



## BUDGET SPEECH FOR 1961-62

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*2nd March, 1961*

Sir,

I rise to present the Budget for 1961-62.

2. The year 1961-62 is the first year of the Third Plan. It is a significant year when we will be entering into a quinquennium of accelerated economic development, the pace and tempo of which will reflect our insistent urge to progress and prosperity. The Third Plan has rightly recognised the need for reducing regional disparities which are mainly the result of historical and political forces. Balanced development of the different parts of the country and the extension of the benefits of development to the more backward regions have been declared to be the objectives of the Third Plan. Kerala faces the Third Plan with a backlog of comparative underdevelopment. Our State has a large leeway to make to come abreast of the advanced States in the Union. The need for bringing the State on a level with the rest of India has to be viewed not purely from a regional angle. It is in fact a problem that requires attention from the national point of view as well, for the continuance of an economically depressed region in this part of the Union, with a swelling army of unemployed educated men and women, is not in the interests of the nation at large, as this may well become a potential trouble spot of the country.

3. As is well known, Kerala presents the paradox of unemployment and underemployment on the one hand and unutilised natural resources on the other. The task of mobilising our resources in such a manner as to give employment facilities to the maximum extent and to create a self-generating economy is our immediate objective. We have to break the vicious circle of poverty leading to

low level of investment resulting in continued low per capita income. It is with this end in view that we have taken up a rather ambitious plan for implementation in the next five years.

#### REVIEW OF ECONOMIC CONDITIONS

4. For a proper appreciation of the task ahead, it is necessary that we should properly evaluate the position of our economy and our special problems. Our economy is still very largely based on agriculture and in spite of all efforts at rapid industrialisation its character will remain the same for a few decades to come. Of the total area of the State of 96 lakh of acres roughly, 26 lakh of acres are taken up by forests. An area of another 24 lakh of acres is not available for cultivation being barren or waste or fallow or put to non-agricultural use. The remaining area of 46 lakh of acres is the only sown area. It is very doubtful if any considerable extension to this sown area is possible unless we open up our forests which for various reasons cannot be attempted on a large scale. The population of the State at the present day must be round about 170 lakh which means that the per capita cultivable land available is only 27 cents. This is the lowest for any part of India and perhaps the lowest in the world. An economy based on agriculture, where the available land is so limited, is bound to be a very backward one and it is so in Kerala.

5. The national income of India for the year 1957-58 was 11400 crore of Rupees. We are 3.8% of the population of India and if we had achieved even progress with the rest of India our share of the national income should have been Rs. 433.2 crore. But instead the total income of Kerala in 1957-58 was only 368 crore of rupees. The relative position is not likely to have changed very much during the last three years. This would mean that even in order to catch up with the rest of India, we have to make strenuous efforts. The aim of the Third Plan is to increase national income by 5% every year. It is expected that the economy of India would take such strides during the Third Plan as to reach the self-generating stage at the end of the Third Plan. It is extremely doubtful whether even if the rest of India achieves this stage by the year 1965-66 we in Kerala will be near enough the objective. Already the pressure of population on land has almost reached the breaking point. The unparalleled increase of population revealed by the past decennial census gives cause for alarm unless through natural causes the past decade exhibits a different tendency or positive results are obtained in our efforts at limiting the size of families.

6. Our literacy figures stand at 4 times the average for India. At least 95% of the children of school going age in the State are voluntarily attending the schools now. The proportion of school children at the high school level and of young men and women in the colleges is much more in Kerala than elsewhere in India. Every year fifty to sixty thousand matriculates and no less than a tenth of that number of graduates are turned out. The bulk of them find no employment at all and as years pass the number of educated unemployed swells. To allow such a large number of educated people to go without any serious job creates a very dangerous and explosive situation and the prime aim of any planned development of such a State should be to find suitable employment for such people and for the large number of others who share the same plight.

7. On agriculture in Kerala depend about 54% of the total population whereas in India as a whole the proportion dependent on agriculture is over 70%. Average production per acre of land under cultivation in the State compares favourably with that of the whole of India and, whereas agricultural income accounts for only 45.2% of the national income of India, it amounts to as much as 47.5% for Kerala. But considering the general fertility of the land and the advantages of the two monsoons it cannot be said that we have been able to make our land yield anything like the maximum it can do. The percentage of income contributed by factory establishment and small enterprises for the whole of India is 17.4 but the corresponding percentage for Kerala is only 9.6. This indicates how backward we are in industrial development.

8. The chief reason for this great backwardness in the matter of industrial development appears to be the want of necessary capital. For in respect of other factors that go to help industrialisation such as the availability of raw materials and power, facilities for transport, competent labour, etc., our position is as good as, if not better than any other part of India. There are certain features of our economy which stand in the way of effective capital formation in the State. Apart from general poverty the greatest factor that brings about this state of affairs is, in my opinion, the very great drain on our resources consequent on our having to import very large quantities of foodgrains every year. The export of our cash crops brings in every year about 90 crore of Rupees. But nearly two-thirds of this amount is drained away in the process of purchasing food and practically all the rest is spent on import of consumer goods. Unless, therefore, we somehow prevent this great drain, capital formation will continue to be difficult and however much we may try to stimulate industrial growth, considerable headway would not be achieved.

The production of paddy in terms of rice stood at 6.01 lakh tons (807 lbs. per acre) in 1951-52, the first year of the First Plan. It steadily rose and reached 8.61 lakh tons (1025 lbs. per acre) in 1955-56, the last year of the First Plan, the percentage of increase being 27.1. The production in 1956-57 was 8.73 lakh tons (1024 lbs. per acre), the first year of the Second Plan. It is estimated that production would be 10.85 lakh tons (1276 lbs. per acre) during the current year which is the last year of the Plan. The percentage of increase works out to 24.6. The entire Plan period taken together has shown an increase of production of paddy to the extent of 58%. There has been very little of increase in the area under paddy during this period. Efforts at intensive cultivation in certain areas of the State and the extension of irrigation facilities are the main factors that contributed to the enhanced production. The amount of fertilisers brought into the State is perhaps an index of the degree of intensive cultivation achieved during the period. The following table shows the quantities of fertilisers consumed in the State during the last ten years and the quantities likely to be utilised during 1961-62 and 1965-66.

<i>Year</i>	<i>Nitrogen in terms of Ammonium Sulphate (Tons)</i>	<i>Phosphorus in terms of Super Phosphate (Tons)</i>	<i>Potassium in terms of Muriate of Potash (Tons)</i>
1951-52	3500	6600	100
1952-53	3500	6300	176
1953-54	9665	7434	480
1954-55	9720	6702	480
1955-56	14270	6612	128
1956-57	13570	9522	772
1957-58	17760	9870	792
1958-59	18655	11730	912
1959-60	27530	27308	1566
1960-61 (for 9 months)	26500	34932	5500
1961-62 (estimate)	59000	43000	10000
1965-66 (estimate)	150000	190000	67500

This table shows that the average quantity of the 3 important fertilisers consumed per year during the First Plan period had been only 8,131 tons of ammonium sulphate, 6,730 tons of super phosphate and 273 tons of muriate of potash. The corresponding figures for the Second Plan period are 20,803 tons, 18,672 tons and 1,908 tons respectively. It is estimated that the average consumption of ammonium sulphate would be 1,04,500 tons, of super phosphate 1,16,500 tons and of muriate of potash 38,750 tons per year during the Third Plan period. This spectacular rise in the application of fertilisers must result in equally spectacular achievements in the matter of production. It must also be remembered that the provision made in the Third Plan for development of agriculture is nearly 6 times that in the Second Plan and that a large number of irrigation works, major, medium and minor, are proposed to be taken up during this period. With conscious and co-ordinated effort it must be quite possible for us to increase production of rice in the State by 50% and even substantially more.

