



BUDGET SPEECH FOR 1973-74

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16th March, 1973

Sir,

I rise to present the Budget Estimates for 1973-74.

1. The budget has been framed at a time which is most crucial to our economy in many respects. The successive droughts over large parts of the country have resulted in a set-back to agricultural production and have seriously affected developmental activities in industrial and other sectors as well. The economy was subjected to severe inflationary pressures. The situation caused by the shortage of food grains had to be met by import of food grains from abroad. In the face of such unfavourable circumstances there is no alternative to taking up developmental activities with greater vigour and determination. Schemes have been drawn up at the national level to augment food production on an emergency basis expand irrigation facilities and provide more employment opportunities and the States have been given Central assistance to implement these schemes. We can legitimately hope that in the coming year we will be able to regain the lost momentum in the agricultural and industrial fields.

2. The Fifth Plan is on the anvil. The reconstituted State Planning Board is now engaged in the task of preparing the draft outline and has set up ten Steering Committees and twenty-seven Task Forces involving about 300 specialists from various fields. The total outlay contemplated for the State is Rs. 1,903 crore comprising State sector outlay of Rs. 705 crore. Central sector outlay of Rs. 778 crore and private sector outlay of Rs. 420 crore. The success of any Plan depends on the active and willing participation of the people. Unless this participation is sought even at the stage of the formulation of the Plan, it will not be possible to draw up a Plan which will fully reflect the aspirations of the people. It is based on this approach that district level seminars have been held with a view to stimulating discussions in public forums and eliciting public opinion.

3. We have to achieve a six per cent annual rate of growth so that the per capita income in Kerala can catch up with the percapita national income. This calls for massive investments in the economy. The scope for mobilising resources within the State is very limited. Almost all the State taxes have been fully exploited through a series of additional taxation measures introduced during the last few years. It should be our endeavour to secure a much larger share of the Central resources. The success of the next Plan will depend to a large extent on our getting substantial resources from banks, Life Insurance Corporation and other financial institutions.

4. The investment proposed in the State sector is Rs. 705 crore. This implies certain assumptions regarding resources. The Central assistance expected is of the order of Rs. 450 crore. The balance will have to be raised by the State through public borrowings, additional taxation and loans from the Life Insurance Corporation and the Reserve Bank.

5. At present, open market loans raised by the State Government, the State's share of small savings collections and the internal resources of State enterprises are not treated as resources for the Plan. On the other hand they are accounted for in the non Plan Sector. In the notifications regarding the issue of open market loans, it is specifically mentioned that the proceeds are meant for financing the developmental activities included in the State Plan. It is therefore illogical that they are not reckoned as resources for the Plan. The State's share of small savings collections also falls to the same category. It is the considered view of the State Government that the above items should legitimately be treated as resources for the Plan. We have raised this matter at the discussions with the Planning Commission. This will again be pressed when the National Development Council is convened to discuss the Fifth Plan. The Fifth Plan outlay may undergo some changes after the discussions with the Planning Commission depending on the resources available. At the discussions the State Government would forcefully present the case for a larger share of Central resources so that the interests of the State could be safeguarded. I hope the Government will get support from all sections of this House for these efforts.

6. The yawning gap between the State's revenue and expenditure has been most evident during the current Plan period. The inadequacy of the award of the Fifth Finance Commission is the basic factor that has contributed to this situation. Repayment of loans and payment of interest thereon have become a major liability

of the State Government. In the absence of a developed industrial and commercial sector State taxes have not achieved the desired buoyancy. At the same time the administrative, social and developmental obligations of the State Government have vastly increased. As the Honourable members are aware, the sixth Finance Commission is currently examining the fore-casts of revenue and expenditure of the State Governments. We hope that the commission will bring to bear a new approach in the matter of determining the States' share of Central taxes and recommending special assistance to States faced with special problems. The State Government has submitted a memorandum regarding the principles of tax sharing. Estimates of revenue and expenditure for the Fifth Plan period have also been submitted to the Commission. The Commission will shortly be visiting the State for discussions. The terms of reference to the present Commission are wider and the Commission has been entrusted with the responsibility of assessing the Non-Plan capital gap of the States and suggest appropriate measures for relieving the debt burden.

7. It has been estimated that if the State's share of Central taxes is taken out there will be a gap of about Rs. 880 crore in the revenue account. If the last Commission's award were to continue, the State Government might get about Rs. 320 crore during the Fifth Plan Period. It follows that unless the Sixth Commission recommends a substantial increase in the quantum of resources to be transferred to the State, it will not be possible for the State Government to balance the revenue account. An additional of Rs. 560 crore is required for meeting the states commitments fully in the revenue account.

