



BUDGET SPEECH FOR 1967-68

SHRI P. K. KUNJU

17th March, 1967

Sir,

I rise to present the Budget for the year 1967-68.

As the House is aware, the present Government assumed office only on the 6th March, 1967. It has had hardly 10 days to make any satisfactory review of the finances of the State and lay down a programme of expenditure for the ensuing year which would fully reflect the policies and objectives which, we want to pursue. I am, therefore, presenting to the House an interim budget which indicates the expenditure programme for the year and am also seeking permission of the House to invoke the provision of Article 206 of the Constitution, and to request the House to pass a Vote on Account for the first 4 months of the financial year 1967-68 to enable the Government to carry on the day to day administration of the State. A detailed review of the programme of expenditure would be undertaken and the measures necessary for presenting a balanced budget would be indicated at the time of presenting the Final Budget. The House would then have adequate opportunity of discussing the details of the programmes for implementation.

There is yet another reason which necessitates the presentation of an interim budget. As the House is aware, after the recent General Elections to the Lok Sabha, a new Government has been formed at the Centre only a few days ago. It would require time for that Government also to formulate its budgetary policy for next year. It will be necessary for the new Government at the Centre and the new Governments at the States to discuss problems of mutual interest and arrive at decisions which would be taken into account when the Government finalise their programmes for next year and their budget. It is in these circumstances that I am

presenting to the House today an interim budget which, I hope, will serve the purpose of presenting a preliminary picture of the finances of the State Government.

Food Situation

In the economic situation facing the State, food problem is the utmost in our minds. As the House is aware, informal rationing which was introduced in the State in November, 1964 following the failure of normal grain supplies into the State, was put on a statutory basis in October 1965 and it continued during the year 1966-67. The quantum of ration on 1-4-1966 was 280 grammes consisting of 160 grammes of rice and 120 grammes of wheat per adult per day. From 8-1-1967 the wheat content of the ration was reduced to 90 grammes so as to limit the overall size of the ration to 250 grammes as a matter of all-India policy.

By its natural environment, Kerala is best suited more for cultivation of cash crops. The area under paddy which is the main food crop in the State has expanded almost to the limits and it is only by increased productivity that any substantial increase in rice production in the State could be achieved. Our State is deficit in food to the tune of 50%, necessitating our dependence on import from outside. The rice required for distribution is supplied mostly from Andhra Pradesh, Madras and from imports from overseas. This is supplemented by local procurement also. During December, 1966 due to worsening of the supplies from outside the State, only half the ration could be issued during the week ended 17-12-1966. Since then the overall supply position, continues to be more difficult. The present Government would discuss the matter with the Central Government and the other State Governments concerned to ensure adequate and timely supplies being made available so as to facilitate continuous distribution of at least the minimum ration that has been promised to the people of the State, until better position is achieved.

Food Subsidy

While the distribution of the minimum ration itself is not satisfactory, there is another matter of serious concern, to face. This relates to the recent increase in the issue price of coarse rice that is being supplied to the State from outside. During the year 1966-67, there have been increases effected in the issue price of rice and wheat by the Government of India. From 12-6-1966 the price of coarse rice was raised from Rs. 66 to Rs. 69 per quintal by the Government of India. The price of medium and other superior varieties of rice was also raised. From 13-11-1966 the price of wheat was also raised from Rs. 50 to Rs. 55 per quintal.

Again from 11-12-1966 the price of medium and other superior varieties of rice was raised. In all these cases, the retail price to the consumer in the State was also correspondingly raised.

The issue price of coarse rice has recently been raised with effect from 15-12-1966 by the Government of India from Rs. 69 to Rs. 80 per quintal i.e., by 11 paise per kilogram. This Government have not passed on the increase to the consumer and we have been in correspondence with the Government of India requesting them not to enhance the issue price of coarse rice, or in the alternative, to fully reimburse the cost of subsidy to this Government. The House, I am sure, will agree with me that further increase in the price of coarse varieties of rice would cause hardship to the people of the State. The Governor has already referred to this aspect in his address. The present Government have, therefore, decided not to increase the price of coarse rice. We earnestly hope that our request would receive sympathetic consideration by the Central Government to enable us to continue to maintain the retail price at the existing level.