9. Statistics of local production and import of rice reveal that the yearly consumption has risen to over 18 lakh tons. Making due allowance for increased consumption on account of the rise in the population the total consumption of rice in the final year of the Third Plan will be just over 20 lakh tons. If we should become self-sufficient by that time we should be able to achieve roughly 82% increase in production. This indeed would be very formidable. But I think fifty to sixty per cent increase during the next five years should be well within the realm of possibility. That would mean that the amount of rice we will still have to import in 1965-66 will be of the order of three lakh tons or just fifteen per cent of the total consumption. To some people this might appear an unreal picture. But I firmly believe that this is possible of achievement and that we should set our hearts to realise this end in order to prevent the very heavy drain on our finances on account of the huge amounts spent in importing food which factor, more than anything else, has stood in the way of capital formation in the State.

10. Intensive effort at increased production and export of our cash crops and their products should go hand in hand with the attempt at achieving self-sufficiency in the matter of food production. Unlike any other State in India, we have in Kerala almost a monopoly of certain cash crops such as coconut, pepper, cardamom, ginger, lemongrass oil, rubber and tapioca. India is yet not self-sufficient in the matter of coconut and rubber and considerable foreign exchange is now being lost in importing copra and raw rubber. The only State in India

which can prevent this drain by increased production of these materials is Kerala. Every attempt should therefore be made at enhancing the production of coconuts and rubber in the State. If we are able to increase the yield from our coconut gardens by thirty per cent we will be able to meet the entire demand in India. Rubber cultivation will have to be extended by another three to four lakh of acres in order to supply the increasing demand for raw rubber in India. As determined effort should be made to achieve these targets during the coming Plan period.

11. Similar efforts should be made in the matter of the other cash crops as well, so that our earnings from these crops are simultaneously raised in order to be able to pay for imported consumer goods and for the quantity of rice we will still have to import at the end of the Third Plan period and yet have sufficient surplus left for investment in the industrial field.

12. It is not possible to exactly compute the additional employment opportunities that intensive cultivation effort would offer. But it is common knowledge that rubber plantations would employ one person for every acre brought under the crop. If we succeed in planting an additional three lakh of acres, three lakh of people will be absorbed in that field. Intensification of agriculture in respect of paddy and other crops would perhaps find additional employment for as many more. The other field which would afford employment for substantial numbers is the Industrial Sector, which may absorb two to three lakh of people additionally by the end of the Third Plan. Government would render considerable assistance to small scale and cottage industries which between them will provide employment for a large number of people. The cumulative effect of our efforts in the agricultural and industrial front must be such as to provide employment for the bulk of the unemployed in the State, both educated and others.

#### ECONOMIC TRENDS IN 1960

13. The level of rice prices was lower than that of 1959 all through 1960, except towards the close of the year. Rice prices were subject to some abnormal developments in 1959. The rising trend observed from March 1959 reached a climax in July. Since August the curve turned down and followed the seasonal pattern. But prices in December 1959 were higher than at the beginning of the year. By January 1960 the prices had further come down to a level almost equal to that of January 1959. From January to March 1960, prices remained comparatively low. After that there was a slow rise till June, which did not show any abnormal feature. But since then, sharp rise was observed and the prices

reached a climax in November. This situation was immediately brought under control and a general decline in rice prices was observed in December. On an All India level, rice prices were higher in 1960 than in 1959. But in Kerala, the case was different. For the first nine months of the year, prices were on the whole lower than the corresponding prices in 1959. Price rise towards the end of the year was mainly due to the heavy rains and floods in South India which caused great havoc to the crops and dislocation in transport facilities.

14. Regarding cash crops, the year 1959 was very favourable. 1960 was still better for many of them, the prices of which remained on a level higher than 1959 level. But the general trend of prices of cash crops was a falling one in 1960. The average price of pepper in January 1960 was Rs. 1,824 per candy. This was the highest price reached since 1954. The prices in 1960 followed a declining trend and reached Rs. 1,094 per candy in December 1960. In spite of the falling trend in 1960, the general price level was higher throughout the year than in 1959. The same price trend was noticed in the case of ginger also. From Rs. 498 per candy in December 1959 prices rose to Rs.650 in January 1960 and continued to remain higher than the 1959 level almost till the end of the year. Cardamom prices suffered a setback during the year. This important item in the spices group which was fetching Rs.8 per lb. in 1957 was experiencing a fall in prices during the past two years. Other important export products the prices of which improved in 1960 were lemongrass oil, cashew kernels and coir yarn.

15. The declining trend of arecanut prices in the Kozhikode market observed in 1959 continued upto April 1960. A reversal of this trend was noted from May, but prices again began to fall towards the end of the year. Prices of coconut and coconut products which were rising during the past few years were slightly arrested in 1959. This situation changed in 1960, and coconut and allied products secured prices higher than those obtained in recent years.

16. The working class cost of living indices kept the rising trend during 1960, but the rise was at a slower pace in many of the centres when compared to the 1959 trend. The rate of increase was higher at Ernakulam and Alleppey than that for the previous year. The rate was considerably lower at Quilon and Kozhikode. The indices remained more or less unchanged at Punalur and Changanacherry; they were considerably higher in December 1960 than in December 1959 at Trivandrum, Kottayam, Ernakulam, Trichur and Munnar. The trend of consumer price indices in Kerala was rising during the current year, but the rise was sharper during the last quarter of the year.

17. I may in this connection refer briefly to the crisis in Kerala consequent on the closure of the Palai Central Bank Ltd., followed by the grant of moratorium to five other banks. Banking in Kerala has some special features which are not found elsewhere. According to Statistical Tables published by the Reserve Bank of India, there are 107 Banks in Kerala with 588 offices spread throughout the State. Though many of the Banks are small units, they have been rendering good service to the commercial and business community of the State in affording credit on comparatively easy terms. The steps taken against the Banks in Kerala have had a retarding effect on business and commerce in general, apart from the scare and loss of confidence in banking caused thereby among the public of the State. The economic activity of the State during the year under review was affected to a great extent by the crisis in the banking industry in the State. The Government have taken all possible steps to tide over the situation and they believe that the Reserve Bank and the Government of India will fully appreciate the impact of this critical situation on the economy of the State and apply speedy and effective measures calculated to restore the confidence of the people in the banking system and in the soundness of the economy of the State which has been considerably impaired.