8. The capital account is estimated to show a deficit of about Rs.175 crore during the next Plan period. About Rs. 180 crore has to be repaid to the Centre on account of loans received earlier. This constitutes the biggest liability in the capital account. The Central assistance for the Five Year Plans as well as for the Non-Plan schemes is mostly in the form of loans. Loans for unproductive purposes like flood relief serve only the limited objective of helping the ways and means position of the State Government; they do not strengthen the financial base of the recipient Government. The special accommodation loans that we are receiving from the Centre mainly to cover the revenue gaps which are attributable to the inadequacy of the Finance Commission's award are productive. Not all loans for the Plan schemes are productive eg. anti-sea erosion works. In the case

of many of the productive projects, the gestation period may be very long. We have therefore represented to the Finance Commission that loans given for unproductive purposes should be converted into grants and that in the case of loans for productive purposes the repayment of the principal as well as the payment of interest may be linked up to the returns from the projects.

9. Mention may be made here of the scheme of sharing small savings collections. The State's share is determined on the basis of net collections in the State. It is irrational to insist that the States should repay the share to the Centre since the amounts required for discharging the repayment liability are met from the deposits received in the year. The Centre does not therefore have to bear any liability in respect of repayment of deposits. The State's share of small savings collections has therefore to be treated as loans in perpetuity. This is another matter which we have represented to the Finance Commission.

10. The initiative for locating resources for the substantial investments required for the development of the State's economy rests with the Centre which holds command over the vital sectors of the national economy. A solution to the budgetary problems of the States lies in a larger devolution of taxes and a re-scheduling of the liability in respect of the Central loans. We hope that the Planning Commission and the Finance Commission will, in dealing with the problems of the States especially of the weaker States like Kerala, break new ground.

The Economic Scene

11. The population of Kerala according to census of 1971 is 213 lakh. During the decade 1961-71 population grew at 2.63 per cent per annum as against 2.48 per cent per annum in previous decade. The density of population in the State is 549 per sq: km. as against the all India average of 182. With 1.18 per cent of the geographical area the State has to support a population of 3.9 per cent. This is an index of the magnitude and complexity of the problems facing the State. There are 1016 females per 1000 males in Kerala. Ours is the only State in India where females outnumber males. The overriding need for population control will be evident from these figures.

12. The performance of the agricultural sector was satisfactory during the year 1971-72. The production of rice went up by 54000 tonnes to 13.52 lakh tonnes, the percentage of increase being 4.3. The average yield in 1971-72 was

1544 kg. per hectare recording an increase of 60 kg. over the previous year. The largest increase was recorded in the Punja crop, the yield per hectare going up by 100 kg. to 2070 kg. which was an all time high record. The use of high yielding varieties is the main factor that has contributed to the increase in yield. During the year under review, an area of 8000 hectares was additionally brought under the high yielding varieties of rice.

13. The food situation was satisfactory with an increased availability of 110 thousand tonnes of food grains of which 82,000 tonnes was rice and 28,000 tonnes wheat. The per capita availability of rice during the year was 250 grammes. This is largely attributed to the increase in the internal production of rice coupled with increase in imports.

14. Fish production went up from 3.93 lakh tonnes in 1970-71 to 4.21 lakh in 1971-72. The value of fish products exported from the State during the year was Rs. 33.70 crore. This was higher than the previous years export by 22 per cent. The State accounted for 62 per cent of the quantity of fish products exported from the country. In terms of value, the State's share of the export earnings was 76 per cent.

15. Of the cash crops, the production of tea declined by 1.9 per cent. While the average yield per hectare in the country as a whole was 1221 kg. the average yield in Kerala was only 1129 kg. This points to the need for a dynamic programme of replantation and adoption of modern techniques of cultivation and processing. The finding of the Bardhan Committee lead to the conclusion that there is imperative need for nationalising the plantations. The clearance of the Government of India for this very desirable measure has yet to be received the consumption of natural rubber did not keep pace with production and this led to a fall in prices. In this situation Government introduced a scheme for the direct purchase of rubber from small cultivators. The area under coffee cultivation as well as the yield increased during the year. Production of cardamom recorded an increase of 22 per cent over the previous year.

16. As per 1971 census, 9.71 lakh persons are industrial workers. About 2 lakh of them are factory workers. Half of them are employed in cashew industries. Scarcity of raw materials and industrial unrest acted as impediments to industrial progress. The textile industry was affected by shortage of working funds and high

prices of cotton. The cashew industry was in a bad position owing to the non-availability of adequate raw nuts. The tile industry suffered because of lack of market for finished products.

17. During 1971-72, eight public companies and 67 private companies were registered. The total number of companies as on 31-3-1972 was 1115. Out of them 349 were public companies with total paid up capital of Rs. 64.75 crore. The paid up capital of the remaining 766 private companies was Rs. 17.36 crore.

18. The working results of most of the Government owned companies and the companies in which Government held majority shares, showed losses in 1971-72. But the Travancore Titanium Products recorded a 35% profit on the paid up capital. The year 1971 was most favourable for this company since in that year it surpassed all previous records of production and profit.

19. The Central Government issued industrial licenses for the establishment of a few new units. The Travancore Titanium Products Limited and the Cochin Refineries Limited obtained licenses for the manufacture of sulphuric acid and petroleum products respectively. The Kerala State Industrial Development Corporation received letters of the intent for establishing six new projects involving a total capital investment of about Rs.93 crore.

