



BUDGET SPEECH FOR 1974-75

DR. K. G. ADIYODI

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I rise to present the Budget Estimates for the year 1974-75.

1. A few days from now the Fourth Plan will be completed. The original outlay of the Plan would have gone up from Rs. 258 crore to Rs. 323 crore. This increase was made possible to a certain extent by the larger funds received from the Reserve Bank of India for investment in the co-operative sector and from the Life Insurance Corporation of India for urban water supply schemes. The outlay for co-operation originally envisaged was Rs. 1.55 crore; the actual outlay comes to Rs. 7.32 crore. The expenditure on urban water supply schemes has increased from the original level of Rs. 12.25 crore to Rs. 28.54 crore. The outlay for general education has gone up from Rs. 16.54 crore to Rs. 27.28 crore, while that for roads and bridges increased from Rs. 10.25 crore to Rs. 18.45 crore. The investment in the industries sector has gone up from Rs. 22.08 crore to Rs. 24.50 crore.

2. The target of additional resources mobilisation for the Fourth Plan was 50 crore; but in view of the low tax potential it has been possible to raise only Rs. 39 crore. The Life Insurance Corporation and the Reserve Bank of India have provided additional funds to the extent of Rs. 21 crore. Even so, there is a gap of about Rs. 30 crore between the located resources and the actual plan outlay. This gap was met by ways and means advances from the Centre. During this period the State had incurred an outlay of Rs. 31 crore for Centrally Sponsored Schemes, Rs. 8.85 crore for central programmes and Rs. 3.45 crore for employment oriented schemes.

3. The draft outline of the Fifth Plan has been formulated after elaborate studies. Investments in various sectors have been suggested keeping certain well-defined objectives in view. On the basis of the draft prepared by the Planning Board discussions were held all over the State at various levels, official and non-official.

4. The State Government finally submitted a draft outline envisaging an investment of Rs. 747 crore. Several discussions were held subsequently with the Planning Commission in regard to both the quantum of investment and the content of the programmes. The commission has finally approved an outlay of Rs. 600 crore. However, in the anticipation that assistance from C.A.R.E. would continue to be available a reduction has since been made in the outlay for nutrition programmes. The present indications are that the Fifth Plan outlay would be of the order of Rs. 563 crore. Efforts are being made to step up this outlay. A special programme embodying schemes for the development of backward areas and tribals, involving an investment of Rs. 70 crore has been submitted to the Planning Commission. In fact we are the first State to have prepared such a scheme. The scheme is under consideration of the Planning Commission. It is hoped that it will be approved as additive to the Plan.

5. The State's resources for the Fifth Plan have been assessed at Rs. 286 crore tentatively as follows:

		<i>(Rs. in crore)</i>
Budgetary resources	..	41.00
Loans from Life Insurance Corporation to State Government	..	30.00
Loans from Reserve Bank of India to State Government	..	6.25
Loans from Life Insurance Corporation to Electricity Board	..	22.50
Market borrowings by Electricity Board	..	52.25
Loans from Rural Electrification Corporation	..	7.00
Market borrowings by Public Bodies in the State	..	27.00
Additional Resources Mobilization	..	100.00
Total		286.00

The estimates of market loans and loans from financial institutions have been assumed at the levels realised in 1973-74. These will have to be revised in consonance with the developmental needs of the State. The Central assistance has

yet to be decided. It is indicated that National Development Council will be convened shortly to consider these matters and take decisions. Only then can final shape be given the State's Fifth Plan.

6. The steep rise in prices during 1973 has posed a threat to very stability of our economy. The unprecedented price hike of order of 24 per cent is a matter that should cause serious concern. The situation was brought about by fall in agricultural production combined with industrial stagnation. It is obvious that unless prices are kept check the targets set for the Fifth Plan cannot be achieved.

7. The recent oil crisis has aggravated the situation. Its repercussions are so sweeping as to retard our developmental efforts and paralyse the activities in all sectors of our economy. Should we fail to face this challenge, the Fifth Plan goals will remain beyond our reach. It is hoped that the Central Government and the Planning Commission will make bold and determined efforts to remedy the situation.

8. In the Non-Plan sector there persists a gap between resources and commitments. The Non-Plan gap which has assumed alarming dimensions during the Fourth Plan period has to be brought down to manageable limits lest it should affect the implementation of the Fifth Plan. For this we have to depend on the State's share of central taxes and Central grant-in-aid. The Sixth Finance Commission has submitted its report and the Government of India have accepted its main recommendations. The transfer of resources in the Non-Plan sector during the next five years will be regulated by the recommendations of the Commission.

