



## **BUDGET SPEECH FOR 1968-69**

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*16th February 1968*

Sir,

I rise to present to the House the Budget estimate of the State for the financial year 1968-69.

This is the second budget after this Government assumed office. In spite of the prognostication of many political prophets about the longevity and solidarity of the United Front Ministry, it is now entering the second year of its existence, disillusioning them all. The year we are leaving behind is a momentous one, both from the political and economic points of view. We have in the recent past witnessed what might be called political convulsions in several States of the Indian Union, which constitute a negation of all democratic processes and principles. The country has been passing through an economic crisis and that crisis is not yet over. In various respects the economic policies and programmes pursued by the Government of India have been either defective or ineffective. It has often been said in season and out of season that the drought and other natural calamities that occurred in 1965 and 1966 were contributory to all our economic maladies. But in the opinion of discerning economists, the basic and fundamental errors in the economic policy of the Centre have, more than anything else, brought about the present state of affairs.

It cannot be denied that viewed in an international setting, there are very many problems, which continue to baffle solutions. The problems emerging at the 'UNCTAD' currently in session at New Delhi are instances in point and they bear eloquent testimony to the fact. So far as India is concerned, the main, if not the sole reason, for the present set back in economic development is the undue dependence of our planning on external resources, I mean, foreign aid. One consequence, as you know, is that our Fourth Five Year Plan still remains in the crucible in an amorphous condition. Uncertainties about foreign aid for the Fourth Plan, both in its nature and quantum, continue to cause concern to the Government of India.

The indications are that the Government of India will be forced to go in for deficit financing to the extent of Rs. 300 crore in departure from their own declared policy. Presumably the outlay on the Annual Plan for 1968-69 is being kept more or less at the level of 1967-68 to minimise deficit financing. With the price spiral

continuing unabated, this would mean an attenuation of the Plan itself in physical terms. No wonder, a slackening of our developmental activities becomes inevitable, which in turn will adversely affect the national economy. On the other hand, if deficit financing is resorted to, prices will soar up further. Kerala, an integral, though a small part of India cannot remain in isolation, it will have to share perforce the repercussions of all these. Whatever progressive measures we might adopt here will, in the context of present economic crisis, prove to some extent infructuous.

### **Trends in State Economy**

The year 1967 witnessed a further deterioration of the price situation in the State. Prices of almost all food articles and other basic consumer goods have moved up resulting in a further increase in the cost of living index by 56 points for the State. During the year, the wholesale price index of agricultural commodities for the State registered an increase of 23 points.

The experience of the past decade of planning in India has been one of rising prices. The general index of wholesale prices (All India-base 52-53=100) moved up from 107.2 in April 1957 to 214.9 in November 1967 which means a rise in the price level at an average annual rate of 10%. The five years of the Third Plan witnessed on the whole, an increase of 32% in the wholesale price index for all commodities. A large proportion of this price rise was caused by the increase in prices of food articles. While developments on the supply side were not favourable, there were also problems arising from rising consumption, the extent of deficit financing as well as unplanned credit creation. The average working class consumer price index number of the State which stood at 693 during 1966 moved up to 729 during 1967. The increase was accounted for mainly by the commodities included in the food group. Thus the terms of trade moved in favour of the cultivators.

### **Food Problem**

The one subject on which we continue to be most anxious is our food problem. We are depending on the Central Government for our requirements. Even though according to statutory rationing, an adult is entitled to 160 grammes of rice per day, we have been able to give only half that quantity. Based on previous experience, only if a comprehensive food policy is evolved and the production and distribution

regulated, can deficit States like Kerala have any salvation. The Centre's evasion of its responsibility is discriminatory and ill-advised. For providing a ration of 160 grammes of rice and 160 grammes of wheat per adult per day, the State requires 75000 tonnes of rice and wheat per month. Unfortunately due to shortages and irregularity of supplies by the Government of India, we have been put to the painful position of being able to distribute mostly only 50% of the ration of rice so far.

We are sparing no pains to maximise the procurement of food grains out of local production. A revised scheme of procurement was introduced for the last Viruppu crop which will be continued for the next Mundakan and Punja crops as well. The scales of levy were rationalised, exempting holdings of two acres and less in all cases and stopping the freezing of ration cards of agricultural labourers and the small scale cultivators. The Chief Minister has made an appeal to the cultivators who are statutorily exempted from the levy, to sell one para of paddy per para of paddy land. This has evoked an enthusiastic response. As an experimental measure, a scheme has been introduced in Palghat District whereby advances up to 75% of two quintals of paddy per acre will be given to cultivators through the Co-operatives before transplanting season, provided they will sell to Government after harvest two quintals of paddy per acre, besides the levy due from them. Thanks to these measures, a quantity of 51325 tonnes of paddy was procured against the target of 49162 tonnes of paddy fixed for Viruppu crop in the current year. The procurement of paddy by levy is now done only through departmental agencies and through the Co-operatives. Necessary funds are being advanced to the selected Co-operatives, which are unable to muster sufficient resources on their own. These measures have also given relief to the cultivators from the intermediaries.

The fact however remains that statutory rationing can be maintained in Kerala without break-down only if we get 9 lakh tonnes of rice a year from outside the State. There can be no denying that the Central Government has the responsibility to meet this gap by a determined attempt through a national food budget for bringing about a more equitable sharing of food shortages besides ensuring an adequate and regular supply of food grains to this State. The Centre cannot evade this responsibility.

The quantity of rice received from outside the State in 1967 is as follows:—

Month	Andhra Pradesh	Madras	Imports from overseas	Madhya Pradesh	Total
(1)	(2)	(3)	(4)	(5)	(6)
January	50001	80	16114	..	66195
February	34310	..	14253	..	48563
March	40628	5001	25224	..	70853
April	11040	14276	18543	..	43859
May	28945	3169	15329	..	47443
June	41395	7741	15913	..	65049
July	16493	4435	7558	..	28486
August	6214	3050	31291	..	40555
September	8473	1971	26714	..	37158
October	2507	89	20167	..	22763
November	1219	..	28221	989	30429
December	11840	7185	18045	2784	39854
Total	253065	46997	237372	3773	541207

Thus on the average, only 45000 tonnes have been received in a month, as against the required quantity of 75000 tonnes of rice.

As a result of the revised sugar policy of the Government of India, the monthly quota of sugar to the State has been reduced from 5849 tonnes to 3711 tonnes. Now 60% of the total production of sugar would be purchased by the Government of India from the Mills and released to the State Government for distribution mainly for household consumption and the remaining 40% made available for sale in the open market. Since sugar is available in the open market, the quantity of sugar allowed to each A and B class card holders has been reduced to one kilogram per mensem from 1-12-1967. Following the partial de-control of sugar, there was an abnormal rise in the price of that commodity. Since then, the price of sugar has shown a tendency to decline, presumably due to consumer resistance and the reported arrival of sugar in the market.

## **Planning**

It is a matter of common knowledge that the past three Five Year Plans have failed to achieve an adequate or balanced economic growth. In recognition of the persistent demand for a re-orientation of the entire planning policy, the Government of India have re-constituted the Planning Commission at the Centre. It is hoped that the reconstituted Planning Commission would make a rational and realistic approach to the problems of planning in India and arrive at conclusions that would be acceptable to the States. Meanwhile, the present Planning process has been in doldrums. Though we should now be entering the third year of the Fourth Five Year Plan, it has been decided by the Planning Commission that the Fourth Five Year Plan need be started only from 1969-70. No doubt, this would give us an opportunity to review the proposals already formulated for inclusion in the State's Fourth Five Year Plan and make such re-adjustments as may be found necessary.

