



BUDGET SPEECH FOR 1969-70

SHRI P. K. KUNJU

8th February, 1969

Sir,

I rise to present to the House the budget estimates of the State for the year 1969-70.

On this occasion, when we are entering the third year of the term of our Office, after surmounting the various handicaps and difficulties incidental to a multi-party coalition Government. I would, before entering into the details of the budget, mention certain unexpected and unforgettable events, which were painful. The demise of one of our esteemed and competent colleagues in the Council of Ministers, I mean late Shri Ahamed Kurikkal, a patriot in every respect, was an irreparable loss to the State. The other was the bereavement due to the expiry of an outstanding personality in the political sphere, namely, Shri Kunhiraman Master, who was a member of this Legislative Assembly. His death too is a great loss to the State. Yet another mournful event was the passing away of Shri Annadurai, the Chief Minister of our neighbouring State of Tamil Nadu. He was the beloved leader of millions of people. His untimely death was an irretrievable loss not only for Tamil Nadu but also for all the States in South India.

The coalition Governments which came into power in certain other states in India simultaneously with the assumption of office by the United Front Ministry here could not survive long, rather they were not allowed to survive. As a result, midterm election is now taking place in four States in this Country. No doubt, this Government had also to face or deals arising out of adverse circumstances. But in tackling such situations and solving the problems involved, the parties concerned, the Council of Ministers and above all, our Chief Minister have been quite successful. Let me make use of this opportunity to declare emphatically that this United Front Ministry that has come into power under the mandate of the electorate is determined to carry on the administration for the full term of five years.

Review of Economic Conditions

The presentation of the annual budget provides an opportunity for a review of the economic conditions of the year that form the back ground against which the budget for the coming year has been given shape. Let me, therefore, refer briefly in

this context to the main trends in the State economy during the year now drawing to a close. The floods we had in July last wrought havoc of an unprecedented magnitude. It affected all the districts except Trivandrum. About 2 lakh acres of paddy crops and 54,000 acres of other crops were damaged, and in terms of inputs, the agriculturists in the State suffered a loss of about Rs. 7crore. Government have readily and unstintingly helped the people in distress by organising relief operations, wherever necessary. A Flood Relief Fund was constituted in this connection. In response to the appeal made by our Chief Minister, people in and out of Kerala contributed their mite to the Fund, which has now a balance of over Rs.11 lakh. As a result of the combined efforts of Government and the people, the State economy has made a speedy recovery, especially in the agricultural sector. In fact, there has been a noticeable progress in agricultural production during the year 1968. Compared with the previous year, the total cropped area in the State increased by 135000 hectares in 1968 due to double or multiple cropping. In 1967-68, rice production in the State increased by 1.24 lakh tonnes and in the case of tapioca, production went up by 7.88 lakh tonnes. Increased production was also recorded in respect of cocoanuts, arecanut, rubber and bananas. While pepper production remained at the same level, there was a marginal decrease in the production of tea. With regard to Fisheries, there was an increase of 4% in production and 31% in value. Generally speaking, food situation in the State was less severe in 1968 than in the year before.

The number of factories in Kerala increased from 2827 in the previous year to 3078 (as on 30th September 1968) and factory employment improved slightly during the same period. But actually there was a general worsening of the employment position due to larger accretion to the labour force, besides displacement of labour in some of the traditional industries like Beedi industry. The working class consumer price index for the State rose by 53 points in 1968, while the wholesale price index of agricultural products registered an increase of 33 points.

Exports from the ports of Kerala increased considerably, that is to say, in terms of value it stood at Rs.145 crore in 1967-68 as against Rs.137 crore in 1966-67. The exports from this State now account for about 12 per cent of the total exports of the country.

Fourth Five Year Plan

Let me submit at the very outset that the Budget for 1969-70 now placed before you carries with it an element of uncertainty, as the Fourth Five Year Plan is still pending finalisation by the Planning Commission and the Government of India and as the Fifth Finance Commission's final award will be made only by July this

year. The State Plan Programme has necessarily to be formulated and implemented within the framework of the All India Plan. The Planning Board constituted by this Government a year back, has completed its initial study of our basic economic problems and drawn up the draft outline of the State's Fourth Plan, which was discussed in this House a few days ago. It embodies a distinct strategy of development for the State, taking into account its special requirements and the pattern of resources potential, both physical and human. A series of discussions were held by the Chief Minister with the Planning Commission to have the State's Fourth Five Year Plan finalised to enable its implementation in right earnest from the commencement of the next financial year that is intended to be the first year of the re-phased Fourth Five Year Plan. But we are still left to grope in the dark as the Planning Commission has not yet completed its exercises in the allocation of outlays as between the Centre and the States and the resources therefor. Of course, the National Development Council has taken certain decisions regarding Central assistance to the State Plans, which among other things allow a little weightage to the problem of low per capita income in less developed States like Kerala. This will, however, bring only a marginal benefit in relation to the investment requirements to make up our Lee way in economic development. We have already placed before the Planning Commission the estimate of fiscal resources that we could possibly raise internally for Plan implementation. Inadequate as it is, we have stressed that the internal resources of the State should not be the main determinant of the size of our Plan. It is our contention that instead of treating the quantum of Central assistance to State Plans as a residual factor to be fixed after making provision for the various schemes of Central Ministries, it should be most effectively allocated with due regard to the relative resources potential of the Central and State Governments under the Constitution. The Fourth Five Year Plan being in the state of flux, we have under compulsion of circumstances conceived our development programme for the coming year through an adhoc Annual Plan as in the years from 1966-67 to 1968-69. Here also, we do not have a firm basis as no commitment has yet been made by the Government of India in regard to the quantum of Central assistance and its pattern, particularly in respect of the schemes retained under the Centrally Sponsored category. At the Annual Plan discussions with the Planning Commission, it was just indicated that the State Government may expect a Central assistance of Rs. 31.10 crore for the State Plan next year. But we have, in turn pointed out that unless the Central assistance is substantially stepped up, it will not be possible to maintain the tempo of development even at the present level. As matters are, we could budget for

only an Annual Plan outlay of Rs. 37.17 crore, taking into account the level of Central assistance indicated by the Government of India and the internal resources available. Compared with the total Plan expenditure of Rs. 46.60 crore shown in the revised estimate for the current year, this entails a reduction of Rs. 9.43 crore. It will thus be seen that the Annual Plan of the State for the coming year embodies in the Budget for 1969-70 is based on certain tentative indications and therefore, it is likely that the position may change—a change which I hope will be for the better.

Fifth Finance Commission

The appointment of the Fifth Finance Commission by the Government of India in March 1968 is an event of significance to State finances. As the House is aware, the devolution of Central taxes and duties and grant-in-aid of revenues of the State under Article 275 of the Constitution for the next five years are dependent on the recommendations of this Commission. After Preliminary discussions with the State Governments, the Fifth Finance Commission has made an Interim Award to the States for the year 1969-70 and in doing so, it has clearly stated that except in regard to estate duty and grant in lieu of repealed tax on railway passenger fares the allocation and distribution of the major item of divisible Central taxes viz., Taxes on income other than agricultural income and Union excise duties and grant in aid under Article 275 of the constitution are only provisional while the share of Kerala in the distribution of the proceeds of estate duty and the grant-in-lieu of repealed tax on railway passenger fares is fixed at 3.93 per cent and 1.78 per cent respectively as against 3.92 per cent and 1.85 per cent under the Award of the Fourth Finance Commission, the devolution in respect of income tax, Union excise duties and grants-in-aid for the ensuing year will continue at the current year's level. We feel sore that under the Interim Award of the Fifth Finance Commission, the State has not secured any additional resources, notwithstanding the crushing burden of committed expenditure arising from the schemes implemented as part of the three Annual Plans from 1966 to 1969. No wonder, the Budget Estimate for 1969-70 presented to the House disclose a substantial deficit on revenue account.

