



## **BUDGET SPEECH FOR 1988-89**

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*18th March 1988*

I rise to present the Budget for 1988-89.

1. This Budget is being presented at a time when there remains only a week for the Left Democratic Front Government to celebrate its Anniversary. Hence it will not be proper to think of the future programmes without an assessment of the experiences during this one year.

2. For our State, the year that passed was one of major challenges. The people and the Government had to face various challenges like severe drought, electricity crisis, fall in production in major productive sectors, the financial difficulties of the Government and so on. In spite of the injuries caused by each one of them, we could face these challenges with full confidence and determination and move towards our goals, at least to a limited extent. To these I shall come later. There are certain other points which I believe have to be explained before that.

3. Ours is a poor State-one among the poorest in the Indian Union. As per the table in the 'Budget in-Brief' issued along with the last Budget speech, our State stands 12th in India in the matter of per capita domestic product in 1983-84. Our per capita domestic product was only Rs. 1761 while the all-India average stood at Rs. 2201. We are far below the all-India level in fields like agriculture, industry, energy etc., which are the basic sectors of the economy. Our economy has certain serious weaknesses and the problems emanating from them are beyond description.

4. I have a special reason for specifically mentioning this fact here. There are deliberate attempts from certain quarters to heap all the blame on the present Government for the financial difficulties and many other problems which the State had to face during the last one year. Their aim is to tarnish the image of this Government before the people by presenting the problems of Kerala as isolated ones and as problems which arose within the last one year. They forget the fact that Kerala is an indivisible part of the Indian Union. The economy of this State is only a part of the national economy. Naturally, any change at the national level is reflected in our State's economy also. Under such circumstances, we can neither probe into our problems nor find solutions for them without a proper study of the character of the present-day Indian economy.

5. What, at present, is the stage of India's economy? In spite of all the attempts on the part of those in power at the Centre to belittle its magnitude, it has widely been accepted that our nation is now confronted with the most serious of the economic crisis in post-Independent era.

While in some parts of the country severe drought has turned large tracts into wasteland, in others floods have played havoc with the lives of the people. Not only has agricultural production been paralysed, the growth rate in that sector has fallen below zero level. Industrial sector is limping on at a nominal growth rate. While unemployment remains alarming, more and more factories are being closed driving more out of employment. Five-year plans have been reduced to mere paper plans; the Central and State Budgets come out with appalling deficits. Price indices are soaring to inexorable heights. Value of rupee has fallen to a ridiculous low. In short, people are being increasingly pauperised.

6. The Economic Survey that was presented in Parliament a few weeks ago bears testimony to these facts. It says that the growth in the gross national product is hovering between 1 and 2 per cent during 1987-88 while the same could attain a growth rate of 4.9 per cent in 1985-86 and 4.1 per cent in 1986-87. Even the growth rate of the first two years of the current plan does not come anywhere near the growth rate attained during the 6th Plan (5.3%), or the target fixed for the 7th Plan (5%).

7. The agricultural sector witnessed the worst recession. This sector showed a growth rate of 5.8% during the 6th Plan. On the basis of this, a target of 4% growth was set for the 7th Plan. But during the first year of the plan, agricultural production rose only by 4.6% and the grains production only by 3.4%. During the second year, it even receded. The survey says that it decreased to 144 million tonnes in 1986-87 from 151 million tonnes in 1985-86. This year's drought has aggravated the situation. The estimate is that the food grains production will fall by 7 to 10% during 1987-88. The report that the god owns of the Food Corporation of India are being depleted day-by-day adds to the seriousness of the situation.

8. The authorities at the Centre claim that the recession in agricultural sector has not affected the industrial sector. The survey claims a growth of 8.7% during the first year, 9.1 % during the second year and 10.2% during the current year against the targetted rate of 8% growth during the 7th Plan. But this is a point of controversy now. Many economists say that this growth rate which is based on new indices of industrial production adopted in 1986 is unrealistic. Apart from this, they point out, it is not yet time for the drought, which the Government itself call unprecedented in recent history, to get itself reflected in the industrial sector. Whatever it be, if the industrial sector has grown as the Central rulers claim, it should have reflected itself, at least to some extent, in the employment front. But this has not happened. The survey says that only 4.36 lakhs persons could be given employment in organised sector during the period between June 1986 and June 1987. The major portion of this was in public sector. Statistics show that the much eulogised private capital investment could not generate any employment. The estimates show that the number of workers in the private sector decreased by 1.2%. It must be remembered that this nominal increase of employment opportunity in public sector and reduction of the same in the private sector is at a time when the number of unemployed registered in the Employment Exchanges has crossed 304.95 lakh. To make matters worse, industrial sickness has grown to alarming proportions. Sick industrial units which numbered 24,550 in December 1980 multiplied itself six times during the next years, raising the number to 1,47,740. During the first year of 7th Plan alone, i.e. between January 1985 and January 1987, their number increased by 54,458.

9. But this does not mean that the capitalist growth in India has been stunted. This is evident from the statistics which the Union Industries Minister presented in the Parliament on the 1st of this month. It says that the assets of major monopoly houses are increasing progressively. Compared to previous year their assets grew by 9.9% during 1986. Moreover, there is report

that the multi-national monopolists of the developed capitalist countries view India as the country most suited for their investment. The rulers at the Centre refuse to heed to the warnings of economists, based on the experiences of many Third World countries, that this friendship with the multinationals will mortgage our political and economic independence.

10. This serious situation has yet another aspect that of inflation. The price level is soaring beyond anybody's reach to ever higher levels. Prices increased at the rate of 9.1 % between March and September, 1987. Though the prices registered a slight decrease in September, they began to mount again. The wholesale price index recorded an increase of 9.8% towards the beginning of January 1988. Increase in consumer price index reached two digit number (10. 1 %) in November itself. There is not a single essential commodity which is unaffected by this price hike. Essential commodities like foodgrains, edible oils, fruits and vegetables, milk etc., remain out of the reach of the common man. Fall in value has been only for the rupee and the shares in share markets.

11. This is the overall economic situation in India. This situation has seriously affected the finances of the Centre and State Governments. In spite of all its pomp and show, the Central Government is a house ruined by debt. Against the Central Government's estimated revenue deficit of Rs. 6,742 crore for 1987-88, the deficit has now reached Rs. 8,497 crore. According to the present estimate, for the year 1988-89, the revenue deficit and the total deficit will be Rs. 9,842 crore and Rs. 7,484, crore respectively. The increase in the gap between revenue receipts and revenue expenditure is alarming. They think that they can manage the administration by increasingly depending upon debts, and resorting to more and more deficit financing instead of bridging the gap by increasing revenue through direct taxation, improving the working of public sector undertakings and effecting economy in expenditure. Besides, they try to balance their budget by increasing the price of administered goods and services on which they alone have control.

12. This upsets the State Budgets as well. When prices increase as a result of the perverted policies of the Central Government, State Governments are forced into more expenditure on the wages of its employees and on relief to the common people. When the industrial monopolies drive down the prices of raw materials produced by agriculturists, the burden of providing relief to them falls on the State Government. Similarly, when small industrial units crumble at the onslaught of the monopolists it becomes the responsibility of State Governments to save the entrepreneurs and the workers connected with them. For these reasons the budget deficits of the States and Union territories are on the increase. The estimated deficit for 1986-87 was only Rs. 327 crore. But the final figures show that the deficit has actually been Rs. 999 crore. As there is no reason to believe that there is any decline of the trend it will not be surprising if the final figures of the deficit for the current year reaches Rs. 1500 crore, as against the estimated deficit of Rs. 559 crore.