18. I shall now turn to review briefly the Accounts for 1959-60 before dealing with the Revised Estimates for the current year and the Budget Estimates for the ensuing year.

#### ACCOUNTS FOR 1959-60

19. The accounts of 1959-60 disclose a deficit of Rs. 2.74 crore on revenue account against the budgeted deficit of Rs. 0.78 crore. The overall short-fall in revenue to the extent of Rs.28 lakh and the increase of Rs.168 lakh under the various heads of expenditure account for this larger deficit. The share of Central taxes and the receipts from many of the principal heads of State revenue particularly Sales Tax, recorded appreciable increases which were more than offset by decreases under Land Revenue, Education, Medical, Public Health Road and Water Transport Schemes. On the expenditure side, the main increases were under Interest Charges, under Civil Administration due mainly to the mid-term elections, and under Education due to revision of scales of pay of teaching staff and the system of direct payment of salaries to private school teachers. The capital expenditure was, however, less by Rs. 55 lakh than the Budget estimates. But the transactions under Debt Heads resulted in a much lower net surplus than that was anticipated in the Budget. The year therefore ended with a cash balance of minus Rs. 1.50 crore.

**REVISED ESTIMATES FOR 1960-61**

20. The Revised Estimate of revenue for the current year is expected to stand at Rs. 46.21 crore against the final Budget estimate of Rs. 44.59 crore. The main variations between the Budget and the Revised Estimates are indicated below:

21. Under share of Central taxes there is an increase of over Rs. 105 lakh, the largest increase being under income tax. Owing mainly to the large scale clearance of forests for the planting of rubber, the revenue from Forests is expected to go up by Rs.80 lakh. Substantial increases are also anticipated under Stamps (Rs.19 lakh), Registration (Rs. 6 lakh), Taxes on Vehicles (Rs. 13 lakh) and Sales Tax (Rs. 29 lakh), based on the trend of collections so far made this year. An amount of Rs. 11.48 lakh has been realised this year on account of the royalty on the Periyar waters and this accounts for the higher revised estimates under Irrigation. The major short-fall is under Land Revenue (Rs. 87 lakh) which is mainly on account of the delay in finalising the assessments relating to Plantation Tax.

22. The Revised Estimate of expenditure on Revenue Account is Rs. 47.55 crore as against the final budget estimate of Rs.45.95 crore showing an increase of Rs. 1.60 crore. The increase is mainly in the non-plan sector, the largest rise being under Education. The full implications of the taking over of the Malabar District Board Schools, of the system of direct payment of salaries to teachers and of the revision of pay of primary and secondary school teachers had not been properly assessed earlier. Therefore the budget estimates for the current year had not fully provided for all these requirements. Moreover, fixation of pay of private school teachers could be finalised in a large number of case only in the course of this year. The fixation has still to be completed in several cases. In cases where fixation was made this year, arrears for the past years had been drawn. This factor has also contributed substantially to the large increase in expenditure under Education. Under the head "22 – Interest on Debt and other Obligations" there is an increase of Rs.53 lakh mainly on account of the interest payable on the loans taken from the Government of India during the course of 1959-60. The increase under "Miscellaneous Departments" is because of larger provisions made for educational concessions, etc., in the Harijan Welfare Department. In the course of the current year a larger allocation was made by the Government of India for

Local Development works. This has necessitated an increased provision under “Community Development Projects, etc.” Under “50 – Civil Works” enhanced provision has been made for repairs and maintenance. Since many school buildings had to be rebuilt or renovated, it is estimated that a sum of Rs. 44.68 lakh will be spent this year against the Budget estimate of Rs. 14.57 lakh. For these reasons an increase of Rs. 39 lakh has become necessary under “50 – Civil Works”. Short-falls in expenditure are anticipated under Medical (Rs. 14 lakh), Agriculture (Rs. 22 lakh), Rural Development (Rs. 5 lakh), Industries and Supplies (Rs. 15 lakh) and Stationery and Printing (Rs. 7 lakh). It is expected that the year would close with a revenue deficit of Rs. 1.34 crore.

23. The Revised Estimate of Capital Expenditure outside the Revenue Account is Rs. 8.65 crore against Rs. 9.78 crore in the final budget. The withdrawal of the major portion of the shares of the Government in the Travancore Bank Limited consequent on its conversion into a subsidiary bank of the State Bank of India, which has been accounted for as reduction of expenditure under “Capital Outlay on Industrial Development”, is one of the reasons for the short-fall. Decreases in expenditure are also anticipated under Irrigation (Rs. 34 lakh). Capital Outlay on Public Health (Rs.12 lakh) and Capital Outlay on Ports (Rs. 8 lakh).

24. The open market loan floated this year yielded only Rs. 408 lakh against the Budget Estimate of Rs. 440 lakh. Under floating debt, credit was assumed for a net receipt of Rs. 60 lakh in the Budget but in the Revised Estimate a net debit of Rs. 75 lakh is anticipated on account of the lowering of the limit of Government’s overdraft with the Reserve Bank. Owing to the non-floatation of the public loan the Kerala State Electricity Board is expected to withdraw a sum of Rs. 120 lakh from the accumulated balances in its Working Fund in the Public Account of the Government. These short-falls will be set off to some extent by increases under other items. The State’s share of small savings collections is expected to increase from Rs. 150 lakh to Rs. 200 lakh. Under Savings Bank, a net receipt of Rs. 27 lakh is expected.

As a result of the transaction mentioned above, the current year is expected to close with a cash balance of minus Rs. 2.58 crore.

**BUDGET ESTIMATES 1961-62****Revenue**

25. The total revenue for the year 1961-62 is estimated at Rs. 47.25 crore. The State's share of the Central taxes is estimated at Rs. 6.84 crore. This is slightly less than the revised estimates for the current year because some arrears relating to previous years have also been taken into account in the revised estimates. Under Land Revenue credit is taken for an amount of Rs.70 lakh from Plantation tax which was levied this year. The only flexible source of revenue left with the States is Sales Tax and in recent years revenue from this source has been growing steadily. From the actuals of Rs. 7.44 crore in 1959-60, the revised estimate for the current year is expected to go upto Rs. 8.50 crore and the Budget Estimate for 1961-62 to Rs. 9.30 crore. 'Forests' is another source from which we are receiving a substantial amount as revenue. Credit has been taken in the Budget Estimates for a revenue of Rs. 4.50 crore under this head. There are also small increases under Agricultural Income Tax (Rs. 70 lakh), State Excise Duties (Rs. 10 lakh), Stamp (Rs. 60 lakh), Registration (Rs. 3 lakh) and Taxes on vehicles (Rs. 20 lakh).

26. The State Transport undertaking is expected to contribute a sum of Rs.36 lakh to the exchequer in the coming year. In the current year itself a net revenue of Rs. 16 lakh is anticipated and this is bound to increase substantially by a proper streamlining of its working and by the progressive extension of the transport services.

27. Increased assistance by way of grants from the Government of India for the Plan schemes based on the larger Plan outlay has also been assumed under revenue. Though the receipts from the Principal heads of State revenue and on account of Central grants for the Plan schemes have thus increased substantially, our total revenue for the ensuing year shows only a comparatively small increase of Rs.104 lakh. This is largely due to the stoppage of Central assistance towards the committed expenditure on the Community Development Programme. The loss to the State on this account comes to Rs. 1.60 crore.