Estate duty and grant in lieu of repealed tax on railway passenger fares in respect of which the Fifth Finance Commission finally fixed the shares of the States are comparatively minor items in the scheme of federal fiscal transfers. The bulk of devolution of Central revenues to the States is from Income tax, Union exercise duties and grants-in-aid. It is a matter of crucial importance for the financial viability of Kerala that the Finance Commission should be convinced of the need for a comprehensive estimate of the fiscal needs of the State with due appreciation of the magnitude and immensity of the problems facing it. No doubt, we have presented detailed memoranda to the Finance Commission, making out the case of Kerala for

a fair deal. The sum and substance of our representations is that an integrated approach should be made for evolving a scheme of devolution, whereby the gap between the ordinary revenues of the State and its normal inescapable expenditure should be met by the sharing of taxes and duties, grants-in-aid being given under Article 275 of the Constitution, in the form of general and unconditional assistance for the special burdens and peculiar problems of Kerala. Last month the commission visited Trivandrum to have discussions with the state representations on the points raised in the memoranda presented by us and to take evidence from interested non officials , I am glad to say that apart from the discussion at the official level, representatives of Several Political parties met the commission and gave evidence reinforcing our case for a larger share in the Income Tax and union exercise duties and substantial grants in aid under Article 275 of the constitution. We have in this connection impressed on the Commission the need for a re-appraisal of the financial provisions of the Constitution in the light of the experience gained during the past two decades of federalism. We hope that on the basis of the report of the Fifth Finance Commission, the fiscal relations between the Centre and the States would be placed on a more satisfactory and equitable basis.

I shall now deal with the accounts for the last year and the revised estimates for the current year before passing on to the budget estimates for the next year.

Accounts 1967-68

The accounts for 1967-68 disclose a revenue surplus of Rs.1.54 crore, against the anticipated surplus of Rs. 3.34 crore. This deterioration was due to increase in expenditure to the extent of Rs.1.07 crore and a shortfall of Rs.0.73 crore under revenue receipts. The shortfall in revenue receipts occurred mainly under Land Revenue (Rs. 24 lakh), Stamps (Rs. 14 lakh), interest receipts (Rs.129 lakh), Irrigation (Rs.11 lakh) and grants from the Central Government (Rs. 231 lakh). These shortfalls were however partially offset by increased receipts under Agricultural income tax (Rs. 52 lakh), Sales-tax (Rs.73 lakh), Police (Rs. 37 lakh), Medical (Rs. 23 lakh), Public Health (Rs. 22 lakh), and Forest (Rs.94 lakh). On the expenditure side, increase was recorded under Land Revenue Debt services, Police, Medical and Public Health, Education, Agriculture and Irrigation. Under capital account, there was an increase of Rs. 67 lakh mainly on irrigation works and schemes of Government trading. There was only a marginal shortfall of Rs.21 lakhs under net disbursement of loans and advances. The transactions under debt, deposit, and remittances resulted in a net credit of Rs. 29.18 crore as against the revised estimate of Rs. 30.91 crore. The shortfall was mainly under Loans from the Government of India and net receipts under Unfunded debt. The overall result of the transactions during the year was a deficit of Rs. 2.93 crore and the year ended with a minus cash balance of

Rs. 3.62 crore. This minus cash balance did not, however, involve any overdrawl from the Reserve Bank of India, as we had treasury bill holdings of the order of Rs. 9 crore at that time.

The Revised Estimate 1968-69

The revised estimate of revenue for the current year is fixed at Rs.132.02 crore recording an improvement of Rs.1.02 crores over the budget estimate. The improvement is the net result of increased receipts under share of Central taxes and duties (Rs.1.40 crore), Sales-tax (Rs. 53 lakh), Agricultural income-tax (Rs. 52 lakh), Forest (Rs. 40 lakh), State Lotteries (Rs. 35 lakh), and receipts from the newly formed Water Transport Department (Rs. 21 lakh). These increases have been partly offset by shortfalls under tax on passengers and goods (Rs. 80 lakh), Interest receipts (Rs. 137 lakh) from Electricity Board and Government Industrial concerns and grants from the Government of India (Rs. 63 lakh).

The revised estimate of expenditure on revenue account is placed at Rs.136.56 crore, entailing a decrease of Rs. 8.12 crores against the budget estimate of Rs.144.68 crore. The decrease is mainly on account of the fact that, as against the provision of Rs.16 crore made in the budget for food subsidy, the revised estimate provide for only Rs. 3.11 crore, consequent on the withdrawal of food subsidy from July 1968. But this Saving has been neutralised to some extent by increased expenditure on account of grant of Central rates of Dearness Allowance to State Government employees with effect from 1-6-1968 and the revision of scales of pay of low paid employees with effect from 1-4-1968. The expenditure on travelling allowance has also recorded an increase consequent on the revision of the rates of mileage allowance and daily allowance of Government servants. Due to unprecedented floods in July last, an expenditure of the order of Rs.104 lakh was incurred towards relief operations and on relief works against the budget provision of Rs. 7.32 lakh. Under public works increased provision has been allowed for maintenance and repairs, particularly, for repairs necessitated by flood damages. There is, however, a reduction in expenditure on Plan Schemes, as the Plan outlay approved by the Planning Commission was lower than our budgeted outlay.

The capital expenditure outside the revenue account budgeted for the year was Rs.18.80 crore, against which the revised estimate is only Rs.15.11 crore. This is also mainly due to the reduction in the Plan outlay. As a result of the economy orders issued by Government a short fall is anticipated in the expenditure on non-plan capital works. The account adjustments relating to conversion of the share capital of Rs. 60 lakh in the Travancore Titanium Products Ltd., into loan will also contribute to the estimated shortfall in expenditure under capital account.

Under "Loans and Advances", the revised estimate indicates only a marginal increase of Rs. 89 lakh over the budget estimate. A reduction of Rs. 2 crore has been effected in the loan to the Kerala State Electricity Board which has been offset by increased loan disbursements to Kerala State Road Transport Corporation, Travancore Titanium Products Ltd., Travancore-Cochin Chemicals Ltd., loans to cultivators affected by floods etc. Under public debt, the budget estimate took credit for an open market loan of Rs. 4.50 crore against which the Government actually raised a sum of Rs. 5.30 crore. Under loans from the Government of India, an increase of Rs. 117 lakh is estimated due to release of arrears of Central assistance for Plan schemes relating to previous years and loans for flood relief measures. In the budget estimates we took credit for a receipt of Rs. 7 crore on account of encashment of treasury bills, against which a receipt of Rs. 9 crore on this account is reckoned in the revised estimate in as-much-as our treasury bill holdings have been fully depleted by the beginning of October 1968.

The over-all deficit estimated during the current year is Rs. 3.4 crore. The year opened with a minus cash balance of Rs. 3.62 crore. Thus the total deficit at the end of the year will be of the order of Rs. 7.02 crore.

BUDGET ESTIMATES 1969-70

Revenue

It is estimated that the total revenue receipts for the year will be Rs. 135.27 crores, which exceed the revised Estimate for the current year by Rs. 3.25 crores. Additional revenue is anticipated on account of the devolution of Central taxes and duties on the basis of interim recommendations of the Fifth Finance Commission. Under State taxes and duties, it has been assumed that additional revenue will accrue under Land Revenue (Rs. 31 lakh), Sales-tax (Rs. 162 lakh), and Tax on passengers and goods (Rs. 70 lakh). Taking into account the possible working results of the Kerala State Electricity Board during the current year, it is assumed that the Board will be able to pay Rs. 375 lakh towards interest due to Government. Consequent on the abolition of fees in Standards IX and X, loss of revenue to the extent of Rs. 130 lakh is estimated under "Education". Increased receipts have also been anticipated under "Forests" (Rs. 23 lakhs), "Medical" (Rs. 16 lakhs), "Agriculture" (Rs. 29 lakhs), "Animal Husbandry", (Rs. 10 lakhs) and from the "State Lotteries" (Rs. 25 lakhs). The central assistance for the State Plan is taken at Rs. 31.10 crores. Since the pattern of the Central assistance during the Fourth Plan has not yet being finalised, the allocation between grant and loan of the central assistance has been tentatively assumed at Rs. 8 crores and Rs. 23.10 crores respectively. Besides, a sum

of Rs. 3.18 crores has been taken credit for towards Central assistance for Centrally Sponsored Schemes, of which Rs. 2.33 crore is taken as grant and the balance as loan. Thus, the over-all Central assistance assumed for next year is of the order of Rs. 34.28 crore.

Expenditure

The expenditure on revenue account is estimated at Rs. 146.70 crore, which records an increase of about Rs.10 crore over the revised estimates. This includes a provision of Rs. 3 crore for food subsidy and Rs. 2.50 crore for grant of enhanced rates of Dearness Allowance to State Government employees. The maintenance expenditure in respect of completed Annual Plan Schemes amounting to more than Rs. 7 crore has been budgeted for. The revenue account shows a deficit of Rs. 11.43 crore. The capital expenditure outside the revenue account is estimated at Rs. 12.07 crore, showing a decrease of more than Rs. 3 crore over the revised estimate. The net disbursement of loans and advances is estimated at Rs. 11.50 crore.