9. Under the award of the Sixth Finance Commission the State would get during the Fifth Plan period Rs. 271 crore as share of Central taxes and Rs. 209 crore as grant-in-aid under Article 275 of the Constitution, thus making a total of Rs. 480 crore. This represents 5 per cent of the total transfers from the Centre to the States. The Fifth Commission had recommended transfer of resources to the extent of Rs. 193 crore to Kerala Compared to this, the Sixth Commission has done greater justice to the financial needs of the State. We have, to some extent, succeeded in impressing upon the Commission, the range and magnitude of our problems. It is gratifying that when the Commission visited the State, the political leaders and other who met the Commission have ignoring the differences in party affiliations, unanimously pressed the State's case for a better deal. Let me take this opportunity to express my gratefulness to them.

10. I have however to make one or two observations about the contents of the Commission's report. So far as Kerala is concerned, grant-in-aid assumes relatively greater predominance in the scheme of transfer of resources. Consequently the State's share of Central taxes is comparatively less. We will not be sharing in full measure the buoyancy of Central revenues. Our share of union excise duties will go down. While the Fifth Finance Commission had fixed the State's share at 4.28 per cent, the present Commission has determined that share as 3.86 per cent. In the formula of distribution of the division pool of union excise duties among the States, weightage has been given along with population to per capita state domestic product on the basis of the figures furnished by the Central Statistical Organisation. According to these figures, our per capita income is higher than the All India average, whereas the reality is just the reverse. These figures of the Central Statistical Organisation do not indicate the real position and we have already taken up this matter with the Central Statistical Organisation. It is in these circumstances that our share of union excise duties has declined. The share of additional excise duties also get reduced in this process. Under the Fifth Commission's award we got 4.84 percent of the excess over the guaranteed amount. Now, we will be getting only 3.58 per cent of the total proceeds. In short, taking the State's share of central taxes alone, the present award is obviously not satisfactory. This can be illustrated by the fact that in 1973-74 we got Rs. 47.29 crore as share of central taxes and in 1974-75 the share comes down to Rs. 45.17 crore. The reduction in the State's share of central taxes is however made good by a step up in the grant-in-aid under Article 275. Against Rs. 49.65 crore received during the Fourth Plan period the State will be getting Rs. 208.93 crore during the Fifth Plan period.

11. Under the scheme of debt relief recommended by the Commission the repayment liability of the State in respect of central loans goes down by Rs. 110 crore. According to the assessment of the Commission, only a small gap of Rs. 16 crore will persist in the capital account during the Fifth Plan period. The State's demand that all unproductive loans should be converted as grants has not been conceded by the Commission. We will, however, continue to press the matter with the Government of India.

12. Taken as a whole, it can be seen that the Commission's recommendations will help framing a more or less balanced budget in respect of

the non-plan sector. But a repetition of the financial difficulties faced by the State in the Fourth Plan period can be averted only by observing strict financial discipline.

13. It is indeed regrettable that the Sixth Commission's approach has not been realistic in one respect. The Commission has not suggested any solution to the problem of meeting the commitments on revision of pay and increase of dearness allowance of State employees during the Fifth Plan period. It is not as though the Commission were unaware of the magnitude of this problem. As stated in the Commission's report, the bulk of the resources raised for financing the Plan has been eroded by increases in emolument of employees. In the light of the past experience and in view of the inflationary trends, we are unable to accept the assumption of the Commission that the additional expenditure on the upward revision in the rates of dearness allowance necessitated by rise in price can be met by the additional revenues flowing to the State exchequer as a result of the price hike. The Commission has not taken into account the liabilities on account of increases in dearness allowance sanctioned after 1st May 1973. The Government of India have decided to link dearness allowance to the all India working class consumer price index number for industrial workers. If the State Government falls in line with this policy, it will throw a heavy burden on the State unless the rise in prices is severely curbed. Steps are now being taken to revise the pay scales of State employees in the light of the recommendations of the Central Pay Commission. The problem should, therefore, be viewed as one which might have a serious impact on the State's finances, even affecting the smooth implementation of the Fifth plan.

The Economic Scene

14. I now proceed to review briefly the economic conditions of the State.

15. The year 1973 witnessed a sharp increase in the price level, an all-round shortage of food and other essential items of mass consumption and stagnation in industrial growth all over the country. Kerala shared in full measure the impact of these developments.

16. During the period covering the years 1960-61 to 1971-72 the State income of Kerala registered a growth rate of 3.18 per cent as compared with the all India growth rate of 3.35 per cent in the corresponding period. In 1971-72 the State's percapita income stood at Rs. 579 as against per capita national income of Rs. 651 at current prices.

