



**STATEMENT REGARDING ALTERATIONS IN  
THE BUDGET ESTIMATES FOR 1960-61**

**SHRI R. SANKAR**

*24th June, 1960*

Sir,

While formally presenting the Budget Estimates for 1960-61 in the last session of the Legislature I had stated that the estimates would be subjected to a more minute scrutiny later and that the final picture which emerged out of such examination would be presented to the House at the next session. Accordingly the Budget Estimates have now been reviewed. The Memorandum of Alterations which I am now laying before the House is the result of that review.

2. It may be recalled that invoking the provision of Article 206 of the Constitution the House had voted only an advance grant in respect of the estimated expenditure for four months. The first task of the House will therefore be to vote the balance of the original Demands already laid before it. The new schemes which have been provided for after review of the estimates are contained in Appendix I to the Memorandum of Alterations. Advance information about the Supplementary Demands which will be moved consequent on the new programmes now proposed to be undertaken, is contained in Appendix III to the Memorandum of Alterations. The Supplementary Financial Statement will be formally laid before the House as scheduled and the House will then be called upon to vote the Supplementary Demands.

**REVENUE**

3. The revenue anticipated in the Budget Estimate for the year is Rs. 42.95 crore. On review it is found that under Agricultural Income Tax, State Excise Duties, Stamps, Registration and Taxes on Vehicles increased collections can be expected. Based on the collections during the last financial year as recorded in the preliminary accounts furnished by the Accountant General an

increase of Rs. 35 lakh is estimated under Agricultural Income tax, Rs. 2 lakh under Stamps, Rs. 2 lakh under Registration and Rs. 8 lakh under Taxes on Vehicles. The results of the final auction of toddy and arrack shops indicate that there will be an increase of Rs. 13 lakh under State Excise Duties. Thus under Tax revenue, there will be an increase of Rs. 60 lakh.

4. On account of certain new schemes now provided for, there will be an increase in revenue of Rs. 16.09 lakh mainly under subventions from the Government of India. Thus the total revenue for the current financial year at the existing level of taxation is now estimated as Rs. 43.71 crore, the increase over the original Budget Estimate being Rs. 0.76 crore.

### **Expenditure—Overall Position**

5. The Budget Estimate of Expenditure on Revenue Account is Rs. 44.94 crore. The supplementary schemes now provided for result in an increase of Rs. 101.37 lakh in the Revenue Account. The new programmes of expenditure which have been included under Capital heads of account involve an addition of Rs. 71.95 lakh to the budgeted figure. Under 'Loans and Advances' the net additional disbursements now provided for amount to Rs. 18.70 lakh.

6. As the Hon'ble Members are aware, the Estimates already presented at the last session show a revenue deficit of Rs. 199.30 lakh. There is not therefore much scope for including further schemes without correspondingly increasing the sources of revenue. Further full coverage of the Plan outlay for the year has been attained in the original Budget Estimates themselves. New Plan schemes cannot also be normally undertaken unless clearance of the schemes with the Planning Commission and the concerned Union Ministry is obtained before hand. Owing to these limiting factors, it has not been possible to fully provide for the policies and programmes we have in view for the welfare of the people at large. Nevertheless I believe that our policies as reflected in these estimates will be a clear pointer of the direction in which we are proceeding.

7. I shall now briefly indicate the measures which we have included in the final programme of expenditure for the year.

### **Food supply**

8. In the original Budget Estimates, provision has been made for the distribution of a quantity of 180000 tons of rice through fair price shops at a uniform rate of 50 n.p. per edangazhi, at a total loss of Rs. 107.56 lakh to the State exchequer. This quantity will not suffice to meet the total cereal intake by

the poorer classes. In order to supplement the availability of food grains it has been decided to make available 10,000 tons of wheat at a subsidised rate of 37 n.p. per edangazhi, through fair price shops. The net loss to the State Government on this account is estimated to be Rs. 8.70 lakh. This amount is included in the supplementary estimates now presented.

9. We have also taken measures to ensure prompt and regular flow of rice wagons into the State, to avoid any artificial scarcity and consequent rise in price in the open market. The whole system of control has been tightened by an intensive programme of inspections designed to prevent the retailers' off-take being diverted into the black-market.