ANNUAL PLAN 1969-70

The estimate outlay on State Plan Schemes next year is Rs. 37.17 crore. In drawing up the schematic outlay for next year, requirements of consolidation in the sense of early completion of spill-over schemes, especially those yielding quick results have received priority as against the costly schemes having long gestation periods. Schemes involving additional staff have been avoided to a large extent. Further, a large number of schemes which have not had any impact on the economy or the public, the benefit of which was not reaching the contemplated beneficiaries or which imposed burden on the administrative machinery disproportionate to the doubtful results produced, have been deleted. For operational manoeuvrability and in the interests of conceptual precision, a large number of schemes which are similar in content or objectives have been clubbed together. Scheme-wise allocation for the Plan schemes and the write-up relating to each scheme are furnished in the publication "First year's programme, 1969-70, Fourth Five Year Plan 1969-74".

I shall now briefly deal with the salient features of our expenditure programmes, as budgeted for the coming year.

Agricultural Production

As every one knows, the biggest problem facing us is our chronic shortage in foods grains, though both in agricultural productivity and land utilisation, the State tops the list among the Indian States. This chronic food deficit is mainly due to extensive cultivation of cash crops. Twenty per cent of our agricultural land is utilised

for coconut cultivation. Ninety eight per cent of rubber produced in India is from Kerala and in the production of cardamom and pepper in India, we have a near monopoly. Any change in the existing pattern of land utilisation in the State will be disastrous even to the national economy, since most of our cash crops are valuable foreign exchange earners for the country as a whole. Instead of extending the area under rice- the staple food crop of the State – we have necessarily to resort to other methods for maximising our food production. This has become a matter of crucial significance due to the risks in depending on the Centre and other States for our food supply. Thanks to the advance of science and technology, the goal of self-sufficiency in food production does not now seem to be unattainable. Intensive cultivation of paddy and popularisation of modern agricultural practices will go a long way in this direction. Prevention of flood havoc and ingress of salt water by construction of permanent bunds will enable double and triple crop in areas where a single crop alone is raised now. Cultivation of high yielding strains of paddy to the maximum extent possible, mechanisation of agriculture within the shortest period, expansion of irrigation facilities and optimum utilisation of chemical manure are some of the essential items in a production campaign aimed at self- sufficiency.

Our efforts to secure institutional credit to put up permanent bunds in water logged areas have met with partial success. To start with, the Agricultural Refinance Corporation has agreed to render financial assistance for putting up permanent bunds in 30,000 acres of kole lands in Trichur and Palghat Districts. It is heartening that the staff and students of the Engineering College, Trivandrum, have volunteered to undertake the preparation of estimates for these works after necessary investigations. We hope that they will do it during their summer vacation.

It is true that our attempt at popularisation of “Tainan.3” was not a success as the quality of that rice was such that it could not compete with other varieties in the market. On the other hand, IR.8’, which was introduced last year got a ready response from the cultivators. In fact, the biggest propagandists for popularisation of IR.8’ were the students. Today in some of the districts nearly fifty per cent of paddy lands has come under this high yielding variety of paddy. The application of chemical fertilizers and pesticides has become very popular among the cultivators. But there appears to be a lack of general awareness about the essentiality of soil test for economic and purposeful utilisation of chemical manures. We have already three Departmental soil testing laboratories at Pattambi, Alleppey and Agricultural College at Vellayani, Trivandrum. Arrangements have also been made for soil testing in twelve science Colleges in the State.

The difficulties caused to the small scale agriculturists consequent on the stoppage of subsidy on pump sets have come to the notice of Government. Such steps as are necessary in this matter will be taken by Government.

An Agro-Industries Corporation has recently been brought into existence with the object of promoting mechanisation of agriculture in the State. The Corporation will arrange for the supply of tractors, tillers, pump sets etc, to the agriculturists on hire-purchase system. These mechanical equipments and appliances will also be hired out for the use of cultivators. It is intended that the Corporation should organise the production of agricultural implements as also poultry, dairy and fishery equipments to the extent possible. But this will necessarily be at a later stage in view of the time factor.

It is a well-known fact that small holders dominate the field of agricultural production in the State. It is not only difficult but uneconomical to conduct cultivation on modern lines of small holdings as independent units. Already in the matter of pumping, spraying of pesticides etc. the cultivators in contiguous areas are coming together voluntarily and this tendency has to be encourage for bringing down the cost of production. With this in view, it is proposed to formulate under the State's Fourth Plan a scheme for organising paddy cultivation on "yela" basis. There is not much land left out in this densely populated State for reclamation. Nevertheless, some of the shallow "kayal" lands could be reclaimed for cultivation, though that will require an appreciable outlay. In the interest of food production, it should be our endeavour to reclaim as much of shallow "Kayal" areas as possible during the coming years on a phased programme. We have already started reclaiming 1,200 acres in Kayamkulam Kayal and this year; an area of 300 acres has been brought under cultivation. The yield has been encouraged and it justifies the hope that when the work is completed, there will be an adequate return from the investment. Similarly, another area of 350 acres in Paravoor Kayal is being reclaimed and a part of it has become cultivable. It is our intention to reclaim 3,000 acres in Vembanad lake and 400 acres in Ashtamudi lake during the next year. The scheme for conversion of waste lands in Cannanore district into agricultural lands with the aid of high power tractors and bull-dozers is proceeding apace. These lands belong to private parties and they are being given financial assistance by way of loans at the rate of Rs.200 per acre. Next year this loan assistance will be increased to Rs.300 per acre.

Notwithstanding our food shortage, we cannot afford to neglect our cash and commercial crops, which are of vital importance to the state economy. It is proposed to develop their cultivation on a package programme basis. A 12,000 acre farm will be established at Aralam in Cannanore District with aid from the U.S.S.R. The scheme has been approved by the Government of India and its implementation is expected soon. Besides paddy, important cash crops like pepper and cardamom will be raised there.

In this era of science and technology, the role of research and education in the development of agriculture needs no emphasis. It is true that we have evolved new hybrid varieties of paddy and pepper, but generally speaking we are lagging behind in the matter of research on our main crops. Though the Central Government have set up Research stations for most of these crops they are working in isolation. It is high time that we should have an Agricultural University of our own to enable special attention being bestowed on the application of science and technology for agricultural development by the co-ordination of research, education and extension. The establishment of an Agricultural University in the State is therefore engaging the attention of Government.

Irrigation

The Strategy of development proposed in regard to Irrigation is to complete as speedily as possible all projects which have progressed to some extent, so that their benefits could be availed of for increased production. Accordingly, provision has been made in the next year's budget for all spill-over irrigation projects, namely Periyar Valley, Kallada, Pamba, Kuttiadi, Chitturpuzha, Kanjirapuzha and Pazhassi schemes. I may mention in this connection that our drive towards maximum utilisation of land through double and triple cropping has created new irrigation problems. At present some of our completed irrigation projects like Malampuzha, Peechi, Chalakudi & Neyyar which were conceived in relation to the then existing conditions, cannot fully cater to the needs of the cultivators. Certain improvements are therefore necessary to stabilise their ayacut for which provision is retained in the next year's budget. Moreover, the potentialities for Lift Irrigation will be increasingly exploited by renovation of old irrigation tanks. It is proposed to encourage maximum utilisation of pump-sets by making it possible to operate them cheaply through power supply. Already steps have been taken for the conduct of a survey of our ground water resources and possibly, when the results are available, it will open up new means for irrigation.

For 1969-70 the budget provision for Flood Control and Anti-Sea Erosion works is Rs.15 lakh, and Rs.40 lakh respectively. As in the case of Irrigation schemes, the emphasis is to complete the works already taken up, of course, with a margin for undertaking new works, which cannot be put off. Under Land Development, the construction of regular for at Thanneermukkam is the most important item of work in progress. Barring the erection of shutters. One third portion of the regulator has been completed and now construction of the portion from Vetchoor side is in full swing.

