywood, veneer plywood, Hardboards & veneers	10%	10%	2%	2%
9 Rubber excluding synthetic rubber	5%	1%	5%	5%
10 Rubber products covered under entry 170 of first Schedule	8%	8%	2%	2%
11 Synthetic rubber products excluding those covered under Entry 74	12%	10%	2%	2%
12 Synthetic rubber foam polyurethane foams and plastic foams and their products except thread rubber	15%	15%	2%	2%

The net additional revenue realizable on this account is about Rs. 13 crore during the year.

(ii) Registration Fee

114. There are several registered holders of sales tax in the State. Their number is over 90,000. Every dealer has to take a fresh registration each year by paying Rs. 50 as registration fee for the main branch of business and Rs. 25 for the branches. It is proposed to increase the fee to Rs. 100 and Rs. 50 respectively. This will result in an extra' yield of Rs. 50 lakh during the year.

(iii) Turnover Tax

115. There are a large number of registered dealers, handling goods at the point of second or third sale and therefore not liable to sales tax. All those persons whose annual turnover is over Rs. 25 lakh, irrespective of whether they are paying

sales-tax or not will be charged with a turnover tax of 1%. This will fetch a revenue of approximately Rs. 28 crore during the year.

(iv) *Entry Tax on Cattle:*

116. The State Legislature is competent to levy a tax on the entry of certain goods for consumption, use or sale, provided the goods enter a 'local area' which is defined to be the limits of a local authority like the Panchayat, Municipality or Municipal Corporation. It has been observed that large numbers of cattle are being brought into the State everyday from the neighbouring States for purposes of slaughter. By declaring the Panchayats in the border as 'local area', it will be possible to levy an entry tax. The rate of tax is proposed to be 8% of the value of the animal. For the present the entry tax will be limited to meat on hoof of cattle including buffaloes brought for slaughter and will exclude other animals. An additional revenue of nearly Rs. 6 crore can be expected by the levy of such a tax.

(v) *Entry Tax on Crude Oil:*

117. An entry tax at the rate of 1 paise per litre will be levied on crude oil received by the Cochin refineries. This will yield Rs. 2.2 crore this year.

vi *Rationalisation:*

118. In accordance with the recommendations of the Vadakkal Commission, it is proposed to rationalise the tax structure by reducing the number of rates of sales-tax which are at present 17 to 11. The resultant effect will be that the rate will be enhanced in a few cases while in others it will decrease. The overall effect will be of a slight improvement in the collection of revenue. Another recommendation of the Vadakkal Commission which will be followed up is the need to revamp the Intelligence Wing of the Sales-tax Department. It is common knowledge that there is considerable evasion of sales-tax not only through clandestine movement of goods, but also by resorting to under-hand methods of tampering with documents and indulging in so-called legal evasion. The Intelligence Wing will be divided into three distinct sections, namely, investigation, detection and enforcement. The work will be organized systematically to unearth all forms of evasion. Adequate vehicles and manpower will be provided. In the long run, the strengthening of the intelligence apparatus is expected to generate more than Rs. 10 crore per annum to the exchequer.

(vii) *Protective Assessments:*

119. Another area requiring attention from the sales-tax point of view is the need to provide for protective assessments, wherever there is a suspicion that the business is carried on by more than one individual. The idea behind this is to ensure that atleast one of the persons involved would become liable for the payment of sales-tax. Assessing Officers will be given suitable instructions for the purpose. The above two measures are expected to yield an additional Rs. 5 crore during the year.

(viii) *Coconut and Copra:* ;

120. The sales-tax structure on coconut and copra has also been commented upon by the Vadakkal Commission. The present structure is such that oil and cake sold inter-state are taxable at 1% and those sold inside the State at 5%. The result is that the dealers camouflage intra-state transactions as inter-state sales. It is, therefore, proposed to levy 4% tax on coconut and copra and 5% on oil and cake, irrespective of the nature of sale. However, tax levied on Copra will be set off from

the tax levied on oil and cake which means that the effective rate is only 1% on oil and cake. This will be conducive to contain the industry in Kerala and will discourage consignment sales outside the state. Additional revenue expected by this measure is Rs. 50 lakh

(ix) *Carbon Black:*

121. Carbon black is one of the items which is today exempted from the payment of sales-tax provided it is manufactured within the State. This exemption seems to be unwarranted and accordingly exemption of payment of sales-tax from carbon black produced within the State is proposed to be withdrawn. Additional yield expected is Rs. 70 lakh.