17. The production of rice increased from 13.52 lakh tonnes to 13.64 lakh tonnes only. This was inspite of the fact that the per hectare rice yield in 1973 touched an all time high of 1575 kilograms and the area under high yielding varieties increased by nearly 30 per cent. The reasons for this situation may be attributed to the high incidence of pests and diseases which have taken a heavy toll of production. Among other food crops the production of tapioca recorded an increase of about 5 per cent. Coconut production showed a decline of 3.28 per cent. The fall in the production of coconut should be revised with serious concern in view of its importance to the State's economy.

18. On the food front the State faced an extremely difficult situation in the year that has passed by. The inadequacy of the quotas allotted to the State by the Centre accounts for this situation. At the one time there was a virtual stoppage of private imports. The per capita availability of foodgrains was 270 grammes per day. This was much less than the previous years' figure of 323 grammes and the all India average of 453 grammes. The time is long overdue for a rational revamping of the policies followed by the Centre in the matter of distribution of foodgrains taking into account the requirements of deficit States like Kerala.

19. During the lean months of July and August 1973 the food situation deteriorated suddenly and 224 villages in the coastal belts of the State were declared as famine affected areas. By way of temporary relief, gruel centres were opened and about six lakh of people were supplied with free ration for a period of five to six weeks.

20. The country-wide inflation that persisted and accentuated itself during 1973 has had its impact on the economy of the State. During the course of last year the average of the working-class consumer price index increased by 187 points over the preceding year. This unprecedented increase has to be viewed against the background of the rise of 6 points in 1971 and 52 points in 1972. The retail prices of articles of mass consumption registered significant increases. The open market price of rice was higher in December 1973 by 39 per cent over that of December 1972. The price of tapioca also went up by 38 per cent. Except in the case of onions, there was a general increase in the price of condiments. The prices of coconut and coconut oil rose by about 83 per cent and 109 per cent respectively. The price of milk went up by 15 per cent and that of firewood by 19 per cent. The rise in the price of agricultural produce was, however, favourable to the farmer.

21. Among plantation crops, there is an increase of 2 per cent in the production of tea while production of rubber and coffee increased by 3 per cent and 6 per cent respectively. The price of tea is strongly influenced by international market trends. Tea prices at Cochin auctions during 1973 were lower than in the previous year. So far as rubber is concerned, the recent oil crisis has created a favourable situation. This has been reflected in the upward trend of rubber price in recent months. The production of cardamom fell appreciably.

22. Fish production in 1972-73 stood at 4.22 lakh tonnes. The export of marine products during 1973 attained an all time high of 48785 tonnes valued at Rs. 79.58 crore as against the previous year record of 38271 tonnes valued at Rs. 58.13 crore. The above figures indicate the extent of our achievement in this field.

23. Besides marine products, coir, cashew, spices, tea, coffee and rosewood are our major export commodities. During 1972-73 the export earnings from our country were Rs. 1962 crore. Kerala share of this is estimated at Rs. 260 crore, constituting 14 per cent of the aggregate export earnings of the country.

24. As at the end of June 1973 there were 4.71 lakh of job seekers on the live register of employment exchanges. The employment in the organised public sector has been showing a steady increase, while the performance of the private sector from this point of view has not been satisfactory. Since 1966 about one lakh persons were absorbed by the public sector. The figures in respect of private sector indicate a decline in the employment situation. These figures, however, do not reflect the extent of unemployment among the rural people. A lasting solution to unemployment can be found only through sustained developmental efforts in the rural areas. The crash programme for giving employment to the rural sector, the Kuttanad Development Scheme and several special employment programmes are being implemented. This has helped to give some relief to the unemployed. It has been estimated that up to the end of December 1973, one crore of man days of work have been provided in the rural areas. As a result of the special employment programmes about 25000 educated unemployed have been given relief.

25. The brief resume of the economic conditions of the State given above would show that all the three major areas of the State's economy, viz., production, prices and employment cause concern and call for prompt and purposive action. The sag in national output accompanied by an explosive growth in counter productive expenditure makes the scope for effective State action severely limited.

The initiatives necessary to overcome these limitations and achieve a faster growth rate have to come from the Centre which operates from the commanding heights of our national economy. Nevertheless within our limited sphere of action we have to formulate policies and programmes and complement them with a sense of urgency. The underlying policies of the Fifth Plan formulated against the above background are to strengthen the public distribution system to check rise in prizes, to maximise agricultural and industrial production, to combine such growth in reduction with social justice, to evolve appropriate strategies in the matter of exploring fully our natural resources including mineral, forest and ground water resources, to protect small operators from monopoly interests, to generate more employment opportunities, to re-structure the educational system and above all to bring about a more rational and economic redeployment of human and material resources. While finalising the next year's budget proposals, high priority has been given to programmes intended to realise these objectives.