**Expenditure**

28. The expenditure on revenue account for the ensuing financial year is estimated at Rs. 54.01 crore. As compared to the revised estimate for the current year the increase is of the order of Rs. 6.46 crore. This is mainly due to the committed expenditure on account of the Second Plan Schemes, which amounts to about Rs. 4.45 crore. The capital programme for 1961-62 is estimated to cost Rs. 10.54 crore, which exceeds the revised estimates for the current year by Rs. 1.89 crore.

29. Before proceeding to give an account of the provisions made in the Budget for the several Departments, I will briefly refer to the size and objectives of the Third Plan as far as it relates to our State.

**THE THIRD FIVE YEAR PLAN**

30. By the end of this month, the Second Five Year Plan will have run its course and we along with the rest of the nation will be embarking on the Third Plan. The Second Plan of the State aimed at a developmental outlay of Rs. 87 crore of which an amount of Rs. 57.97 crore was spent till the end of last financial year. The Revised Estimate of Plan expenditure for the current year is Rs. 22.05 crore. Thus when the year closes, a total of Rs. 80.02 crore will have been spent. It may be remembered that the period has been one of severe stresses and strains, for the State. The implementation of the Plan was hampered by several factors like the administrative problems that came in the wake of States Reorganisation, the unsettled political condition, acute shortage of essential materials like iron and steel and foreign exchange difficulties. Nevertheless the achievements under the various sectors of development are not insignificant.

31. The Third Plan has not yet come out in its final shape as the Planning Commission is still giving it the finishing touches. But the allocations for the various heads of development under the next Plan have been more or less determined and Kerala is to have a development programme of the order of Rs. 170 crore, which is almost double the size of her Second Five Year Plan. This is exclusive of the Central share on Centrally sponsored and Central Sector

Schemes. The total financial target of Rs. 170 crore fixed for the Third Five Year Plan of Kerala in the State sector is distributed among the following major heads of development:—

	<i>Rs. in crore</i>	<i>Percentage</i>
1. Agricultural and Allied Programmes	42.97	25.276
2. Irrigation and Power	59.19	34.818
3. Industries	17.20	10.118
4. Transport and Communications	10.88	6.400
5. Social Services	37.93	22.312
6. Miscellaneous	1.83	1.076
	170.00	100.000

32. The Third Plan seeks to carry the economy of the country to the “take off stage”. The main objectives set for it are a rise in national income of over 5 per cent per annum self-sufficiency in foodgrains and expansion of basic industries like steel, fuel and power. The targets of development for Kerala are an increase of 5 lakh tons in the production of foodgrains, rise in the total installed capacity for power generation by 429 MW and the pursuit of a positive and dynamic programme of industrialisation. In the employment sector, though the target set for the State is the creation of five lakh of jobs, we hope to exceed the target by a wide margin in the manner indicated by me earlier.

33. For the first year’s programme under the Third Plan a gross provision of Rs. 28.15 crore is being included in the Budget. This includes the Centre’s share on the Centrally sponsored schemes. To put through the Third Plan programmes the administrative machinery has to be geared up. The Government are already seized of this problem and taking advantage of the experience gained. They have already initiated certain measures in this regard. A survey of the requirements of personnel in the various Development Department is being made and a committee of senior officers has been appointed to evolve a scheme of devolution of powers with a view to evoke initiative at all levels. The administrative procedures are being rationalised and simplified so as to facilitate the speedy execution of the Plan schemes, it is obvious that the implementation of the Plan requires utmost efforts. Based on the standards of our achievements

in the Second Plan the task is by no means an easy one. But, with the whole-hearted support of the public and the services, I am sure that we shall succeed in implementing fully the Third Plan of the State. To the achievement of this objective, let us, therefore, dedicate ourselves, fully conscious of the fact that our future depends upon the success we achieve in the implementation of the Plan.

### **Agricultural Production**

34. Rightly enough, agricultural production has been given top priority in the Third Plan. A comparative study of the figures of increase in the yield of rice in the various States in India reveals that Kerala stands second among the States in this respect. If this is a measure of the success of our food production programme, it is indeed a matter for legitimate pride; but when we remember that, to cover our deficit in food, we have to produce more than one half more of the present outputs, the magnitude of our task in this direction becomes clear. A comprehensive agricultural programme which includes distribution of manures and fertilisers, improved strains of seeds and implements, provision of better irrigation and credit facilities etc., will be put into full swing during the Third Plan period.

### **Package Programme**

35. A ten-point Pilot programme to increase food production is being financed by the Ford Foundation. This project is commonly called 'Package Programme'. It is hoped that two districts in the State will be brought under the scheme in the ensuing year. According to this scheme, all factors likely to contribute significantly to rapid increases in food production will be combined into one integrated impact programme, carried out over a five year period in the selected districts which will be those with maximum potential for rapid increases of food production. The object of the scheme is to demonstrate the most effective way of increasing food production and to provide an agricultural base for more rapid economic development. The programme includes (1) adequate farm credit through service co-operatives, (2) adequate supplies of fertilisers, pesticides, improved seeds, implements etc. through Co-operatives, (3) price incentives to cultivators through price agreements announced two years in advance, (4) marketing arrangements to assure the full market price, (5) intensive technical and farm management assistance, (6) participation of cultivators in direct individual farm planning, (7) local improvement programmes, (8) strengthening of village organisations, (9) public work programme using local labour and (10) co-ordination on a priority basis of all resources.

An amount of Rs. 14 lakh is included in the Budget for this scheme. One Joint Director and a team of officers have already been appointed to carry out the preliminary works.

### **Irrigation**

36. In the Second Plan period, Vazhani, Mangalam and Walayar projects were completed. The Malampuzha, Peechi, Neyyar and Chalakkudi projects are nearing completion. Works on the Periyar Valley, Kattampally and Thanneermukkom projects are in full swing. The new major schemes proposed to be taken up during the Third Five Year Plan are Pamba, Kallada, Chitturppuzha, Kanjirappuzha, Kuttiadi and Valapattanam. All these are proposed to be started during the next financial year itself and a provision of Rs. 1.85 crore has been included in the Budget for major irrigation work. For medium, minor and lift irrigation works an amount of Rs. 76 lakh is also provided.

### **Manuring**

37. Next in importance to Irrigation comes Manuring. The scheme for the training of farmers in the production of compost is under way. The Government propose to rationalise the system of fertiliser distribution in the State. The distribution now carried on by the Agriculture Department will be entrusted with the F.A.C.T., Alwaye who will be responsible for the entire distribution of fertilisers. The company will open at least 58 central depots and 1,000 sub-depots immediately, the ultimate goal being one sub-depot for each 'Gramasevak's circle'. When service co-operatives are fully organised the distribution of fertilisers will be entrusted to them.