### **Production of Compost Manure**

10. In my budget speech I have referred to the importance of intensive manuring in any scheme of food production. The need for supplying cheap and efficacious manure to the cultivator cannot be over-emphasised. Government are of the view that the production and use of compost on a very large scale would considerably help augment food production. In the original Budget Estimates, a provision of Rs. 1.58 lakh had been made for production of compost. Another provision of Rs. 1.37 lakh had been made for the grant of loans to the local bodies for the production of compost. We consider that further financial assistance has to be given to the Municipalities and Panchayats by way of subsidy for augmenting the production of compost and an amount of Rs. 1 lakh is now provided for giving subsidy to the local bodies.

11. I may also submit for the information of the House that a comprehensive scheme for turning all organic matter now going to waste into compost and using them in the fields is being prepared.

### **Financial Assistance to Cultivators**

12. In spite of the irrigation and other facilities which have been provided to protect the agriculturists from the vagaries of nature, it is not uncommon that they become the victims of natural calamities. It is needless for me to describe the devastating effect of such calamities on the poor cultivator and their retarding impact on the progress of food production as a whole. Thus both on humanitarian and on national considerations it is necessary to lend a helping hand to the distressed farmer in times of natural calamities. A token provision of Rs. 50,000 is made for this purpose.

**Service Co-operatives**

13. The Government have decided to organise Service Co-operative Societies as part of an intensive and vigorous programme for increasing the production of food grains in the State. At the recent State Co-operation Ministers' Conference held at Srinagar, at which I represented our State, the fact that top priority should be given to increasing agricultural production was re-affirmed in unambiguous terms, and the role of the Co-operative Societies in augmenting the production of food grains was duly recognised. The Conference also emphasised certain aspects to be borne in mind in making the Co-operative movement sub-serve the interests of food production. First, the movement should concentrate on improving the conditions of the weaker sections of the society. Secondly, the Government should participate in Co-operative Societies without, however, dominating the movement.

14. A Service Co-operative may be defined as an organisation of villagers who have willingly combined themselves for mutual help in meeting their common economic requirements and in increasing agricultural production. It is different from the village credit co-operative society in that it not only meets agricultural credit requirements in full but also provides several other facilities like supply of improved seeds, fertilisers and manures, improved agricultural implements, insecticides and pesticides for plant protection, and cattle feed and fodder. Selecting suitable progressive farmers in the Panchayat and helping them to grow better seed, organising the production of green manure locally, providing irrigation facilities, drawing up programmes of agricultural production for the village and distributing essential articles required by the members are some of the wider functions assigned to the service co-operatives. In short, the Society is intended to be the vehicle, which takes the villagers who are its members towards the goal of economic prosperity.

15. It has been decided that there should be one service co-operative society in each Panchayat. Where the population of the Panchayat exceeds 20000, it may be necessary to organise two societies. It is estimated that a total of 1000 to 1200 co-operatives will have to be organised to cover the whole State and it is expected that this can be done in the next two years. For the current year, the target is 750 societies. This will be achieved by converting the existing 500 primary credit and multi-purpose co-operative societies having a comparatively stronger share capital structure into full-fledged service co-operatives and by

organising 250 new societies. The share capital of the existing societies will be raised from the present limit of Rs. 20,000 to Rs. 25,000-30,000 level. The new societies that will be organised will have a share capital of not less than Rs. 20,000. A special drive has been launched towards the fulfilment of the above targets.

16. The question of financing the service co-operatives to enable them to function in the initial stages has been taken up with the Government of India and the Reserve Bank. However, as the programme for increasing food production cannot brook any delay or postponement it has been decided that the organisation of the service co-operatives should go ahead and accordingly, a token provision of Rs. 1 lakh is made for participation in the share capital of the Service Co-operatives.