(x) *Works Contract:*

122. State Governments are at present competent to levy a sales-tax on works contract, hire purchase and lease of goods in accordance with a constitutional amendment amplifying the definition of a sale. However, despite the introduction of legislation in this regard, the taxation of works contract has not yet been possible because of the stay orders issued by the High Court and the lack of clarity regarding the quantum of labour inputs in the various items constituting the contract. In order to overcome these problems and to quickly generate _ more revenue, it is proposed to cancel the existing rules issued under the amending act and insert a new schedule on the model of the Tamil Nadu pattern which has enumerated the types of works contract and the rate of tax that can be levied on each of them. Additional revenue of Rs. 3.5 crore is estimated.

(xi) *Electronic Goods:*

123. The rate of sales-tax on electronic goods today is 15%. In order to make these items competitive, I propose to reduce the rate of tax on electronic goods other than T.V. sets manufactured within the State to 4%. The rate of tax on T.V. sets manufactured by KELTRON and marketed within the State has already been reduced to 4%. No loss of revenue is expected.

(xii) *Nylon Fishing Net Twine*

124. The item nylon fish net twine has not been included in the schedule to the KGST Act, although the item Nylon Fish Net has been included. Ten per cent tax is at present levied on Nylon Fish net. It is proposed to combine both items and reduce the tax to 6% which will give some relief to fishermen.

(xiii) *X-ray items*

125. At present there is no specific entry for X-ray apparatus, X-ray films and X-ray plates as a result of which different assessing Officers are assessing the sale of these items treating them either as general goods or as electrical goods. It is proposed to introduce these items specifically in the schedule and levy a 6% tax at the point of first sale.

(xiv) *Low Sulphur Heavy Stock*

126. Low sulphur heavy stock (LSHS) is introduced as item 56 in the first schedule liable to sales-tax at 8%. The rate of tax on furnace oil is however only 4%. This is being manufactured from imported crude as a result of which the demand for LSHS which is an indigenous product manufactured from Bombay Crude has come down. In order to encourage the consumption of LSHS, the rate of tax on furnace oil is proposed to be increased to 10%. Extra revenue anticipated is Rs. 20 lakh.

(xv) *Motor Cars and Three-wheelers*

127. The rate of sales-tax on motor cars is 6%. The high rate of tax has resulted in loss of revenue to the State particularly from the purchase of cars which are fuel efficient. Many customers within Kerala either take delivery of the car directly from the manufacturing company at Haryana or from the neighbouring States where the level of tax is low. It is, therefore, proposed to reduce the rate of tax of cars, including fuel efficient cars from 6 to 4 %. It is estimated that as a result of this measure an extra revenue of at least Rs.1 crore can be anticipated because of the increase in business. On a similar analogy the rate of tax of three wheelers will be reduced from 15 to 10% and C.S.T to 4% without 'C' form. This is to encourage sale of 3 wheelers produced in Kerala outside the State.

(xvi) *Nutan Stove*

128. The fuel efficient Nutan Stove, because of its superior quality, is thermally more efficient and helps in the conservation of petroleum products. This stove is a little more costly than the normal stoves. However, in order to encourage more usage thereby conserving kerosene oil, it is proposed to reduce the rate of tax on Nutan stoves to just one per cent. Loss of revenue will be nominal.

(xvii) *import and Export Processing Zone Units:*

129. The Cochin Export Processing zone has been set up primarily to encourage industrial undertakings to set up their units in the developed infrastructure available within the area. A proposal has been received from the authorities to exempt the industrial units from the payment of purchase tax on raw materials since the end price of the commodity will have to be internationally competitive. Such exemptions are already granted to units set up in other free trade zones like Kandla and Falta. It is, therefore, proposed (i) to exempt these units from the payment of purchase tax for all industrial inputs within the State and (ii) to reduce the rate of purchase tax to two per cent on all industrial inputs outside Kerala state but purchased within the State.

(xviii) *Spectacle frames*

130. Small scale units set up in Kerala manufacturing spectacle frames enjoy a tax exemption for 5 years for sale within the State. To encourage sales outside the State the rate of C.S.T. will be fixed at one per cent.