26. The public distribution system has to be equipped to control prices effectively. Certain steps were taken towards this end even last year and these have achieved a measure of success. Besides foodgrains, coarse varieties of cloths, kerosene and sugar were distributed through ration shops. It is a matter of common experience that whenever there is scarcity of essential commodities in the open market, antisocial elements exploit the situation and reap undue profits. To remedy the situation, it is proposed to organise immediately a Civil Supplies Corporation which will make bulk purchases of essential commodities and distribute them at reasonable prices to consumers.

27. The budget for 1974-75 has been prepared on the basis of the new accounting system. The accounting system in India has been the legacy of the British administration and has been continuing practically in the same form in which it was introduced by them. The system had not undergone any change since independence. Naturally, the accounting structure has not been able to reflect the range and magnitude of the responsibilities of the present-day administration. The drawbacks of the system have become more patent since the advent of planned development in the country. The major heads and minor heads that are now used have to be reformed basically, so that the new responsibilities devolving on the Government can be reflected in their proper perspective in the budget and other accounting documents. The Government of India appointed a team of officers in

1969 to study this matter in depth and suggest necessary reforms. The recommendations of this team have been accepted by the Government of India as well as the State Government. Accordingly it has been decided to implement the recommendations from the first year of the Fifth Plan. The new accounting system has been formulated with a view to achieving close conformity between the major and the minor heads on the one hand and the heads of development and programme on the other. Under the new system, it will be possible to see at a glance a true picture of our developmental efforts from the budget documents. Several new heads have been opened both in the revenue account and in the capital account. The principle followed in the re-classification is to distinguish each identifiable function and to assign a separate major head for it. This will facilitate a rational classification of Government expenditure and a purposeful evaluation of the programmes of Government.

28. In consonance with the changes in the structure of budget and accounting heads, a re-structuring of the demands for grants has also to be made. It is desirable that a single demand is moved for all items of expenditure relating to a function, whether it is on a revenue account or capital account or loans and advances. On this basis the form of demands for grants has been re-structured and the revised form was submitted to the Estimates Committee of this House for approval. The Estimates Committee has approved the new form. The Demands for Grants for 1974-75 conform to the revised pattern.

Accounts 1972-73

29. The year 1972-73 opened with an overdraft of Rs. 52.08 crore with the Reserve Bank. With the discontinuance of the overdraft facility from 1st May, 1972 a ways and means advance was given to the State Government by the Centre to clear the outstanding amount. Simultaneously the limit of the ways and means advances was enhanced from Rs. 4.65 crore to 7.35 crore. The State Plan expenditure for the year stood at Rs. 77.36 crore. For Centrally Sponsored Schemes the actual outlay was Rs. 7.85 crore. For anti-sea erosion works an assistance of Rs. 2 crore was received from the Government of India outside the plan which was matched by corresponding increased expenditure. The State Government received a special accommodation loan of Rs. 20.58 crore to cover the non-plan deficit. When the year ended there was no overdraft with the Reserve

Bank; a ways and means advance of Rs. 7.13 crore was outstanding with the Reserve Bank.

Revised Estimate 1973-74

30. Since the budget for 1973-74 disclosed a huge deficit of Rs. 30.66 crore, vigorous measures had to be instituted for curtailment of expenditure. The steps taken by the Government include reducing the outlays of several plan schemes, curtailing the expenditure in the travelling allowance and contingencies to the extent of 10 per cent and 20 per cent respectively and slashing down the allotment of certain non-plan schemes. At the same time fresh expenditure of the tune of Rs. 5.5 crore had to be incurred towards the grant of additional Dearness Allowance to the State Government Employees from 1st of May, 1st of August and 1st of October, 1973.

31. Relief measures had to be taken upon a large scale following the floods in July and August last. As mentioned earlier, besides opening gruel centres in the coastal areas, free ration was also given. The ceiling of expenditure allowed by the Central Government are Rs. 54.5 lakh for relief measures and relief works and Rs.80 lakh for repairs to roads and irrigation system. The State Government had already spent about Rs. 3 crore for relief items alone. Over and above this is the expenditure on repairs. Repeated representations have been made to the Centre to provide assistance for the additional expenditure incurred. It is hoped that the Central Government will give additional assistance towards these items.