### **Rubber Plantation Scheme**

17. In my budget speech I had touched upon the immense possibilities of increasing the production of rubber in the State. Thanks to the steadily growing needs of the rubber manufacturing industry in India, there is unlimited scope for increasing the production of rubber. The advantages to our economy in increasing the production of rubber are obvious. It yields substantial revenue and its employment potential is considerable. As a first step in the implementation of a phased programme of stepping up the production of rubber the Government have decided to plant 20000 acres of forest land with rubber, in the planting season of 1961. The programme is to raise rubber in 4000 acres departmentally at Kodumon and Chalakudy and to allot the remaining 16000 acres to private parties for rubber cultivation. The details of the scheme of allotment of land to private parties are being worked out. Co-operative effort will play a great part in this sector. Preliminary steps for the departmental cultivation have already been taken. An additional provision of Rs. 3 lakh is made in the Supplementary estimates for the Rubber Plantation Scheme.

### **Public Works**

#### *(a) Roads and Bridges:*

18. In the Budget Estimates presented at the last session, there is provision (Plan and non-Plan together) of Rs. 194.42 lakh for roads and bridges (including village roads). Of this amount, Rs. 38.17 lakh is for new roads and bridges. The Plan outlay for roads and bridges for the year is Rs. 100 lakh against which an

amount of Rs. 102.58 lakh has been included in the above estimates. The scope for allotting more funds for roads and bridges is therefore very limited. In spite of these facts, we have included provision for new roads, bridges and canals which are estimated to involve a total outlay of Rs. 60.49 lakh. For expenditure during the current financial year, an additional provision of Rs. 25 lakh is included. This is a clear indication of the value and importance we attach to the development of the means of communication throughout the length and breadth of the State. We are fully conscious of the role of an efficient system of communications in increasing the tempo of economic activity of the State and that explains why we have, under considerable strain, allotted such a sizeable amount for construction and maintenance of roads, bridges and canals.

(b) *Buildings:*

19. The important schemes for which provision has been included now are the following:—

	<i>(Rs. in lakh)</i>
(i) Quarters for M.S.P. and Armed Reserve, Palghat	.. 1.00
(ii) Tagore Birthday Centenary Memorial Theatre	.. 5.00
(iii) Workshop buildings, Polytechnic, Cannanore	.. 1.85
(iv) Students' Hostel, Government Polytechnic, Kozhikode	.. 2.00
(v) Students' Hostel, Engineering College, Kulathur, Trivandrum	.. 8.01
(vi) Buildings for Government servants under Rental Housing Scheme	.. 17.85
(vii) Buildings for Work & Orientation Centres at Trivandrum and Chalakudy	.. 4.50

(c) *Water Supply:*

20. The present supply of water to the Cochin Port is not adequate. The Port authorities have been pressing for increased supply of water. The Ernakulam-Mattancherry Water Supply Scheme, when completed, will fully satisfy the needs of the Port, Navy and the Municipalities. But it may take a few years for the scheme to be completed. We have therefore decided to tap other sources to

increase the supply of water immediately. A scheme for laying a 12" pipe from Alwaye to Ernakulam at a cost of Rs. 12.25 lakh has been sanctioned. This will ensure an additional supply of 4 lakh gallons of water a day.

The Government of India have agreed to give a short-term loan of Rs. 6.5 lakh to put the scheme into execution immediately. We have included necessary provision for the work. It is hoped that the work can be completed in one year.

### **Education**

21. On the question of extension of adequate facilities for education at primary and secondary stages to all localities, I had observed in my Budget Speech that the policy of opening schools in places where they are absolutely necessary will be followed consistent with the financial resources of the State. Accordingly we have now provided an additional amount of Rs. 30 lakh for opening new divisions and classes in existing schools and for opening new schools.

22. In regard to technical education, I am glad to announce that two new Work and Orientation Centres will be opened shortly, one at Trivandrum and the other at Chalakudy. These Centres besides imparting technical training to our students, instill in them a sense of entrepreneurship and a capacity for self-employment and it is hoped that many enterprising young men will come out of these institutions to set up production units with small capital individually or in groups, instead of lining up in long queues for the so called 'white collar jobs'.

23. It has been decided to revive the Diploma course in Textile Technology in the Central Polytechnic, Trivandrum, and necessary provision has been made in the supplementary estimates. Provision has also been made for providing adequate teaching staff in the Engineering College recently started at Trichur.