20. The Kerala State Small Industries Corporation supplied machinery worth Rs.14.81 lakh to 51 units in 1971-72 on hire purchase basis. The Kerala Financial Corporation sanctioned loans totalling Rs. 172 lakh during 1971-72. Out of this Rs. 120 lakh were given to the small industries sector. Assistance to the extent of Rs. 169 lakh was sanctioned to various industries by the Kerala State Industrial Development Corporation of which Rs. 89 lakh was in the form of loan and Rs. 46 lakh was in the form of share capital. Besides the Corporation had stood guarantee for Rs. 20 lakh and had underwritten Rs. 14 lakh.

21. The main exports from Kerala are coir, cashew, marine products tea, handloom and plywood. About 13 per cent of the total export earnings of India is accounted for by Kerala. Coir, cashew, marine products and tea alone earned Rs.120 crore. Out of this, cashew exports fetched Rs. 60 crore while the share from marine products was about Rs. 34 crore. The salient feature in respect of marine products is that while the export in terms of quantity declined from 23866 tonnes in 1970-71 to 21892 tonnes in 1971-72, the value has gone up from Rs. 27.57 crore to Rs. 33.70 crore.

22. The number of persons registered with the employment exchanges increased in 1972. At the end of December 1972 there were 4.3 lakh of persons in the live registers. This gives an idea of the unemployment prevailing in the State. But the full magnitude of the problem can hardly be high-lighted by such figures. The number of employed increased from 56 lakh in 1961 to 62 lakh in 1971. This means that six lakh of people were additionally employed during this period. At the same time the number of job seekers must have been at least 16 lakh. While the public sector was able to absorb a significant portion of the new entrants the employment opportunities in the private sector showed a declining trend. Considering the magnitude and complexity of the problem of unemployment it is evident that even the Fifth Plan with the contemplated sizeable investments may not solve the problem satisfactorily. It has been estimated that there will be 10.6 lakh of unemployed persons at the end of the Fourth Plan. During the Fifth Plan period about 8 lakh of people will be added to the labour force. In spite of the order of outlays suggested in the Fifth Plan, the back-log of unemployment at the end of the Fifth Plan will be nearly 7.6 lakh. The problem cannot be solved within the frame work of the Five Year Plans. Unemployment in Kerala is as much a national calamity as floods or droughts in other parts of the country. Considering the wide implications and the larger dimensions of this problem special intensive efforts will have to be made by formulating and putting through a comprehensive plan on an emergency footing.

23. It has to be mentioned here that a beginning has been made in this direction recently. The special employment programmes initiated by the Central and State Government have helped to mitigate the intensity of this problem to a limited extent. The number of unemployed doctors and engineers has come down. The rural dispensaries that have been started recently were able to absorb 178 doctors and 527 para medical personnel. About 5000 educated persons have been provided with jobs under a few other programmes. A crash programme for rural employment which gives work for 10000 persons for ten months in a year has been taken up from last year. With the implementation of the Kuttanad Development Scheme about 5000 persons will get employment for 200 days in a year. It is proposed to introduce a few more employment programmes next year so that at least 25,000 persons can be given jobs.

24. As indicated earlier, unemployment is a national calamity. It is a national loss too. It is by spending large amounts from the State exchequer that students are equipped with degrees. There should exist adequate arrangements for

harnessing their knowledge and skill in the service of the nation. The country can ill afford to lose the services of even those who did not get the benefits of higher education. Unless we employ our human resources properly, it will not be possible to develop the country's economy so as to catch up with the level of the developed nations. The problem of unemployment viewed in the correct perspective is not a matter of merely providing jobs. For the full and effective utilisation of human resources is vitally linked up with economic growth.

ACCOUNTS 1971-72

25. The year 1971-72 opened with an overdraft of Rs. 15.37 crore with the Reserve Bank. In the context of the continuous non-plan gaps of the State Government, the Planning Commission had in August 1971 made a reassessment of the State's resources. At this re-assessment the Planning Commission estimated that the year 1971-72 would end with a gap of Rs. 33.51 crore. But the gap was much higher. While the plan expenditure went up to Rs. 73.45 crore the resources amounted to Rs. 56.19 crore only. As a result, there was a gap of Rs. 17.26 crore in the Plan Sector. The Non-Plan gap came to Rs. 19.45 crore. The year ended with an overdraft of Rs. 52.08 crore.

REVISED ESTIMATE 1972-73

26. The swelling overdrafts of the State Governments have been causing great anxiety to the Reserve Bank and the Government of India for some time past. The search for a solution was on. By the end of March 1972, 12 States had overdrafts aggregating Rs. 504 crore. This is an index of the financial difficulties of the State Governments. Since the situation if unchecked would drift to a stage where these stability of the country's economy would be in jeopardy, the Government of India decided to clamp down certain restrictions. The scheme put into operation was to increase the limit of ways and means advances prohibit overdrawals beyond that limit and stop payments to State Governments which could not clear their overdraft within seven days. The overdrafts of the States at the end of April were cleared by the Government of India giving ways and means advances and advance releases of share of Central taxes and Central assistance. The total amount so cleared amounted to Rs. 642 crore. Our State had an overdraft of Rs. 57.76 crore at the end of April. Against this, an amount of Rs. 33.51 crore was given as ways and means advance and the balance was adjusted in the State's share of income-tax and the assistance for the Plan. Following the States representations in the matter, the Government of India agreed to give ways and means advance to