13. Among the Centre, States and Union territories, there exist an inclination to borrow more and more. The total borrowing of the Governments during 1985-86 was only Rs.23,749 crore. This has risen to Rs. 27,424 crore during 1986-87. Although there is provision only for Rs. 28,491 crore in the budget for 1987-88 past experiences force us to believe that it may rise to Rs. 30,000 crore. This trend has far reaching consequences. The interest liabilities of the Government are on the increase. According to the revised estimates of 1986-87, expenditure on interest payment has risen to Rs. 11,031 crore as against the total expenditure of Rs. 8006 crore on this account during 1985-86. The amount provided for this item during 1987 -88 is Rs. 12,271 crore. While interest payments during 1985-86 was only 33.7% of net capital receipts,

the same has risen to 43% during 1987-88. The warnings of economists that India is drifting fast into a debt trap is of added relevance now.

14. A total overhauling of the economic policies alone will enable us to tide over the present crisis. But instead of finding ways to achieve this, instead of evolving definite programmes to remedy our infirmities, men at the helm of affairs of our country claim that we can have an easy and effortless walk into that evergreen and glorious golden era called the 21<sup>st</sup> Century. They do not think that any radical change is necessary in our income and investment policy. They think that organizing agricultural loan melas are better than agrarian reforms. They refuse to learn the elementary economic lesson that land reforms will enhance the purchasing power of the rural population and that in turn will increase the domestic demand for industrial products. They do not pay any heed to the warning that the entry of multi-national monopolies will ruin our economy. On the other hand, on the advice of this very same foreign monopolies and the World Bank, they give importance to the development of an export oriented industry. Similarly, instead of taxing the monopolists who get fattened, bleeding this nation and its people, they heap taxes on the common man living in slums or sleeping on pavements who have to earn their daily bread hard by the sweat of their labour. The people of India and State Governments have to bear the brunt of this lop-sided economic policy.

15. The Left Democratic Government assumed power in Kerala last year at a time when such a serious situation was prevailing in the country at large. A deplorable domestic growth rate below the national average, recession in agricultural front, a ruined industry, dry and empty reservoirs and energy crisis, the constantly falling foreign money earnings which had been sustaining the economy to some extent and massive unemployment, these besides an empty treasury and huge debt liabilities were the legacy which we had to take over. The deficit for 1986-87 was Rs. 21.11 crore. We also found that the debt liabilities were enormous. The State Government whose revenue income was only Rs. 1,502.53 crore during 1986-87 had a net liability of Rs. 2,779 crore as on 31<sup>st</sup> March, 1987. We learnt that the interest on this debt liability alone will come to a substantial amount. We saw that the situation was most miserable in the field of resources for financing plans. The Central share receivable during 1987-88 was only Rs. 219 crore against Rs. 274 crore received in 1985-86 and Rs. 264 crore in 1986-87. Besides, we had to pay to the Central Government by way of principal and interest on Central loans an amount (Rs. 260 crore) larger than what was receivable from them. In short, as pointed out in the previous Session, instead of the Central Government helping us we are contributing to the Central Budget.

16. Searching for reasons for this massive debt liability we come to certain shocking revelations. The important point is that those who were in power during 1982-87 were responsible for a major portion of this debt. The debt liability as on 31<sup>st</sup> March, 1982 was only, Rs. 1,133 crore. During the next five years there was an increase of Rs. 1,646 crore and the figure came to Rs. 2779 crore. Government accounts with Reserve Bank of India was in over-drafts continuously for 273 days during 1983-84 and continuously for 259 days during 1984-85. It has been revealed that the then rulers could sustain themselves only because the Central Government condescended to convert as loan 90% of the prevailing over-draft of Rs. 268.73 crore as on January 28, 1985. In addition to allowing this conversion the Central Government liberally allowed a plan advance of Rs. 175 crore to be adjusted against future plan allocations.

17. This situation was the consequence of rank financial anarchy. Non-plan expenditure was being increased enormously while refusing either to find out new resources or to increase revenue from existing ones. Political and casteist pressures got precedence over the actual needs of education in the matter of allowing new colleges and schools. Increase in the number of Corporations, expansion of administrative machinery, establishment of a new University at Kottayam and a Medical College at Trichur were never contemplated in the plan. All these made non-plan expenditure quite unmanageable. This affected the plan implementation in no small measure. The previous Government had assured the Planning Commission that it would mobilise additional resources of Rs. 1,002 crore for the implementation of the 7th Plan whose total estimate was Rs. 2100 crore. The targeted additional resource mobilisation was Rs. 106.74 crore and Rs. 130.20 crore respectively during the first and second year. But the total resource mobilisation by taxation during these two years was only Rs. 71.25 crore. It was by postponing the date of pay revision and merging D.A. in the Provident Fund that they managed to raise the balance amount. They refused to tax the upper strata in the rural areas, guarding at the same time the tax evasion practised by profiteering businessmen. Their aim was neither the achievement of the State's development goals nor the protection of the interests of the people. They had to protect their henchmen and their own selves even at the expense of the welfare of the State.

18. This surrender to political pressures and refusal to increase tax revenue is not a phenomenon exclusive for these two years. It was so throughout the entire 6th Plan period. The report of the study group appointed by the Planning Commission to review Kerala's resource mobilisation efforts during the last Plan period has explicitly pointed out this fact. It says that while there was growth in SDP, from the rate of 7.6% during 5th Plan to 15.1 % during the 6th Plan, the increase in revenue receipts during the period declined to 14.2% from its previous level of 18.05%. All the other South Indian States showed an increase in tax revenue during this period. No special reasons could be cited to explain this decrease in Kerala when rose to 18.15% from 12.74% in Andhra Pradesh to 17.27% from 14.36% in Karnataka and to 19.77% from 10.13% in Tamil Nadu cash crops. They also opined that the reason for the fall in the rate of growth in agricultural income from 14.53% to 10.7% could be attributed to the continuous raising of exemption limits in respect of this tax.

19. This Government came to power at a time when this trend was persisting. A brief account of our activities during the first two months and a blue print of our future programmes were presented by me in my previous Budget Speech. I had also hinted at the stagnation that has infected our economy and the ways to overcome the same. I had also pointed out that a lot of promises had to be fulfilled for which additional resource mobilisation would be required. Thus it was with a clear perception that I presented the Budget proposals for 1987-88 before this august Assembly. My attempt was to bring into the tax net some sectors which have all along been left out of it and the trading community without detriment to the people. But ,there took place an organised move to defeat this. Some people set out to wage a war against this Government in the name of the turnover tax which, as it could not be passed on to the consumers, would not affect consumer prices, but would affect only 2-3% of the trading community as a whole. Some elements suffering from the mental agony of the loss of political power found in this a golden opportunity for a second 'liberation struggle'. But the timely action of the Government thwarted this conspiracy.