We have recently set-up a State Planning Board, with the Chief Minister himself as the Chairman. This body will undertake a continuous appraisal of the progress of State economy and draw up proposals for effective utilisation and development of the State's natural, material and human resources. The constitution of the State Planning Board at this juncture will enable us to be more purposeful in the formulation of the Fourth Plan. It is expected that the working of the Board will lead to rationalisation of the planning processes in the State and to a streamlining of the formulation, implementation and evaluation of the State's development plan.

Pending introduction of the Fourth Plan from the beginning of 1969-70, the tempo of development is kept up through what is called Annual Plans. The financial target of the State's Annual Plan in the Revised estimates for the current year is Rs. 46.21 crore exclusive of the outlay on the Centrally sponsored programmes, which require clearance by the Planning Commission and the concerned Union Ministries.

For the coming financial year, the Annual Plan budgeted for involves in the State sector an outlay of Rs. 50.17 crore. Taking into account the Centrally-Aided Schemes transferred to the State Plan and the Central share on Centrally Sponsored Schemes, the gross amount of aggregate outlay on Plan schemes during the ensuing year is fixed at Rs. 59.78 crore. The Central assistance indicated for the Plan schemes in the State sector is only Rs. 30.40 crore. As usual, the Government of India have not specified the allocation of aid for 1968-69 in respect of Centrally Sponsored Schemes and the Centrally Aided Schemes transferred to the State sector of the Plan. Hence, we have taken credit for this only on a presumptive basis, leaving an element of uncertainty in our Annual Plan for the coming year.

I shall be referring to important highlights of the different sectors of the State's Annual Plan for 1968-69 when dealing with the budgetary proposals department-wise.

### **Centre-State Relations**

Before leaving the subject, let me stress the necessity for re-adjustments in the Centre-State financial relationship about which I made a passing mention in my last Budget speech. New trends have emerged in the Union and State finance in the context of planning. While the Central Government has expansive sources of revenue, the onus of socio-economic development rests mainly on the States. In the process of mopping up the available resources for Plan implementation on the centralised direction of the Planning Commission, the fiscal autonomy of the State stands abridged. As an Indian Economist has put it, "the increasing dependence of the States on the Centre makes the latter a financial Leviathan. This is inimical to democratic principles and tends to make the States subservient to the Union Government and thus eats into the very vitals of the federal structure." We have, therefore, piloted a move for effecting far-reaching changes in the Union-State financial relationship by amending the Constitution to the extent necessary. A memorandum has been presented to the Government of India on the subject. Among other things, it has been urged therein that the States should have a wider tax base, that, a permanent Finance Commission should be set-up for continuous examination of the State's resources and needs and for devolution of resources from the Central sector, and that a Centre-State Council should be established for discussing major monetary and fiscal policies as also measures which will have an impact on the State's resources. The other day, while inaugurating the Budget session of the Madras Legislature, the Governor of that State said that a review of the Centre-State relations, in the light of the experience of the past 15 years had become necessary. It is encouraging that other State Governments have also realised the importance of these issues. Meanwhile, it is learnt that the Government of India are thinking of appointing the Fifth Finance Commission shortly. It is necessary to ensure that there is not merely an arithmetical exercise of finding the difference between State's revenues and expenditure but that there is also a qualitative assessment of the performance of different States in the matter of raising resources. Unless this is done, States like Kerala would lose much. It is therefore, only in the fitness of things that the terms of reference to the Fifth Finance Commission are fixed in consultation with the States and not by the Centre alone, with a bias in its own favour.

**Revised Estimates 1967-68**

I shall now proceed to outline the details of the next year's budget and in that context refer briefly to the Revised Estimates of the current year. While placing before the House the final budget for the current year in June last, I had already dealt with the Accounts for 1966-67, and as such, it is hardly necessary to cover that ground once again. The House might remember that modifications embodied in the final budget presented in June 1967 were in the form of a memorandum of alterations and that the provision additionally included therein was obtained by moving Supplementary Demands for Grants. The Revised Estimates of the year have, therefore to be compared with the Budget Estimates, incorporating the variations explained in the alteration memorandum referred to. The total revenue for the current year is now estimated at Rs. 126.14 crore against Rs. 123.49 crore anticipated in the final budget estimates. The increase of Rs. 2.65 crore is mainly due to an additional revenue of Rs. 157 lakh under Sales tax and increased receipts on account of interest from the Kerala State Electricity Board. On the expenditure side, the Revised Estimates disclose an over-all increase of only Rs. 0.66 crore on Revenue Account, thereby enhancing the budgeted revenue surplus of Rs. 1.35 crore to Rs. 3.34 crore. The enhanced rates of dearness allowance to Government employees that had to be sanctioned with effect from 1-12-1967, involves an additional expenditure of Rs. 1 crore during the current year. Consequent on the enhancement of the price of coarse rice supplied by the Government of India, the net additional expenditure on account of food subsidy during the year comes to Rs. 4.64 crore. Appreciable increase over the budgeted provision is noticed under "General Administration" due to additional expenditure for the conduct of State Lotteries for which a token provision of Rs. 100 alone was made in the current year's Budget. Enhancement in the rates of boarding grants and other concession to the students belonging to backward classes, measures undertaken to relieve the distress of the fisher folk in coastal areas, increased working expenses in clear-felling of timber in the hydel areas of Idukki and Kallada dams and for raising plantations in Edamala Valley and Kallar Valley etc., have also contributed to increased expenditure. Of course, this is partly off-set by shortfalls in expenditure under certain heads of Account, notably under "Co-operation" and "Interest". With regard to the capital outlay provided in the current budget, the Revised Estimates show an appreciable decrease consequent on the transfer of the entire net expenditure relating to "Grain Supply Scheme" to Revenue Account and the set-back in the public works due to "no-work programme" of Engineering personnel. The Revised Estimates in respect of "Loans and Advances by the State Government" however, record an increase of Rs. 450 lakh because of additional provision made for the disbursement of loans to Co-operative

Central Banks for the purchase of paddy and for adjustment of the value of the assets transferred to Fisheries Corporation, besides the grant of a loan to the Travancore-Cochin Chemicals Ltd., and an additional loan of Rs. 2.34 crore to the Kerala State Electricity Board.

It is now expected that, as a result of the transactions under "Debt, Deposits and Remittance heads" the net receipts would be of the order of Rs. 32.42 crore against Rs. 33.40 crore estimated in the Budget estimates. A sum of Rs. 95 lakh was received under open market-loan in excess of the budget amount of Rs. 4 crore. As a matter of fact, we had contemplated the discounting of Treasury Bills only to the extent of Rs. 5 crore during 1967-68. In-as-much-as the Reserve Bank of India has been authorised to discount automatically our Treasury Bills as and when necessary and since a minimum cash balance in the State treasuries has to be assured, the Revised Estimates take credit of Rs. 2.80 crore by discounting Treasury Bills. The final result of transactions during 1967-68 would have been an over-all deficit of Rs.1.75 crore. But taking into account the receipt of Rs. 2.80 crore from this source, the year which began with an opening cash balance of Rs.(—)0.69 crores is now expected to close with a cash balance of Rs.(+)0.36 crore.

Let me now unfold the picture for the coming year.