cover the entire overdraft at the end of 1971-72. An amount of Rs. 1.76 crore due from the Reserve Bank towards assistance for the Plan in 1971-72, but actually received only after March was also set off from the outstanding overdraft at the end of March. The amount treated as ways and means advance to the State for clearing last year's overdraft is thus Rs. 50.32 crore. Fifteen per cent advances is repayable during the current financial year. It has also been indicated that twenty per cent of the amount should be repaid in 1973-74. These repayments are treated as a charge on the resources mobilised for the Annual Plans.

27. With the discontinuance of overdraft, the State Government had to enforce strict economy in expenditure. Instructions were issued to the Heads of Departments to postpone payments which were not inevitable for a period of three months from 15th of May. These orders were extended for another three months. A ten per cent cut in contingencies, travelling allowance and other charges was ordered. It was estimated that this would result in a saving of Rs. 70 lakh during the year. A few Non-Plan schemes were either postponed or staggered, so as to bring about a savings of Rs. 3 crore. Further a senior officer of the rank of Member, Board of Revenue was appointed to scrutinize the structure of Government departments and the patterns of expenditure and suggest measures of economy. Steps were also taken for collection of arrears of taxes and other dues for about Rs. 6 crore. As a result of all these measures, it was expected that it would be possible to improve the financial position to the extent of Rs. 9 crore. On this basis, the Non-Plan gap for the current year was re-assessed at Rs. 18.88 crore.

28. Certain new factors, however, tended to upset the above estimations *ad hoc* increase in emoluments had to be given to the Government employees from August 1, involving a commitment of about Rs. 2 crore. Pension charges went up by Rs. 1.7 crore as a result of increase in minimum pension and the liberalisation of pension rules. Supply of timber free of cost for the One Lakh Housing Scheme led to a liability of Rs. 2 crore. The direct payment of salary to private college staff brought about an additional commitment of Rs. 4 crore; but this was met by Central assistance in the form of a loan. Shortfalls are anticipated

under sales-tax and excise duties. The limit of the ways and means advance from the Reserve Bank was increased by Rs. 2.7 crore. Taking into account all these factors, the non-plan gap has been placed at Rs. 31.50 crore in the Revised Estimate. Credit has been taken for special accommodation loan of Rs. 20.58 crore from the Centre and a special loan of Rs. 4 crore for meeting the commitment in respect of private college staff. The Non-Plan deficit that persists is estimated at about Rs. 7 crore.

29. The outlay provided for the Annual Plan in the budget for the year is Rs. 64.26 crore. In the Revised Estimate, the outlay has been placed at Rs. 66.8 crore. Subsequent to the finalisation of the Revised Estimate, the Planning Commission has approved an additional expenditure of Rs. 3 crore for the Idukki Project and permitted the State Electricity Board to raise an open market loan for this amount. If this is also taken into account the current year's Plan expenditure would be Rs. 69.8 crore. The resources are however short by Rs. 6.6 crore. The Central assistance has been increased from Rs. 33.95 crore to Rs. 36.70 crore. The open market loans of the State Electricity Board have gone up by Rs. 3 crore. But there is a shortfall in the loans from the Life Insurance Corporation for urban water supply schemes to the extent of Rs. 1.7 crore from the budgeted level. Three taxation measures included in the budget have yet to be implemented. In these circumstances, the resources for the Plan aggregated to Rs. 63.2 crore only.

30. The current year is expected to end with a deficit of Rs. 13.52 crore. Now that the overdraft facility has been completely discontinued, it has become a problem how to cover this deficit. We have requested the Government of India to give a ways and means advance to cover this deficit and we hope for a favourable decision.

BUDGET ESTIMATE 1973-74

31. The revenue for 1973-74 has been estimated at Rs. 210.92 crore. The State's share of Central taxes is Rs. 45.56 crore; while State Taxes are expected to yield Rs. 87.63 crore. The yield from non-tax revenues is placed at Rs. 36.37

crore. Grants from the Centre are assumed at Rs. 12.44 crore for the State Plan, Rs.6.82 crore for centrally sponsored schemes Rs. 5.84 crore for Central programmes and Rs. 2.3 crore for Special Employment Programmes. Credit is taken for a central grant of Rs. 3.87 crore for the various non-plan schemes. This is in addition to the statutory grant under Article 275 of the Constitution.

32. The budget provides for an expenditure of Rs. 245.42 crore of revenue account. The non-plan expenditure stands at Rs. 212.22 crore.

33. The capital expenditure envisaged in the budget is Rs. 39.90 crore, of which Rs. 34.29 crore is for the Plan Schemes. Disbursement of loans and advances is estimated at Rs. 15.60 crore, of which Rs. 7.25 crore is on plan account. Credit has been taken for recovery of loans and advances to the extent of Rs. 8.4 crore.