20. But this does not mean that things went on smoothly thereafter. The previous regime had left Kerala's economy in shambles. The worst affected was the agricultural sector.

Production of rice had declined to 11.34 lakh tonnes in 1986-87 from 11.73 lakh tonnes in 1985-86. Production declined by 9% in respect of coconut, 7% in the case of cardamom, 21% in the case of tapioca and 7% in respect of tea. Production of Rubber and Cashew registered an increase. Conditions in the industrial sector also were not very promising. Traditional industries which were providing employment to a sizeable number of people had collapsed. Manufacturing sector confined itself to an actual growth rate of 3.4% during 1986-87. Central investment in the State's industrial sector was declining gradually. While 3.27% of Central investment was in Kerala in 1974, the same decreased to 1.62% towards 1986. Similarly, the State was far behind in respect of banks' deposit-credit ratio. A study shows that the loans sanctioned in Kerala came only to 63.8% of the deposits while the same was 76.8% in Andhra, 90.6% in Karnataka and 96.5% in Tamil Nadu. Electricity sector had drifted into a serious crisis. Production declined very much due to lack of rains. This affected the industries to a large extent.

21. The drought of 1987 was in close succession to this. As a result of short fall in South West monsoon and North East monsoon, the ponds, wells and canals in Kerala all had gone dry. Only thing is that the reservoirs in hydro-electric project areas did not get completely empty. The current year's drought was, worse than that of 1983 which was described as unprecedented in recent history. All the crops dried up, electricity production declined and the industrial sector came to a stand still. For the first time in the history of Kerala a seven hour power cut had to be imposed and the distribution of electricity had to be subjected to severe control.

22. The real income of the people also declined consequent on the failure in the industrial and agricultural sectors which are the basic sectors of the economy. Our growth rate had been far below the all-India average even previously. In the matter of per capita income the all-India average rate of growth was 4.2% in 1986-87 on the basis of the prices during 1970-71. But this was only 1.1% in the case of Kerala. Though it may take some more time to calculate accurately, the hints available show that we could not maintain even this growth rate during 1987-88 consequent on the drought situation.

23. We cannot blame the vagaries of nature alone for the slackness in the pace of growth. As all of us are aware, the most important factor sustaining our economy was the money sent by overseas Malayalees. According to a recent survey conducted by the Economics & Statistics Department, of the total 6.82 lakh Malayalees who went out of the State seeking jobs 48.3% have gone to foreign countries. Among them itself 3.01 lakh had gone to the Gulf countries. Job opportunities abroad were a blessing for us in the face of acute unemployment situation in the State. The statistics collected by that survey shows that on an average Rs. 10,455 per annum was being sent to this State by each of the Gulf Malayalees. According to many, this was but a low estimate. Even according to this estimate there is an average inflow of Rs. 315 crore per annum into this State. This has been of great help not only in earning precious foreign exchange for the Central Government but also to a very great extent in improving the living standards in Kerala. But this inflow of money has been on the decrease for the last two or three years. 42.5% of a total of 86,475 who returned from the Gulf came back in the year 1986. Majority of them remain unemployed.

24. The general economic condition of the State has affected the finances of the State Government also to a great extent. While presenting the Budget for the year 1987-88, I had observed that the year would end with a deficit of Rs. 39.90 crore. But following the

discussions on the Budget, some tax proposals were withdrawn and the exemption limit in respect of the Turnover-tax was raised. Though only an amount of Rs. 42.83 crore had been provided for the payment of eligible D.A. to the employees, an amount of Rs. 92.65 crore had to be spent on this account. Coupled with this increase in certain items of expenditure, was the short fall in some of the revenue expected. The Electricity Board could not remit the Electricity Duty to the Government consequent on the considerable decrease in the production of electricity. As new legislation was required which naturally caused some delay certain tax proposals could not be implemented. The case of entry tax on crude oil deserves specific mention here. My intention was to levy a tax of one paise on every litre of crude oil reaching the Cochin Oil Refinery. As prior sanction from the President of India was required for the introduction of the bill in respect of this item, we had prepared the same and sent it to the Central Government. Though months have elapsed we have not obtained sanction. It is unofficially learnt that the attempt is to deny permission on the plea that this will cause price escalation in the prices of petroleum products. It is really an irony that it is the very same people who, without any compunction, recently raised the petrol prices by one rupee per litre who now argue that a tax of one paise will cause price escalation.

25. To add insult to injury, the problem of overdraft cropped up. As you are aware the State treasuries remained closed for a week from December 16, 1987. During that week people could not encash any Government bill. There arose a situation when it was feared that Government employees will have to go without their salaries during 'X' mas season. This Treasury Bandh was on the plea that the Government had overdrawn a little more than the Rs. 35 crore limit prescribed by the Reserve Bank of India. This was quite an unjustified move because the Chief Minister and myself had, a month back, intimated the Union Finance Minister that December would be a difficult month for the State Government. We had requested that no cut be effected on the amounts due from the Centre and also to allow the State to raise a public loan of Rs. 100 crore. We expected a favorable response from Central Government but were disappointed. Not only did the Centre reject the request for floating a public loan but also it deducted from the State's tax share for the month of December the previous advances. From the first week of December the State Finance Department had been contacting the Union Finance Ministry daily but all attempts proved futile. The State treasuries remained closed during the 3rd week of December. State Government transactions were frozen on the specious plea of the Government account having overdrawn to the extent of Rs. 25 crore. It has to be remembered that this extreme step was resorted to by them with the full knowledge that cheques for sales-tax dues would be reaching the treasuries within four days, wiping out the over-draft. These were the very same people who allowed the previous Government an overdraft of Rs. 268 crore. It is also to be remembered that they resort freely to printing of notes whenever a gap develop between their income and expenditure. It is ridiculous that these people who resort to non-refundable overdraft from the Reserve Bank of India with no restrictions whatsoever to cover up their financial mismanagement should flaunt the weapon against the States in the name of financial discipline.

26. This prompts me to think about the Centre State relations. Central Government which has kept to itself all the major items of tax revenue has left the responsibility for implementation of Plan programmes to the State Governments. State Governments with limited resources at their disposal find it very difficult to carry on the Plan activities according to their needs and wishes of the people. Of late, voices are being raised to change the present situation and to compel the Central Government to give to States enough revenue resources. Instead of adopting such measures which will cultivate healthy Centre-State relations the

Central Government's attempt, it appears, is to go in the opposite direction. The terms of reference given to the Ninth Finance Commission provide the best example. The instruction is to examine whether it will be possible to merge the additional excise duty which belongs solely to States and Union territories with the basic excise duty. As the Centre has claim over 55% of the basic excise duty such a decision will enable the Centre to have a share of additional excise duties also and there will be a reduction in the share of States. Similarly, it has been suggested that Central Government's committed non-Plan expenditure also should be taken into account while deciding the norms for sharing the Central taxes. The implication is that such expenditure relating to States need not be considered. Our Chief Minister and myself had taken part in the meeting of Opposition Chief Ministers held at Bangalore to evolve a united stand on questions of this kind relating to the 9th Finance Commission. We have also presented a memorandum to the Prime Minister containing alternate proposals and demanding basic changes in the terms of reference of the Finance Commission. In addition to this we have also formulated a memorandum in conformity with the interests of our State to be presented to the Commission. As it is likely that the Commission may hold discussions with all the political parties in the State I request the Honourable Members to adopt an approach on this issue conducive to the best interests of our State irrespective of party affiliations.