### **BUDGET ESTIMATES 1968-69**

#### **Revenue**

It is estimated that the revenue will be Rs. 131.01 crore. This is nearly Rs. 5.00 crore more than that fixed in the Revised Estimate for 1967-68. Additional revenue is anticipated under "Motor Vehicles Tax" (Rs. 51 lakh), "Sales Tax" (Rs.195 lakh), "Other Taxes and Duties" (Rs. 66 lakh), "Interest" (Rs.70 lakh), "Education" (Rs. 35 lakh), "Medical" (Rs. 21 lakh), "Forests" (Rs. 64 lakh) and under "Miscellaneous" (Rs. 40 lakh). Credit has been taken for a sum of Rs. 16.66 crore as the State's share of Central taxes, which exceeds the Revised Estimate by Rs. 36 lakh. It has been decided by Government that basic land tax should be dispensed with in respect of holdings with an extent below 2 acres. The loss of Revenue involved has been reckoned in the estimated receipts under Land Revenue. The House might remember that we had proposed the introduction of a tax on non-agricultural lands during the current financial year. Actually this Bill had been prepared during President's rule. The draft Bill is now in the Select Committee stage. In deference to the views expressed in this House at the time of introduction of the Bill, a review of the matter cannot be ruled out after the report of the Select Committee is received. Credit has therefore not been taken for any revenue from this source.

The Central assistance for the State Plan is estimated at Rs. 30.40 crore, as indicated by the Government of India. Of this, a sum of Rs. 6.69 crore will be in the shape of grant and Rs. 23.71 crore as loan assistance. For the Centrally Sponsored Schemes, the over-all Central assistance is estimated at Rs. 9.61 crore (Grant Rs. 6.31 crore and loan Rs. 3.30 crore).

### **Expenditure**

The estimates of expenditure on Revenue account stand at Rs.144.69 crore, which record an increase of about Rs.22 crore over the Revised Estimates. Apart from normal growth in expenditure under non-plan items mainly due to inflationary conditions, the additional amounts estimated against subsidy for the coarse variety of rice (nearly Rs.16 crore) and for payment of the enhanced rates of Dearness Allowance to Government and Aided School Employees (Rs. 4.36 crore) have generally contributed to this large increase in revenue expenditure. As a result, the revenue account shows a deficit of Rs.13.68 crore. It is note-worthy that this deficit is caused solely by the amounts estimated against food subsidy.

The capital expenditure outside the Revenue account is estimated at Rs.18.79 crore while the estimate of disbursement of loans and advances (Net) is placed at Rs.14.42 crore.

### **Annual Plan 1968-69**

The Planning Commission suggested an outlay of Rs. 44.27 crore for the State's annual Plan 1968-69. The Plan outlay in the State Sector as budgeted, however, comes to Rs. 50.17 crore, so that it is more or less at the same level as the budgeted outlay this year. This includes an outlay of Rs.15.50 crore for 'Power', out of which a sum of Rs. 8.00 crore is allocated for 'Idukki' and another sum of Rs.1.50 crore towards rural electrification. As I have mentioned earlier, the Government of India have agreed to give an assistance of only Rs. 30.40 crore, for the next year's Plan and we are asked to find the balance. The provision for food subsidy and the simultaneous budgeting for a Plan of this order would entail, as may be seen, an over-all deficit of the order of Rs.18.00 crore for the next year.

### **Food Subsidy**

I wish to deal with all the aspects of this question on this occasion. Government is anxious to know the view and decisions of this House in this matter. Government of India have raised the issue price of rice and wheat from 1-1-1968. 80% of rice distributed in the State is coarse rice; excepting for this variety, the increased price has been passed on to the consumer. In respect of coarse rice, even when the Centre

raised the price last year, this Government did not pass on the increased price to the consumer. The State Government was subsidising this variety of rice at the rate of 11 rupees per quintal. From 1-1-1968, the Centre has raised the price of this variety by another Rs.16 per quintal. This increased price is being met by the State Government from 1-1-1968. This has not been passed on to the consumer. I have already mentioned above that at the rate of 6 oz. ration per adult, the annual requirement of rice is 9 lakh tonnes. If this full quantity is supplied by the Centre as coarse rice, Government will have to bear subsidy of 24.3 crore of rupees. From past experience, it is seen that only about 80% of the rice is supplied as coarse. On this basis, Government will have to bear a subsidy of Rs.19.5 crore a year.

An enhancement in the issue price of this coarse variety of rice by 33 1/3% will, in addition to casting the burden on the poorer sections of the people, lead to further increase in prices all-round which in turn will lead to increased cost of production and wage bills. It is only reasonable and fair that this increased burden is borne by the Centre. This Government have tried its best to bring pressure on the Centre in this matter and they will continue to do so, but, from past experience it is feared that this will all be only a cry in the wilderness. Therefore, subject to certain minor adjustments, a sum of Rs.16 crore has been provided in our budget for subsidy. If the Central Government reduces the issue price of rice or if they agree to bear the subsidy, it will not be difficult for us to implement a plan of the order of Rs. 50.17 crore, but, if the Centre is adamant in this matter, we will have to find out other means. To make up this deficit, we will be compelled to adopt economy measures and think of new resources. Either the development programmes will have to be cut down on a large scale or the subsidy will have to be stopped. The choice between these is both difficult and painful.

There is also a political side to this picture. It is the policy of the Centre to bring down non-congress State Governments. They know that it is not possible to create a political instability in Kerala. It will not be possible for us for a long time to bear this heavy burden of subsidy. If we go on bearing this subsidy at any cost, it may lead to a financial crisis. In such a situation, the President of India has enough powers to interfere in the State administration.

At this juncture I have only one thing to say to the people of this State. It is your duty to safeguard the Ministry which you have brought to power. Against this background it is for this House to give directions to this Government as to what should be done in these circumstances. I hope that this House will consider seriously the various aspects of this question and reach a final decision.

### **Agricultural Production**

No one can deny that it is the stagnation in agricultural production in the last decade which has, more than any other factor been holding our economy in a State of strangulation. Its importance in the context of our critical food situation needs no emphasis. The strategy of our agricultural planning is to lay foundations of self-reliance in the matter of food by giving highest priority to agricultural production and irrigation. The State is now facing a deficit to the extent of 50% in the matter of its rice requirements. It is calculated that at the rate of 12 oz. per adult, we would require 35 lakh tonnes for a population of 21.7 million at the end of the Fourth Plan. Our aim is to have the present food deficit of 50% reduced to at least 25% at the end of the current Plan period. For this, all our available resources have to be fully harnessed for maximising agricultural production and our agricultural production programmes are being drawn up towards achieving this end.

To exploit fully the limited possibilities of extension of agriculture in the State, the question of leasing out waste lands under the Land Utilisation Act and preventing unauthorised conversion of paddy fields into garden lands for other crops is engaging the attention of Government. Reclamation of Kayal lands is being taken up, wherever feasible, for paddy cultivation. Such reclamation in 400 acres of the Kayamkulam kayal is already over, and the reclaimed area has been brought under cultivation. Reclamation works in Paravur kayal, Chellanam, Kumbalangi, Kandakkadavu and Maravukkavu kayal lands are in progress. Construction of bunds has been sanctioned at many other places, with financial assistance to cultivators up to 50% of the cost involved. A scheme for starting a State Farm of 10,000 acres, with Russian aid, is under way. The scope for extension of cultivation being limited, the main strategy of Government in the matter of food production is the intensification of cultivation and maximisation of production from the existing acreage through a planned programme of multiple cropping. The objective of Government is to convert 7 lakh acres of single crop lands - half the entire acreage under paddy - into double crop lands, with the aid of the Agricultural Refinance Corporation. The target fixed under this programme for this year is the coverage of 34,700 acres, which is hoped to be achieved. Arrangements are being made for the supply of essential agricultural inputs like fertilisers, plant protection and chemicals. Mechanisation of agricultural operations has been given due importance. Tractors, Bull dozers and Power tillers are being distributed to the cultivators under the Hire Purchase system. We have moved the Government of India to release the supply of 250 Russian tractors for distribution to cultivators under the high-yielding varieties programme. Improved strains of paddy - IR-8, Taichung Native I, Taichung 65 and A.D.T.25- are being

distributed to cultivators for further multiplication. The target of coverage proposed under this programme for the next year is 9.50 lakh acres. Six mobile plant protection squads have already been formed to undertake at district level quick preventive measures against plant diseases and render timely assistance to the farmers. The programme for 1968-69 is to accelerate the implementation of all these schemes so as to secure a minimum additional production of 1.60 lakh tonnes of rice.