Annual Plan

34. The Planning Commission has approved an outlay of Rs. 70.10 crore for 1973-74. This outlay is to be financed in the following manner:—

| | <i>(Rs. in crore)</i> |
|---|-----------------------|
| Central Assistance .. | 41.45 |
| Loans from L.I.C to State Government .. | 5.50 |
| Loans from R.B.I. to State Government .. | 1.50 |
| Loans from L.I.C. to State Electricity Board .. | 3.30 |
| Open Market loan by State Electricity Board .. | 10.38 |
| Additional resources mobilisation .. | 18.00 |
| | <hr/> 80.13 |
| Repayment of over draft | -10.06 |
| | <hr/> 70.07 |

Though additional resources mobilisation has been taken at Rs. 18 crore, there will be a shortfall of Rs. 3 crore under this item on account of the non-implementation of three measures.

35. The outlay provided in the budget estimate for the Annual Plan is Rs. 73.78 crore. At the discussion with the Planning Commission, it has been pointed out that the outlay suggested by the Commission for Education and Industries is far short of the actual inescapable requirements. An increased provision of Rs. 2.58 crore has been included for School Education. Similarly for large and medium industries an additional provision of Rs. 1.1 crore is included. It is hoped that the Planning Commission would recognise the need for enhancing the outlays in these sectors.

36. The allocations for the more important sectors are as follows:—

| <i>(Rs. in crore)</i> | | |
|-------------------------|----|------|
| Power | .. | 21.0 |
| Agricultural Programmes | .. | 11.3 |
| Major Irrigation | .. | 6.5 |
| Industries | .. | 6.3 |
| Education | .. | 6.3 |
| Water Supply | .. | 7.1 |
| Roads | .. | 2.1 |
| Health | .. | 2.7 |
| Housing | .. | 1.5 |

37. In another year we will be completing the Fourth Plan. Though the original investment contemplated in the Fourth Plan was Rs. 258 crore, the investment would have gone up to Rs. 316 crore when the Plan ends. If the additional investments on Idukki Project contemplated this year and next year and also the additional outlays for anti sea erosion works allowed this year and next year are taken into account the investment would be Rs. 328 crore. Power sector has secured the largest increase from Rs. 76 crore to Rs. 106 crore. The original outlay for water supply schemes was Rs. 12.25 crore. In view of the substantial assistance available from the Life Insurance Corporation a comprehensive programme for completing the urban water supply schemes was drawn up and is being implemented. As a result the outlay for water supply has gone up by Rs.16 crore. The increase for school education is Rs. 10.2 crore. This is mainly

because of the crash programme of construction of school buildings implemented in the first three years of the Plan. The other increases over the original outlays are Rs. 6 crore for roads and Rs. 2 crore each for industries and irrigation.

38. Besides the investment of Rs. 328 crore in the Fourth Plan, an amount of Rs. 32 crore would have been spent for Centrally Sponsored Schemes during this period. Central programmes costing Rs. 20 crore will be implemented in the current year and in the coming year together. If the assistance from the Agricultural Refinance Corporation for fishery schemes and land development schemes are also included, the total investment for developmental activities will aggregate to Rs. 400 crore.

39. It was from the year 1970-71 onwards that conscious and purposeful efforts have been made to secure financial assistance from Life Insurance Corporation, Banks, and other financial institutions for the developmental activities in the State. It cannot be gainsaid that these efforts have succeeded to some extent. Financial institutions do not directly provide funds to Government departments. It is for this reason that Government had to set-up various developmental agencies of an autonomous character. These agencies have been able to function fairly satisfactorily within their allotted spheres of activity. They have been able to secure funds from financial institutions on the basis of economically viable projects and schemes. The Rural Development Board, the Urban Development Financial Corporation, the Housing Board, the Farming Corporation, the Harijan Development Corporation and the Land Development Corporation have all been set-up against this background and are symbols of Government's new policy and approach in the matter. It is obvious that Government could not have by utilising their normal budgetary resources embarked on the various activities which are undertaken by these institutions. Most of these institutions are in their infancy. We can naturally expect that these institutions will play a significant role in the development of our economy during the next Plan period.

40. The important programmes of Government in the various factors of agriculture, industries, land reforms, housing, health, water supply and education have been dealt with in detail in the Governor's address. It is needless for me to repeat them here.

41. The agricultural sector is alive and brimming with developmental activities. As a result of the programmes implemented in this field food production has increased considerably and the State is well on its way to self sufficiency in food.

42. During the Fourth Plan period about 43,000 hectares of land have been additionally brought under irrigation. In the coming year it is proposed to extent irrigation facilities to 2,000 hectares.

43. Industries is another key sector in the economy of Kerala Considering the high density of population of the State the importance of a highly organised small industries sector cannot be over emphasized. It may be mentioned that many concessions have been given recently to small scale industrialists. Loans on liberal terms are available from the nationalised banks to the small industrialist in the district declared at backward Scarcity of raw materials is one of the problems which the industrialists have to face in recent times. The Kerala State Small Industries Corporation is taking steps to tide over this difficulty.