27 . We have tried to the best of our abilities to prevent erosion of revenue consequent on the causes which I have already pointed out. Our endeavour has not only been to appoint an Expenditure Commission to go into the question of how to reduce expenditure but also we have already taken measures to curtail 5% of the non-Plan expenditure. I believe that we have succeeded in this to some extent.

28. But the problem did not end there. A deficit beyond our estimate has occurred consequent on the rise in expenditure and fall in revenue. This has created a situation which adversely affects the implementation of the Plan. We have been, from the beginning, of the view that the annual plan of Rs. 440 crore adopted during the period of the previous Government was quite inadequate when compared to the developmental needs of this State. But the discriminatory policies adopted by the Centre after we took over the administration the attempts made by the opposition to defeat our endeavours to mobilise additional resources, the organised conspiracy hatched out by a section of traders with the blessings of the opposition and so on, have put hurdles before this Government in implementing even this modest plan. Though we could boldly resist all these things we were forced to reduce the plan expenditure to Rs. 380 crore. This cut in plan expenditure could have been avoided had the Central Government accepted the demands which we put forth before the Prime Minister during December at the time of the Treasury Bandh and again during the month of January. Moratorium on Central Government loans, writing off of the interest on them, doubling of the ways and means advance, sanction to float a public loan of Rs.100 crore etc., were our important demands. Let me put this on record with regret that the Central Government has not taken a favourable stand in respect of any of them.

29. I shall wind up this part of my speech by referring to the Annual Plan for 1988-89. The Planning Commission and the State Government have agreed on an Annual Plan of Rs. 500 crore. Out of this Rs. 252.95 crore is by way of assistance from Central Government and another Rs. 111.35 crore is the State's own resources inclusive of loans. The balance of Rs. 135. 70 crore has to be raised by additional resources mobilisation. I shall tell you later how this is going to be raised. Before that, I wish to tell you about the creative measures adapted by the Government during the past one year and also about the future programme.



## **Drought Relief**

30. Government had to spend a sizeable amount for the distribution of drinking water during this year which witnessed the worst drought in our memory. The Central assistance towards this was quite inadequate. Apart from distributing widely fertilisers to the farmers affected by drought other measures for ameliorating this condition also were taken. Government have formulated a scheme for digging wells and ponds in order to raise water conservation capabilities of cash crop plantations.

## **Agriculture**

31 . The accelerated vegetable production programme implemented by Government during this year is quite remarkable. A special programme for production of vegetables for export and domestic consumption is being formulated. Steps have been taken to distribute 5 lakh numbers of kits containing seeds and fertilizers required for this purpose. Financial assistance from EEC has become available to the Coconut Federation which started functioning with the assistance of NCDC for solving the problems facing the Coconut growers especially to avoid a fall in prices of Coconuts. To increase Production of paddy the recommendations of Janardhanan Nair Commission are being implemented in a phased manner. Pressure is being exerted in various ways to make available the funds required for implementing the 'Kole Scheme' which is meant to bring Kole lands also under cultivation. Steps have been taken to set up agro-based industrial units. As a part of this, the Plantation Corporation has decided to take up a rubber-based, pilot project. As part of developing oil palm cultivation steps are underway to start two most modern mills under the auspices of Oil Palm India. Besides, provision has been made in the plan as State's share for purchase and distribution of seeds from the Seed Corporation of India for , the development of Coconut cultivation, for cashew cultivation, for spices development, for vegetable cultivation, for accelerated agricultural projects through Panchayats, for special programmes for small cultivators, for accelerated paddy cultivation etc.

## **Industry**

32 . The aim of this Government is to infuse new life into the stagnating industrial sector. The Government are doing its best to revive sick industrial units and also to set up new ones. Steps are being taken to revive more than 2000 units in the small scale sector. A co-ordinating Committee has been formed to solve different problems like licensing, electricity connection etc., which often affect new industrial enterprises. Steps are underway to give permanent registration to about six thousand units.

33. In order to bring Handloom products in tune with contemporary taste a training centre to teach colouring, designing etc., has started functioning at Cannanore. A five year plan to modernise that industry has also been evolved. With the creation of the new facility of a 'Yarn Bank' to provide handloom weavers with the required quantity of yarn, it has become possible to provide a ready market for the mills in this State who suffer for want of adequate markets. Besides this, a decision has also been taken to increase the equity investments in handloom societies. Effective Governmental intervention in coil' market has given some temporary fillip to production. Though State Government could pressurise the Central Government to introduce levy system for husk, the system could not be made fully effective in the absence of any control on the movement of husk. A new coir factory in the co-operative sector has already been started. Government will provide assistance to start two more such factories. In order to

create more employment opportunities in bamboo industry distribution of bamboo has been made more rational. The Handicrafts corporation which has all along been running at loss has attained a break-even condition. As a result of monopoly procurement of raw cashew nuts, production in factories has improved.

34. Ceramics factory which remained closed for long has been opened and attempts are afoot for opening others too. In many cases the attitude of the owners of these units and that of the Central Government is not at all helpful. These owners who have already carried away huge profits many times their investment, were vary of investing a portion of their profit for modernisation of the units and as a result have rendered thousands of families helpless. In the same manner, the Central Government for whom the interests of these capitalists are dearer than those of the workers, do not help in any manner to get these factories opened.

35. We could improve the working of many Government owned companies. The plywood factory this time has attained a no loss condition. Co-operation between the management and workers has imparted a new life to the TELK. The production at Titanium this time is an all time record.

36. Having done so much, we have also formulated a number of schemes for imparting a new spirit into the industrialisation of Kerala. We have drawn up various schemes involving large amounts as State share as share capital loan to new industrial entrepreneurs, towards assistance to sick industrial units, towards share capital to the Handloom Apex Societies for Raw Material Bank, towards welfare fund for handloom workers, for the health care of cashew workers, for the registration of coir workers, for Coir Workers' Welfare Fund etc. More than Rs. 32 crore have been set apart as State share for the development of large and medium scale industries

37. This is only a beginning. If Kerala is to have a reputable place in the industrial map of India, a lot more has to be done. If this is to be done the first thing required is to better the working of public sector undertakings. These units instead of becoming a burden on the State, should acquire the ability to make valuable contributions for their own development and thereby to the development of this State. To make them capable of this and to coordinate the activities of different public sector enterprises we have improved the efficiency of the Bureau of Public Enterprises. I set apart Rs. 10 lakh for the activities of this Bureau for the year 1988-89.

### **Energy**

38. Inadequacy of electric power is the greatest stumbling block in the path of Kerala's industrialisation. As our State is completely dependant on hydro-electric power the generation of electricity varies according to the availability of rain. Though we have the capacity to generate 5270 million units we could generate only 4600 million units during 1986-87. As for 1987-88 the estimate is only 3600 million units, thanks to the- severe drought. Even if our share of 1000 million units from outside is added, the availability during this year will be only 4600 million units. This shortfall is when we actually require 6400 million units.