32. Credit has been taken in the revised estimate for an amount of Rs. 18.82 crore as special accommodation loans from the Centre to cover the non-plan gap. Another amount of Rs. 2 crore is expected towards the additional expenditure on direct payment of salary to private college staff. The revised estimate places the state plan outlay for the year at 70.5 crore. Besides additional investments of Idukki project and Rs.3 crores for anti-sea erosion works are anticipated for which special assistance from the centre is assumed. Though the central assistance for the annual plan was fixed at Rs. 41.45 crore at the beginning of the year, it was scaled down by 11.69 per cent as part of the efforts of the Government of India to curtail expenditure in the plan sector. The reduced central

assistance is thus Rs. 36.72 crore. The year is expected to end with a deficit of Rs. 9.83 crore. Though steps have been taken to contain the expenditure, the gap still persists, since certain unavoidable commitments had to be taken up. It is proposed to move the Centre for a ways and means advance to cover the gap.

Budget Estimates 1974-75

33. The revenue for 1974-75 is estimated at Rs. 253.40 crore. The State's share of central taxes is Rs. 45.17 crore. The State taxes are expected to yield Rs. 103 crore. A special drive has been launched for collecting arrears of revenue. The budget estimate of revenue have been framed on the basis that significant portion of the arrears can be collected during the coming year.

34. The yield from non-tax revenue is placed at Rs. 43.35 crore. Grants from the centre are assumed at Rs. 11.02 crore for the State Plan and Rs. 4.42 crore for Centrally Sponsored Schemes. The grant-in-aid under Article 275 is Rs. 43.85 crore. For financing non-plan schemes, a grant of Rs. 2.67 crore is expected from the Centre.

35. The expenditure on revenue account is estimated at Rs. 259 crore, of which Rs. 235 crore constitute non-plan expenditure. The capital expenditure envisaged in the budget is Rs. 38.47 crore. The Plan content of this outlay is Rs. 33.72 crore. The disbursement of loans and advances is estimated at Rs. 15.85 crore, of which Rs. 5 crore is on account of plan schemes. Recoveries of loans and advances are placed at Rs. 14.58 crore.

Annual Plan

36. Kerala's annual plan for 1974-75 has yet to be finalised. The State Government has forwarded a draft annual plan involving an investment of Rs. 101.50 crore. No final decisions have been taken on the quantum of central assistance to the State for the Fifth Plan and on the pattern of distribution of the assistance among the States. The indication is that the National Development Council will be convened shortly to discuss and take decisions on these vital matters. Only after this is done, can final shape be given to the State's Fifth Plan.

37. For purpose of the Budget Estimates, the annual plan outlay has been tentatively fixed on the basis of the discussions with the Planning Commission

regarding the resources that the State could raise. At these discussions the State's resources have been estimated at Rs. 35.86 crore. The component are Rs. 1.16 crore as budgetary surplus, Rs. 11.85 crore as loans from financial institutions, Rs. 15.85 crore as market loans and Rs. 7 crore as additional resources mobilisation. Market loans are placed at the current year's level.

38. Central assistance has been assumed at the current year's level of Rs. 36.72 crore. The aggregate resources for Annual Plan are thus Rs. 72.58 crore. At the latest discussion the Planning Commission had agreed to an outlay of Rs. 75.58 crore.

39. The market loans to be raised by the public bodies in the State namely Rs. 5.4 crore are treated as resources for the plan. Consequently the outlay financed by the market loans will have to be treated as plan expenditure. Certain items treated as non-plan expenditure have been newly brought into plan from next year. The expenditure financed from the depreciation fund the Road Transport Corporation and the outlays on office buildings and Residential quarters are such items.

40. The estimates for the annual plan have been placed at Rs. 79.07 crore in the budget estimates now presented to the House. When final decisions are taken regarding central assistance and market borrowings its can reasonably be expected that the plan outlay will be much higher. It is on this basis that the budgeted outlay has been fixed at Rs. 79.07 crore. If still further amounts are found necessary from the plan outlay is finalised. Supplementary Demands for Grants will be moved before this House.

41. I now turn to the important programmes of the coming year.

The agricultural sector plays a vital role in the State's economy contributing as it does 55 per cent of the State's domestic product and supporting 56 per cent of the population. Various schemes have been drawn up and are being implemented with the twin objectives of reducing our chronic food deficit and earning more foreign exchange. For agricultural and other allied programme an outlay of Rs. 15.31 crore is provided in the budget. The coverage of the yela programme which has accelerated the production of rice will be extended. In addition to the 169 intensive paddy development units now functioning, 100 new units will be started next year. About 3.2 lakh hectares will be brought under the high yielding varieties programme. Special programmes will be implemented for

plant protection and control of diseases. The area under pulses will be extended by 10,000 hectares. The Fifth Plan accords high priority for coconut development. A long range programme for re-planting disease-affected coconut palms with hybrid seedlings will be initiated. Steps are being taken to extend the area under cocoa and cashew. The third collective farm will be started in Trivandrum District soon. The Kuttanad Development Scheme has now become a reality. When completed, rice production is expected to go up by 1.5 lakh tonnes. Coconut production in that area will go up by 1.5 crore nuts at the end of the tenth year of planting. For the development of the kole lands in Trichur, it is proposed to take up the Chimoni Mupli Irrigation Project during next year. The Government of India will be moved for making available large quantities of fertilizers and pesticides.