44. Programmes are being implemented to improve the working of Government owned industrial concerns. A Holding Company has already been formed to regulate and supervise the working of these concerns effectively. The Kerala State Industrial Development Corporation provides both financial assistance and technical advice to industrialists. The formation of the Kerala State Textile Corporation is an event of major significance. There are many notable achievements so far as coir, cashew and handloom are concerned.

45. The current year's outlay for Power which is Rs. 21 crore is being stepped up to Rs. 24 crore in view of the permission obtained for raising a further public loan of Rs. 3 crore to meet the additional expenditure on the Idukki Project. Before the current financial year ends, the erection of the first 130 M.W. generating unit of the Idukki Project will commence. By the end of 1973-74, 80% of the work will be completed. The next year's outlay for Power is Rs. 21 crore. Of this, Rs. 11 crore is earmarked for the Idukki Project. An additional amount of Rs. 4 crore will be required for this Project to keep up the tempo of works and it is hoped that additional central assistance will be available at the appropriate time. It is proposed to cover 100 villages additionally under the rural electrification programme. About 60,000 consumers and 25,000 street lights will be connected up.

46. The recent commissioning of the Kuttiadi hydro-electric project with an installed capacity of 75 M.W. is an achievement worth mentioning.

47. Compared to other States, we are in a fortunate position so far as power is concerned. It is expected that we will be able to avoid a serious power cut this year. We are supplying power to Tamil Nadu and Pondicherry. But there

should not be any complacency in fully exploiting our power resources and harnessing them for agricultural operations and industrial activities in the state. With the development of the industrial and agricultural sectors the internal demand for power will increase substantially. Idukki is not therefore the last word, so far as power potential is concerned. Projects like Silent Valley and Edamalayar have also to be undertaken.

48. Works relating to the National Highway are being executed with vigour. The acquisition of land for widening the highway from Walayar to Parassala will be completed soon. The intention is to complete the entire works on the Highway within two years.

49. We have pressed for the realignment of N.H. 17 from Feroke to Ernakulam along the coastal route. The proposed alignments along the coast will be more economic and will help speedy traffic between Feroke and Ernakulam. It is hoped that the Government of India would agree to this and the work on the N.H. 17 will be taken up during the Fifth Plan period.

50. Owing to financial constraints, it has not been possible to take up the construction of new roads and bridges. However it is proposed to reconstruct old and damaged bridges.

51. The One lakh Housing Scheme which has been taken up recently has achieved all India fame. During 1973-74 besides completing the scheme, it is proposed to extend the coverage of the scheme with Central assistance.

52. It is in the field of education that the financial limitations are most keenly felt. Unless the educational system is given a scientific orientation and vocational bias we will not derive full benefit out of the investments that are made in that sector. A beginning has already been made by reorganising the curriculum with special emphasis on science subjects. While formulating the details of the Fifth Five Year Plan, priority will be given for modernisation of education. In the Memorandum presented to the Finance Commission the State Government have stressed the need for special assistance to improve, the existing educational facilities.

53. In the current year three new colleges have been opened.

54. A State level committee under the chairmanship of Minister for Education has been set-up to deal with the problems of the student community. Advisory committees are being formed at the district level. To deal with the welfare measures of the non-student youth a Youth Advisory Board has also been formed.

55. The co-operative sector is fast developing. The policy of Government is not to increase the number of societies but to strengthen their financial base and make them efficient units. Government have approached the Reserve Bank for funds from the Bank's Long Term Operation Fund for investment in the Service Co-operatives, Central Bank, State Co-operative Bank and Urban Co-operative Banks to the extent of Rs. 2.38 crore. During 1971-72 the credit societies in the State have advanced short-term loans totalling Rs. 35 crore. The current year's target is Rs. 40 crore. It is proposed to distribute short-term loans for a total amount of Rs. 45 crore in the coming years. Besides, long term loans for Rs. 4.5 crore will be disbursed in the coming year. The Apex Housing Society functioning at Ernakulam has been able to secure a loan of Rs. 25 lakh from the Life Insurance Corporation and raise an amount of Rs. 50 lakh by floating debentures. The society will be embarking on its programme with greater vigour. Another important programme is the starting of co-operative dispensaries. Six dispensaries have already been started and steps for opening five more are under way.

56. Health and Family Planning Programmes are being implemented with accelerated tempo. By appointing 200 nurses every year the bed-nurse ratio is being improved in a phased manner. By the end of 1973-74 there will be no Panchayat without a dispensary. A scheme has been drawn up to construct pay wards in hospitals with financial assistance from State Bank of India. This will be implemented next year. Steps are being taken to modernise the Taluk Hospitals by introducing specialities like Blood Bank, E.N.T., Eye, Dental and Paediatric units and increasing their bed strength to 100.

57. Steps will be taken to make Harijan Welfare activities more effective. It is proposed to enhance the allowance to students of welfare and primary schools and the boarding charges of hosteliars. A Harijan Development Corporation has been set-up to implement measures for the economic uplift of Harijans. The Corporation will also implement schemes for the welfare of hill tribes taking into account their special problem.