Animal Husbandry and Dairying

Kerala State is the leading poultry producing region in India. Over 4 lakh eggs are being daily sent out of Kerala to other States. Our people have taken to Poultry farming on a commercial scale and the production of eggs is on the increase. Egg powder has a good market both in India and outside. Government have therefore sanctioned the establishment of an Egg Powder Factory at Thiruvalla, with a capacity for processing one lakh eggs into powder. This scheme is estimated to cost Rs.30 lakhs. Because of the bulk consumption of eggs at the Factory, there will be an internal market for the raw eggs produced in the State. The Bacon factory at Koothattukulam referred to in my last Budget Speech has gone into production in January 1969. As regards the Cattle Feed Plant at Malampuzha, civil works are in progress and the erection of machinery, which have already been purchased is expected to start by April 1969. This Cattle Feed Plant and the Hill Cattle Development scheme located at Kanjirappally will form part of an intensive Cattle Development Block to be established with headquarters at Alwaye. The purpose of the Block is the multiplication of a better breed of milch cattle that is hardy enough for agricultural purpose as well. It will be spread over a compact area covering parts of Ernakulam, Alleppey and Kottayam districts.

While the Milk Supply schemes at Trivandrum and Ernakulam are run by the Dairy Development Department, those at Palghat and Calicut are operated in the Co-operative sector. At the request of Government, the Chairman, National Dairy Development Board has conducted a study of the working of Dairy projects in the State and on receipt of his report, the scope for improvement in their working will be examined in detail. The new Milk Supply scheme at Kottayam is expected to be commissioned shortly. It is proposed to start a Milk Chilling Plant at Alleppey as a preliminary step for starting a Milk supply scheme for that town.

Fisheries

It is well known that fishery resources of Kerala have immense Potentialities for development. Already a Master Plan for fisheries development covering a period of 20 years with an investment outlay of Rs. 306 crore has been drawn up. It envisages a five-fold increase in fish production and employment opportunities for ten lakhs of people. This master plan will be discussed with the Government of India as the base in planning for future development of fisheries in Kerala. Meanwhile, Government have under their consideration a scheme for the development of fisheries in three selected areas at Pudiappa-Pudiyangadi, Chowgat and Vypeen, sponsored by the Agriculture Refinance Corporation. A chain of Ice Plants and Cold Storages is proposed to be established along the coastal area of the State. The construction of six Fishing Harbours at Vizhinjam, Mopla Bay, Beypore, Azheekal, Neendakara and Thalai is in progress. A survey of our back waters, including Poorapuzha and Kayamkulam is contemplated with a view to exploring the possibilities for developing new fishing harbours. Excluding the fishing harbours, which come under the category of Centrally Sponsored Schemes, a total outlay of Rs.160 lakh is included in the next year's budget for the schemes relating to fisheries in the State sector.

Co-operation

As the House is aware, the Kerala Co-operative Bill which embodies several new provisions for the advancement of co-operative movement in the State has recently been passed by the State Legislature. It constitutes a land mark on account of the statutory basis ensured for rebuilding and strengthening the co-operative organisations in the matter of resources, personnel and procedures. Lending programmes of the Central Co-operative Banks and Service Co-operatives are being re-oriented for meeting credit requirements of the cultivators. A new procedure is being introduced for simplifying co-operative credit for the benefit of poor ryots. Under the consumer Programme it is proposed to start small departmental stores in a few important towns having a population of over 40,000. A programme is under formulation to mop up local deposits with a view to mobilising additional resources for the Co-operatives.

Community Development

During 1969-'70, 60 Community Development Blocks will be continuing under Stage II, 69 would have passed on their post stage II existence, leaving 15 Blocks alone under Stage I of intensive development. The Applied Nutrition Programme that seeks to improve the nutritional standards of the vulnerable sections

of the people with the aid of international agencies is now implemented in 35 Blocks. It will be extended to some more Blocks during 1969-'70. In fact, our financial commitment on account of the Community Development Programme is on the increase year by year, since under the National Extension Service pattern, the pay and allowances of the staff in Stages I & II blocks and of the entire staff in Post-Stage. II Blocks have to be met by us without any Central assistance. In the interests of economy as well as of administrative efficiency, it has therefore been decided to integrate Taluks and Community Development Blocks as units of administration.

Local Self Government

The District Councils to be constituted, when the Panchayati Raj Bill is placed on the Statute Book will be responsible for Plan implementation at District level. The Panchayats, which form the base of the system, will become more virile due to devolution of additional functions and resources contemplated thereunder. There has been a general improvement in the financial resources of the Panchayats because of distribution of the proceeds of the duty on the transfer of property that was effected in the first quarter of the year. The transfer of resources from the State to Panchayats by way of grants-in-aid provided for in the next year's budget is of the order of Rs.120 lakh.

A Town Planning Trust of 13 members with the Development Commissioner as the Chairman, has been constituted by Government with effect from 2-10-1968 for the integrated development of the Greater-Cochin Industrial Complex. With regard to the Plan schemes under "Urban Development" a total provision of Rs. 22 lakh is made in the next year's budget.

Power

In the annual plan programme for 1969-70 we have made a provision of Rs.13.50 crore working out to 36 per cent of the total State plan outlay. Kuttiadi Project is expected to be commissioned during 1969-70. The various works in respect of Idikki Project are being speeded up with a view to completing its first stage by September, 1972. The work on Edamalayar Project is proposed to be started next year. A comprehensive programme of transmission and distribution comprising construction of sub-stations, installation of transformers and extension of supply lines under implementation will be continued during 1969-70. Our State has made substantial progress in the matter of rural electrification. Investigation of new hydro-electric schemes and Neo-Pallivasal has been completed and that of Adirapally,

Kakkad, Pandiyar-Punnappuzha and Lower Periyar schemes has reached an advanced stage of progress. It is proposed to push through the investigation of the new projects already taken in hand.

While on the subject, I cannot help referring to the paramount importance of ensuring an adequate return from our power projects. The State Electricity Board is our largest public sector undertaking. Over and above the assets worth Rs.23.80 crore transferred at the time of its formation, the State Government have till the end of 1967-68 made capital investment of Rs.81.20 crore as loans to the State Electricity Board. Consistent with commercial principles, the Board has to defray all its working expenses, including interest charges. But as a matter of fact, the accumulated arrears of interest payable by the Board to the State as at the end of 1968-69 will be of the order of Rs. 25 crore. This has badly affected the State finances, the more so, because the money advanced to the Board has come from the loans received from the Government of India which the State Government are repaying with interest. An all out effort should therefore be made by the State Electricity Board to liquidate its interest liability to the State by augmenting its resources in all possible ways.

Industries

Since March, 1968, three major industries, viz., M/s. Toshiba Anand lamps Limited, M/s. Kottayam Textile, and M/s. C.J. Ravel and Company have gone into production. The expansion schemes in respect of Trivandrum Spinning Mills, Trivandrum Rubber Works, Kerala Electrical and Allied Engineering Company and Travancore Plywood Industries have been completed according to schedule. New industrial projects under implementation are the Titanium complex. The Electronic Components Factory of OEN India Limited. Formic Acid Plant of M/s. Periyar Chemicals and the Dry Battery Unit of Toshiba Anand Lamps. The execution of expansion projects of Government Companies like Kerala Ceramics, Kerala Soaps, Titanium Products and United Electrical Industries is also under way. It is an admitted fact that the Rural Industries Projects in Kerala are among the most successful in India. In view of their development potential, we have moved the Government of India to get more Rural Industries Projects allotted to the State. As regards Handloom Industry, the problem of marketing its products through modern well-equipped emporia

is receiving the attention of Government. The small private sector, which is very active in the export field and which has not so far been assisted by Government is now being helped by the newly formed Handloom Finance Corporation. It is expected that the availability of Financial accommodation under the Reserve Bank of India scheme will give a fillip to the decentralised development of textile industry in the State.

Another traditional industry of Kerala, which supports a large labour force, is the Cashew industry, whose problems of procurement of raw material, equitable distribution, fair deal to labour and their continued employment are matters of great concern to Government. Government propose to take effective steps to find solutions to these problems as soon as the Cashew Board makes its recommendations for rehabilitation of the industry.