42. The fragmentation of Plantations has to be viewed with concern in view of their vital role in the State's agricultural economy. Only if they continue as viable units will it be possible for the holders to take up developmental works involving significant investments. For this reason the fragmentation of plantations has to be checked.

43. The target for minor irrigation will be to complete the works already taken up and to bring irrigation facilities to 7000 hectares of land. The minor irrigation works taken up under the crash programme through the Block agency will also be completed next year. For major irrigation works, an outlay of Rs. 7.45 crore has been provided. All the six major irrigation projects except kallada, viz. Kanjirapuzha, Kuttiyadi, Chitturpuzha, Periyar Valley, Pamba and Pazhassi will be completed during the Fifth Plan period. Karapuzha, Attapady and Muvattupuzha irrigation projects will also be taken up for execution. The approval of the Planning Commission has been obtained for Idamalayar and Chimoni-Mupli and necessary provision has been made for these works. I may take this opportunity to remind our farmers that considering the huge investments made for irrigation, it will not be feasible to provide irrigation facilities free of charges.

44. Incentives will be given to encourage the programme of energising pump sets. In view of the utmost need for stimulating rice production, it is proposed to exempt pump sets used for paddy cultivation from the condition regarding minimum guarantee for supply of power. Top priority will be given for such connections. It is hoped that our farmers will take full advantage of this concession and spare no efforts in maximising rice output.

45. The scheme for survey of ground water resources has been commenced with the assistance of the Central Government

46. It is needless to enumerate here the various measures taken by Government to confer proprietary rights on cultivators both within the framework of the land reforms legislation and under the land assignment rules, since the ground has been covered in the Governors address. It has, however to be mentioned that a time-bound programme has been drawn up to distribute forest lands fit for cultivation. With the implementation of the Land Reforms Act, about 7 lakh persons have become owners of land. Special attention will be bestowed towards providing financial assistance and technical advice to these persons to enable them to make full and productive use of their lands. The Kerala Agricultural Workers' Bill which has been passed by the House yesterday is a very effective tool for rendering justice to the rural workers. The bill is one which along with the Land Reforms Act has to be recorded in golden letters in the history of our legislation. Both these laws, besides ensuring effective and active involvement of the workers in Agricultural production processes, will confer social justice on sections of the people who have for centuries, been denied the benefit and will uphold big socio-economic revolution.

47. Though relatively backward, Wayanad is an area which has potential for development. This region can play a crucial role in augmenting the production of both food crops and cash crops. With a development of this region, the socio-economic conditions of the adivasis will also improve. It is accordingly proposed to set-up a Wayanad Development Authority to formulate and put through a comprehensive scheme for the integrated development of this region.

48. The provisions of the Kerala Private Forests (Vesting and Assignment) Act, 1971 are being implemented vigorously. It will be necessary to preserve vital areas of the private forest lands, for which forest protective works will be carried out. Some areas will be reserved for purposes connected with the Agricultural University, farm forestry, seed farms etc. The remaining area will be assigned to agriculturists, agricultural labourers, members of the Schedules Castes and Scheduled Tribes, unemployed young persons and others for cultivation. The patterns of cultivation in these areas will be decided by the committee constituted by Government. The objective is to provide viable units of cultivation to the assignees so that they would make full productive use of the land which may lead to agro based industries long felt need of our State.

49. A scheme is being drawn up for carrying out forest protection works, including fire protection, effectively using modern techniques. It is hoped that assistance from the World Bank will be received for this scheme.

50. A pilot project for integrated dairy development will be implemented next year. The work relating to the plant at Alleppey has been completed. It is proposed to start dairy plants at Quilon, Cannanore and Trichur. With a view to ensuring poultry development, a Poultry Corporation is being set-up. Twelve new veterinary dispensaries will be started next year.

51. The programmes relating to fishery development will be implemented with greater vigour. A provision of Rs. 2 crore is included in the budget for this purpose. The intrusion of big business houses into the area of deep-sea fishing is a matter of very serious concern. Their activities, though confined to off-shore fisheries, will pose a serious threat to the fishery programmes of the State. Government would take steps to protect the interests of small operators in our State.