39. We have the criticism that it was the previous Government's callous attitude that has thrown us into the vortex of energy crisis. Their attitude was one of complete dependence on hydro-electric projects. Though Central Government had invested Rs. 12,000 crore in energy

sector during the 6th Plan period, no investment was made in Kerala. It was this situation which turned Kerala from a power surplus State to a deficit one.

40. As an immediate step we have put forth an application to set up a 100 M.W. diesel Power Station at Brahmapuram. If sanction is received immediately, we can generate 700 million units in 1989.

41. As a long term measure to solve this problem we have to depend on non-hydro-electric projects. The plan is to set up two thermal power stations, one each at Kayamkulam and Trikaripur. Each of these units will be capable of producing 420 M.W. (2250 million units) in the initial stage and 1050 M.W. in the final stage. These projects require an investment of Rs. 600 crore each. State Government is incapable of raising , so huge a sum. Therefore, we have requested that these should be set up either under the Central Sector or in the Joint Sector. But, our demand, can be fulfilled only if the entire people of the State, irrespective of their party affiliations, exert their pressure. I call upon everyone to do his utmost in this direction.

42. This Government's endeavour to arrest the price rise has been appreciated by all. The Government could distribute essential commodities to the people at prices below the market rate through about 1600 distribution outlets like Maveli Stores, Co-operative Maveli Stores, Super Markets, Mobile Stores, Kerala Stores. etc.. When it was felt that the price of rice would rise, 5 kgs. of rice per card a week was distributed. Its effect became clearly evident during the Onam Season. While normally the prices soar during this season this year we could arrest the price rise, Vegetable markets organised by various Government agencies during that period were hailed by one and all. The Government's intention is to extend this activity. As the accelerated vegetable cultivation programme takes shape, a qualitative change is sure to set in. Apart from this, when the existing programme of distributing all essential commodities through ration shops is extended to more centres, the Government's role in checking the price rise will increase. Similarly, Government will take steps to constitute a Consumer Protection Council as well.

### **Fisheries**

43. The Government's intention is to implement a pronged programme which will increase fish production and enhance the socio economic status of fishermen. Since the off-shore fishing potential has almost been tapped fully, priority is on deep-sea fishing and scientific aquaculture in inland waters. The Government has plans to purchase a few deep sea fishing vessels in 1988-89 and to make die fishermen who now use country boats competent for deep sea fishing by the introduction of Dori fishing system. Facilities to utilise the big potential for fish and prawn culture in salt water lakes and fresh water lakes will be created. The programme is to reorganise completely the Fishermen Societies. In the place of the 222 welfare societies that existed previously, 81 welfare co-operative societies were organised as per Co-operative rules and have begun to function in coastal areas. This was done with a view to make the fishermen participate more in the developmental activities. Steps are afoot to organise similar welfare societies for inland fishermen also. As these societies get vitalised fishermen can have everything they require from them. Thereafter matsya-maveli stores, educational centres kerosene depots, workshops, consumer stores, etc., can be organised for the benefit of fishermen. I wish to specifically point out the fact that provision has been made for Fishermen Welfare Fund towards subsidy for their housing and towards capital contribution for Matsyafed and other co-operative societies in the Budget.

## **Public Works**

44. The target was to complete 40 works in the Roads and Bridges Section, out of which 18 have been completed and others are in their final stages. In the Buildings Section, many buildings and staff quarters have been completed. The work relating to the Legislature Complex is in progress. Construction Corporation has completed about 50 works amounting to Rs.40 crore. Land acquisition proceedings for Trivandrum-Neyyattinkara bye-pass and Quilon bypass Stage I are in progress. An action plan based on available resources has been formulated by this department. Programmes for the next year will be decided on that basis.

## **Culture**

45. In addition to the 5 museums now under this Department, another museum in commemoration of Kottarakkara Thampuran is proposed to be established. The major programme of the Language Institute will be to bring out the Malayalam version of Human History published by UNESCO. A programme has been chalked out by the Institute of Childrens' Literature to publish an Encyclopaedia in 10 parts. Similarly, work is in progress in the Cultural Department to bring out a serial of biographies of great men.

## **Irrigation**

46. Works now in progress are the 19 Irrigation Projects including the 17 started during the 2nd and 3rd Five Year Plans. Our immediate responsibility is to complete them during the 7th Plan period itself. More provision has been made for the projects like Kallada, Idamalayar, Kuriyarkutty, Karapara, Meenachil etc. Investigation relating to Chaliyar project is in progress. Steps will be taken to save water to the maximum by rectifying the defects in canals relating to old Plan periods. To make Central assistance available for this, necessary funds have been provided in the Budget. Similarly, integrated projects will be formulated for the areas where there is acute water scarcity. Efforts are also afoot for tapping ground-water potential to the maximum.

## **Transport**

47. The revitalisation programme of K.S.R.T.C. could not be completed this year owing to financial constraints. Though the intention was to purchase 1300 buses before March 1988, only 270 could be purchased. If the Corporation is to be made profitable it is essential that new buses should be put on the roads.

For this, an enormous investment is required. In the circumstances, to raise the required amount, a Transport Development Finance Corporation, as in Tamil Nadu, will be constituted next year itself. The working of the Corporation has improved as a result of the efficient utilization of available buses and cultivation of a friendly relationship between the management and the workers. But as a result of increase in expenditure the establishment is still in the red. It is certain that measures to be initiated next year will better the Corporation and improve the transportation facilities for the people.

## **Co-operation**

48. Co-operative movement has established its presence in all fields of our economy. Among the first of the tasks taken up by this Government was its expansion and development. As a part of this, elections were held and the administration of the societies are being carried on in the most democratic way. I have firm faith that this process will further fructify in the days to come.

## **Tourism**

49. As far as Kerala is concerned, Tourism has great development-potential. But upto now this has been kept merely as a foreigner oriented affair. Many experts have pointed out that this attitude must change and that activities in this field must be such that people in other parts of India are also attracted to this place. Taking that also into consideration Government's attempt is to create facilities suited to Indians.

## **Sports**

50. While feeling proud on account of the fame that our sports persons have attained in the field I wish to remind you of the need of more and more efforts for higher achievements. The national sports festival held all over Kerala bears testimony to the commitment of the State Government to youth and sports. Even in the midst of great financial difficulties, the Government went forward to find out money for the festival and make it grand and spectacular. Let me assure you that the Government will follow this tradition and that prime importance will be given to sports in future also.

## **Forest**

51 . A plan for afforestation and tribal area development has been formulated under the World Food Programme. The programme is to provide jobs for 200 days a year to the tribals. The Government also intends to constitute a fund for the welfare of scheduled tribes. There is also a programme to plant teak, eucalyptus etc. in an area of about 300 hectares. Action is being taken to prevent illicit felling and encroachments. There are plans to set up Forest Stations on the model of Police Stations.

## **Social Welfare**

52. Many are of the opinion that the ICDS programme intended for child welfare is working most efficiently in our State. To make it better and more efficient, provision has been made in the budget for a new nutritious programme benefitting three lakh children. The Womens' Development Corporation has drawn up a programme of self-employment for over 2000 women. The stipend to the handicapped undergoing training in the vocational institutions has been raised to Rs. 150 from Rs. 100. 10,000 handicapped children will be granted scholarships next year.