Departmental assistance for development of traditional handicrafts have now reached a stage where large scale potentialities are indicated through marketing and export. These are proposed to be exploited through the Handicrafts Development Corporation, which will concentrate on inter-State and export marketing, while the Handicrafts Apex Society will devote itself to emporia inside the State. The Coir Industry, which is of unique importance to the state economy, received only scant attention in the past. A comprehensive programme ranging from raw material preparation and procurement to organisational problems and manufacturing sectors in and out of the co-operative fold has now been drawn up by the State Government and discussed with the Planning Commission and the Government of India. We feel confident that with adequate provision under the Plan and by channelling substantial aid through financing institutions, the various problems of coir industry relating to improvements in methods of production, marketing etc., could be solved and a reasonable minimum return ensured to over 7 lakhs of people, who depend on it for their sustenance.

The plight of the beedi workers particularly of Cannanore district, who were thrown out of employment by the closure of some Private Sector Beedi concerns has focussed Government's attention on the need for immediate relief. Steps have already been taken to organise Primary Co-operatives of Beedi workers and through an Apex Co-operative Society, to finance and assist them in the procurement of raw material and marketing of the finished products.

Transport and Communication

The Kerala State Road Transport Corporation is going ahead with its developmental activities. A new department - State Water Transport Department—started functioning from June 1968. It has taken over the State Inland Water

Transport Service previously operated as a Government concern under the administrative control of a Board of Management. Government have received the report of M/s. Indo-Pol Ltd., Bombay, in which they have recommended among other things, the development of Beypore and Neendakara into all-weather ports. The formation of a separate Harbour Engineering Wing for the execution of connected works is currently under the consideration of Government. We have made repeated representations to the Government of India for the conversion of Ernakulam-Quilon railway line into broad-gauge and for the opening of certain essential new railway lines like that to link up Ernakulam with Kayamkulam via Alleppey. It has been agreed that the survey work required will be started during the Fourth Plan period though we want the conversion itself to be completed under the Fourth Plan Programme. The construction of Ernakulam-Kayamkulam link-line is a matter of extreme urgency not only from the point of view of travel facilities for the people of the coastal area, but also for the development of trade and industry in that economically undeveloped region. From the Press reports, it would appear that the Railway Board has vetoed our case for new railway lines during the Fourth Plan period. If so, we would certainly view it as a discrimination against Kerala and against this, it is necessary to organise mass agitations.

Tourism

A provision of Rs. 8 lakhs has been made in the Budget estimates for 1969-70 towards the development of tourism in the State. Kovalam will be developed as an International Tourism Centre with the assistance of the Government of India. Apart from continuing the works relating to the existing Tourist Centres like Thekkady and Malampuzha, the development of new centres like Kumarakom and Thirumullavaram which have considerable tourist potential, has been included in the next year's programme.

We have been pressing the Government of India for the construction of a Civil Aerodrome near Calicut. The Civil Aviation authorities have now selected a site at Karipur for the location of the Aerodrome near Calicut. Action is being taken for the acquisition of land required for the Aerodrome.

Public Works

In our anxiety to find funds for Plan implementation we have not been making adequate provision in the past for maintenance and repairs of the public assets like roads, bridges, etc., with the result that they are now in a state of neglect. To prevent their deterioration, we have included in the PWD budget for the coming year an enhanced provision of Rs.4.50 crore towards maintenance and repairs.

In the Annual Plan programme for 1969-70, spill-over works are given precedence. Very many Public offices are now held in rented buildings scattered at District headquarters and in capital City of Trivandrum. Demands are being made by various Departments of Government to put up buildings for housing their Offices here and there. It would be more economical and convenient if all the Public Offices in a particular area are brought together and accommodated in a single or connected structure. For constructing Public Office Buildings, a provision of Rs. 10 lakh has been included in the next year's budget. The construction of a road-bridge over Baliapattam river, estimated to cost of Rs. 40 lakh has been approved by the Government of India under the West Coast Road scheme. The entire expenditure on this work will be met by them as grant.

During the current year, we have absorbed all full time employees borne on work-charged establishments in the P.W.D. in regular pensionable establishment.

Education

The Education budget of the State has been swelling from year to year. The budget grant under Education for the current year, excluding its building programme, that stood at Rs. 44.52 crore will increase to Rs. 52.12 crore next year. The budget estimate for 1969-70 for buildings relating to educational institutions is of the order of Rs.1.61 crore. This works out to 40 per cent of the over-all revenues of the State estimated for that year. As I said in my last Budget speech, "the time has come for us to consider the mounting burden of Education on the State exchequer".

A noteworthy achievement in the field of Education during the current year is the establishment of Calicut University. It heralds a new era in the development of higher education particularly in the northern parts of Kerala. The new University Act that has recently been enacted is yet another land-mark in this sphere. A Language Institute has been started to facilitate the change over to Malayalam as the medium of instruction for higher education. The House will remember that while introducing the budget for the current year, I referred to our intention to abolish the School fees collected from standards IX and X, the only deterrent consideration being the abandonment of revenue involved. Government have now taken the decision to forego the school fees for Standards IX and X as well, thus making secondary education free in Kerala. This is definitely a step forward in the fulfillment of the directive principles of State policy laid down in Article 45 of the Constitution. No doubt the abolition of School fees in Standards IX and X will result in a loss of revenue to the tune of Rs. 1.30 crore per annum

which the State Government can ill afford to bear at the moment. The question how this could be made up has to be tackled as a part of the larger problem of mitigating the incidence of education on the State exchequer, which I have referred to earlier.

The implementation of education programmes under the Five Year Plans has left a backlog of necessary facilities, of which the lack of proper accommodation is the first and foremost. When Secondary education is made free as proposed the enrolment pressure generated thereby will render the problem more acute. A comprehensive construction programme has already been taken up to provide permanent buildings with necessary adjuncts like urinals, lavatories etc. in substitution of temporary and dilapidated structures as also additional accommodation to cope with increased enrolment in the Schools. We have included a provision Rs. 1.07 crore in the Public Works Department budget for continuance of this construction programme during 1969-70. It is proposed to grant fee concessions to the children of the disabled, who go in for studies in the Colleges.

The year 1969-70 is the first year of the rephased Fourth Five Year Plan, which envisages various schemes that would facilitate qualitative improvement of education. For the annual plan programme 1969-70, under "Education", we have made a total provision of Rs. 2.07 crore in the budget estimates for the year.

Before leaving the subject, I may also mention of the steps taken by Government to reform Malayalam scripts, which has an unwieldy number of alphabets and symbols. A Committee appointed in November, 1967, to make recommendations for simplification of Malayalam script, submitted its report in February 1968. We have accepted the suggestions made by the Committee to simplify the scripts by adoption of certain symbols. To start with, the Superintendent, Government Presses, has been directed to manufacture the new symbols and use them as far as possible in the printing done at the Government Presses. Incentives will be given to leading publishers, typewriter manufacturers and Newspaper magnates for early switch-over to the new Malayalam scripts. For this purpose, a sum of Rs. 1 lakh has been included in the budget.

Cultural Programme

The activities in the nature of cultural programmes under taken under the State Plan will be continued during 1969-70. Amongst such programmes, special mention may be made about the improvement works taken up this year in respect of Museums and Zoos. The Children's Toy Train donated by the Railway Board, the

track required for which is now under construction, will be an additional attraction to the Trivandrum Museum. Government consider that the Malayalam Films have a bright future and deserve to be encouraged not only as an Art but as an Industry. For want of incentives and facilities, entrepreneurs in Film industry are migrating from Kerala. Government intend fostering this industry as in the neighbouring States by providing necessary facilities, granting awards etc. A provision of Rs.1 lakh has been included in the next year's budget for this purpose.

Health Services

Coming to Health Service, the main emphasis is not on expansion, but on the consolidation and qualitative improvement of institutions already in existence. Enhanced provision has been made in the next years' budget for the supply of medicines and up-to-date equipments for the departmental hospitals and dispensaries. With a view to removing the existing disparity in dietary charges in the hospitals in Travancore-Cochin and Malabar areas, Government have appointed a Committee for unification of diet scales. That Committee has recommended a uniform rate of Rs. 1.70 per patient per day. The additional expenditure involved has been taken into account in making the budget provision for next year. Under the Plan programmes a total outlay of Rs. 100 lakh is envisaged for the various schemes like provision of more beds in hospitals, opening of new dispensaries and clinics, construction of staff quarters for Primary Health Centres and Maternity and Child Welfare Centres. For the control of small pox and Cholera, a Bureau of epidemiology is proposed to be established at State level.

The Family Planning programme will receive further impetus during 1969-70. Government are taking steps to implement a programme of feeding pre-school children, with the aid of CARE. This will cover two lakh children in about 2000 centres.