While the first priority must necessarily be given to food production, Government do realise the importance of cash and commercial crops, the foreign exchange earning commodities of Kerala and propose to develop their cultivation to the maximum extent possible without detriment to food production. Package programmes for coconut, banana, pepper and tapioca have been launched on an extensive scale. Hundreds of acres of fallow or otherwise waste lands in the erstwhile Malabar district, particularly in the Cannanore district, are proposed to be brought under cultivation. These lands lying fallow for years past, are proposed to be tractor-ploughed free of cost by Government and brought under cultivation. Sanction has been accorded for the reclamation of 2,000 acres of laterite lands in Cannanore district for tapioca cultivation. A few schemes for taking up on a large scale the cultivation of commercial crops like coffee in Wynad, cardamom in Nelliampathies and sugarcane in Chittoor taluk are being processed for implementation with the financial assistance of the Agricultural Refinance Corporation. A survey of virgin forest lands which could be released for cultivation is being undertaken. A proposal is under the consideration of Government to survey the availability of waste lands in all the districts and to distribute a few thousand acres among the landless and the unemployed. It is proposed to cover an area of 6200 hectares under the scheme of soil conservation during 1968-69.

It is worth mentioning in this connection that Government have decided to form an Agro-Industries Corporation in the State as a concerted measure for the encouragement of Agriculture, animal husbandry and fishing. This institution is being registered as a Private Company under the Indian Companies Act with 51% of the share capital being contributed by the State and the remaining 49% by the Government of India. The Corporation will function with three Divisions; a Loan Division, Manufacturing Division and Demonstration-cum-Field Work Division. It will not only popularise but also undertake the manufacture of improved agricultural implements. A provision of Rs. 50 lakh is included in the next year's budget towards the State's share of capital and organisational expenses.

It has been realised that there are some lacunae in the Kerala Land Reforms Act, 1963, which operate to the disadvantage of the cultivating tenants and the poor peasantry. The question of amending the Kerala Land Reforms Act has therefore been

taken up by the Government. A Committee with the Chief Minister as the Chairman has been appointed to review the implementation of the Kerala Land Reforms Act. On receipt of the report of the Committee, the amendments to the Act will be decided upon. Government expect the wholehearted support of all agriculturists and the public in general in order to achieve a momentous leap forward in the Agricultural production programmes.

### **Irrigation**

The main schemes relating to Minor Irrigation comprise construction of new tanks, reservoirs and filter point tube wells besides raising bunds to prevent flood water and salt water intrusion. A scheme for the grant of two-thirds of the cost of renovation of tanks to be undertaken by the Panchayats and equipping them with pump sets, free of cost, has been sanctioned by Government. Yet another scheme sanctioned under Minor Irrigation programme is the pumping of water from rivers to benefit areas less than 100 acres. Being aware of the difficulties of small scale cultivators, Government have taken steps to rationalise collection of irrigation cess after exempting low ayacut schemes. Subsidised sale of pump sets has been done this year on a much larger scale than ever before. A rigorous drive has been initiated for giving electric connection to agricultural pump sets. The progress in the execution of Pamba, Kallada, Kanjirappuzha, Kuttiadi and Pazhassi projects is being closely watched and every effort will be made to accelerate their completion. Investigation of certain quick yielding Irrigation projects has been taken in hand.

### **Animal Husbandary & Dairying**

In the field of Animal Husbandry, an achievement worth mentioning is the establishment of a modern bacon factory, the first of its kind in South India, in Koothattukulam. The factory will go into production in April-May. Work has been started on an Egg Powder Factory capable of daily processing one lakh of eggs into powder. The construction of the cattle-feed plant at Malampuzha is progressing. The working of Trivandrum Milk Supply scheme under the District Co-operative Milk Supply Union was far from satisfactory. Pursuant to representations from the majority Milk Producers' Co-operative Societies affiliated to that Union, the Dairy Development Department had to take over the administration of the scheme. Under departmental management, a quantity of about 9000 litres of milk per day is being handled by the project against its installed capacity of 6000 litres of milk per day. From August 1967, the Dairy Project at Ernakulam, the biggest of its kind in the State, has started functioning under departmental management. The quantity of milk handled by the Project is steadily on the increase and its installed capacity of 10000

litres is expected to be reached by August next. The commissioning of this Project will help to check the soaring price of milk in the Cochin Corporation area. The Dairy plant at Kottayam is nearing completion. The preliminary works relating to the Milk Supply Project at Alleppey are under way. Already 302 Milk Co-operatives have been brought into existence and more will be organised next year. The establishment of a Fodder Farm at Ayyampallikkunnu, milk colonies at Valiathura and Neriamangalam are also provided for in the programme for 1968-69.

### **Fisheries**

Kerala accounts for 45% of the total marine fish landings in India and about 85% of foreign exchange got from the export of marine products is her contribution. For us, Fisheries constitute an invaluable asset as fish is a supplementary to our food resources and provide employment to a large section of the population. An ambitious programme for the development of fisheries and fishing industry in the State has been provided for in the next year's budget. For the establishment of fish landing centres and harbours, suitable places have been selected and the works at Vizhinjam, Azhikode, Beypore, Baliapatam, Cannanore and Ponnani are in progress. A package programme for the development of Fisheries in Kozhikode district is being processed with a view to availing of re-finance facilities offered by the Agricultural Refinance Corporation. Government have also under their consideration a proposal to locate a development area exclusively for fishing industry by acquiring necessary land along the fore-shore of Mattanchery. We hope that it might be possible to have this undertaking financed through the Life Insurance Corporation of India.

### **Co-operation**

The Co-operative movement in the State has received an impetus under the Five-Year Plans. The number of societies membership and paid-up share capital have already increased in respect of Service Co-operatives, Primary Market Societies and Farming Societies. There are now 9 whole-sale and 322 primary Co-operatives besides 4 Super Markets run on co-operative lines. The targets set in the Annual Plan for 1967-68 under this head of development will be achieved, by and large. The programme envisaged for the coming year takes in the organisation of Primary Co-operative Societies, Primary Land Mortgage Banks; Marketing Societies and Joint Farming Societies. The scheme for distribution of consumer goods through Marketing and Service Co-operatives will be continued vigorously as it helps to hold the price line. Co-operative credit estimated to be utilised in 1968-69 is of the order of Rs. 24 crore.

### **Community Development**

Of the 144 Community Development Blocks, including the Tribal Development Block at Attappady, 34 are under Stage I, 58 under Stage II and the remaining 52 under Post stage II. For all these Blocks together a provision of Rs. 256 lakh is retained in the Budget estimates for 1968-69. In addition to the Community Development, plan schemes relating to other Departments like Agriculture, Animal Husbandry, Fisheries, Industries etc. and schemes like Rural Man-power Programme, Applied Nutrition programme, Local Development Scheme, etc. are implemented through these blocks. The provision for rural man power project and Applied Nutrition Programmes, in the next year's budget amounts to Rs. 85 lakh and Rs.19 lakh respectively. The Applied Nutrition programme is proposed to be extended to 21 Blocks more during 1968-69.