52. A District Co-operative Bank has been started at Idukki. Considerable progress has been achieved in the matter of providing short-term and medium-term loans by the co-operatives in the State. During 1973-74 an amount of Rs. 45 crore has been distributed by the co-operatives. The Kerala State Co-operative Marketing Federation has during the year distributed fertilisers to the value of Rs. 1.47 crore. In recent times the co-operative movement has entered new areas. The starting of rural co-operative dispensaries is an instance in point. Further taxi drivers and auto rickshaw drivers have been organised within the fold of co-operative movement.

53. An outlay of Rs. 19 crore is made for power schemes. Idukki Project has so far accounted for an expenditure of Rs. 72 crore. At the rate, when completed, the actual outlay will go up to Rs. 97.5 crore. If the works on this project continue uninterrupted, the first unit will be commissioned by the middle of 1975. The works on Silent Valley and Idamalayar will be started next year. In the matter of rural electrification our State is in the forefront. Out of 1573 villages, 150 have been electrified. During 1974-75, 50 more villages will be electrified.

54. The programme of industrialisation has received great impetus during the Fourth Plan period. The establishment of the Electronic Corporation will pave

the way for the setting up of a chain of electronic industries all over the state. It is indeed a matter for pride that we are able to enter into the most sophisticated areas of modern technology. Most of the public sector undertakings are passing through stages of expansion. It is worth mention here that we have been able to organise a consultancy service to help the private industrialists in preparing viable project reports. K.I.T.C.O. and K.S.I.D.C. have a number of worthwhile projects in hand. In 1973 eight industrial licences and seventy-one letters of indent have been issued by the Government of India. Thirty-five applications for industrial licences are pending. The project report for a railway wagon factory is being prepared. The subsidiary companies brought under the control of the Holding Company are turning the corner. Their losses will be substantially reduced during this year and it is hoped that they would begin earning profits in the coming year. The Drugs and Pharmaceuticals, Alleppey will start production early next year.

55. The construction of the Newsprint Factory, which is a public sector project proposed to be set up by the Central Government with an investment of over Rs.60 crore will be started during this financial year itself. This factory will provide employment to one thousand persons directly and about fifteen thousand to twenty thousand persons indirectly through allied activities like felling and transporting of logs. The work relating to the Cochin Ship Building Yard is gaining momentum. A Project Officer has been appointed for the Precision Instruments Factory and he has already started his work at Palghat. This factory will start production from early 1975. We have been informed that the Central Government has decided to start a factory at Palghat for the manufacture of small telephone equipments. The Atomic Energy Commission will be setting up at Chavara, Ilmenite Smelter Centre involving an investment of Rs. 3 crore. A Project Officer has been appointed to take up the preliminary works relating to the establishment of four sugar mills in four districts of the State and the Managing Director of the Farming Corporation has been authorised to locate sites for this purpose. The preliminary works on this have already commenced. When these four factories are completed, about one thousand persons will get employment in the factory sector and about twenty thousand persons in activities relating to sugarcane cultivation.

56. One of the reasons for the inefficiency of the public sector undertakings is the absence of an efficient management cadre. To remedy the situation, it is proposed to organise a management cadre headed by talented and competent persons. Steps are being taken for the purpose.

57. The re-organisation of the coir industry is under way. Before the current financial year closes, an investment of Rs. 7 crore will be made in this sector. Necessary funds for this have been advanced by the Central Government. The working of the Cashew Development Corporation will be expanded, with the taking up of new factories. The revitalisation schemes in the sectors of handloom and handicrafts are making good progress.

58. The Kerala Employment Promotion Corporation Ltd. which has been registered recently will render necessary assistance to educated unemployed persons to start industrial enterprises of their own.

59. The budget estimate provides an outlay of Rs. 250 lakh for roads and bridges. We have exceeded the Fourth Plan targets in this field. This lack of funds is the main bottle-neck in this sector. Despite the severe resources constraints, a few essential new works have been included in the budget. A provision of Rs. 668 crore is included for repairs to roads. Another provision of Rs. 1.91 crore is provided for repairs and maintenance of Government building. These amounts have been provided on the basis of the recommendations of the Finance Commission. The road works taken up under the crash programme implemented through the Blocks will be completed next year, for which a provision of Rs. 50 lakh has been made in the budget. The allotment for National Highways has been cut down by the Government of India from Rs. 3.22 crore to Rs. 2.38 crore during the year and this has affected the tempo of works relating the National Highways. It is hoped that during the Fifth Plan period a faster tempo could be achieved in the matter. At present most of the works are executed through the agency of contractors. It is proposed to organise a Construction Corporation to operate effectively in this field.