Six Homeo Dispensaries have been sanctioned to be opened in 1968-69. The opening of a few additional Ayurvedic, Homeo and Sidhavaidya institutions is contemplated in the next year's programme.

The augmentation schemes relating to Water Supply, Trivandrum and Kozhikode cities, Water Supply schemes at Vaikom, Perumbavoor, Shertallai, Kayamkulam, Cannanore, Tellicherry and Badagara and Drainage scheme (Block-C) in Trivandrum are under various stages of execution. Adequate provision is made in the next year's budget for the works relating to these schemes. A provision of

Rs. 40 lakh has also been made therein for rural water supply schemes, which are scattered all over the State. The implementation of Greater-Cochin Water supply and Sewerage project will be continued in phases.

Harijan Welfare

All the special schemes undertaken for the welfare of scheduled castes and tribes and other backward classes will be continued in 1969-70. As against Rs. 363 lakh budgeted for the current year in regard to their socio-economic amelioration, corresponding provision in the budget for the next year amounts to Rs. 382 lakh, the bulk of which is for educational concessions. The rate of stipend for students in Government Residential Basic Schools will be enhanced from Rs. 25 to Rs. 35 per mensem. Government have in view a land assignment scheme under which the landless Harijans will be put in possession of plots for cultivation. Recently they have ordered the transfer of one thousand acres of forest lands to the Harijan Welfare Department for this purpose.

Labour Welfare

There is noticeably a general improvement in the level of wages, bonus and other benefits of workers. The solicitude evinced by this Government in promoting labour welfare is borne out by the alertness in handling the labour disputes as and when they arise. The Labour Department has been strengthened to deal with labour disputes as quickly as possible. We have re-constituted the Industrial Relations Board to ensure better understanding and cordial relations between the employers and employees. We have also appointed an Arbitration Board at State level, with three eminent men on its panel. It is now seized of the problem of assuring higher wages and better amenities to the workers in coir industry without detriment to that industry. Further, Minimum Wages Committees have been set up to hold enquiries and advise Government in the matter of revision/fixation of minimum wages in various industries like Tile manufacture, Plywood, Timber, Rubber and Oil milling. The Employees' State Insurance Scheme is now giving medical benefit to 1,80,000 workers and their families. In addition to the existing Hospitals and Dispensaries started under the Employees' State Insurance Scheme, a few more Hospitals like the 50 bed Hospitals at Peroorkada and Kottayam will start functioning during the next year.

Employment and Re-Settlement

Government have formulated a scheme for the conversion of the Industrial Institutes in the State into Production-cum-Training centres, so that the trainees

could be gainfully employed while under training and develop the potentiality for self-employment. A Wood Workshop will be commissioned shortly at Kalamassery as an adjunct to the Institute there. Similarly, it is proposed to attach modern automobile workshops to some of the existing Industrial Training Institutes.

The implementation of 'Land Assignment' scheme is in full swing. A large number of settlers in Government colonies has already received pattas for the plots allotted to them. The feasibility of issuing pattas to the occupants in Co-operative colonies is currently under the consideration of Government. To advise the Tahsildars in the matter of assignment of land. Land Assignment Committees have been set up in all the taluqs. Besides, necessary additional staff, both technical and non-technical, has been sanctioned for the expeditious issue of pattas and for the survey work involved. It is expected that the scheme will be completed by the middle of the ensuing financial year. Side by side, another scheme for the settlement of landless agricultural labourers in Government Poromboke lands is also undertaken in the state. Subject to the availability of poromboke lands for allotment, the scheme will be continued in 1969-70 with the settlement of 1,000 families, as its target.

In connection with the rehabilitation of repatriates from Burma and Ceylon, financial assistance is given to enable them to start business on trade and for education of their children. Apart from this, the scope for providing them with employment in Plantations and Industrial undertakings is being examined by Government.

Housing schemes such as for Low and Middle Income group, Village Housing Projects, Subsidised Industrial schemes and Rental Housing scheme will be continued next year. It is proposed to amalgamate the various housing programmes undertaken for poorer and weaker sections of community like Poor Housing scheme, Housing scheme for weaker sections of community into a comprehensive scheme for agricultural labourers. In the Annual Plan budgeted for 1969-70, there is a total provision of Rs. 89 lakh for Housing programmes.

Social Welfare and Social Security Schemes

In the place of the State Social Welfare Board that has been abolished, it is proposed to constitute an Advisory Board for the formulation of schemes suited to local genius and which will particularly cater to the requirements of the poorest and weakest sections of the community. Whatever assistance available from the Central Government or the Central Social Welfare Board will be channelled

through the Advisory Board. Government have issued orders for starting a new Hostel for working women at Ernakulam.

We intend reviewing the existing "Destitute Pension" scheme, comprising Old-age pension, Pension to Destitute widows and other destitutes, with a view to liberalising it to the extent possible. After having examined the question of enhancing the amount of minimum service pension as stated in my last Budget speech, Government have raised the amount thereof from Rs. 30 to Rs. 35 with effect from 1-3-1968. This has afforded some relief to the low paid service pensioners. As a measure of further relief to them, it is proposed introduce a procedure for the payment of pension by postal money orders at Government cost to those who are in receipt of a monthly pension of Rs. 100 and below. This will involve a financial commitment of the order of Rs. 3 lakh per annum to Government. We deem it fully justified since the retired Government employees in their old age would not have to undergo the trouble and incur incidental expenses, if any, for waiting in queue before the treasuries every month to get their pension.

General Administration

We have made a token provision in the next year's budget for the formation of two additional districts in the State and for the reorganisation of taluqs and Community Development Blocks in order to facilitate better attention to backward areas consistent with administrative efficiency. It is felt necessary to reorganise and revitalise the enforcement side of the Excise Department to combat revenue depressing malpractices such as illicit distillation and sale of liquor and liquor substitutes, smuggling of foreign liquor etc. As the Abkari revenue would be appreciably augmented by strengthening and streamlining the enforcement machinery of the department, necessary funds have been provided for the purpose. The strength of Police Force in Kerala is insufficient for the proper maintenance of law and order. It has also to be modernised by providing adequate transport, radio communication facilities etc. Pending decision in regard to details, provision has been made for this in the Budget estimates for 1969-70. As the jurisdiction of some of the Sub Registry Offices in the State is far-flung, inconvenience is felt by the public in certain areas. In addition to the new Sub Registry Offices started this year, a few more will have to be opened in 1969-70. Necessary provision has been made for this purpose as well. It is also proposed to set up a separate Printing Unit to take up the printing of security items like Lottery tickets.

Services

It has always been our endeavour to make the services contented and happy. I need hardly recapitulate the various measures which this Government have either undertaken or proposed to undertake in the near future to ensure a new deal for the Government employees, especially those in the lower for the Government employees, especially those in the lower echelons of service, as the Governor has already dealt with them in his address to the Legislative Assembly on 3rd January, 1969. I may, however, state that the Pay Commission appointed by Government to review the scales of pay and emoluments other than dearness allowance as also other conditions of service having financial implications, has after mature deliberations, arrived at tentative conclusions which are being published to elicit comments from all concerned within a stipulated period. The Commission will consider whatever comments, and representations received in time and submit its final report to Government after making such modifications as are found necessary. We hope that when the recommendations of the Commission are implemented, Government servants will be substantially satisfied.

In the budget estimates for 1969-70, provision has been included for the grant of enhanced Dearness Allowance to Government servants. A decision on this will be taken by Government shortly. Taking into consideration the present financial position of the State, Government believe that their officers will fully co-operate with them in the manner of enjoyment of the benefit of increased Dearness Allowance. Government have under their consideration a scheme to grant advances to Government servants for maintaining trade deposits in Co-operative Consumer Stores, so that they can procure their requirements at reasonable prices on credit.

With a view to tightening up machinery for anti-corruptive drive, two new X-Branch stations have been opened at Palghat and Alleppey with jurisdiction over the respective revenue districts. Even though necessary procedures exist for the efficient functioning of the anti-corruption department, the question of incorporating them in the rules is being considered by the Government. To enable every citizen to make complaint about cases of mis-conduct at political levels, Government propose to initiate necessary legislation and accordingly the 'Kerala Public Men Inquiries Bill, 1968' has been prepared and published. The enactment of the Bill, I believe will be a step forward in the direction of a clean administration.