(xix) *Industrial Raw Materials and Components*

131. At present, the industries in the State pay 4% sales tax for raw materials and 1 % sales-tax on component parts. There is some amount of confusion leading to litigation as to whether an item is a component part or a raw material. Despite court observations it has not been possible to clearly demarcate between these two inputs. To avoid confusion, it is proposed to levy a uniform rate of 2% sales-tax on all items utilized by industry for manufacturing the end products. No loss of revenue is anticipated as a result of the rationalisation.

(xx) *Cooked Food*

132. Cooked food including beverages like tea and coffee served in hotels and restaurants are today exempted from sales-tax. A large number of luxury hotels have come up recently in different parts of the State. These hotels, including the bars where food is served have been making substantial profit. It is proposed to levy 10% sales-tax on the sale of cooked food including beverages consumed from or sold by

all bar attached hotels and restaurants and all hotels above the grade of two stars. Additional revenue expected during the year is Rs. 1.50 crore.

(xxi) Handloom Silk

133. Handloom silk cloth, woven on hand spun yarn is at present exempted from tax. Such silk is manufactured either from hand spun yarn or mill made yarn. If it is the latter, there is no exemption of sales-tax. It is, however, extremely difficult to distinguish the nature of the cloth by feeling the texture and this results in confusion and evasion. Under the circumstances, it is proposed to levy 8% sales-tax on handloom silk cloth, if the price per metre is Rs. 50 or more. Additional revenue expected is Rs. 25 lakh.

(xxii) Coffee under Brand Names

134. At present coffee is taxable at the first purchase point in the State and so it is the Coffee Board which pays the tax in almost all cases since it has got the monopoly right to purchase coffee from cultivators. However, considerable quantities of coffee are today being imported into the State in manufactured form and packed and sold in popular brand names which attract no levy. It is therefore, proposed to insert a new entry in the first schedule as coffee powder sold under brand names and it will have a first point sales-tax of 10%. Extra revenue anticipated is Rs. 20 lakh.

(xxiii) State Excise

135. The Abkari auctions have resulted in the total rental for the year in respect of Toddy, arrack, FLR & FW shops going upto Rs. 112.80 crore, which is higher than the estimated level of Rs. 81 crore by nearly Rs. 32 crore. Taking into account the measures that are being adopted to prevent the smuggling of foreign liquor and spirit from the neighbouring States, there is reason to hope that the total collections will show a further upward trend during the course of the year. The Government will take all further steps to prevent the smuggling of liquor and the un-authorized functioning of sub-shops. For these purposes, the excise guards will be given greater facilities not only at the check-posts but also within the jurisdiction of their beats. I hope to raise an additional amount of Rs. 44 crore during the current year from the State Excise by mounting special efforts. Total revenue from excise will thus be incurred from the budgeted level of Rs. 121 crore to Rs. 165 crore.

(xxiv) Motor Vehicles Tax

136. The tax on Motor Vehicles is collected both as fees and direct taxes. No revision of the fees is contemplated. The tax on Motor Vehicles is, however, proposed to be increased. This is an area in which there is considerable potential for enhancing Government revenue without affecting the general public to any appreciable extent. The present rate of tax on Private Cars is proposed to be increased by 50%. Necessary amending provisions will be made in the Motor Vehicles Act and Rules.

It is also proposed to increase the registration charges of all vehicles having licence plate numbers of other States by 50%. This will prevent the practice of purchasing vehicles from States and Union Territories having low sales-tax rates and then bringing them to Kerala.

The total additional revenue on account of these measures will be nearly Rs. 6 crore. For the current year atleast Rs. 3 crore can be additionally collected.

(xxv) Plantation Tax

137. The existing system of plantation tax is such that there is an exemption limit upto 4 hectares for all garden crops. The exemption limit is on the high side for certain crops taking into consideration the higher levels of yield and the remunerative prices fetched from the plantation sector. The present rate which ranges from Rs. 70 to a maximum of Rs. 130 per hectare is also on the very low side and does not reflect the paying capacity of the plantation industry. I propose to rationalise the exemption and tax rates as follows:

138. There will be a basic exemption limit of upto one hectare for all plantations. For coconut and arecanut plantations, however, the exemption limit will be retained at 4 hectares. For other plantations, tax will be from 1 to 4 hectares at the rate of Rs. 100 per hectare, from 4 to 8 hectares Rs. 150 per hectare, from 8 to 15 hectares Rs. 200 per hectare, from 15 to 25 hectares Rs. 300 per hectare and for plantations having an area of more than 25 hectares the rate will be Rs. 500 per hectare. As a result of lowering the exemption limit and an increase in the rate of tax net additional revenue during the year is estimated at Rs. 6 crore.