58. It is a tragic fact that the hill tribes have always been victims of exploitation. The fruits of development have yet to reach them. Historical factors

account for this state of affairs. Steps have to be taken on an emergency footing to improve their lot and to raise them to the level of the other sections of the community. Government have decided to assign to them the lands in their possession on a permanent basis and to help them in cultivating lands and settling down there.

59. In view of the unique importance of forests in Kerala's economy a comprehensive programme for the protection and development of forest wealth including the flora and fauna is being formulated.

60. A master plan, for developing the forest area including Waynad into a wildlife sanctuary and a tourist centre, will be drawn up and implemented in collaboration with Tamil Nadu and Mysore States.

61. Government have accepted in principle the project report of the Industrial Plantation Corporation. The objectives of the Corporation are to raise plantations of fast growing species over an area of 65000 hectares in a period of 10 years, to take over and intensively manage existing eucalyptus plantations of the Forest Department and to manage and develop 25000 hectares of evergreen forest. The ultimate objective of these activities is to supply the required raw materials to the wood based industries existing as well as those to be established in future. The employment potential of the Corporation is estimated at 50000 man days a year.

62. Measures have been taken during the current year to strengthen the Police force and to equip them for the challenging task maintaining law and order. The Government of India have given an assistance of Rs. 50 lakh, for the scheme of modernisation of police force. Twenty-one police stations have been opened. A new Police Armed Battalion has been organised for the Central Zone. During the coming year it is proposed to open new Police Stations and form a new Circles and to strengthen the Crime Branch Vehicles and other equipments will be purchased with central assistance.

63. An amount of Rs. 50 lakh each has been set apart for the construction of Police quarters during the current year as well as next year.

64. The importance of tourism to a State like Kerala which is endowed with natural scenic beauty needs no emphasis. Recognising the tourist potential of Kovalam, the Government of India have provided greater facilities to the tourists by constructing cottages and improving facilities for rest and recreation. Kovalam

has thus secured an important position in the tourist map of India. The Kerala Tourism Development Corporation which has recently taken over Rama Mandiram at Ernakulam proposes to convert it into a modern hotel with 110 rooms. The Corporation has taken a loan of Rs. 48 lakh from the Syndicate Bank for this purpose. Besides, the construction of a 24 roomed Annexe to the Periyar House at Thekkady has already been started. The programme of construction of hotels will be extended to other important centres in due course. A Committee has been set-up to draw up a master plan for the development of tourism. The construction of an Airport at Calicut is under the active consideration of the Government of India.

65. The coming year is the last year of the Fourth Plan. Naturally our efforts are directed towards the completion of the schemes in hand. On the eve of the Fifth Plan it will not be proper to take up new schemes thereby increasing the financial commitments.

WAYS AND MEANS

66. The budget estimates presented to the House disclose a revenue deficit of Rs. 34.50 crore. A net expenditure of Rs. 47.10 crore is anticipated under capital account and under loans and advances. A provision of Rs. 39.19 crore is made for the repayment of Central loans. There is no public loan maturing for repayment next year. The repayment of other loans is estimated at Rs. 76 lakh.

67. The loans from the Centre for Plan Schemes are taken at Rs. 32.35 crore. Credit is taken for Rs. 2.5 crore towards the State's share of small savings collection. It is proposed to raise a public loan of Rs. 4 crore. Loans to the tune of Rs. 7 crore are anticipated from the Life Insurance Corporation and the Reserve Bank of India. The net accretions under unfunded Debt are placed at Rs. 6.89 crore. The transactions under 'Deposit' and 'Remittances' will result in a net receipt of Rs. 2.98 crore. The Planning Commission has assessed the non plan gap for 1973-74 at Rs. 22.55 crore. But Government do not consider that this is a realistic assessment. At the discussions with the Planning Commission the representatives of the State Government expressed their strong disagreement with this assessment and made it clear that this does not take into account the commitments of the State Government fully. However on the assumption that the Central Government will provide assistance at least to the extent of the gap assessed by the Planning Commission, credit is taken for special accommodation

loan of Rs. 22.55 crore. The financial position of the State as envisaged in the Budget for 1973-74 can be summarised as below:—

| | | <i>(Rs. in crore)</i> |
|--------------------------|----|-----------------------|
| Revenue deficit | .. | (–) 34.50 |
| Capital Expenditure | .. | (–) 39.90 |
| Loans and Advances (Net) | .. | (–) 7.20 |
| Debts and Deposits | .. | (+) 50.94 |
| Overall deficit | .. | (–) 30.66 |
| Opening Cash balance | .. | (–) 13.52 |
| Closing Cash Balance | .. | (–) 44.18 |

68. The above overall deficit has been arrived at after taking credit for a special accommodation loan of Rs. 22.55 crore. To cover the deficit of Rs. 30.66 crore fully we have to approach the Government of India for a larger financial accommodation. Without a substantial increase in the quantum of the special accommodation loans, the State will not be able to avert a financial breakdown in the coming year. Certain restrictions in expenditure may have also to be imposed. The scope for augmenting State's revenues is very limited. Against the target of additional resource mobilisation of Rs. 50 crore for the Fourth Plan, the achievement comes to Rs. 40 crore only. Irrigation cess, tax on buildings and tax on non-agricultural lands in urban areas have yet to be implemented. Even if they are implemented, the deficit can be covered only marginally. The recommendations of the Raj Committee on taxation of agricultural income and wealth set-up by the Central Government are being studied. Government do not propose to introduce any new taxation measures at this stage.