WAYS AND MEANS

I have only indicated in broad outline some of the important activities for next year. Provision required for carrying out all the normal activities of the Government has been included in the budget. The annual financial statement for the year 1969-70 that is being presented to the House reveals the following position, as at the end of March 1970:

<i>(Rs.in crore)</i>		
Opening Cash balance	:	(-) 2.37
Deficit on Revenue Account	:	(-)11.43
Capital Expenditure	:	(-)12.07
Loans and Advances by the State Government (Net)	:	(-)11.50
Net accretions under other debt heads	:	(+)14.94
Closing Cash Balance	:	(-)22.43

We anticipate an over-all deficit of Rs. 20.06 crore next year, of which Rs. 11.43 crore is on the revenue account and Rs. 8.63 crore on the capital account. The deficit on revenue account and Rs. 8.63 crore on the capital account. The deficit on revenue account is mainly due to the provision made for the maintenance expenditure in respect of completed annual plan schemes. As mentioned earlier, we have made out a strong case before the Fifth Finance Commission for transference of more resources from the Centre to the State, taking into account the growing incremental and maintenance expenditure of the State Government resulting in increased gap on revenue account. We hope that the Finance Commission will duly take in to account the commitments made by us in regard to food subsidy, revision of the rates of Dearness Allowance of State Government employees, expenditure required for the clearance of backlog in school facilities and also the additional commitments that we may have to incur consequent on the proposed revision of scales of pay of State Government employees on the basis of the recommendations of the Pay Commission. We believe that by the award of the Finance Commission the deficit on revenue account, as disclosed in the annual financial statement, will be made good through transfer of more resources from the Centre to the State.

On the capital account, the estimated deficit of Rs. 8.63 crore is mainly on account of the heavy repayment liability in respect of Central loans. Our

repayment liability to the Centre that stood at Rs. 16.33 crore this year will swell up to Rs. 21.48 crore in 1969-70. Out of the heavy debt liability that was passed on to the State Government consequent on the Re-organisation of States, we have to repay next year to the Centre Rs. 2.41 crore, the major portion of which is in respect of ways and means loans obtained by the former Madras State long ago. In fact, the heavy repayment liability in respect of Central loans has disturbed the financial equilibrium of not only our State but of many others. This is borne out by the budgetary position of the State Governments published by the Reserve Bank of India, from which it will be seen that even this year (1968-69), the deficit on capital account of some of the States will be abnormally large, as detailed below:

(Rs. in crore)

<u>Name of the State</u>	<u>Deficit on Capital account in</u> <u>1968-69</u>	<u>Over-all deficit in</u> <u>1968-69</u>
Bihar	22.44	26.33
Maharashtra	31.85	14.93
Andhra Pradesh	12.88	15.51
Punjab	9.85	11.37

It will be clear from the aforesaid details that the repayment liability in respect of Central loans casts a heavy burden on the budgets of even the States, which are considered to be prosperous. The main, if not the sole reason for the deficit on capital account of the State Government, is that while most of the Central loans are utilised for non-productive or partially productive investments which yield no or nominal return to cover interest and repayment liabilities, no amortisation arrangement is now available for staggering their burden on revenue account. For example, we receive loan assistance from the Centre for anti-sea erosion works, which we have to repay with interest, though there no return as such, from the outlay on the protective works involved. In fact we are putting lakh and lakh of rupees year after year into the sea just to protect the coastal areas from the ravages of nature. Unless we make adequate provision in the revenue account for amortization of such loans, we cannot find means for repayment of principal to the Centre on due dates. We have emphatically represented in our memorandum to the Fifth Finance Commission that either adequate amortization arrangements should be provided for in respect of Central loans that are utilised for unproductive or partially productive purposes or the outstanding balances in

respect of such loans should be converted into grants. Another factor contributory to the deterioration of the financial position of the State is that the terms and conditions in respect of various categories of Central loans are not related to the purposes of their utilisation. For example, we receive large amount as miscellaneous development loans, which are mainly spent on irrigation and power development. These projects having long gestation periods will take years to yield return from the investments made in them. But the terms and conditions of repayment of such loans are fixed on a general pattern without taking into account the gestation periods of such projects. The loans that we receive from the Government of India for power development projects are re-loaned to the State Electricity Board. As it is, there is no immediate prospect of the Electricity Board repaying the principal of such loans, as the Board is not now in a position even to pay the interest amount accrued on such loans. But we have to repay to the Central Government the loans received for power development projects on due dates. In the circumstances we have urged before the Finance Commission and the Government of India for consolidation of all the outstanding balances of loans and advances so far obtained by the State Government, besides re-fixing the terms and conditions for repayment in a more scientific and rational way. We do hope that the Finance Commission and the Government of India will not fail to appreciate the reasonableness of our demand and take appropriate steps for providing amortization arrangements and re-scheduling of our debt liabilities to the centre. Such a step, I am sure, will be welcomed by all the States.

It is unfortunate that there has been some uninformed criticism that the present Government have been incurring expenditure on establishment regardless of the financial position of the State. I invite the attention of Hon'ble Members to the statement I placed before the House a few days ago. It is a fact that there has been a marked growth in our establishment expenditure from 1964-65. This is the inevitable consequence of the policy of deficit financing adopted by the Government of India and their failure to hold the price-line, resulting in a price spiral and its effect on the cost of living for fixed income groups. As regards the creation of posts since this Ministry assumed office, statistical details were furnished in the statement referred to. It will be seen therefrom that the majority of new posts created are in the development departments such as Education, Medical and Public Health. Nevertheless, I assure the House that proposals involving creation of additional staff will be scrutinised with special care, particularly so, in the case of non-development departments.

Let it not be understood that what I have said afore, is an apology for a large deficit that we anticipate next year. I was only trying to highlight for information of the House the more important factors that contributed to the difficult financial position of the State. We cannot remain complacent in the face of the disturbing financial position, hoping that the Finance Commission and the Government of India would come in to our rescue. Even assuming that, some satisfactory arrangements will be made to reduce the huge repayment liability that upsets the capital budget of the State Government and our deficit on revenue account will be fully made up by the award of the Finance Commission, we on our part have to make an earnest attempt to augment our resources.

Non-Tax Revenue Measures

As stated in my last budget speech, it is my firm belief that only by increased exploitation of the sources of non-tax revenue, would it be possible to achieve a stable and substantial improvement in the State finances. Necessarily Government have to enter the field of trade and commerce in a big way. The schemes relating to State Lotteries and General Insurance initiated by me to augment the non-tax revenues of the State have yielded encouraging results. It is worth mentioning that in view of the income-potential of the State Lotteries, several other States have emulated us and started Lottery schemes of their own. Latterly, the Department of State Lotteries has been strengthened and streamlined to enable it to cope with the increased volume of work resultant on the surging popularity of the scheme. The General Insurance scheme stands implemented from 1st March 1968. This scheme, with facilities for underwriting various types of miscellaneous risks has given an impetus to the working of the State Insurance Department. As a result the departmental receipts in the first nine months of the current financial year have recorded an increase of over Rs. 10 lakh during the corresponding period in the last year. Now the re-insurance of fire insurance business undertaken by the State Insurance Department is distributed among several private Insurance Companies. Government have decided to terminate the existing reinsurance treaties with the Private Insurance Companies from 1-4-1969 and to accept the Life Insurance Corporation of India as the sole re-insurer for the State Insurance Department on terms financially more advantageous to the State Government also propose to examine the scope for expansion of business in the Life Insurance (Official branch) of the Department.

The other enterprises of a commercial nature visualised by me as permanent sources of income of the State, namely the starting of Government chitties, Hire Purchase Scheme, Pharmaceuticals, Cardamom and Sugarcane cultivation and

marketing of forest produces are under various stages of action for implementation. The legislation required for the running of Government chitties is being given shape. Meanwhile, action is under way for organising a public sector undertaking, I mean a Corporation, to enter into chitty and kuri business under existing conditions and to undertake in addition hire-purchase transactions in durable consumer goods along with the promotion of State Insurance business. Detailed schemes for establishing a pharmaceutical unit and a Forest Corporation for the marketing of forest produces are being prepared by the Departments concerned. Already a Special Officer has been appointed for attending to the preliminary work relating to the proposed Forest Corporation. It has been decided that the State Forest Department should take up the cultivation of cardamom on a commercial scale over an area of 4,000 acres in progressive stages. As regards sugarcane cultivation, suitable forest lands will be leased out to the existing two Sugar Mills in the Co-operative sector; in addition to rent, a cess being levied on the sugar cane produced by them. A scheme for the establishment of a distillery in the public sector is also under the active consideration of Government. It is expected that the distillery will be able to earn a gross profit of Rs. 35.50 lakh per annum, besides enabling Government to discharge their obligation for regular and uninterrupted supply of liquor to shop licensees. Government have also in view a scheme for encouraging horse racing as conducted in Madras, Bombay, Poona etc. We expect this to be another source of non-tax revenue to the State.