24. An I.A.S. Coaching Scheme will be started in three centres in the State, at Trivandrum, Ernakulam and Calicut. It is felt that at present our students are not able to hold their own against their colleagues in other parts of India while competing in the All India Services Examinations. Consequently we are not getting adequate share of the posts in the All India Services. To remedy this situation, it is proposed to provide pre-examination coaching to selected students in the All India competitive examinations like the I.A.S. and I.P.S. examinations.

25. The Government of India have formulated a scheme for giving loans to educational institutions for construction of hostels. According to this scheme, the Government of India will place at the disposal of the State Government the

sanctioned amount and the State in turn will have to re-loan this amount to the institutions concerned. We have provided an amount of Rs. 2.5 lakh under 'Loans and Advances' for giving loans to educational institutions for this purpose.

### **Medical and Public Health**

26. The supplementary estimates under 'Medical' include provision for starting 3 new Ayurveda Dispensaries and an Ayurveda Pharmacy attached to the Ayurveda College at Trippunithura.

27. It is found that several plants and herbs of considerable medicinal value are slowly becoming extinct for want of adequate care and attention. Government have therefore decided to encourage the cultivation of such plants and herbs and provision has accordingly been made for giving grants to individuals and associations engaged in such cultivation.

28. A lump sum provision of Rs. 1 lakh has been made for increasing the number of admissions in the Medical Colleges at Trivandrum and Kozhikode.

29. An additional amount of Rs. 1 lakh is also included for providing essential water supply and sanitary installations in hospitals.

30. With a view to removing the disparities in the amounts of grant payable to Ayurveda Vaidyans in the Travancore-Cochin and Malabar areas it has now been decided to revise the existing Ayurvedic grant-in-aid system in force in the Travancore-Cochin area. There are now 276 Ayurveda Vaidyans including Visha Vaidyans in Travancore-Cochin area getting grants from the Government at three different rates of Rs. 50, 40 and 30 per mensem. The Physicians of the rural grant-in-aid dispensaries in Malabar area are getting a grant of Rs. 65 p.m. The revised rates now allowed to the Vaidyans in Travancore-Cochin area are Rs. 65 for those now getting Rs. 50 and Rs. 40 p.m. and Rs. 40 for those now getting Rs. 30 p.m. An additional amount of Rs. 25,000 is provided in the supplementary budget estimates for this purpose.

### **Industries**

31. It is well known that in the matter of establishment of new industrial units the progress in Kerala has not been very satisfactory in the last few years. I need not discuss here the reasons for this state of affairs, but may merely say that as a result of the Government's policy of maximum aid to industrialists and fair deal for labour and also as a consequence of the improvement of the law and



order situation in the State, large numbers of industrialists are evincing interest in the establishment of industries in Kerala. They are attracted by the existence of natural advantages, a large skilled labour population and a ready market, and are coming forward consequent on the improved conditions and the assurance given by Government of maximum help in establishing fresh units. In this connection I may reveal that negotiations are in progress for the establishment of yet another Rubber Factory which would produce not only tyres and tubes for vehicles but also such rubber goods as conveyer belts, 'V' belts, etc.

32. Proposals are also under examination for the establishment of another paper factory based on soft wood from our forests, a large plate glass manufacturing unit utilising the excellent sands in Shertallai taluk and a factory to produce high tension insulators using the very high grade clay available in our State. Proposals for the manufacture of industrial alcohol and for starting a Shipping Corporation are also under consideration of Government.

33. Apart from these proposals actually under examination, the Study Group for drawing up proposals for industries in the Third Plan Period has prepared a large list of industries which can be established in Kerala either in the public or the private sector. Members are already aware of the proposals to establish a Ship Building Yard at Cochin and the Phyto-chemical project in Neriamangalam. Besides these, it is hoped that a marine diesel engine manufacturing plant, a heavy electrical plant, a heavy structural steel plates and vessels fabrication factory, a machine tool factory, a dry (white) phosphorous manufacturing unit etc., would be established in Kerala in the public sector in the Third Plan Period.

The industries suggested for establishment in Kerala in the private sector include plants for the manufacture of bolts, nuts and rivets, short and chilled iron, power station equipment, tea processing machinery, industrial gases and gas cylinders, air compressors and blowers, electrical fans and transformers, machine screws, metal containers, sugar mill machinery, piston rings and automobile accessories, irrigation pumps, storage and dry batteries, galvanised and barbed wire, abrasives, small tools, enamel wire, sanitary ware and tiles, industrial soda ash, chip and hard boards etc.