It cannot be denied that the programme content of the Stage II and post-stage II blocks is very thin. Government are most carefully considering the whole question of the continuance of the community development organisation and structure in the context of the introduction of Panchayat Raj.

### **Local Self-Government**

#### (i) Panchayat Raj:

As the House is aware, the Panchayati Raj Bill is now in the Select Committee Stage. The proposed legislation is intended to bring in revolutionary changes in the administrative set-up of the State through a process of decentralisation of administration on democratic lines. It is a pre-requisite of 'Panchayati Raj' that the lowest tier of the system - the Panchayats - should be made ready to shoulder the new responsibilities to be discharged at that level. A re-grouping of the Panchayats on the basis of their annual income had been done with a revised staff pattern for them. The grants and loans given to the Panchayats have been substantially enhanced to augment their resources. For 1968-69 we have made a provision of Rs. 97.38 lakh for the disbursement of grants besides Rs. 20 lakh for the grant of loans to the Panchayats. It is a matter for gratification that our Panchayats have begun to realise that they do have a vital role in the implementation of all development schemes concerning rural welfare as they constitute the very base of the administrative set-up of the State.

#### (ii) Municipalities:

The Cochin Corporation has come into existence from 1st November 1967 fulfilling a long felt need of that area. Steps are being taken to enact necessary legislation for the creation of a Development Authority for the coordinated

development of the Greater Cochin region. It may not be out of place to mention here that recently this Government have framed rules under the provisions of the Kerala Municipalities Act and Kerala Municipal Corporations Act, extending pension and other retirement benefits to the Municipal employees on a par with the Government employees.

### **Power**

The era of Power shortages in Kerala has ended and adequate and unfailing supply of power is now available to those who wish to start industrial enterprises in the State. A major programme for strengthening the transmission and distribution network has been undertaken this year and it will be continued with vigour next year also.

With a view to avoiding recurrence of power shortages in the years to come, 'Power' is still given the pride of place in our Plan programme. Out of the total State Plan outlay of Rs. 50.17 crore for 1968-69, the allocation for Power alone amounts to Rs.15.50 crore. The Idukki Hydro-electric Project which is the biggest power project attempted in the State is being financed with Canadian aid and fully earmarked Central assistance. A provision of Rs. 8.00 crore has been earmarked for this Project in the Budget but the State Government will be having further discussions with the Government of India with a view to enhancing the provision so that the work on the project follows according to the accepted schedule. Another important highlight of this head of development in the Plan programme for the coming year is "Rural electrification" which has an outlay of Rs. 1.50 crore. We have reconstituted the Kerala State Electricity Board associating the public in its operations even at division and sub-divisional level. A probe into the various aspects of the working of the Board, technical, administrative and financial, has been made and follow-up action is being taken to achieve maximum efficiency in the operation of our largest undertaking in the public sector.

Apart from the transfer of assets worth Rs. 23.80 crore, the State Government has given, in all, loans for Rs. 68.97 crore till the end of last year to the State Electricity Board for financing the electricity schemes. These amounts were received by the State Government themselves by way of loans from the Government of India and the State Government is repaying them with interest. It is, therefore, essential that the full potential of the schemes is utilised by a larger number of industries, so that, there would be adequate returns for the capital invested in these schemes. We should therefore take all possible steps for speedy industrialisation of the State and all other considerations should be subordinate to this primary goal.

**Industry**

Government have enunciated an industrial policy which is conducive to the rapid industrialisation of the State. The expansion and modernisation of Government owned large and medium industries is a major item in the State Plan. With the completion of the expansion programme of Travancore-Cochin Chemicals, the production of caustic soda has been raised to 100 tonnes a day. There has been substantial progress in respect of industries in the private sector also. In 1967-68, five large and medium industries in the private sector have gone into production.

- (1) Cominco Binani Zinc Ltd., Edayar;
- (2) Poysha Industries, Cochin;
- (3) Welding Electrodes, Trivandrum;
- (4) Trichur Cotton Mills, Nattika;
- (5) Cochin Flour Mills, Kalamassery.

A detailed survey of the iron ore deposit in Calicut district will be undertaken by the Geological Survey of India on the basis of the report of the National Mineral Development Corporation.

Government of India have already been informed of the details of the site available for the third unit of the Bharat Electronics and a new unit of the Indian Telephone Industries. The possibility of starting a Newsprint Factory, a Tractor plant, Titanium complex and Petrochemical complex in the public sector are being explored.

**Revitalisation of Traditional Industries**

Government are devising methods for the revitalisation and expansion of Kerala's traditional industries. This scheme is expected to improve the conditions of a large majority of those who are engaged in these industries. What is intended is the resuscitation of the cashew, coir and handloom industries.

**Cashew Industry**

Cashew industry is an important industry here. About 45% of factory labour is engaged in this industry and the majority are women. About 33% of the foreign exchange earned by Kerala is netted by cashew. But the present state of this industry is quite deplorable. As most of the cashew factories have closed down, the labourers employed by them are practically starving. The main problem facing this industry is the scarcity of raw nuts. The annual requirement of our factories is about 2.25 lakh tonnes. But Kerala produces only 98000 tonnes; for the rest we depend on the African markets. But since the African States have themselves started mechanised cashew

industry we cannot continue to get supplies from them for long. It is therefore felt that a cashew plantation of about 10000 acres should be started here. The T-C Government had taken a decision in 1954 for cultivating cashew in 25000 acres but the subsequent Governments did not implement the scheme.

The setting up of a Cashew Corporation is under the active consideration of the Government.

### **Handloom Industry**

The setting up of a Cashew Corporation is under the active industry also, which is equally important as the cashew industry. In last May, a conference of representatives of this industry was convened and the various problems concerning this industry were discussed. The Handloom Advisory Board has been reconstituted giving representation to all the districts and to both the co-operative and the private sectors. It has been decided that the power-loom units should be considered as small scale industries and working capital made available to them.

### **Small Scale Industries**

As a result of the vigorous programme organised by the National Small Industries Corporation, 2062 applications were received for the purchase of machineries, out of which 1050 applications were accepted involving Rs. 4.47 crore. Of this, 520 applications were for new industries.

151 units have been started under the Rural Industries Project. This will provide work for 1500 persons.

In my last budget speech, I had pointed out the inadequacy of the Central sector investments in Kerala. For over 15 years we have borne the adverse effects of inflationary pressures caused by the massive investments elsewhere in the country without the compensating features of additional employment and income generation. This cannot go on indefinitely. An equitable policy of balanced regional development is the sine-qua-non of National solidarity. At this juncture, when the Fourth Plan is being re-moulded, I reiterate with all the force at my command that the Government of India should recognise the pressing need of the State for industrialisation and concede its due share of Central investment by way of industrial undertakings in the public sector.

### **Transport and Communications**

It is the constant endeavour of the Government to improve the existing transport and communication facilities as they provide the essential infrastructure for economic development. Steps have been taken to introduce adequate number of inter-State transport services between Kerala and Madras. A committee has been

appointed to consider how best nationalisation of routes can be effected on receipt of its report, further steps will be taken in this direction. The question of constituting a separate body for looking after inland water transport is engaging the attention of Government. Regarding railway facilities, we will continue to press the Government of India for the conversion of the existing metre gauge between Trivandrum and Ernakulam to broad gauge. A team of Polish experts has been engaged for preparing a report on the feasibility of integrated development of fishing and cargo harbours. In the light of the recommendations of the experts, suitable action will be taken for the development of minor ports in the State.