### **Cash Crops**

38. In view of the importance of cash crops to the State as earners of foreign exchange, a comprehensive scheme has been included in the III Plan for the development of the cultivation. The next year's estimates include provision for research and development of cash crops. The research respect of cash crops is a new programme which the Government have decided to undertake, realising the supreme need stepping up the production of cash crops. During 1961-62, under the scheme already published, it is proposed to plant rubber in a large area and an amount of Rs.10.70 lakh is included for the grant of loans to educated unemployed to help them cultivate rubber. This will also afford some relief to the problem of unemployment in the State.

**Fisheries**

39. With nearly 330 miles of coast line and other natural facilities, our State has very good fishing grounds and fish farms, fish being an important supplementary food of our people. The schemes included in the Third Plan are so designed as to exploit more extensively the fishery resources, by developing the fishing harbours and landing centres, introducing improved mechanised equipments and affording facilities for preservation and transport of fish. Certain welfare schemes intended to improve the socio-economic conditions of the fisher-folk are also proposed to be implemented from next year onwards. A total provision of Rs. 43.54 lakh has been included in the next year's budget for Fishery Development schemes.

**Forests**

40. The forests of Kerala constitute one of our important assets. They are rich in yield and contribute substantially to the State revenue. It is imperative that they are protected against the inroads of both natural and human forces. To prevent the gradual denuding of the forest steps are being taken for reafforestation wherever possible. To effectively check smuggling of forest produce, seven Flying Squads have been formed during the current year. The Government have also sanctioned a scheme for demarcation of the boundaries of reserved forests so that future inroads into forests could be effectively prevented. Three Revenue Divisional Officers with a nucleus staff have been appointed to start the work.

41. An ambitious programme for the raising of plantations of various types has been set out in the III Plan. In the first year, it is proposed to raise 3700 acres of Teak plantations, 3000 acres of Soft Wood plantations and 3000 acres of Eucalyptus plantations, besides Bamboo, Fuel, Wattle and Sandal Wood plantations. Substantial allocations have been made for the implementation of these schemes. Among the schemes intended to tone up the administration of the Department may be mentioned the starting of a Training School for Foresters and Guards at Peechi and the appointment of additional staff in the Division and Range Offices.

**Industries**

42. The Third Plan envisages a substantial industrial programme in the public and private sectors. To a State where the pressure of population on land is almost at the breaking point and where few major industries exist at present, the importance of rapid industrialisation cannot be overemphasized. The Government

have therefore decided to tackle the task industrialisation with greater realism and flexibility instead of sticking to any rigid and doctrinaire attitude in regard the respective roles of public and private enterprise. The industrial policy statement of the Government issued on June 3, 1960 reflects the policy of this Government.

The two principles which form the corner stones of Government's policy are maximum aid to industrialists and the deal to labour. I have no hesitation in stating here that the policy statement represents an important land mark in industrial development of the State.

43. It will not be out of place in this connection to refer to the recent Kerala Development Conference held at Bombay which was inaugurated by the Governor. It is too early to determine the concrete results of the conference but the reference has, no doubt, enabled the leading industrialists in Bombay to have a better appreciation of the potentialities of our State for industrial development. I wish to take the opportunity to record our gratefulness to the Governor for the sincere interest and solicitude he evinces in the progress of the State, especially in the industrial field.

44. The natural facilities for the development of industries in Kerala have to be fully exploited and the available resources harnessed to bring about concerted development. The Government are exploring ways and means of enlarging the sanction of industrial development. At our request the National Council of Applied Economic Research has conducted a technique economic survey of the State with a view to assessing the industrial potentialities of the State. The Council is expected to submit its report in a few weeks. Recently the Department of Industries has been reorganised with a view to increase its efficiency.

45. The Government have been consistently pressing the Centre for the establishment of a few major industries in the public sector in the State. In view of the limited capacity of the State Government to start new industries, the Central Government will have to bestow special attention on Kerala considering her economic backwardness. It is hoped that besides the ship-building yard and the phyto-chemical industry, a heavy electrical industry and one heavy engineering unit will be established in the State.

46. As already announced in the Governor's address it is proposed to set up an Industrial Development Corporation on the model of the National Industrial Development Corporation. A provision of Rs. 60 lakh has been included for this

purpose. When formed, the Corporation will play a vital role in quickening the pace of industrialisation in the State. The Corporation is expected to take up preliminary work in regard to the investigation of new projects, assist industrialists in investigations, negotiations etc. and ultimately take individual industries either on their own or in participation with private industrialists. The industrial programmes contemplated in the next year include the expansion of the production capacity of the existing Government industries, the purchase and development of the Electrical and Allied Industries, Kundara, and investment in private sector industries to the extent of half a crore of rupees. Among the private sector industries may be mentioned the Co-operative Sugar Factories at Chittur and Pandalam and the Kerala Lakshmi Mills Ltd., Trichur. The proposal for the establishment of a factory for the manufacture of heavy transformers in collaboration with Messrs Hitachi Ltd., Japan is progressing satisfactorily. A new scheme called "Development Areas" by which suitable sites will be developed with all facilities such as power, water, transport etc. and handed over to private industrialists for starting new industries is also proposed to be introduced next year and a provision of Rs. 4 lakh is made in the Budget for this purpose. I am sure that this scheme will give the necessary incentive to industrialists to establish industrial units in such areas.

47. Viewed against the problem of unemployment, the need in Kerala is for more labour intensive industries and it is in this context that small scale and cottage industries are important. With comparatively less capital investment they provide more employment opportunities. In the next year, it is proposed to set up a 'Small Industries Corporation' which will play a vital role in the promotion and growth of small scale industries. The Industrial Estates established in the various parts of the State have begun to attract small entrepreneurs and there is no doubt that they will soon emerge as centres of organised industrial development. A provision of Rs. 13.65 lakh is made for the development of industrial estates.

48. Adequate provision has also been made for the development of handloom and coir industries and to put them on stable footing.

### **Power**

49. The power schemes included in the II Plan have made steady progress. The first and second stages of the Poringalkuthu Hydro-Electric Project have been completed. The first unit of Neriamangalam Project has also been commissioned. The remaining two units of the Neriamangalam station are expected to be

commissioned by the end of the current financial year. Thus, at the close of the Second Plan the total installed generating capacity of the State will be 162500 KW as against 85500 KW at the end of the First Plan. Works relating to Panniar and Sholayar Projects are progressing satisfactorily. The Pamba Hydro-Electric Project taken up as a new scheme under the Second Plan is our biggest Hydro-Electric Project, with an installed capacity of 300000 KW. The Project is expected to be commissioned by the end of the Third Plan period. The completion of this Project will be one of our significant achievements in the field of harnessing the forces of nature to our benefit. In the Third Plan a new generation scheme, the Kuttiadi Hydro-Electric scheme is being taken up, in addition to the completion of the existing spill-over items. It is proposed to extend electrification to more villages and to take up additional transmission distribution schemes. For meeting the capital expenditure on the Power schemes, the Government propose to give a loan of Rs. 450 lakh to the Electricity Board during 1961-62. The Plan outlay fixed for Power for the year is however Rs.625 lakh. The balance will be found by the Board from its own resources.