## **Land Registration**

53. There are widespread complaints that even those who were in possession of Government lands for years are being denied 'pattas' on the basis of certain legal and technical objections. An intensive programme to solve this problem has already been begun. Accordingly, every Taluk has been brought under the supervision of a Deputy Collector and programmes have been drawn up to distribute Pattas in all deserving cases. This programme will be carried forward vigorously. The programme of rehabilitating all the landless poor including pavement dwellers will be carried out vigorously. The policy of the present Government is to give Pattas to those peasants who were in possession of forest lands before 1-1-1977. All steps required in this direction have been taken by Government and we are trying continuously for Central permission in this regard. Though it has been accepted in principle the Central Government have not yet given the permission. In case of more delay in this regard arrangements will be made to issue possession certificates to these people, as a temporary measure.

## **Land Reforms**

54. The Government is committed to speedy take over and distribution of surplus land to the landless poor. Cases have come to the notice of the Government where land is kept under possession circumventing the rules on the basis of fabricated declarations etc. Steps are already underway to detect such cases and take suitable action. If necessary, amendments to the rules will be made for this purpose. Action is being taken to amend the rules so as to solve certain practical difficulties that arose at the time of implementing the Land Reforms Act and also to protect the Kaivasa Kudiyans under Karayma-Aliyasanthanam Acts of North Kerala. Exemptions have been granted in the case of purchase price payable by Kudiyans who got possession below one hectare of land and in the case of Janmibhogam payable by Kudikidappukars. Amendments required for this will be made in the Land Reforms Act. Steps will be taken to end certain Kudiyayma systems which still persist. A hurdle that still remains in the matter of distribution of surplus lands is the long pending cases before different Courts. Steps have been taken to get these cases settled speedily.

## **Animal Husbandry etc.**

55. A programme has been formulated to increase broiler chicken production to 25 lakh from its present-level of 9 lakh. A crash programme to increase milk production in the State will be implemented. The target fixed is to increase milk production to 20 lakh tonnes within the next five years from its 13.5 lakh tonnes in 1986-87. For this purpose, Dairy Extension Centres at block level will be strengthened. 30 new Centres will also be opened next year. Number of Milk Co-operative Societies will be increased by 500 next year to raise their number to 2,100. Besides this, Milk Producers Union centred round the six northern districts will also be organised. Plans have already been drawn up to create facilities for producing 1 lakh litres more milk in Quilon and Pathanamthitta districts. There is also plan to establish a factory for processing the marketable surplus. When this plan gets implemented, within the next five years, 50,000 villagers will get employment.

## **Water Authority**

56. Angamali water Supply Scheme and 5 other projects with the assistance from L.I.C. will be completed next year. 16 Projects benefitting Harijans and another 6 projects benefitting Girijans were completed before November, 1987. 5 lakh people will be provided water supply facilities during 1988-89.

## **Health**

57. The Government is taking steps to achieve the goal "Health for all by 2000 A.D.". Improving the medical facilities at lower level and imparting medical education are the important things to be done. 47 New Primary Health Centres will be established and 113 dispensaries will be upgraded to Primary Health Centres during 1988-89. There is also a plan to open 25 Community Centres. The Government intend to resume payment of stipend to the nursing students. Similarly, the principle of 8 hour duty for Nurses will be implemented in a phased manner.

## **Planning Board**

58. I have great pleasure in announcing that we have kept our promise of rejuvenating the Planning Board which has the responsibility for formulating the developmental schemes of the State. An advisory Council consisting of eminent economists has also been formed to advise the Board. In addition to these, the Government will constitute advisory Committees consisting

of officials and expert non-officials to formulate the plan schemes of different departments. The Committees shall fix the priorities for implementing the schemes and hold discussions throughout the State. The Government intend to bring down the process of planning from the ivory towers to the lowest strata of society.

### **Youth and Unemployment**

59. There is no divergence of opinion as to the fact that unemployment is the most serious problem in Kerala. When the Left Democratic Front promised to give employment to ten lakh people we were recognising the gravity of the situation. Since the Central Government had in its godowns food grains amounting to approximately 30 million tonnes, we were hoping that, if a portion of it is released to the Government as loan it could be used to generate productive employment. The Planning Board was to have formulated detailed schemes. However, by the time the Planning Board was reconstituted, due to severe drought, the food grains buffer stock had dwindled to half and therefore the scheme could not be started.

60. But this does not mean that employment opportunities cannot be generated. As I mentioned earlier, the credit-deposit ratio is lower in Kerala than in other South Indian States. The Government will exert pressure on the Banks to give more loans for employment generation. Similarly, the Government owned Company, viz. Kerala State Financial Enterprises, will enlarge the scope of its employment oriented hire-purchase scheme.

61. The unemployment relief scheme will be scientifically reoriented. The Government's intention is to reorient it from the present allowance payment scheme to one with more thrust on self-employment. The self-employment schemes of different departments will be coordinated. The defects in the service of employment exchanges will also be rectified. It will be done by adding necessary staff and opening more exchanges. Similarly, the rules regarding the working of employment' exchanges and those relating to apprentices will be suitably modified.

62. The Government have during the past one year conceded many demands of the youth of Kerala. The youth were agitated over the policy of the previous government in appointing people on temporary basis in an unprincipled manner. The present Government abandoned that practice and gave employment to the maximum number from the PSC selection list. Moreover, we have also decided to resort to recruitment only through PSC to yet more areas. The unemployment allowance left unpaid by the previous Government has also been paid.

### **Local Bodies**

63. The Government has enlarged the scope of the local bodies for participating in the developmental activities of the State by restoring their democratic character. Our aim is to widen its scope. Developmental activities will become suited to the needs of the country only if the responsibility and right for planning and development is passed on to the local bodies. We are working out the details for implementing this scheme. In the meanwhile, the Government shall make necessary amendments to the Profession Tax rules to enable the local bodies to increase their revenue.

### **Public Service**

64 This Government follows the line of conceding every just demand of its employees. Not only has dies non been abolished, the Government has also disbursed the D. A. arrears and D.A. at the revised rates. A Pay Commission has also been appointed. It is not the policy of the

Government to enlarge the administrative machinery. We feel that at the higher level there are posts which are not strictly essential. The Government has constituted an Expenditure Commission to inquire into these and also the method by which the administrative expenditure can be curtailed and to advise the manner in which the administration can be toned up.

### **Education**

65. The Government's plan in the education sector is to improve the existing facilities and thereby upgrade the educational standards. Similarly, technical education also will be given more importance. As part of this policy the Government shall open three Polytechnics in the Government sector next year. Adequate provision has been made in the budget for maintenance of school buildings and starting vocational courses. The "Operation Blackboard" scheme will be implemented with Central assistance. Though the intention of the Government was to implement the Chief Minister's Noon Meal Scheme with contribution from the public, in practice the entire burden fell on the shoulders of the Government. While rectifying this state of affairs, the Government will take steps to make it a mass movement.

### **Sales-tax**

66. Steps are being taken to vitalise the Sales-Tax administration. To strengthen the intelligence wing the Government shall be providing more vehicles and staff. Even though a major portion of the revenue is from Sales-tax, no attempt has been made in the recent past to study it itemwise. Therefore, a study will be undertaken on the model of the Gulati Committee Report of 1976. Kaleeswaran Committee which was entrusted with the task of suggesting methods to make the Agricultural Income-tax more scientific has submitted its report. The Government shall be amending the agricultural Income-tax Act after studying the Report. I earmark Rs. 30 lakh for the construction of a Sales-Tax complex at Ernakulam.