### **Tourism**

For the development of tourism under the Plan Programme, a provision of Rs. 20.52 lakh is included in the Budget estimate for 1968-69. Out of this, a sum of Rs. 8 lakh is earmarked for the integrated development of Kovalam, which is to be fully financed by the Central Government. I hope that this project about which repeated announcements have been made by the Government of India will be taken up for speedy implementation. Adequate provision has also been made for economy class Tourist Bungalows, improvements to tourist bungalows, renovation of the Rest Houses and purchase of motor launches. A scheme is under consideration for extending excursion facilities to factory workers and students.

### **Public Works**

A provision of Rs. 245 lakh have been made for Roads and bridges next year. For anti-sea-erosion and flood control works, a provision of Rs.75 lakh is included in the next year's budget.

According to the pattern of Central assistance under the Plan, the State is eligible only for loan assistance in respect of anti-sea-erosion works. When it is seen that Government of India are incurring colossal expenditure on defence operations to save every inch of land from foreign aggression, it behoves them to reimburse the expenditure incurred by the State Government to protect a part of the Indian territory from the ravages of the sea. We propose to persist in our demand for the entire outlay on anti-sea-erosion works in Kerala being met by the Centre by way of grants to the State Government. A proposal to form a Construction Corporation, to function as an agency of the Government for the execution of Public works is under consideration.

A scheme costing about Rs.142 lakh has been taken up by the Public Works Department this year for re-construction and renovation of school buildings. Government have sanctioned necessary additional staff to cope with the increased work-load. With a view to improving efficiency and ensuring effective control and

supervision, Government are examining the feasibility of fixing standard work-load, both for the Buildings and Roads and Irrigation branches of the Public Works Department. All C.L.R. workers having 240 days of work have been converted into N.M.R. workers, thereby dispensing with the category of C.L.R. employees in the Public Works Department. A monthly scale of wages at an increased rate has also been sanctioned to the N.M.R. workers.

### **Education**

Consequent on the increase in the intake of school-going children additional schools will have to be opened next year. It is estimated that 1700 primary school teachers and 1600 secondary school teachers will have to be appointed to cope with the expected increase in the enrolment of children. During the current financial year, Government have sanctioned several concessions liberalising the service conditions of school teachers.

Under Technical Education, the programme for 1968-69 contemplates mainly the stabilisation and strengthening of the existing institutions.

The University centres at Ernakulam and Calicut have been planned as the nuclei for establishing two universities. The question of converting these into Universities is under the active consideration of Government.

The overall budget estimate for 1968-69 in respect of education excluding works comes to Rs. 44.44 crore. This works out to 33.9% of the total revenue of the State. The building programme for Education comes to Rs. 1.82 crore next year. The time has come for us to consider seriously the ways and means for relieving the mounting burden of education on the State exchequer. In all countries, a substantial part of the cost of education at lower levels is borne by the local community. In our State also, local communities should play an increasing role in meeting the cost of education.

It is our long-cherished wish that school fees should be abolished in all the school classes. At present, fees are collected from Standards IX and X only. About two-thirds of the students in these classes who do not come under any scheme of educational concessions pay in all about Rs. 1.4 crore a year as school fees at the rate of Rs. 48 per student per year. We have not been able to abolish these in view of the financial implications. One way of tackling this would be to collect a small token sum, once a year at the time of admission. I would request the House to consider all aspects of the question so that we could take a decision in the best interests of education and without casting a further burden on the Government's resources.

**Health Services**

Recently Government have sanctioned casualty units in all district hospitals. Two more districts have been brought under the District T.B. Control programme, thereby extending it to the whole State. The family planning organisation has been enlarged and re-organised family planning scheme is being vigorously pushed through.

In addition to the three medical colleges run by Government, the private Thirumala Devaswom Medical College, Alleppey has been taken over by Government for the period of five years. It is proposed to increase the coverage of Employees' State Insurance scheme during the next year.

Construction of additional beds will be undertaken in hospitals and dispensaries and a provision of Rs.10.33 lakh has been made for this.

The investigation of the water supply and sewerage schemes for the Greater Cochin Area has been completed. The estimated cost of that scheme is Rs. 47 crore. Preliminary works relating to the scheme has been taken up. In the next year's budget, a provision of Rs. 224.69 lakh has been included for the water supply and sanitation programme. It is proposed to undertake a water supply scheme to benefit the Kuttanad area. A provision of Rs. 4.67 lakh is included for the scheme in the budget estimate for 1968-69.

**Harijan Welfare**

Harijan Welfare Programme forms an integral part of our efforts. An aggregate provision of Rs. 3.51 crore is proposed in the budget for 1968-69 in respect of educational concessions and other ameliorative measures as against Rs.1.86 crore in 1966-67. This shows the extent of increased concessions given to these classes. The rate of housing grant given to members of scheduled tribes has been raised from Rs.1000-1500 during the current year and increased provision has been included in the next year's budget for giving housing grants at the enhanced rates. Substantial amounts have been included, in the next year's budget for giving concessions for promotion of technical education and for granting concessions in respect of pre-matriculation studies.

**Labour**

After the advent of the present popular Ministry, there has been a re-orientation of the policy of Government towards labour. The process of settling labour disputes through tripartite discussions rather than adjudication has produced results in a number of cases. The Minimum Wages Advisory Board has been reconstituted and re-vitalised, resulting in the revision of the minimum rates of wages in a number of industries. Action is afoot for revision of the minimum rates of wages in several other

industries. A State level conference of the employees and trade unions was held in furtherance of “industrial peace and improvement of employer-employee relations”. The suggestions thrown up at the discussions in that conference are under the consideration of Government.

### **Employment Service and Resettlement**

During the next financial year, the existing National Employment Service will be improved further by the addition of 32 Rural Man Power Bureaus in community development blocks. A Special Project Employment Exchange for the Cochin Ship building Yard will be started.

The existing colonisation schemes will be continued. Government have decided as a matter of policy that the settlers under these schemes would be given patta (proprietary) right over the land under their occupation. Government are seriously considering the conversion of Industrial Training Institutes into Production-cum-training centres.

A sizeable number of repatriates from Burma have arrived in the State and various schemes have been sanctioned to rehabilitate them. Starting from this year, repatriates from Ceylon will be arriving steadily for the next fifteen years. The Government of India have stated that the problem will be dealt with as of national importance. I hope that they would really be able to give effect to this declaration and absorb a sizeable number of repatriates in other States. For its part, the State Government will do all in its power to help these people.

### **Social Welfare and Social Security**

The establishment of a Pilot Project for the eradication of beggary and an Employment Bureau for the rehabilitation of the physically handicapped persons is an important highlight of the programme for 1968-69. The existing welfare pension schemes viz., old age pension to destitutes, pension to destitute widows and the grant-in-aid to physically handicapped destitutes were rationalised and unified as the “Destitute Pension” scheme. The Planning Board has taken up an evaluation of the social welfare projects and on receipt of its Report, Government will be taking steps for the re-organisation of the entire set-up.

### **Registration**

The system of filing copies of documents has been introduced in the Registration Department from 1-1-1968. This has enabled that Department to return the registered documents to parties without delay besides a saving in expenditure to the tune of Rs. 3 lakh per annum.

### **Services**

The continuously rising prices are affecting to a great extent the Government employees at all levels. Considering the fact the Government of India have approved the principle of increasing the dearness allowance whenever there is a ten-point increase in the cost of living index. The claim that this principle should be applied to the State Government servants is also reasonable, but the State Government has no capacity to increase the dearness allowance continuously in accordance with the rise in prices. Hence this Government had requested the Central Government just like other State Governments that the amount required for increasing the dearness allowance should be subsidised by the Centre, but the reply from the Centre has not been favourable.