As on 31st March, 1968, the investment of Government in statutory Corporations, Companies and Co-operatives in the form of shares amounted to Rs. 30.27 crore. I am giving the following figures for information of the House regarding the return realised there from during the year 1967-68.

	<i>Investment</i>	<i>Dividend</i>	<i>Percentage</i>
1. Statutory Corporations	6,30,85,500	1,58,952	0.25%
2. Government Companies	15,89,05,300	4,52,422	0.28%
3. Other Joint Stock Companies	5,85,87,613	21,08,636	3.4%
4. Co-operative Societies	2,21,44,538	77,837	0.35%
Total	30,27,22,951	27,97,847	0.92%

Obviously, this is far too low. There is, it seems, a lack of awareness on the part of the managements concerned that what Government have invested as shares/debentures in these undertakings is the tax payers' money. It is incumbent on them to ensure that on such investments there is a reasonable return to Government.

In October last, we held a conference of the representatives of the Statutory Corporations and Government Companies to consider how best we could mend matters and several useful suggestions emanated from the discussions held with them. Necessary follow-up action is being taken now at Government level. I am utilising this opportunity to make an appeal to the managements and the workers employed in these public sector enterprises to appreciate the fact that there is no room at all either for exploitation or extraction of benefit, as such undertakings belong to them both and ultimately to the people. It behoves them, therefore, to strain every nerve to maximise the return on the investments held by Government, so that the benefit might be passed on to the people as services and amenities *quid pro-quo*.

With a view to tapping the revenue realisable under the provisions of the Indian Electricity Act, 1910, a separate Electrical Inspectorate under a Chief electrical Inspector has been created this year. Among other things, prevention of leakages of revenue relating to electricity duty by way of evasion and irregular practices on the part of licensees will be one of the functions of the Electrical Inspectorate. An unrelenting drive will be initiated by Government for the collection of arrears of revenue and the amount outstanding on account of the loans and interest over-due. With regard to the checking of irregular and infructuous expenditure, the Inspection Wings attached to the Finance Department are rendering yeo-man service. In fact the surprise inspections made by these Wings have added to the effectiveness of financial administration in the State.

TAXATION

As regards taxation, the Hon'ble Members might be aware that the incidence of taxation in Kerala on per capita income is perhaps heaviest when compared with the rest of India. The additional tax effort put in by us in the past has been quite appreciable. Nevertheless, in view of the paramount importance of raising additional resources in the context of the implementation of the Fourth Five Year Plan, a Taxation Enquiry Committee was appointed by Government to go into all aspects of taxation. This Committee with a distinguished economist of all India reputation viz. Shri Thavaraj as its Chairman, had on its panel. Shri C.Achutha Menon (Minister for Finance in the earlier Communist Ministry), Shri R. Sankar (Chief Minister and Minister for Finance in the Congress Ministry), Shri K. Chandrasekharan (Minister for Revenue in the Congress Praja Socialist Party coalition Ministry) and a few others of status and standing. That Committee has already submitted a comprehensive report on the subject. The proposals contained

therein are currently under the consideration of Government. Meanwhile, in view of the prospect of an abnormally large over all deficit, I feel that the task of augmenting our resources requires immediate attention. Accordingly a few of the recommendations made by the Taxation Enquiry Committee are now considered for implementation. I am confident that in a welfare State, wedded to democratic planning, every tax payer will readily and voluntarily bear his share of the burden. I therefore propose the following measures that will bring down the anticipated deficit at least to the extent of Rs. 2.25 crores.

(i) *Sales tax:*

The rates of Sales-tax on certain commodities will be revised on the basis of the findings of the Taxation Enquiry Committee. In the case of Stainless Steel products and upholstered furniture, the rate of tax will be raised from 5 per cent to 7 per cent, cashew nut (with or without shell) from 4 per cent to 5 per cent, chemical fertilisers including bone meal from 2 per cent to 3 per cent, folding umbrellas and soaps from 5 per cent to 6 per cent, chemical fertilisers including bone meal from 2 per cent to 3 per cent, folding umbrellas and soaps from 5 per cent to 6 per cent, rubber from 2 per cent to 3 per cent, cotton yarn other than hand-spun yarn from 1 per cent to 2 per cent and coconut and copra from 2 per cent to 3 per cent, all at single point. A rebate of 1 per cent will be allowed to local millers in the purchase tax payable on coconut and copra. The additional revenue from this measure is estimated at Rs. 50 lakh per annum.

(ii) *Stamp duties:*

The rates of Stamp duties (non-judicial stamps) will be rationalised as a result of which an additional revenue of Rs. 40 lakhs per year is likely to accrue.

(iii) *Tax on Motor Vehicles:*

The rates of registration fee for vehicles will be revised and in addition, the seating capacity of the stage carriages of different wheel-bases will be refixed for purposes of levy of the tax. The yield expected is to the tune of Rs. 15 lakh per annum.

(iv) *Education cess and admission fee in schools:*

It is proposed to levy an education cess of 2.5 per cent of the annual rental value of properties and building and to collect the cess along with the property and building tax in the municipal (including Corporations) and Panchayat areas respectively. Besides, a fee of Re. 1 will be prescribed for admission of pupils without any exemption in each standard, excluding lower primary standards,

i.e., I to IV. An additional revenue of Rs. 70 lakh a year is expected from these measures. Rs. 50 lakh from Education cess and 20 lakh from admission fees.

At present, there are certain administrative difficulties in the collection of tax on passengers and goods. Government propose to take measures to overcome these difficulties. When this is done, Government will be able to make up the drop in revenue from this source by about Rs. 50 lakh.

CONCLUSION

Before I wind up, let me refer in brief to what is at the root of the problem of financial debility increasingly felt by the weaker units of the Indian Union like Kerala, that is, the limitation, placed on the fiscal autonomy of the States under the Constitution. While the Centre is favoured with extensive and elastic sources of revenue, the States are burdened with expanding administrative functions, particularly in the socio-economic field, with little manouverability in the area of taxation. This inherent imbalance as between the Centre and the State has been accentuated by a policy of self arrogation on the part of the Government of India, which virtually vitiated the entire facet of Union-State fiscal relations. This policy of self arrogation, instances of which are too many to be recounted here, transformed the Centre into a "Financial Leviathan" on whom the States became more and more dependent to the point of subserviance. In the words of an eminent economist, this "is inimical to democratic principles" and "eats into the very vitals of the federal structure". So far as this State is concerned, the Union-State relationship is a tragic tale of supplication on the one side and discrimination on the other. No wonder, even after eighteen years of planning during which Kerala suffered economic stagnation, financial crisis, shortage of essential commodities including food, mounting unemployment, etc., there had been no perceptible change for the better. Ever since the United Front Ministry assumed responsibility for the administration of this State, it has been our endeavour to focus the attention of the Government of India on the seething problems of the state- the problems of feeding her hungry millions, of industrialisation to provide work for her unemployed, of industrialisation to provide work for her unemployed, of the erosion of her constline by action of the sea etc. to get necessary resources released as aid. The more we cried hoarse, the more it was cavilled at as confrontation. And in the matter of federal fiscal relations, we impressed on them that the present agency of the Finance Commission, handicapped as it is "by limitations of time aid organisation", is inadequate and instead there should be a permanant Finance Corporation and a Centre State Financial Council to ensure that the Fiscal relations between the centre and the states are placed on a sound and

satisfactory basis. We wanted them to set up a special commission of eminent experts to consider these and other related matters and make recommendation on the constitutional amendments required for a new scheme of devolution of resources to the states in conformity with their needs. All there have had no response from the powers that be, at New Delhi. Rome burns while Nero is fiddling. In the interests of national solidarilty and for the well being of the subcontinent that is India, I appeal to all concened with all the force at my command to come to grips with the realities of the situation before time runs out.

Sir, I have done I expect constructive and helpful suggestion from the Honourable Members of the House.