In the small scale field, the industries suggested include confectionery, hosiery and ready made garments, cycle parts and accessories, scientific instruments, textile mill parts, surgical instruments, radio accessories and parts, sports goods etc.

**Police**

34. At the suggestion of the Government of India it has been decided to raise a division of the 'Home Guards' this year and token provision of Rs. one lakh is made in the budget for this purpose. The Home Guards is to be a voluntary organisation more or less on the lines of similar organisations functioning in the States of Maharashtra, Madhya Pradesh, Mysore and Bihar. The object of the organisation is to have a corps of men and women who carry on with their normal vocations, but who undertake after completing the prescribed training to place their services voluntarily at the disposal of the authorities to fulfil such tasks and functions that may be allotted to them in times of emergency. By and large, their main task will be to render assistance in the maintenance of law and order, to act as auxiliaries to the regular services in fire fighting, rescue and first aid operations and to man essential services like transport and communications during times of emergency. The scheme is intended to instil the qualities of self-reliance and discipline in the ordinary citizens and to develop in them a sense of brotherhood and readiness to help one another in times of natural calamities or emergencies. It is proposed to establish the Home Guards by an Act of the Legislature so that it would be a statutory organisation bound by a code of discipline.

35. The Government have also had under consideration a proposal to establish a Forensic Laboratory with a view to improving the standard of investigation of crimes in the State. It has now been decided at the Zonal Council Meeting held on 16-4-1960, that the State should have its own Forensic Laboratory instead of having one in common with Madras. Accordingly a token provision of Rs. 25,000 is included in the supplementary estimates. I am sure that Hon'ble Members will agree with me that the establishment of the Laboratory will be a land-mark in the investigation of crimes in our State.

36. The Special Branch of the Police has been reorganised recently on the pattern prevailing in other States. To implement the scheme in the current financial year, an amount of Rs. 59,000 is additionally required. This is also included in the supplementary estimates.

**Re-organisation of Government Departments**

37. We consider that the Department of Industries and Commerce should be reorganised with a view to co-ordinate the activities of its various wings. A lump sum provision of Rs. 25,000 is included in the budget for this purpose.

38. The High Court has been reorganised recently based on the recommendations of the Special Officer for the reorganisation of the High Court and Subordinate Courts. The additional funds required have been provided in the supplementary estimates.

39. Similarly an amount of Rs. 39,900 is provided for the reorganisation of the Legislature Secretariat.

### **Compilation of the History of Kerala**

40. At present there is no authentic and detailed history for the Kerala State as a whole. The Governor has been pleased to invite the attention of Government to this matter and to suggest that the work of compiling a complete history of Kerala should be undertaken immediately. We are thankful to the Governor for his valuable suggestion. A token provision is included in the budget for this work.

### **Equalisation of the pay scales**

41. Following the advice of the Government of India the State Government during the Adviser's regime had accepted the principle that when any officer of Kerala gets his first promotion after his allotment to the State, he should be given the option either to have the Kerala scale of pay or the scale of pay which obtained for the corresponding post in his parent State. As the scales of pay which existed in Madras on 1-11-1956 for Gazetted Officers were generally higher than the scales of pay attached to corresponding posts in the former Travancore-Cochin State, this order operated only to the advantage of allottees from Madras. Thus several officers of the Travancore-Cochin branch are now getting lesser pay than their compeers who came from Madras. This has created great discontent among Gazetted Officers of the Travancore-Cochin branch. Government feel that these officers have a real grievance. Accordingly Government have decided that this disparity should be removed by granting the officers of the Travancore-Cochin branch also the same scales of pay as are given to officers allotted from Madras.

### **The Kerala Service Rules**

42. The Kerala Service Rules recently issued by the Government were brought into effect from 1-11-1959. The Rules regarding pension included in the

new Kerala Service Rules generally follow the Liberalised Pension Rules of the Government of India and are in several respects more advantageous to the pensioners than the old rules, and more particularly so to the families of officers who die in harness or soon after retirement. Several representations have been received from pensioners who retired from the service of the Kerala Government and from the families of officers who died in harness for giving retrospective effect to the pension rules in the Kerala Service Rules. We consider that these representations deserve sympathetic consideration and have accordingly decided that the Pension Rules contained in the Kerala Service Rules should be given effect to from the date of formation of the Kerala State itself. It is estimated that this would involve an additional expenditure of Rs.10 lakh this year. This amount is provided in the supplementary estimates now presented to the House.