### **Co-operation**

50. The Government have laid particular emphasis on the organisation of service co-operatives, with a view to helping the cultivators by providing cash loans, seeds, manure and agricultural implements etc. Organisation of other types of co-operative societies such as marketing and processing societies, consumers' co-operative societies is also contemplated. A total provision of Rs. 42 lakh has been earmarked for issue of grants and loans and share capital contribution to Co-operatives. Besides, the amounts available from the 'Long Term Operations Fund' of the Reserve Bank of India, for share participation in Apex Banks, Central Banks and Service Co-operatives will be routed through the State Government.

51. With the steady expansion of the co-operative movement – the number of primary credit societies having recorded a cent per cent increase over 1951 level – it has been possible to afford credit on easier terms to large masses of people. In my last Budget Speech I had mentioned that proper audit and supervision of the Societies were not being done systematically. The audit staff of the Department was therefore strengthened and the Registrar of Co-operative Societies was made responsible for the audit of all types of Co-operative Societies in the State. I feel sure that before the current co-operative year is over, all arrears in audit work will be cleared up.

### **Dairy Development**

52. Dairy Development Schemes in the Third Plan have been formulated in order to satisfy the long felt need of the people, especially in the urban areas for good quality milk at moderate rates. The pasteurization plant at Trivandrum is expected to be commissioned shortly. The Calicut Milk Supply Scheme, started recently, is also progressing satisfactorily. Next year it is proposed to start a Milk Supply Scheme at Ernakulam also. An extension service scheme is proposed to be established for the benefit of the milk producers of the Trivandrum Milk Supply Scheme. The service will include improved feeding, fodder development, centralised milking, control of milk and milk fat production, fighting cattle diseases, efficient milking methods etc.

### **Education**

53. In my last Budget Speech, I had referred to the steadily increasing expenditure under Education. The provision for 1961-62 under "37 – Education" is a little over 18 crore of rupees against a total expenditure of Rs. 54.01 crore on Revenue Account. It is but proper that a State which strives to achieve progress, gives high priority to the education of children, for it is well-known that education is the bed rock of nation building.

54. In keeping with the policy of providing greater facilities for the education of children of pre-primary age group, it is proposed to establish one Nursery School each at district headquarters. An amount of Rs.2 lakh is included in the Budget for this purpose. Enhanced provision is also made for giving grants to private nursery schools and it is hoped that more Nursery schools will be set up next year by private agencies utilising Government aid. The Third Plan envisages the expansion of the scheme, "Introduction of Compulsory Primary Education of the age group from 6-11". Accordingly, an amount of about Rs.23 lakh is included in the next year's budget estimates for opening new schools and divisions in both Government and private sectors and for the construction of buildings for primary schools. Closely allied to the question of compulsory primary education is the problem of providing mid-day meals to school children. The ultimate object of the Government is to extend mid-day feeding throughout the State but as the cost involved will be prohibitive, the Government are considering a scheme to secure public assistance in this matter. Till such a scheme is worked out and put into operation, only a progressive extension of the facilities can be thought of. An amount of Rs. 40 lakh has been included for this purpose next year as against a provision of Rs. 34.40 lakh in the revised estimate for the current year.

55. The Budget Estimates include provision for opening of new High Schools and bifurcation of High Schools where the existing number of students is too unwieldy. Larger allotments are also made for the supply of furniture, craft and science equipments and for improvement of libraries in the schools. The private secondary School teachers are being allowed the same scales of pay as their counterparts in Government schools and an amount of Rs. 8 lakh is included in the budget to meet the additional cost on this account. To meet the pension charges of the private school teachers, a sum of Rs. 5 lakh is provided.

56. The efficiency of an educational system depends to a large extent on the administrative and inspectorate staff. There have been of late several complaints that the administrative machinery is over-worked. The need for re-organising the Directorate and expanding the Inspectorates is therefore imperative. A lump sum provision of Rs. 5 lakh is included in the Budget for this purpose.

57. The re-organisation of the Kerala Kala Mandalam and the Kerala Sangeetha Nataka Academy and the construction of memorials for eminent men of arts and literature are some of the other schemes provided for in the budget. A provision of Rs. 3 lakh has been made for the last mentioned item. It has also been decided to afford financial assistance to contemporary men of arts and literature who are in indigent circumstances. A lump sum provision of Rs. 10,000 is accordingly made for this purpose.

58. Under University Education, provision is included for upgrading Shri Swathi Thirunal Academy, Trivandrum into a music college. A substantial increase in the Grant to the University of Kerala is also contemplated to enable the University to function efficiently and to implement its Plan Schemes. Against the current year's provision of Rs. 17 lakh, the next year's estimates provide for a grant of Rs. 42.20 lakh. This amount includes grants for certain specific Plan Schemes viz. Rs. 9.5 lakh for revising the scales of pay of the teaching staff of private colleges and for the introduction of new courses of studies in private colleges and Rs. 70,000 earmarked for scholarships. It has also been decided to raise the Dearness Allowance of the non-teaching staff of the private colleges and the enhanced grant fixed for the University covers this item also.

59. The Government are keenly aware of the absolute need for starting as many technical institutions as possible and for increasing the intake of students in the existing institutions. The next year's estimates contemplate the establishment of a Polytechnic at Palghat, the conversion of the existing industrial schools at

Cannanore, Calicut and Trichur into Junior Technical Schools, the starting of short-term and part-time technical courses in the Engineering Colleges, and the starting of Industrial Training Institutes at Alleppey, Quilon, Kottayam, Palghat and Tellicherry besides the expansion of some of the existing Polytechnics, Industrial Training Institutes and the two engineering colleges at Trivandrum and Trichur. The Government of India will be setting up a Regional Engineering College at Calicut and an amount of Rs. 1 lakh is provided to acquire necessary land for the College.

60. The major handicap to our students is financial inability. To remedy this situation, it is proposed to introduce a scheme of giving scholarship to all deserving students from next year onwards. A lump sum provision of Rs. 1 lakh is made for this purpose in the budget. The details of the scheme will be worked out soon. The idea is to ensure that no brilliant student is prevented on account of poverty alone from pursuing higher education. Provision is also made for the immediate starting of a school at Munnar for children of merit.

61. In the field of Physical Education too, adequate emphasis has been laid and this is reflected in the allotments made for the expansion of the N.C.C. and A.C.C. and for the introduction of yogic system of exercises in schools and colleges.

62. A lump sum provision of Rs. 1,74,000 is made for strengthening the library movement in the State. It is needless to emphasize the importance of the library movement in educating and enlightening the public of the State. To that extent to which the movement is able to permeate the rural parts, the spread of learning and culture will be facilitated.

63. Thus within the limits of our resources, we have provided for a comprehensive programme of education, technical and non-technical and for schemes designed to stimulate the development of arts and culture in the State.

### **Health**

64. The programmes undertaken during the First and Second Plan periods have contributed in no small measures to the improvement in the conditions of health of the people as is reflected in the comparatively low incidence of diseases, decrease in infant mortality, decline in the death-rate and increase in the expectation of life. It is proposed to continue the programmes already undertaken and to give greater emphasis to preventive measures and the control and eradication of contagious diseases.