(xxvi) Electricity Tariff

139. The annual revenue from the sale of energy for the KSEB at the present tariff rate is about Rs. 140 crore. The share of EHT and HT consumers is Rs. 45 crore. However, the consumption of electricity by this category of consumers is over 50%. The average rate of tariff for EHT is, on an overall basis, 25 paise per unit. For HT the rate is 31 and 35 paise respectively for the two categories of HE Industrial and, Agricultural and HT others. The overall rate for EHT and HT comes to 27 paise per unit.

140. Kerala is at present dependent on imported power for meeting part of its requirement. The load growth projection indicates that at the end of the 7th plan the overall shortage will be 20% which will have to be met by imports or by resorting to power cut. The policy now followed is that EHT and HT consumers will have to consume the entire imported power which is costlier than the local power. The Kerala High Court has, while disposing of a batch of petitions, found the rate of 80 paise per unit as reasonable. At present EHT and HT consumers are charged separately for imported power and share from internal generation. The combined rate, if they have to consume the entire imported power will be 48 paise per unit. This sector of the industry can, I feel, absorb higher rates because compared to other States the rate cannot be considered to be high. I propose to increase the rate by 33 1/3%. The combined rate including that of imported power in this case will be around 57 paise per unit. In the course of a whole year this enhancement in tariff will bring in additional revenue of Rs. 15 crore. In the current year it can bring in Rs. 8.75 crore if made effective from 1-9-1987.

(xxvii) Registration

141. There is a general consensus on the need to curb under-valuation in documents. The Registration Department has to be adequately strengthened by the induction of more staff and equipment. The registration fee on sales of all land costing more than Rs. 1 lakh will be increased by another 2 per cent. This fee will be

independent of the declared value on the registration documents and will be with reference to pre-determined rates according to the quality of the land. This rate, with reference to specific localities, will be declared in advance by the Government each year so that whenever any transaction takes place within that locality the levy of duty will be in accordance with the prescribed value. The additional amount contemplated as a result of the reform during the current year is Rs. 4 crore. The Government is also giving serious thought to assuming powers on the lines of the Central Government to acquire properties at the declared value. This could be an effective deterrent to under-declaration of property values.

(xxviii) Levy On Private Hospitals

142. Private Hospitals have become an attractive commercial enterprise eligible for financial aid from institutions such as KFC. I feel that there is every ground to levy a special tax on private hospitals, the proceeds of which will be specially earmarked for the improvement of the public health care system of the State. I propose a graduated annual levy as follows:

Rs. 200 per annum per bed in general wards, Rs. 1000 per bed per annum on beds in 2 or 3 bedded rooms and Rs. 2000 per bed per annum on beds in single-bedded rooms. The hospitals serving backward areas (to be notified) will be exempted from the levy. An yield of Rs. 1 crore is expected from this measure.

(xxix) Turnover Tax-Unaided Private Educational Institutions

143. Unaided private schools and large-scale parallel colleges in the State have become symbols of commercialisation of education. They are highly profitable ventures collecting donations and levying high fees. Under such circumstances, it is proposed to impose a 5 per cent turnover tax on the annual collection of fees and donations and other receipts of the private unaided recognized schools and of the 'parallel colleges' having annual collection of more than one lakh rupees. The resource mobilised on this account will be separately earmarked for the Chief Minister's School Noon Meal Fund. The additional resources mobilisation on this account is expected to be Rs. 50 lakh.

(xxx) Auctioning Bus Routes

144. Instead of the present permit system the possibility of auctioning certain lucrative private bus routes will be tried. Additional income in consequence is anticipated to be Rs. 60 lakh.

(xxxi) Tax on Air-Conditioners

145. There are several buildings fitted with air conditioners. These are luxury items and used by affluent sections of the population. A special luxury tax at the rate of 2% of the value of the air conditioning equipment will be charged on an annual basis on buildings of value greater than Rs. 5 lakhs. This is expected to yield Rs. 1.5 crore this year.

(xxxii) Rationalisation of Agricultural Income tax.