69. The special levies for providing relief to Bangladesh refugees, which have been in force for over a year now will be withdrawn from April 1, 1973.

70. Excise revenue has recorded a fall since a year back. The lifting of prohibition in the neighbouring State of Tamil Nadu has affected the sales of liquor in our State. The rates of excise duty and sales tax on liquor are much lower there. The same is the position in Mahe which is an enclave within Kerala State. Quite a large quantity of liquor is being smuggled from Mahe and Tamil Nadu and sold within the State. It is not practicable to prevent this effectively however vigilant the departmental machinery is. If the existing higher rates of tax in our State are to continue, excise revenue is bound to decline considerably. In the

interest of stabilising the revenue a reduction in the rates has become inevitable. Accordingly it has been decided to rationalise the excise duties and the sales tax on liquor with effect from 1-4-1973. Though these measures may lead to a slight shortfall in revenue in the initial stages, the revenue may improve in due course as a result of the elimination of smuggling and increase in consumption of dutiable liquor.

71. Government propose to pursue their effort in the field of additional resources mobilisation along certain new directions. The Treasury Savings Bank Schemes has, till recently, not been very attractive. Steps have been taken to revise the rates of interest and to simplify the procedures in the treasuries. It is hoped that the remodelled scheme will attract a large number of depositors and there will be a net accretion of at least Rs. 1 crore.

72. Mobilisation of resources through small savings collection also requires special attention. Necessary measures have been initiated in the matter. The success of this scheme depends on the co-operation of all sections of the people, particularly of the salaried categories. I am happy to say that the members of the State Police Force have joined the pay roll savings scheme. Let me take this opportunity to commend their sense of involvement in the cause of the Nation. I wish that the example will be followed by the other classes of employees.

73. A word to the Government employees. The stalemate that was caused by the strike of a section of the employees, has now been removed. Government have always been sympathetic towards the legitimate demands of the employees. But while considering their demands involving financial commitments, Government cannot afford to lose sight of their financial limitations on the one hand and their obligations and responsibilities to the rest of the community on the other. About 40 per cent of the people are below the poverty line. To satisfy their basic requirements in the matter of food, shelter and clothing and to raise their standards of living to a minimum level is a matter of the highest priority. Providing jobs to the jobless is an inescapable responsibility that calls for emergency measures. The Government employees are comparatively in a far better position. Still Government are prepared to recognise their demands within reasonable limits. In a few days the third Central Pay Commission will be submitting its report. In the light of the decisions taken by the Government of India on this report, the State Government propose to revise the scales of pay and allowance of dearness the State Government employees taking into account Government's financial position also. Necessary steps will be taken in the matter at the appropriate time.

74. Sir, I conclude, in the next few months, the Fifth Plan will be given the final shape. Discussions on the various facets of the Plan will naturally be held in the National and State forums. The whole hearted involvement of all sections of the people is essential to give the Plan the form and content required for the development of our economy. The strategy of planning should be evolved with imagination and fore thought. The raising of the standards of life of the poorer sections and bringing about social justice are as much important as increase in production. The growth of the economy should take into account to over-riding need for making available consumer goods and jobs so as to enrich the lives of the masses. Whatever be the strategy of development, there can be no two opinion about our ultimate objective which is to ensure a fuller and richer life to our people.

75. A solution to the day-to-day financial difficulties of the State Government lies in getting a fair deal from the Sixth Finance Commission. We have presented our problems in their true perspective before the Commission and we will at the ensuing discussions argue our case In this matter also we solicit support from all sections of the case.

76. To fulfil the social and economic objectives, that we have set for ourselves, we have to work with a sense of social discipline. In whatever spheres of activity we are engaged, whether in the factory or in the field, in the school or in the office, we should be inspired by the vision of our ultimate goal. Unfortunately we see around us indiscipline tending to grow into the dimensions of a national catastrophe. It is the lack of a deep rooted sense of identification with the national cause, coupled with the lack of faith in our objectives that gives rise to this tendency. If the big projects that are undertaken by mobilising resources at considerable sacrifice to the community are to succeed and bring about lasting and substantial benefits, all those who are associated with them should have a high sense of discipline and dedication. What the country needs today more than fiscal and material resources is a people working with determination and inspired by a vision of our ultimate objectives. Faced as we are with a wide range of problems let us steel ourselves to face the challenges of our times with unshakable faith and self-confidence and a deep sense of social awareness.

77. Sir, I commend the budget estimates for the acceptance of this House. Since there is not time enough to complete the discussions on the budget before March 31, it is proposed to move a Vote on Account for a period of four months.

DR. K.G. ADIYODI