65. For the speedy and effective implementation of the schemes, availability of trained medical personnel is of primary importance. It is proposed to start a Third Medical College next year and a token provision has been made for this purpose. Amounts have also been included for the training of Health Inspectors, Nurses, Midwives and Technicians.

66. The Budget estimates include provision for providing better facilities in the existing hospitals and dispensaries both Allopathic and Ayurvedic consistent with the general financial position of the State. The Government have also in view a scheme for the development of Mental Hospitals in the State on the basis of the report of the expert committee set up for this purpose. It is also proposed to open rehabilitation centres to relieve the congestion in the T.B. and leprosy sanatoria. Necessary provision has been made in the Budget for all these purposes.

### **Water Supply**

67. The urban water supply schemes at Palghat, Trichur and Kottayam will be completed in 1961-62. The Special Division formed at Alwaye for expediting the execution of the Ernakulam-Mattancherry Water Supply Schemes is doing good work. The Quilon Water Supply Scheme has also made much headway. The following new urban water supply schemes are proposed to be launched in 1961-62 :

Trivandrum (Augmentation)

Kozhikode

Cannanore

Tellicherry

Vaikom

Kayamkulam

Shertallai

Badagara

Adequate provision has been made for the Rural Water Supply and Sanitation Schemes. A token provision is also made for the Parassala Water Scheme.

**Harijan Welfare**

68. Welfare measures intended to improve the Socio-economic condition of the backward sections of the population will continue to receive the special attention of this Government. For the Third Plan period a total amount of Rs.325 lakhs has been allotted to this State for the Welfare of Backward Classes. The possibility of forming two or three multipurpose Tribal Blocks on the lines of C.D. Blocks intended for the comprehensive development of the areas when there is a concentration of Scheduled Tribes, such as Wayanad, Attappady and Peermade, is being explored and for this purpose a token provision has been included in the Budget. The concessions and other amenities now afforded to the various categories of backward classes will be continued next year.

At present, Hindu Harijans are enjoying larger concession than Harijans converted to Christianity in the matter of college education. The Government have decided to remove this disparity and to treat Harijans in this matter.

**Kerala Water Transport Corporation**

69. The working of the Kerala Water Transport Corporation during the years 1958-59 and 1959-60 resulted in losses to the extent of Rs. 7.94 lakh and Rs. 6.76 lakh respectively. The question of improving the working of the Corporation was taken up by the present Government immediately after they assumed power. The Corporation was then on the brim of financial collapse. An all out effort was made to streamline its administration by eliminating all uneconomic routes and discharging the surplus hands. As a result of these measures, the working of the Corporation has still in a distinct improvement.

**Public Works**

70. In the Budget for 1961-62 an amount of Rs.146 lakh is provided for "Communications" in the State Sector. Besides this, an amount of Rs.14 lakhs is included towards Central share on roads of inter-State or economic importance and another amount of Rs.68 lakhs for West Coast Roads. On the major bridges included in the Second Plan, 23 have been completed and 10 more bridges are in advanced stages of completion. Provision has been made for continuing the spill over works in the next year.

71. The Research Institute at Peechi is doing useful work. It has taken up research on various engineering problems particularly relating to irrigation. It is also proposed to institute research on buildings, roads and other branches of engineering.

**Decentralisation of Administration—Panchayats**

72. The enactment of the Panchayats Bill is an important step in the progressive decentralisation of administration. The new Act contemplates substantial expansion of the activities of the Panchayats. Some of the activities that are now carried out by Government will hereafter vest with the Panchayats. To enable the Panchayats to take up the new burdens it has been provided in the Act that the collections under basic tax will be made over to the Panchayats. In the Budget for 1961-62, provision has not been made for the changes in the expenditure and revenue structure of the Government consequent on the implementation of the Panchayats Act. This is because the rules and regulations for the implementation of the Act have not been finalised. To the extent to which the departmental functions are handed over to the Panchayats, cuts will have to be made on the expenditure provisions in the departmental budgets and corresponding provisions will have to be made for the transfer of revenues to the Panchayats. These matters are being looked into. The Government will expedite action to bring the Panchayats Act into force as early as possible.

**Tourism**

73. The promotion of Tourism is a matter which is being vigorously pursued by the Government. To attract more tourists during certain seasons, it has been decided to conduct celebrations on State-wide scale. It is accordingly proposed to celebrate the Onam, our National Festival, in a fitting manner, and necessary provision has been made in the next year's estimates for this purpose. A new Game Sanctuary is proposed to be set up at Parambikkulam with a view to conserving wild life and provide one more attraction to the visitors to this State.

**Welfare Schemes**

74. Before I conclude the review of the departmental provisions, I would like to draw the attention of the House to certain welfare schemes included in the Budget. It is proposed to open Abala Mandir (Homes for Destitute Women) and Widows' Homes. A lump sum provision of Rs.1 lakh is provided additionally for giving grant-in-aid to new beggar homes, orphanages and homes for the aged and the infirm. Necessary provision has also been made for the continuance of the

Old-age Pension Scheme which was introduced during the current year. The rules under this scheme have been liberalised so as to bring a larger number of people within the scope of the relief.

### **WAYS AND MEANS**

75. As I have mentioned earlier, the Revenue estimated for the year 1961-62 is Rs. 47.25 crore and the Expenditure on Revenue Account Rs. 54.01 crore. The Revenue deficit is thus Rs. 6.76 crore. This deficit is largely the result of the impact of the committed expenditure on the Second Plan schemes, which is roughly estimated to be four and a half crores of rupees, and due to the discontinuance of the Central assistance of about Rupees one and a half crore towards the special dearness allowance to the low paid employees of the State. We have been continuously running revenue deficit ever since the re-organisation of States. The grant-in-aid of the revenues of the State, awarded by the Second Finance Commission has been found to be grossly inadequate. We have made strong representations to the Central Government on this matter and we have been assured that the Third Finance Commission will look into our difficulties. We hope that the Third Finance Commission will duly take into account the factors contributing to the large revenue deficits of this State and recommend adequate grants-in-aid.

76. In addition to the sum of Rs. 6.76 crore required for bridging the revenue gap, the Government need an amount of Rs. 10.54 crores for financing the programmes of capital expenditure and Rs.6.13 crore (net) for disbursement of loans and advances. Against this, we hope to get Central assistance by way of loans for the Plan schemes to the extent of Rs.13.01 crore, besides Rs.2 crores as our share of the National Savings collections. It is also expected that the Life Insurance Corporation will give loans to the extent of Rs. 30 lakhs for the rental housing scheme and Rs.10 lakhs for the middle income group housing scheme. A loan of Rs.25 lakh is anticipated from the Agricultural Credit (Long Term Operations) Fund of the Reserve Bank of India. Other miscellaneous debt, deposits and remittance transactions are expected to bring in Rs. 3.65 crore. Our scheme of financing the Third Plan envisages the raising of large amounts by way of open market loans. The Budget for the year 1961-62 has accordingly taken credit for a public loan of Rs. 5 crore.