146. There has been a persistent demand by groups of interested persons on the need to change the existing system of assessing and levying agricultural income tax particularly, on the smaller plantation holders. The Government will broadly adopt the system of compounding the tax on an acreage basis provided the system is confined to extents within a limit. Accordingly, it proposed to exempt all holdings below 3 hectares irrespective their locations and nature of crop from the

purview of agricultural income tax. For areas above 3 hectares, a system of compounding will be adopted at different rates depending upon the nature the crop and the location. The upper limit of area will also determined in due course. All areas above this limit will continue to be taxed as is done at present in accordance with the provision of the Agricultural Income-tax Act, which will however be redrafted more or less in accordance with the current Central Income-tax Act since the present Act is modelled on the lines of the Income-tax Act of 1922. It is expected that the result of these measures will be a higher net income of Rs. 2 crore to the State during the current year.

(xxxiii) Non-tax Revenue from Animal Husbandry

147. In order to augment revenues from the animal husbandry sector, apart from the registration fee that is contemplated, it is proposed to increase the fee for artificial insemination services from the present level of Rs. 7 to Rs. 10. It is also proposed to levy a fee of Rs. 2 per animal for all rinderpest vaccinations. An additional amount of Rs. 1 crore is expected to be realized through these non-tax measures for the year.

148. The overall expectation of additional revenue on account of the various measures suggested under Sales-tax, is estimated to be Rs. 62.55 crore for the current year. In addition, I am anticipating an additional amount of Rs. 12 crore through reduction in arrears, buoyancy and economy. So, all told, the contribution of Sales-tax to this years' additional tax effort can be put at Rs. 74.55 crore. It should be possible to raise much more if the Central Government do not further delay the enactment authorising the States to levy tax on consignment sales, which in a State like ours, could be a major source of additional revenue.

149. The contribution of excise to this year's additional tax mobilisation effort is Rs. 44 crore. The non-tax revenue sources are expected to generate additional revenue of Rs. 1 crore. Against this, the provision made in the financial statement on account of forest revenue has to be reduced by Rs. 13.87 crore. I am also anticipating a higher net collection under Small savings. The budgeted figure is Rs. 63 crore. With some effort this could be stepped up to Rs. 75 crore for which special measures will be undertaken.

150. In sum, the total additional resource mobilisation during the current year is worth Rs. 158.90 crore including an addition of Rs. 12 crore under Small Savings. Despite the wide-ranging additional resource mobilisation measures that I have proposed, I am afraid, the financial position of the State does not permit any laxity in spending whatsoever. Our proposals on new schemes have therefore been drawn with extreme caution taking into account, however, the urgent needs of the hour in regard to employment promotion, over all industrial, agricultural and power development and urgent needs of the economically disadvantaged.

151. Soon after this Government came to power we had to grant special amounts to meet urgent and immediate requirements, details of which have been mentioned in the alteration memorandum. The overall position is that the deficit of Rs. 54.87 crore indicated in the annual financial statement has increased to Rs. 94.60 crore as a result of (i) closing balance being a negative figure of Rs.21.1 crore and (ii) the need to lower forest revenues by Rs. 13.87 crore in pursuance of this Government's Forest conservancy policy. To this I have had to add an amount of Rs.

53.10 crore contained in the alteration memorandum. I have proposed additional outlay on new schemes and existing schemes to the extent of Rs. 38.10 crore and set apart Rs. 13 crore for Additional DA to employees of Government. The gap in resources is Rs. 198.80 crore, out of which additional resource mobilisation efforts outlined take care of Rs. 158.90 crore.

152. The summary position is indicated below:

	Rs in crore
Revenue receipts	1602.92
Revenue expenditure	1733.38
Deficit	(-) 130.46
Capital receipts	516.82
Capital expenditure	599.86
Deficit	(-) 83.04
Public account-Net	86.91
Over-all deficit for 1987-88	(-) 126.59
Carry over deficit of 1986-87	(-) 21.11
Cumulative deficit for 1987-88	(-) 147.70