High yielding varieties

Having said about the immediate food problem, I must also emphasise about the need for our pursuing a very vigorous policy in the matter of agricultural production, especially foodgrains within the State. After some trials, high yielding varieties of paddy like Tainan-3 were found to be suitable for our climatic conditions and during last year, cultivation with Tainan-3 was undertaken on a fairly large scale. The general experience seems to be that the average yield of this variety of paddy is 4,500 to 5,000 pounds per acre against the average yield of 1,875 pounds only per acre in the State. Adequate supporting measures like provision of irrigation facilities, supply of fertiliser inputs and availability of credit facilities will have to be ensured. Research programmes are under way in our Research Stations to test the suitability of some other promising varieties of paddy like IR-8 and Culture-28. It is necessary that concerned efforts are made during the coming years to make a success of the high yielding variety programmes. It seems to be the only ray of hope of lessening the gap between the requirements of the population and the production of foodgrains in the State.

Economic Development

There are many other areas for intensifying economic development of the State. Within the short time available to the present Government it has not been possible for us to chalk out programmes which would accelerate economic growth. However, certain broad directions could be indicated. Irrigation programmes which were undertaken during the last Plans are remaining to be completed. Lack

of resources has been the main bottleneck. It should be our endeavour to see that in planning during the coming years, this difficulty is not felt and that adequate resources are made available for completing the irrigation programmes as quickly as possible.

Power

In regard to Power, our installed capacity is now 360.50 MW. The remaining two units of Sholayar and the three units of Sabarigiri are expected to be commissioned during the year 1967-68. For the present, therefore, it is expected that there would be no power shortage during the coming year and that adequate quantities of power could be made available for rapid industrialisation of the State and also for rural electrification including the operation of agricultural pump sets. It is however, necessary to ensure that the transmission and distribution systems of the Electricity Board are properly planned to meet the growing demand for power in the several areas.

Industries

In regard to industries, while there has been better progress during the Third Plan, a lot more remains to be done. Lack of power can no longer be a handicap. The Kerala State Industrial Development Corporation and the Kerala Financial Corporation have been giving financial aid to entrepreneurs. The State has been assisting these institutions consistent with their needs and the availability of resources. The availability of cheap power, intelligent industrial labour and fairly satisfactory transport system are assets for rapid industrialisation. A policy for attracting industries within the State will have to be evolved.

The investments programme of the Government of India in the Central sector projects for this State, would also have to be fully ensured. The claims of the State for location of some foot-loose industries would have to be considered. We earnestly hope to have these problems discussed and settled with the Central Government at the earliest.

Employment

The unemployment situation in the State continues to be acute. A state wide survey of the unemployment was undertaken in 1965. 5.5 lakhs persons were wholly unemployed on the eve of the Fourth Plan. Of these 1.4 lakh persons were educated at least upto S.S.L.C. standard. In addition, underemployment is widely prevalent in the rural areas.

Fourth Plan

The Fourth Five Year Plan for the country as a whole remains to be finalised. The acute problem of food shortage and the problem of raising resources would have to be tackled. As mentioned by the Governor in his address, all these problems would require close examination and evolution of policies after a clearer all-India picture becomes available. I hope to be able to spell out in some detail our policy in regard to these matters when the final budget is presented.

As the House is aware, the Administrative Re-organisation and Economy Committee presided over by Shri M. K. Vellodi submitted its report to Government on 31st January, 1967. The Committee has made recommendations in regard to administrative reforms and also for effecting economy in Government expenditure. Major policy questions like the establishment of Panchayati Raj have also been discussed. The recommendations would receive the earnest consideration of this Government and expeditious steps taken to implement as many of them as possible. The Committee has estimated that it might be possible to effect economy to the tune of Rs. 1.85 crore if its recommendations are fully accepted. In the context of finding resources for development, this Government would give serious consideration to the economy proposals made by the Committee and try to effect as much savings as possible.

I shall now explain the salient features of the interim budget.

ACCOUNTS FOR 1965-66

The Accounts for 1965-66 disclose a revenue surplus of Rs. 0.27 crore as against the budgeted deficit of Rs. 2.19 crore. This improvement is mainly due to the increases in revenue recorded under State Excise Duties, Sales Tax, Stamps and Forest which were offset to some extent by decreases under interest receipt and other items. There was an increase of the order of Rs. 5.57 crore under Capital Expenditure and Loans and Advances by the State Government. In order to finance this order of outlay the over-draft accommodation was fully availed of. Towards the very close of the financial year a special loan of Rs. 6 crore was obtained from the Government of India. This and other transactions under Debt heads resulted in the year closing with a cash balance of plus Rs. 10.11 crore including the Ways and Means advance of Rs. 9.30 crore taken from the Reserve Bank of India which was adjusted in May 1966.