### **Treasury**

67. The Treasury Savings Bank will be made use of to give relief to the ways and means problems of the Government. However, the policies of the Central Government are a major hurdle in this area also. Under the Income-tax Act the Treasury Savings Bank does not enjoy the benefits given even to ordinary co-operative banks. The Government has taken up the issue with the Union Government.

### **Scheduled Castes & Scheduled Tribes**

68. The existing organisation will be strengthened to ensure that the Special Component Plan and sub plan which are aimed at the all round development and progress of the Scheduled Castes and Scheduled Tribes are prepared in advance and that the benefits are passed on to the people for whom they are really meant. Stringent action will be taken to prevent the practice of depriving Scheduled Caste and Scheduled Tribes from the privileges meant for them in the field of education and employment. Special recruitment programmes will be invigorated to ensure the representation of Scheduled Castes and Scheduled Tribes in Government establishments. The recommendation of the Commission which goes into the question of educational backwardness of SC & ST will be examined and implemented. Besides, the existing educational concession will be enhanced and financial assistance given to the SC students who fail in SSLC Examination and ST students who fail in the Pre Degree Examination for continuing their studies. Encouragement for higher education will be given by instituting scholarships to SC & ST students who study at college level and by providing special financial assistance to those students who work for Ph. D. Services of banks will be



utilised for timely disbursement of stipends. A plan for giving land and house to 20,000 landless and homeless within a period of four years, will be implemented from 1988-89 onwards. Opportunities will be created for the unemployed SC & ST persons for self-employment by providing them with vocational training in different fields. Steps for preventing diseases will be made effective with the help of voluntary organisations. Two health projects will be started in Idukki and Attappady. The activities of the SC & ST Development Corporation and the Christian Converts Corporation will be made effective and financial assistance given to ten thousand families for housing and loans provided to purchase agricultural land etc.

### **Housing**

69. The present Government has made great strides in the field of housing. Under the rehabilitation scheme 50,000 houses will be completed next year. While the assistance given was Rs. 6,000 per house last year it is proposed to be increased to Rs. 9,000 next year. To ameliorate the difficulties of economically weaker sections 'Nirmiti -Kendras' on the model of the one set up at Quilon, for supplying low cost house construction materials, will be set up in other district centres also. Housing schemes for the benefit of workers in beedi, handloom and other traditional industries sectors will also be formulated. Proposal for reduction of interest on Housing Board Schemes pertaining to Government servants is also under the consideration of the Government.

### **Police**

70. The Government have been very much eager to maintain a far improved communication network for the efficient working of the police force to maintain law and order. A feasibility study has already been conducted by MELTRON for introduction of UHF Link in the State. The scheme will cost about Rs. 6 crore spread over three to four years. The advantage of this system is that it will enable simultaneous communication between districts over a number of channels. Naturally, use of telephone will be reduced and thus reduction in telephone bills. I propose to provide Rs. 10 lakh for this purpose.

71. This Budget is being presented when the Budgets of the Union Government and that of other six States have already been published. I mentioned the huge deficit in the Union Budget. The Governments of Gujarat, Rajasthan, Uttar Pradesh, Orissa, Mizoram where the Governments are headed by the Party in power at the Centre, and that of Jammu and Kashmir have also presented the Budgets showing huge deficits. States have only two options to close the deficits: either they should impose heavy taxes on the people or cut the plan outlay. Both these are detrimental to the interests of the people. I am trying to raise additional resources in a manner which may not be detrimental to the people and thereby avoid the need to cut the plan outlay. I hope I will have the support of the entire people. To find out ways for raising additional resources, I held discussions with the representatives of mass organisations, peasant and trade organisations, intellectuals and political leaders. It was quite helpful. Besides this, I also received hundreds of letters putting forth suggestions. I express my heartfelt thanks to all those who participated in the discussion and to those who conveyed their thoughts and feelings.

72. I propose the following measure to raise additional resources for the year 1988-89 for the approval of the House.

### **Land Revenue**

73. This is one area in which there has not been any increase for quite some time. Very often the revenue from this source is not even sufficient to meet the cost of printing the

receipts. Therefore, I propose revision of Land Revenue rates in the following manner:

Panchayats	10 Ps. per cent
Municipalities	25 ” ”
Corporations	50 ” ”

However, these revised rates will not be applicable to the holders of land upto a certain extent. The present rate of 2 Ps. per cent will be applicable to the landholders in the following categories.

Panchayats	up to	20 Ps. per cents.
Municipalities	„	15 cents.
Corporations	„	5 cents.

I expect additional revenue of Rs. 15 crore from this revision.

### **Entry Tax**

74. Tobacco and textiles are two items on which Sales-tax cannot be imposed. I propose to bring these two items within the purview of Entry Tax. However, beedi and handloom textiles will not be liable to this tax. The rate will be one paise per cigarette stick up to the value of 20 Ps. 2 paise per stick the value of which is between 21 ps. and 50 ps. and three paise per stick the value of which is 51 ps. and above. For textiles other than handloom textiles the rate will be one per cent. This tax will be imposed in all Corporations, Municipalities and Special Grade Panchayaths. Since new legislation is necessary I expect only Rs. 2 crore as additional revenue for the next year.

### **Mineral Rights Tax**

75. We have several minerals which are being used as raw materials by industries. Following the precedent set by many other States I intend to impose a Mineral Rights Tax, for which new legislation is necessary. I expect revenue of Rs. 30 lakh from this tax.

### **Motor Vehicles Tax**

76. I propose to amend the Motor Vehicles Tax as follows

At present the quarterly rates of tax for goods vehicles laid down in the Kerala Motor Vehicles Taxation Act, 1976 vary from Rs. 60 per quarter for vehicles with laden weight not exceeding 300 kg., to Rs. 1200 for vehicles with laden weight of 15000 kg., These rates have not been changed for a long time. I propose to increase the rates for all goods vehicles whose laden weight is more than 1000 kg., by 25%. It will be rounded off to the nearest Rs. 10. There will be a corresponding increase in the tax payable in respect of trailers used for carrying goods.

I also propose to increase the quarterly rate of tax of motor vehicles plying for hire and used for transport of passengers in respect of which permits have been issued under the Motor Vehicles Act, 1939 as follows:

More than 3 passengers but not more than 6 passengers except for tourist motor

cabs from Rs. 75 to Rs. 100; more than 6 passengers but not more than 20 passengers, for every passenger from Rs. 100 to Rs. 150; and more than 20 passengers, for every passenger from Rs. 200 to Rs. 250. The quarterly rate of tax for tourist motor cabs is proposed to be increased from Rs. 150 to Rs. 200.

The tax rates for private cars is proposed to be revised as follows:

	<i>Present rate Rs.</i>	<i>Proposed rate Rs.</i>
Weighing not more than 750kg.	67.50	75
751 kg. to 1500 kg.	82.50	100
1501 kg. to 2250 kg.	105	125
Above 2250 kg.	85	125

Government propose to introduce a system according to which vehicle owners particularly of two-wheelers will have the facility of paying a onetime tax details of which are being worked out.