Even before this Government got a reply from the Centre, the decision was taken to increase the dearness allowance, but, after that decision was taken, twice there has been increase in the dearness allowance allowed by the Centre. This Government has also increased the rates of dearness allowance of their Government employees, on a par with the first increase. The increases already allowed cost a sum of Rs. 8.00 crore to the State exchequer. For this purpose, a sum of Rs.10.36 crore has been provided in the next year's budget.

The State Government has not been able to increase the dearness allowance of their Government employees on a par with the latest rise given by the Central Government to their employees. No provision has been made in the Budget for any further increase of dearness allowance that may be given by the Centre. It is clear that whatever decision is taken in this respect should be in consideration of the financial position of the State.

As in the case of dearness allowance, in respect of other matters also, the Government have been quite considerate to their employees. Steps are being taken to solve the many problems arising out of their service conditions. Some of the important steps taken are mentioned below:

(a) In the matter of recognition to Service Associations and in giving them all facilities for settling their demands and complaints, Government have taken a very liberal attitude. Directions have been issued governing the transfer of those who are concerned with the Associations and who are elected, as the Office-bearers of the Central Associations. Facilities have been ordered to be given to those who attend to the work of the Associations without detriment to their official duties.

(b) Procedure to be adopted in examining individual complaints and remedying them is under consideration. As a part of this, all Departments have been asked to revive the Staff Councils.

(c) No legislation has yet been passed in accordance with Article 309 of the Constitution regarding the service conditions and the conduct rules of Government servants, in any of the States. Steps are being taken to prepare this. While giving shape to this, the views of the Service Associations will be invited and considered. Necessary changes are being made in the relevant rules for avoiding complaints of Government servants in all cadres in the matter of their promotions.

Mention may also be made regarding the pay scales of employees. Many categories of Government servants have put forth representations that the scales of pay adopted on the recommendations of the Pay Commission have not been just in respect of them. Many of them are resorting to open agitation. In respect of these matters, Government have considered all the aspects, and have come to the decision that it is not possible to go in for a revision of pay at this time. If a revision of pay is ordered in respect of one category, naturally it will have a reaction on the other categories. However, a Special Officer is examining the anomalies that have occurred in the last pay revision. On receipt of his report, necessary changes will be made.

Besides, some steps that would give relief to the low grade employees without any change in their scales of pay are under consideration. It is expected that the decisions could be announced in a few days. As regards the Police Department, some changes have already been effected on these lines. The House Rent Allowance has been increased. The cut of 20% in travelling allowance has been lifted. Increase has been allowed in the smartness allowance and in some other similar items. The casual leave has been raised from 15 to 20 days. Some other proposals are under examination. Housing and such other problems are being considered subject to the financial limitations.

Government are trying to improve the service conditions to their maximum, subject of course, to their financial capacity. I hope that the employees will realise this fact and work with efficiency and honesty. I also hope that the employees will realise that, what they receive as salary and allowances is that which is realised from the tax payer, and that they are bound to serve the Government faithfully in consideration of this.

In this connection, another fact which has to be mentioned is regarding the steps that are being taken against corruption. Steps are being taken promptly against officers suspected of corruption and whenever necessary, suspension pending enquiry is also being ordered. This, as well as the legislation against corruption at political levels, will, it is expected, pave the way for a clean administration.

**Treasuries**

Necessary provision has been included in the next year's budget for starting two new Sub Treasuries, one at Pattambi and the other at Nedunkandam in Udumbanchola Taluk.

**WAYS AND MEANS**

In the foregoing account, I have touched only on the more important activities and that, only of a few departments to which I wanted to invite the particular attention of the Honourable Members. In fact, adequate provision has been made for all the departments to carry on not only their day-to-day administrative activities but also the development programmes indicated for them. I shall now conclude after summing up the State's ways and means as set out in the Annual financial statement for 1968-69 that has been presented to the house.

As at the end of March 1969, the position would be as follows:-

	<i>(Rs. in crores)</i>
Opening cash balance	.. (+) 0.36
Deficit on Revenue account	.. (—) 13.68
Capital Expenditure	.. (—) 18.79
Loans and Advances by the State Government (Net)	.. (—) 14.42
Inter State Settlement (Net)	.. (—) 1.78
Net accretions under other debt heads	.. (+) 30.31
Closing Cash Balance	.. (—) 18.00

We cannot obviously leave this order of deficit uncovered as we would find ourselves in ways and means difficulties during the course of the year, necessitating overdrafts from the Reserve Bank of India. This would give rise to a situation in which the Centre would find it possible to cause embarrassments and difficulties to the State Government in the free exercise of its powers. Prima facie, the minus cash balance of Rs.18 crore will reduce itself to Rs.2 crore, if the State Exchequer could be relieved of the overwhelming burden of food subsidy. A deficit of Rs. 2 crore is not anything abnormal as it could be made to a large extent by measures of economy. The measures of economy proposed by the Administrative Re-organisation and Economy Committee (Vellodi Committee) in respect of the Departments of Police, Animal Husbandry, Dairy Development, Forests, Printing, Stationery, Labour, Factories and Boilers, Indigenous Medicine including Ayurveda Colleges, Civil Supplies, Collegiate Education, Technical Education, Industries & Commerce,

Employment and Training have already been considered by Government and orders are under issue. Some of the more important recommendations of that Committee for economy are still awaiting final decisions.

The Inspection Wings recently constituted in the Finance Department are doing useful work in preventing leakages of revenue and speeding up revenue collection besides ensuring proper utilisation of budget allotments by checking financial improprieties and irregularities. This would also lead to some economy.

The Budget estimates for 1968-69 as presented to the House do not take credit for any new taxes. While the need for augmenting the resources at the command of the State is keenly felt, Government also realise that the existing tax structure, as a whole, has to be rationalised in order to avoid undue strain on the weaker economic classes of the society. Accordingly, Government have appointed a Taxation Enquiry Committee with Dr. Thavaraj, a well known Economist as Chairman and eight other members, with very wide terms of reference to go into all aspects of taxation at State level and allied matters. Government consider that though the scope for fresh taxation by the State under the existing Federal Financial set up is rather limited, it would be possible to introduce an element of greater progressivity in the process of rationalising the present tax structure of the State. It has been suggested that the existing Agricultural Income Taxation admits of a revision, equalling the rates thereof with the Central Income-tax and that this would be a potential source of additional revenue. Now that the Taxation Enquiry Committee is seized of the matter, I do not venture to place any scheme for introduction of new taxes or for stepping up the rates of existing taxes. On the basis of the findings of the Committee, Government would take up the question and approach the House with definite proposals in this regard.

You might remember that I had visualised a few measures for tapping sources of non-tax revenue for the State, when the current year's budget was presented in June 1967. Some of them are now fait accompli the others being under different stages of materialisation. I would like to make special mention of the following in this connection:

(1) *State Lotteries*

The scheme stands implemented. The conduct of lotteries by Government is a pioneering attempt in the country. The draw relating to the first series is over. The second series has been announced and the date of its draw is 25-3-1968. The scheme contemplates the conduct of Government lotteries in continuous series, one after another. Each series is related to a specific item of nation building service, so that the philanthropic spirit it might evoke could be harnessed for public purposes. Judged by the results of the first series of Government lotteries, the scheme has

had a popular appeal and elicited enthusiastic response both in and outside the State. Setting off the working expenses, the net yield to the State Exchequer from the first draw amounted to Rs. 6.75 lakh.