REVISED ESTIMATE FOR 1966-67

The Revised Estimate of revenue for the current year is expected to stand at Rs. 105.38 crore as against the Budget Estimate of Rs. 103.12 crore. The main variations between the Budget Estimate and the Revised Estimate are indicated below:

An increase of Rs. 1 crore is anticipated under State's share of Central Taxes and Duties, Rs. 220 lakh under Sales Tax, Rs. 67 lakh under Stamps, Rs. 23 lakhs under Other Taxes and Duties, Rs. 37 lakhs under Land Revenue, Rs. 63 lakh under State Excise Duties, Rs. 30 lakh under Agricultural Income Tax and Rs. 76 lakhs under Forests. There is, however, a shortfall of Rs. 4.41 crores under interest receipt due from the Kerala State Electricity Board. On account of grant of tax exemption for lorries and stage carriages sanctioned outside the State plying inter-State the taxes on vehicles are expected to go down by Rs. 20 lakh.

The Revised Estimate of expenditure on revenue account is Rs. 101.19 crore as against the Budget Estimate of Rs. 99.31 crore.

There have been increases in expenditure both under Plan and non-Plan sectors. The reasons are indicated below. An advance grant of Rs. 108 lakh was paid during the year to Private Colleges consequent on the revision of scales of pay of the teaching staff and the enhancement of the quantum of grant-in-aid from 60% to 80%. In addition to the pay revision sanctioned on the basis of the recommendations of the Pay Commission, weightage and house rent allowance were also sanctioned to certain categories of employees. The scales of pay of teachers and last grade servants were further revised. The recommendations of the Kumara Pillay Commission were ordered to be implemented. Increases in expenditure are also estimated under Agriculture and Irrigation. An additional provision of Rs. 43 lakh has been made for payment of the arrears of vehicle tax compensation to local bodies on the basis of the recommendation of the Committee appointed under the provisions of the Kerala Motor Vehicles Taxation Act. These additional commitments undertaken during the course of the year did not very seriously affect the overall expenditure under Revenue Account in view of the substantial reduction in expenditure ordered by Government in August, 1966 as a measure of economy.

The capital expenditure outside the Revenue Account according to the revised estimate is Rs. 12.56 crore against Rs. 10.96 crore in the budget estimate for the current year. The provision of Rs. 200 lakh made for subsidising the increases in price of coarse variety of rice from 18-12-1966 mainly accounts for the increase. An amount of Rs. 50 lakh towards additional share participation in

the Travancore-Cochin Chemicals is provided. An increase in expenditure of Rs. 27 lakh is also estimated under Irrigation. These increases are offset to some extent by a saving of Rs. 63 lakhs under Public Works ordered as a measure of economy. The net disbursements under Loans and Advances stand almost at the same level as originally estimated.

Under Debt heads, in the Budget Estimate, credit had been taken for a public loan of Rs.4 crores against which the Government raised a sum of Rs. 4.27 crore. Credit has also been taken for a loan of Rs. 70 lakh from the Life Insurance Corporation as against Rs. 36 lakh originally estimated. The over-draft accommodation availed of during the last year was repaid entirely early in the year. The result of all the transactions under Debt heads indicates a shortfall of Rs. 9.97 crore.

As a result of the transactions mentioned, the current year is expected to close with a closing cash balance of (—) Rs. 1.91 crore.

BUDGET ESTIMATE, 1967-68

Revenue

The total revenue for the year is estimated at Rs. 116.83 crore. The State's share of Central Taxes is estimated at Rs. 15.07 crore. This is slightly higher than the Revised Estimate for the current year.

Increased receipts to the extent of Rs. 113 lakh under Sales-tax, Rs. 35 lakh under Taxes on Vehicles, Rs.36 lakhs under Other Taxes and Duties, Rs. 29 lakh under Stamps, Rs. 17 lakh under Registration, Rs. 11 lakh under Forest and Rs. 15 lakh under Education have been assumed. Credit has been taken for an amount of Rs. 2.53 crore on account of the interest due from the Kerala State Electricity Board as against Rs. 50 lakh in the Revised Estimate for the current year. Assistance to the extent of Rs. 13.16 crore by way of grants from the Government of India for Plan schemes based on the tentative Plan outlay and the revised pattern of assistance communicated by the Government of India has also been assumed under revenue.

Expenditure

The expenditure on the revenue account for the ensuing financial year is estimated at Rs. 110.52 crore which is higher than the current year's Revised Estimate by Rs. 9.33 crore. Under Capital heads the next year's programmes contemplate a total expenditure of Rs. 23.49 crore against the current year's figure of Rs. 12.56 crore. This includes, apart from the Plan outlay on Capital

expenditure, a provision of Rs. 6 crore made for subsidising the price of coarse variety of rice during the next year. The Budget Estimate also includes provision for net disbursement of loans and advances totalling Rs. 15.78 crore.