An additional amount of Rs. 6 crore is expected from the above measures.

## **Sales Tax**

77. I propose to increase the rates of Sales-Tax as follows:

	<i>Existing rate</i>	<i>Proposed rate</i>
1 Additional Sales-tax	20%	25%
2 Readymade garments	5%	8%
3 Titanium Dioxide Anatase	10%	15%
4 G.!. Pipes	4%	6%
5 Cellophane	6%	8%
6 Glazed tiles, Mosaic tiles, Mosaic chips, Marble tiles, Marble slabs and chips.	15%	20%
7 Shampoo	5%	15%
8 Talcum powder, other perfumeries and cosmetics not falling under any other entry in the first Schedule.	15%	10%

## **Tax Concessions**

78. It is felt that the rate of tax on essential commodities like coriander seeds and chillies is high. I, therefore, propose to reduce the rate of tax of coriander seeds and chillies from 8% to 5%.

79. I propose to reduce the rate of tax on household utensils made of aluminium and aluminium alloys from 6% to 5%.

80. As a gesture of special concession to the fishermen I propose to reduce the rate of tax on nylon fishing net and nylon fishing net twine from 6% to 4%.

81. With a view to extend special consideration to students I propose to exempt from tax, pencil, writing ink, instrument boxes and all types of pens costing not more than Rs. 10.

82. It is proposed to reduce the rate of tax from 5% to 3% on Tea sold in auction at Cochin. But for second sale of tea purchased at Cochin auction, there will be an additional tax of 2%.

83. In Kerala the rate of tax on tin containers is high. At the same time, these items are available at the rate of 4% from some other States. This is adversely affecting the small scale industries of Kerala. So, I propose to reduce the rate of tax of tin containers to 4%.

84. It is proposed to reduce the rate of tax of packing cases from 8% to 4%.

85. I propose to reduce the rate of tax of shooks from 8% to 4%.

86. I propose reduction of the tax rate on sodium silicate which is used for the manufacture of soaps from 8% to 4%.

87. The existing rate of tax of 6% on Tapioca products other than tapioca flour is adversely affecting the working of the concerned industries. Hence, I propose to reduce the rate of tax on the said items to 2%.

88. Spare parts and accessories of motor cycle and motor cycle combinations, motor scooters, mopeds and motoretts occurring in entry 124 of the First Schedule and Spare parts and accessories of Motor vehicles, motor vessels, motor engines, chassis of motor vehicles, trailers, motor bodies built on the chassis of motor vehicles, bodies built for motor vessels or engines occurring in entry 125 of the said schedule are being taxed at the rate of 15% Due to the higher rate of tax on these items, shifting of business to the neighbouring States occurs which has to be curbed. For this purpose, I propose to reduce the rate of tax on these items to 12%.

89. Tyres and tubes for motor vehicles including trucks and buses, motor cycles, motor scooters, mopeds and motoretts are being taxed at the rate of 15%. Due to this, the business in Kerala is being faced with an adverse situation. In order to avoid this I propose to reduce the rate of tax of tyres, tubes and flaps to 6%.

90. The rate of tax now applicable to spare parts, accessories, tyres and tubes of bicycles and tandem cycles is 6%. I propose to reduce the rate of tax on such items to 4%.

91. I propose to reduce the rate of tax of cycle rikshaw to 4%.

### **Other changes**

92. The existing fee for Registration of dealers under KGST Act is Rs. 100. I propose to change this on the basis of turnover limits as below:

- |   |        |
|---|--------|
| 1. For dealers with total turnover below Rs. 3 lakh | Rs. 50 |
|---|--------|

2. Do. from Rs. 3 lakh and above but below Rs. 10 lakh      Rs. 100  
3. Do. from Rs. 10 lakh and above                                      Rs. 250

93. It is proposed to exempt ration shop dealers who deal exclusively in statutory rationed articles i.e. Rice, Wheat, Sugar and Kerosene and Palmoline from the purview of registration under' the Kerala General Sales-tax Act.

94. Due to the intermittent price hike on newsprint made by the Central Government, the prices of newspapers, magazines and journals are increasing abnormally. Apart from this, by the Kerala Finance Act of 1984 which came into effect on 1-4-1984, printing presses were also brought under the purview of the Kerala General Sales-tax Act. Increasing the price of newsprint and imposing tax is nothing but putting chains on the freedom of press. Besides, it has resulted in shifting of printing work from Kerala to neighbouring States. In order to correct the situation, I propose to exempt from the purview of Sales-tax, printing presses which are engaged in printing and supplying on contract or other basis.

95. As a measure of simplifying the assessment procedure I propose to raise the present turnover limit of Rs. 2 lakh to Rs. 3 lakh. Due to this, difficulties of small dealers can be solved.

96. Goods are being transported to other States through the State of Kerala. It has come to notice that in many cases these goods are unloaded and sold inside the State. As a result, the tax legitimately due to Kerala is being lost. To prevent the evasion of tax it is proposed to introduce Entry-Exit Pass system.

97. There is a practice of showing undervaluation of goods with an ulterior motive of evading tax. In order to avoid such practice it is proposed to take effective steps in this regard.

98. Intelligence wing will be reorganised and effective steps taken for curbing evasion of tax.

99. It has come to notice that large scale evasion is taking place in certain commodities like rubber latex etc. In order to prevent such evasion it is proposed to take suitable action by amending the existing laws, if necessary.

100. The above measures, I expect, will raise an additional revenue of Rs. 35 crore from Sales Tax.

101. I expect to raise in all during the year 1988-89 an amount of Rs. 58.30 crore through the measures outlined by me. Hon'ble Members are aware that a minimum of Rs. 135 crore will have to be raised to sustain a plan of Rs. 500 crore. Even this may not suffice if one takes into account the inevitable hikes in expenditure that the Government will have to face in the context of the inflationary onslaught in our economy. The Government have also the onerous task of clearing arrear bills which are estimated to be in the region of Rs. 60 crore. This will further widen the gap. I am therefore constrained to present a deficit budget which is unavoidable under the circumstances. The net deficit, adding the allocation I have announced in the speech, will come to Rs. 86.14 crore at the end of 1988-89.

102. The final position that emerge is as follows:

	Revise estimate 1987-88 Rs. Crore	Budget estimate 1988-89 Rs. Crore
Revenue Receipts	1648.47	1803.41
Revenue Expenditure	1801.62	1942.55
Deficit	(-) 153.15	(-) 139.14
Capital Receipts	1247.77	574.31
Capital Expenditure	1278.59	609.09
Deficit	(-) 30.82	(-) 34.78
Public Account (Net)	130.82	94.68
Overall Deficit	(-) 53.15	(-) 79.24
Carryover Deficit	(-) 21.11	(-) 64.70
Cumulative Deficit	(-) 74.26	(-) 143.94
Yield from A.R.M. (1988-89)	..	58.30
Additional share of Central taxes as per Revised Estimate	9.56	..
Expenditure on additional measures announced	..	0.50
Net Deficit	(-) 64.70	(-) 86.14

Since we do not have the time for a grant by grant discussion and voting by the House before the end of the financial year, I also propose to present a Vote on Account and connected demand for meeting the expenditure during the first four months of 1988-89.

Thank you

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