### **Temporary Increase in Pensions**

43. I now turn to certain significant decisions taken by the Government in the matter of affording relief to the weaker sections of the community. The first category consists of the pensioners of Government for whose continuing welfare the Government have a primary moral responsibility. The pensions that they are now receiving, based in most cases on the emoluments that existed prior to the recent revisions of salaries are quite meagre when considered in the context of the present day cost of living. The Pensioners' Association has been agitating for relief and the Government cannot be deaf to their voice of grievance. It has therefore been decided to substitute the present rates of temporary increase on pensions up to Rs. 100. The minimum pension including temporary increase that a pensioner shall get has also been fixed at Rs. 15 p.m. The above temporary increase will be limited to those who retired prior to 1-4-1960. An amount of Rs.5 lakh is included in the supplementary budget estimates for this increase in pension.

### **Old age Pension**

44. Another section of the community which is in need of relief is the old and destitute persons who have nobody to support them or nothing to fall back upon, in the evening of their lives. According to the Directive Principles of State Policy as embodied in Article 41 of the Constitution, the State shall within the limits of its economic capacity and development make effective provision for

affording public assistance in the case of ..... old age, ..... and in other cases of undeserved want. In the Governor's opening address to the Legislative Assembly at the last session, an indication of the policy of Government to afford protection to the very old who form one of the most vulnerable sections of the community, has been given. It has now been decided to introduce a scheme of old age pension to destitute persons of and above seventy years of age. The rate of pension is proposed to be fixed at Rs. 15 p.m. Details of the schemes are being worked out. To begin with a provision of Rs. 3 lakh is included in the estimates now presented to the House.

### WAYS AND MEANS

45. I shall now briefly refer to the Ways and Means position indicating how it is proposed to find the resources for the large programme of expenditure to which I have already referred. According to the original Budget Estimates, the year was expected to close with a cash balance of Rs. 55.18 lakh. The revenue deficit anticipated then, viz. Rs. 199.30 lakh will now increase to Rs. 224.58 lakh. The ways and means position according to the revised budget will be as follows:—

		<i>(Rs. in lakh)</i>
Opening Balance	..	(+) 105.25
Revenue Deficit	..	(–) 224.58
Capital Expenditure	..	(–) 978.10
Loans and Advances (Net)	..	(–) 467.16
Net Accretions under other Debt Heads	..	(+) 1524.65
Closing Cash Balance	..	(–) 39.94

46. The revenue and cash position of the Government as revealed by these transactions portends great stresses and strains to Government in the matter of financing the various schemes of development.

47. It may not be out of place in this context to make a passing reference to the factors that have contributed to our financial difficulties. The first point that I want to stress is that the Central grant-in-aid awarded to the State on the basis of the recommendations of the Second Finance Commission is totally inadequate to meet the special needs of our State. This may to some extent be due

to the fact that a correct picture of the finances of the new State of Kerala did not emerge at the time when the Finance Commission made its recommendations and so it was not possible for the Commission to have a realistic appraisal of the special problems of the State. In a federal Government where the Centre possesses practically all the productive and elastic resources, the States may have to depend on the Centre for meeting the ever growing needs of their developing economy. The amount of the Central grant-in-aid has to be determined with reference to the needs of each State so that the greater benefit goes to the more needy States. The basis of determining needs should not, however, be arbitrary. The Nehru-Adarkar Report recommends that the fullest consideration will have to be given to all relevant factors, including size of population, the wealth of natural resources, the existing backwardness of the areas concerned, the geographical density of population, the per capita income and wealth of the people of the States and their basic needs (Report on Australian System of Federal Finance and its Applicability to Indian Conditions by B. K. Nehru and Prof. B. P. Adarkar, 1947). Viewed in the light of these principles, we cannot help feeling that Kerala did not get a fair deal from the Finance Commission.