77. The ways and means position for the coming year may accordingly be summarised as follows:—

		(Rs. in crore)
Opening Cash Balance	:	(–) 2.58
Revenue Deficit	:	(–) 6.76
Capital Expenditure	:	(–) 10.54
Loans and Advances by the State Government (Net Expenditure)	:	(–) 6.13
Net Accretions under other Debt Heads	:	(+) 24.31
Closing Cash Balance	:	(–) 1.70

### **Taxation**

78. Faced as we are with the prospects of a somewhat large revenue deficit, the task of augmenting our revenue resources requires immediate attention. The implementation of the Third Plan with which in terms of financial outlay, involves an investment of Rs. 58 crore in the next five years from the State's resources, is a challenge that we have to take up in the ultimate interests of our State. Since the normal increases in our revenue will not be adequate even for meeting the normal growth of expenditure, the resources required for the execution of the Plan schemes will have to be found mostly from public loans and from new measures of taxation. While finalising the allocations for the Third Plan, the State Government have undertaken to raise a sum of Rs. 23 crore during the Plan period by additional taxation.

79. We therefore propose to introduce certain measures of additional taxation which will partly cover the revenue deficit.

### **Additional Land Tax**

80. The large outlay of expenditure on agricultural development in the first two Plans has substantially improved the yield from the land and it is only in the fitness of things that a small portion of the additional benefit is made available of the State for further investments into its economy. It is therefore proposed to impose an additional land tax at Rs. 2 per acre, subject to the condition that the total land tax including the new tax shall not exceed one fifth of the gross produce from the land. The effective acreage brought within the levy of the Plantation Tax will be deducted from the assessment for the new levy. To give relief to the small land holders' holdings below two acres in extent will be exempted from the additional tax. This measure is expected to yield Rs.80 lakh annually.

**Tax on Buildings**

81. It is proposed to levy a tax on all buildings completed on or after 2-3-1961 at the following rates:

<i>Total floor area</i>	<i>Rate</i>
(i) Below 1000 sq. ft.	nil
(ii) 1000-2000 sq.ft.	10 n.p. per sq. ft.
(iii) 2001-4000 sq.ft.	20 n.p. per sq. ft.
(iv) 4001-8000 sq.ft.	30 n.p. per sq. ft.
(v) Above 8000 sq.ft.	40 n.p. per sq. ft.

The tax will be levied only once for a building. Factory buildings, public buildings and buildings for religious, educational and charitable institutions will be exempted from this tax. The yield expected is Rs.20 lakh next year.

**Increase in Transport Fares**

82. The private transport undertakings charge passenger at 4 n.p. per mile, while the fare collected by the State Transport Department is only 3.44 n.p. per mile. The rate charged by our State Transport undertaking is one of the lowest in India. In view of the mounting cost of fuel, spare parts, engine and the increase in the wage bill and vehicle tax, the service is becoming more and more uneconomical. It is therefore proposed to equalise the rate of fare in the Government transport service with that in the private service. An additional income of Rs. 40 lakhs a year is expected from the measure.

**Increase in Sales Tax on Foreign Liquor**

83. The rate of sales tax on foreign liquor will be raised from 25% to 40%. The additional revenue anticipated is Rs.3 lakh per annum.

**Sales Tax on Foodgrains**

84. At present no sales tax is levied on foodgrains in the State. Other States like Madras, have not exempted foodgrains from sales tax. It is found from experience that exemption of foodgrains from sales tax has helped evading of tax on provisions in general and has caused a lot of administrative difficulty in detecting tax evaders and assessing them. Considering all the aspects of the question it is proposed to impose sales tax on foodgrains at 1 per cent single point. However, in order to ensure that the poorer sections of the people are not much affected by this tax, it has been decided that rice supplied from fair price shops will be exempted from this levy.

The additional revenue from this measure is estimated to be Rs. 55 lakh per annum. Credit can also be taken next year for another sum of Rs.15 lakh owing to general increase in the collections under sales tax consequent on the prevention of evasion mentioned above.

**Tax Relief**

85. To afford some relief to small dealers, it is proposed to allow compounding of sales tax in the following manner:—

- (i) Dealers whose total turnover is between Rs.10,000 .. Rs. 150  
and Rs.15,000 per annum
- (ii) Dealers whose turnover is between Rs.15,000 .. Rs. 300  
and 25,000 per annum

The estimated loss of revenue by this measure is Rs. 9 lakhs per annum.

86. The rates of tax on agricultural income in the higher slabs in our State are the highest in India. At present companies are subject to an agricultural income tax of 25 n.p. in the rupee, besides a super tax at progressive rates; the rate of super tax in incomes above Rs.10 lakh is 31 n.p. in the rupee and on incomes above Rs.20 lakh 37 n.p. in the rupee. The high rate of super tax in highest slab has retarded the expansion of the plantation industry in our State. Therefore, in the larger interests of the economic growth of the State, it is proposed to fix the highest rate of super tax in the case of companies at 31 n.p. in the rupee, which will be applicable to incomes above Rs.10 lakh. Similarly, the highest rate of super tax payable by individuals, Hindu undivided families etc., will be fixed at 34 n.p. in the rupee against the present rate of 41 n.p. Even after the above reductions, the taxes on agricultural income in this State will remain the highest in India. The loss of revenue due to the above measure may not exceed Rs.6 lakh per annum.

**Relief to N.G.Os.**

87. Before I conclude, I wish to make an announcement. In view of the rising cost of living, the non-gazetted officers of this State have been asking for some relief. It is proposed to sanction House Rent Allowance to them at the following rates:

- For Officers drawing a pay not exceeding .. Rs. 5 per mensem  
Rs. 150 per mensem
- For other Non-Gazetted Officers .. Rs. 7 per mensem

In the case of the persons who are already getting House Rent Allowance like personnel of the Police force the amount sanctioned will be given additionally. The cost of these measures is estimated to be Rs. 57 lakh for the ensuing financial year. I am sure that the House will appreciate this gesture of the Government towards their low paid employees. I would take this opportunity to exhort every member of the services put his heart and soul into the task of reconstruction that is taking place and to make our Plan a success.

88. As a result of the measures of additional taxation, the relief and the concession to Non-Gazetted Officers, mentioned by me, the final revenue deficit will be Rs.5.36 crore and the closing cash balance will be minus Rs. 29 lakh.

89. In conclusion, I may reiterate that the economy of the State and the finances of the Government are faced with rather extraordinary situation calling for extraordinary remedial measures. Government finances will improve if the general economic condition of the people changes the better. It is, therefore, imperative that all our attention is concentrated not only upon achieving the Plan targets has also overstepping them in such key fields as agriculture production and industrial development. Fortunately, that is a favourable climate in the State at the present moments for an all out effort at development. But people have tendency to be led away by matters of comparatively less importance. This has to be prevented. All differences has to be sunk in the face of our difficult economic position and a united and co-operative effort has to be made in order till we may march forward to an era of prosperity. I appeal all sections and interests in the State to extend to the Government their unstinted support and co-operation so that we produce positive results in our efforts at achieving the cherished goal of peace and plenty.

R. SANKAR