153. Further proposals as announced are Rs. 38.10 crore, the break-up of which is as follows:-

	(Rs. in crore)
Industrial Development	
(i) Resuscitation of traditional industries	2.00
(ii) Rehabilitation fund for sick industries	2.00
(iii) Additional share for Kerala Financial Corporation	0.75
Agricultural Development	
(iv) Revolving fund for Agricultural losses	1.00
(v) Additional allocation for fertiliser subsidy	2.00
(vi) Cashew Development	0.20
Transport Development	
(vii) Capital for K. S.R.T.C.	10.00
Forestry Development	
(viii) Additional allocation for afforestation and soil conservancy measures in the catchment areas	0.50
Other Development Schemes	
(ix) Support for consumer stores	0.50
(x) Share Capital for Construction Corporation	0.75
Relief and Welfare Measures	
(xi) Additional Commitment for Nurses in the Health Department	0.40

		(Rs. in crore)
(xii) Welfare Fund for Workers in the traditional industrial sector		1.00
(xiii) Additional Fund for Karshaka Thozhilali Pension		3.00
(xiv) Additional Fund for unemployment allowance		4.00
(xv) To liquidate arrears of social service pension		1.00
(xvi) Chief Minister's Noon Meal Fund Housing & Water Supply Schemes		1.00
(xvii) Additionality for water supply schemes		4.00
(xviii) Rehabilitation Housing Scheme end Phase	}	
(xix) Rental Housing		4.00
(xx) New Housing Schemes		
Total		Rs. 38.10
Total deficit		Rs. 185.80
Amount set apart for D.A. payment		13.00
Over all deficit		198.80
Additional Resource Mobilisation Including improvement of Rs. 12 crore under Small Savings		Rs. 158.90
Gap		Rs 39.90

SUMMARY OF THE ADDITIONAL RESOURCES MOBILIZATION MEASURE IS THE FOLLOWING

	Rs in crore
Non-tax revenue from Animal husbandry	1.00
Improvement in Agricultural income tax due to compounding	2.00
Buoyancy in excise and sales tax	56.00
Motor vehicles tax increase	3.00
Plantation tax rationalisation	6.00
Upward tariff revision of electricity	8.75
Improvement and change in registration	4.00
Beds in private hospitals	1.00
Turnover tax on unaided recognized schools	0.50
Auction of bus routes	0.60
Special levy on A. C. rooms in high cost buildings	1.50
Sales-tax rationalisation including entry tax, streamlining collection and liquidating arrears	62.55
Improvement in Small Savings collection (Net):	12.00
Total	158.90

154 This still leaves an over all gap of Rs. 39.90 crore which I am unable to close despite the best of intentions. I, therefore, have no alternative other than to present a

deficit budget, which taking into account the stupendous task before us cannot be considered as a negative aspect. As I declared earlier, the deficit would be bridged during the course of the year through economising and rationalising expenditure.

155. Submitting the budget estimates and proposals for the consideration of the Hon'ble Members, I would like to appeal to the people at large to extend their full co-operation to the Government in carrying out all the schemes of development which have been outlined in my speech. It was with very great difficulty that I have been able to give concessions to large sections of the people including government employees and unemployed youth.

156. These Concessions, however, are in my view productive investments in the development of man power. No amount of scheme-making would lead to any worthwhile development of the economy and socio-cultural life of the country unless the Government employees are fully involved in the implementation of the plan. A contented community of government employees, in other words, is a necessary pre-requisite for the successful implementation of plan schemes.

157. This, however, makes it incumbent on the part of the government employees to fully utilise their capacities and resources in honestly serving the people. I am sure that the employees will realise their duty to the nation and discharge their responsibilities.

158. A word to the unemployed youth for whom all that is possible under the circumstances is being done as proposed in this budget speech. Let them realise their duty to the nation whose representatives (the state Government) are under the most difficult financial circumstances for providing opportunities to the unemployed youth. It would be below the dignity and self-respect of the honoured citizens - of our country if they have to live on doles to be given by the Government. That is why responsible organisations of the youth have raised the slogan 'either employment or un-employment relief'. I am therefore appealing to the unemployed youth to engage themselves in useful productive labour, as is planned under the various schemes to be prepared by the government.

159. A word to the workers and employees of public and private sector enterprises and establishments, While assuring them that this government will do everything to defend the interests of workers and employees, I hope the latter will discharge their responsibilities to the nation.

160. The large mass of people including the peasants and agricultural labourers, I hope, will realise that the full co-operation of all sections of the working people is required to take our state out of the deep crisis into which it has fallen. It is in this spirit that this government is addressing itself to the problems of this state and of the whole country.

161. It is with this hope that I present the budget estimates and proposals for the year 1987-88 for consideration and approval of the House.

Thank you.

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