(2) *General Insurance*

The scheme has been sanctioned to be implemented from 1st March 1968. With the collaboration of the Life Insurance Corporation of India, the State Insurance Department will provide cover for almost all kinds of risks coming under Marine and Miscellaneous Insurance. Such insurance in respect of all properties under the direct or indirect control of Government will be placed cent per cent with the State Life Insurance Department. All undertakings in the public and private sectors in which Government hold financial interest will come within the ambit of the scheme. The Life Insurance Corporation will be the sole insurer of all business surplus to what is retained by the State Insurance Department, with the exception of Fire Insurance which the Department has already been doing on its own. The entire servicing of business under the scheme will be undertaken by the Life Insurance Corporation on behalf of the State Insurance Department. The net accretion of funds in the Public Account on account of the scheme of General Insurance will, on a conservative estimate, be of the order of Rs. 15 lakh per annum.

(3) *Government Chitties*

The Special Officer appointed for drawing up a comprehensive scheme for the conduct of chitties under State auspices has submitted his report on the subject. It embodies a scheme in complete shape for starting Government chitties. The proposals of the Special Officer are under the consideration of Government and it is expected that final decision will be taken very soon.

The National Council of Applied Economic Research has in its report on "Techno-Economic Survey of Kerala" observed that the overall picture with regard to tax receipts is one of tardy growth. Without a steady increase in non-tax revenue, the State would find it hard to obtain a sizeable balance on Revenue Account. The conservation of financial resources to cope with the ever increasing demands on the administration is becoming more and more difficult in the present context of general recession, spiralling prices, shortage in food supplies, low rate of capital formation and increased unemployment, which fetter the development of State economy. I am therefore inclined to think that without a radical change in the mobilisation and husbanding of our economic resources, the financial administration of the State will reach a critical stage. The more I have thought of it, the more I am convinced that Government should enter the field of commerce and trade, so that without the sting and strain of additional taxation, they could find the wherewithal for discharging the

duties and obligations arising from their role in a welfare State. Accordingly, a few schemes by way of commercial enterprises of Government are being investigated for implementation as early as possible. The schemes worth mentioning in this connection are:—

(1) *Hire Purchase Scheme:*—

One important scheme capable of earning revenue is hire purchase. Motor vehicles, cycles, machines, refrigerators etc. will be made available to the citizens through this scheme. It is estimated that there will be a good income to Government through this scheme. Details are being worked out.

(2) *Pharmaceuticals:*—

Kerala uses about 10 crore worth of medicines a year. The major portion of this is got from outside. Pharmaceutical industry is in its early stages in Kerala. Hence this industry has much possibility of expansion. Government have decided to get a Project report prepared for starting a pharmaceutical industry in the public sector.

(3) *Cardamom cultivation:*—

Cardamom cultivation is yet another profitable scheme which could be implemented under Government auspices. It is known that sufficient and suitable areas are available for this cultivation in Government reserve forests. It has been decided to start cardamom cultivation as a Plan scheme. Next year it is proposed to cultivate 1000 acres. This area will be progressively expanded in the following years. We will be able to control the world market for cardamom through this scheme. This will be an asset to the State exchequer, three years after planting. Rs.150 lakh per annum is expected if 10000 acres are cultivated.

(4) *Sugar industry:*—

The two sugar mills in Kerala which have substantive investments of Government funds are now working at a loss. The main reason is want of adequate supply of sugarcane. There is also one factory in the private sector over and above the two factories in the public sector. This is also placed in a similar situation. If all these factories are to work to their full capacity 520000 tonnes of cane is required. If this cane required could be produced here, these factories can be worked with profit. It is understood that the State and the Central Governments will receive a sum of Rs.1.50 crore as taxes and duties when the scheme is fully worked. As a preliminary step, a scheme for cultivation of cane under the control of the Mills or directly by Government is under consideration.

(5) *Marketings of Forest Produce:—*

The extraction of timber and other forest produce through contractors entails loss to Government. If the Government undertakes this work direct, it would be possible to execute the work scientifically and avoid loss to the forest wealth at the same time making it more profitable. The requirements of wooden materials for buildings are increasing. Wood materials for house building etc., can be manufactured and sold. Teak, Rosewood etc., coming from the forests are being exported to countries like Germany, Japan and Italy. The traders actually make huge profits. A large majority of this wood comes from our forests. Apart from Teak and Rosewood, there is a good market in foreign countries for other kinds of wood also. If the Government could embark on this field, it would be possible to make good profits.

For the working of this scheme, a Forest Produce Marketing Corporation will have to be formed, or the work entrusted to a Commercial Corporation. A scheme is being prepared in this behalf.

These schemes could be finalised for execution during the Fourth Plan and will be a permanent source of large income to Government. .

**Minimum Pension**

Many of the pensioners are in a sad plight on account of the increase in the cost of living. While the dearness allowance has been increased in respect of State Government servants, these concessions have not been made admissible to the low-paid pensioners. Government's financial position does not allow any increase in the pension amount. The condition of many of these pensioners is pitiable. That was why in the last year's budget the minimum pension was raised to Rs. 30. Government are convinced of the necessity to give some relief to the low-paid pensioners and will consider the possibility of raising the amount from Rs.30 to Rs.35.

Government consider that some encouragement should be given to Arts and Artists. Though the financial position is not favourable for any large scale assistance being extended to them, as a beginning, Government propose to institute an award for the best Malayalam Film and the best Malayalam film and Malayalam drama.

**Encroachments**

. Encroachment of forest and poramboke lands is a complex problem as far as Kerala is concerned. The previous Governments have attempted to solve this problem but have not been able to take any firm decisions. During the President's administration, the Consultative Committee of Parliament appointed a Sub Committee to go into this question and submit a report to Government. Certain

decisions had also been taken on the report of this Sub Committee. The present Government have reconsidered the matter. Their decisions will be implemented soon.

I would like to mention once again the decision of the Government to exempt from basic tax up to 2 acres of land, even though this entails loss of revenue of a substantial amount.

### **Conclusion**

Let me, Sir, now conclude. I have attempted to give the House as faithful and accurate a picture of the State finances as I could. The State economy has a long way to go to reach the self-sustaining stage at which it can generate further resources for development. The per capita income of our people is much lower than the All-India average. Capital formation in the State is at a low ebb. The scope for raising resources either by the conventional means of taxes and public loans is naturally limited. But the Government's functions are of an expanding nature and the demands for providing essential, social and economic overheads make an increasing toll on its limited resources.

Special mention has to be made of certain other matters. The Central Government should initiate necessary steps for increasing food production which deserves immediate attention, as far as Kerala is concerned. Similarly, unemployment is also an acute problem. For solving this, more industries have to be started here. The State Government are ready to extend their helping hand to find a solution to these problems. It is necessary that Central Government also should do its best. The people also should extend their unstinted co-operation to the Government in its ventures.

Possibly we might have to pass through many trials and tribulations to steer clear of the various difficulties ahead. But there is no room for despair or despondency. Whatever may be the differences in our ideologies and outlook, whatever may be the differences in our policies and programmes, we are all, I believe, animated by a common aim to work for the welfare of the State and prosperity of the people whom we represent, thereby contributing our quota to the strength and solidarity of the Nation. I therefore feel confident that given goodwill and co-operation of all sections of the House, we can and will do better and better.

I commend the budget estimates for 1968-69 to the House. I hope to benefit the constructive and helpful suggestions that may be given to Government by Honourable Members.

I am thankful to all those who were connected with the preparation of this Budget.