48. In the matter of financing the Five Year Plans on which all hopes of a bright and prosperous future are centred, our State is in a very disadvantageous position in that the share of Central assistance that we got for implementing the schemes was comparatively poor. It has been roughly computed that during the years 1956-59, i.e., the first three years of the Second Plan period, we had to meet nearly 62% of the Plan expenditure from our own resources, while other States like Orissa, Madhya Pradesh and Andhra Pradesh had to find only 24%, 34% and 36% respectively. It is obvious that the low percentage of Central assistance has considerably affected the ways and means position of the State.

49. The debt liabilities passed on to Kerala consequent on the re-organisation of the States have imposed a severe strain on the finance of the State as substantial amounts have to be paid each year both under interest and under principal. Further, expenditure of considerable magnitude has to be incurred for the uplift of the Malabar area and for providing and maintaining the social services at a reasonably high level throughout the State. Again, the State Government had to sanction unification of pay scales, increases in emoluments of the low paid employees, revision of pay of teachers, etc., altogether involving very large

commitment to the exchequer. The re-organisation of the administrative machinery, the transfer of the educational and medical institutions from the Malabar District Board to Government control, and the introduction of the direct payment of salary to teachers in aided schools are some of the outstanding administrative measures whose impact on the finances of the Government is being felt in an increasing degree.

50. It is the cumulative effect of all the factors mentioned above that has led to the financial difficulties of the Government. I may state for the information of the House that we have made strong representations to the Government of India to sanction substantial assistance to the State to enable it to turn the corner.

### **New Taxation**

51. It will however not be proper to leave the large deficit of Rs. 224.58 lakh on revenue account wholly uncovered. We have, therefore, after mature consideration, decided to bring forward certain measures of additional taxation which are expected to yield one crore of rupees in the current financial year. In sponsoring the taxation measures care has been taken to ensure that the incidence of such taxation does not fall on the poorer sections of the society.

### **Plantation Tax**

52. It is proposed to levy a plantation tax of Rs. 10 per acres, in lieu of the existing basic tax of Rs. 2 per acre on all plantation holdings in rubber, coffee, tea, cardamom, coconut, arecanut and pepper, having an extent of 5 acres and above. An additional revenue of Rs. 80 lakh per annum is estimated from this source. It is a matter of common knowledge that the yield from plantations is several times that from ordinary land and nobody will dispute the ability of plantation owners to contribute a greater share to the common pool of the Government's resources.

### **Sales tax on Selected Commodities**

53. The Sales tax on soap, bicycles, paints, powder, scents etc., and lubricating oil is proposed to be revised from the present 2% multipoint rate to a higher single point rate. On soap and bicycles, the revised rate will be 5% single point and on the other commodities, the revised rate will be 6% single point. The above changes will bring in an annual revenue of Rs.15 lakh. In the current financial year, only an amount of Rs.10 lakh is estimated.

**Surcharge on Sales tax**

54. The surcharge on sales tax collected from merchants having a turnover of not less than Rs. 30,000 per annum is proposed to be revised from 2½% to 5%. The additional yield is estimated at Rs. 15 lakh per annum and Rs. 13 lakh in the current financial year.

**Agricultural Income tax**

55. To afford some relief to the agriculturists of the lower income group, it is proposed to raise the minimum taxable limit from Rs. 3,000 to Rs. 3,600. Again in the case of those coming within the first tax slab (Rs. 3,600-5,000) it is proposed to allow compounding of the tax payable at a lump sum of Rs. 75. These relief measures involve a loss in revenue of Rs. 3 lakh per annum.

56. The net effect of these new measures is that there will be an increase in tax revenue to the extent of Rs. 100 lakh in the current financial year. This additional revenue will reduce the revenue deficit to Rs.124.58 lakh and convert the closing cash balance of minus Rs. 39.94 lakh into a plus cash balance of Rs. 60.06 lakh.

57. Sir, I conclude. Within the formidable limitations of finance, we have tried to provide for a programme of expenditure designed to increase the welfare of the State and to enable us to take one step forward along the path of economic progress. I would invite the Hon'ble Members to consider the proposals I have laid before the House, in a constructive spirit and give me their valuable suggestions.