It may be mentioned that the Plan programme fixed for next year is only tentative. This has to be finalised after further discussions with the Planning Commission. The Plan outlay for the State Sector has now been provisionally fixed at Rs. 50.56 crore. This includes an outlay of Rs. 2.21 crore on Centrally sponsored schemes which have now been transferred to the State sector along with the corresponding resources from the Centre and also provides for the State's share on Centrally sponsored schemes. For the present, the gross outlay included in the Budget for 1967-68 amounts to Rs. 58.10 crore of which Rs.7.46 crores is the Central share on Centrally sponsored schemes. The total outlay also includes the State's share of Rs. 8 lakh on account of Local Development Works which is held outside the State Plan ceiling.

WAYS AND MEANS

The ways and means position for the coming year can be summarised as follows:—

	<i>(Rs. in crore)</i>
Opening Cash Balance	(–) 1.91
Surplus on Revenue Account	(+) 6.31
Capital Expenditure	(–) 23.49
Loans and Advances by the State Government (Net)	(–) 15.78
Inter-State Settlement (Net)	(–) 1.51
Net Accretions under other Debt Heads	(+) 29.70
Closing Cash Balance	(–) 6.68

As already mentioned, the Budget Estimates take into account full assistance from the Government of India according to the revised pattern of assistance for Plan schemes, indicated by the Planning Commission. In a communication received by the State Government some time ago, the Planning Commission had indicated a provisional Central assistance of only Rs. 28 crore for the State Plan proper for next year. But according to the revised pattern of assistance, the State would be eligible for Rs. 34.25 crore consisting of Rs. 27.27 crore by way of loans and Rs. 6.98 crore by way of grant. It is earnestly hoped

that the Government of India would give the full assistance of Rs. 34.25 crore as per the pattern of assistance instead of limiting it to Rs. 28 crore towards the State Plan proper, so as to enable us to implement at least the minimum State Plan outlay, tentatively proposed. In addition assistance on account of Centrally sponsored schemes which have been transferred to the State sector is expected to be of the order of Rs. 2.17 crore, which is expected to be fully available.

The Budget Estimates have, therefore, been fixed on the above basis. Any unfortunate reduction in the assistance would naturally affect the Plan programmes which would not be desirable at this stage, if the Fourth Plan targets which have generally have been approved by the Planning Commission are to be realised.

On the basis of the estimates, there is a surplus of Rs. 6.31 crore on revenue account. I would like to mention that this is after taking into account the grant element of the Plan assistance in full. Again, the estimates do not provide for meeting the additional cost on account of enhancement in the rates of Dearness Allowance to the employees of the State Government and the aided school teachers. It is estimated that for granting Central rates of Dearness Allowance to the State Government employees and the aided school teachers, the requirements would be of the tune of Rs. 6 crore per annum. Including the arrears to be disbursed to the employees from 1-1-1967 the total commitment during 1967-68 is likely to be a little over Rs. 7 crore. Taking these matters also into account the apparent surplus of Rs. 6.31 crore referred to may ultimately result in a deficit on revenue account.

On the capital side, the budget estimates take into account reimbursement from the Government of India to the extent of Rs. 200 lakh which is the amount earmarked during 1966-67 for meeting the cost of food subsidy. The actual amount incurred on this account would depend on the quantity of coarse variety of rice distributed within the State. For the present, therefore, a provision of Rs. 600 lakh is shown in the Budget Estimates for 1967-68 towards food subsidy, though this Government are hoping that the Government of India would agree to meet fully the cost of subsidy. In that event, the overall deficit of Rs. 6.68 crore anticipated in the budget estimates for next year would remain reduced to Rs. 0.68 crore.

If the Government of India do not agree to meet the cost of subsidy or to reimburse this Government the full amount of subsidy, it would lead to very serious difficulties. The additional cost on account of Central rates of Dearness Allowance to the State Government employees would increase the financial burden

of the State. This Government are hopeful that the Government of India would assist generally all the States to meet the extra commitments they have to meet on account of enhanced rates of Dearness Allowance.

Thus, the House may see that the financial position for next year is bound to be extremely tight. We have felt it our duty to take the House fully into confidence in regard to matters which affect the State's finances. It is clear that only a sympathetic attitude from the Centre would help us to resolve these problems. As the Governor indicated in his address, we are hopeful a new pattern of Centre-State relationship would emerge helping the weaker States to face confidently the economic problems.