60. We have been repeatedly representing that the entire outlay on antisea-erosion works in the State should be met by the Centre. This has again been brought up before the Planning Commission at the time of the discussions on the plan. The Government of India has now agreed to meet two-thirds of the expenditure by providing loans over and above the assistance for the plan. We will again move the Government of India for providing their share in the form of grant. A provision of Rs. 3 crore is included in the budget for anti-sea-erosion works.

61. The outlays for housing schemes have been substantially increased. The Housing Board is implementing several housing scheme with funds raised by market borrowings and loans from H.U.D.C.O. Among the schemes implemented

by it may be mentioned the housing schemes for Government employees at Trikkakara and Kozhikode and the quarters for policemen at Ernakulam. The Apex Co-operative Housing Society is also operating in this field. For completing the One Lakh Housing Scheme, funds from the Life Insurance Corporation to the extent of Rs. 1.5 crore are expected. Thirty thousand houses have been completed and another thirty thousand are under construction. The steep rise in the price of cement, steel and other critical building materials has adversely affected the tempo of construction in the sphere of housing. Taking this factor into consideration, the Kerala Government has appointed an expert committee to suggest ways and means of reducing construction costs and suggest blue prints for low-cost houses. The report of the committee has been received and is under consideration. It is hoped that the recommendations of this committee will help in accelerating house construction activity in both public and private sectors.

62. The programmes of the Kerala State Road Transport Corporation have gained momentum. Its administrative set-up has been reorganised. It is proposed to evaluate the working results of such unit separately with a view to identifying those which are incurring losses and taking corrective measures to improve them. The State Government will provide Rs. 125 lakh for the capital expenditure of the Corporation in the coming year. Another Rs. 62.5 lakh will be obtained from the Railways. For replacement of old chassis, an amount of Rs. 110 lakh will be required next year. The Corporation has a programme for introducing 186 bus schedules and for introducing new services in new routes. The workshop will be equipped to bring down the breakdowns and service cancellations. The Corporation has reached a stage when it will not be possible to carry on its activities unless revenues are built up. It has been estimated that its working expenses in the coming year will go up by Rs. 140 lakh as a result of the new central levies just announced.

63. A project for the development of Beypore Port has been taken up with central aid. The total investment contemplated for the project of Rs. 112 lakh. It is hoped that this project started in October 1973 will be completed next year. The new dredger "Meena" has been formally taken delivery of from the Mazagaon Docks, Bombay. It is proposed to strengthen the harbour engineering and hydrographic survey wings.

64. Very favourable conditions exist in the State for the development of shipping. With the completion of the Cochin Ship building yard the facilities in

this direction will improve vastly. Sea borne trade with rest of the country as well as other countries will give the much desired fillip to the development of the State's economy. In view of these factors, it is proposed to set up a Shipping Corporation headquarters at Cochin. It is estimated that the Corporation would require a capital base of Rs. 15 crore.

65. For urban water supply schemes a provision of Rs. 4.02 crore has been included in the budget. The outlay for rural water supply, including minimum needs programme is Rs. 2.50 crore. Funds from the Life Insurance Corporation to the extent of Rs. 5 crore are expected.

66. Out of the 182 primary schools sanctioned this year, 119 have started working. The remaining ones will be started as and when the sponsors provide the necessary facilities. The accent on the new programmes in the coming year will be to provide greater schooling facilities to the weaker sections of the community, particularly the members of the scheduled castes and scheduled tribes. The question of providing facilities for higher education in backward areas, where such facilities do not exist in sufficient measures is also under the consideration of Government. Efforts are being made to tone up the quality of school education. A separate Director has been appointed to be in charge of research and studies. Student indiscipline and insecurity have to some extent rendered infructuous the massive investments made in the field of education. This sad state of affairs can be mitigated to some extent by enlarging the areas of co-operation and joint endeavour of students and teachers through school councils and by initial schemes intended to enable them to earn while learning. In the ultimate analysis only a basic change in the form and content of our education system can solve the problem. Necessary steps for this will be initiated during the Fifth Plan period. Only a job-oriented system of education with technical bias can find lasting solutions to the problems of a younger generation.

67. It is proposed to start new courses in the various branches of technology in the engineering colleges and polytechnics in the State. Among the courses to be started in the engineering colleges, may be mentioned the post graduate course in the television engineering, course in space technology and degree course in production engineering. The centre for research and experiment will be started in the engineering college, Trivandrum, in collaboration with industrial and technical institutions.

68. The Fifth Plan accords high priority to science and technology. With a view to coordinating scientific work in various fields like medicine, industry and education and to give impetus to scientific research, proposed to start new centres for research and studies besides equip those which are already in the field. A provision of Rs. 60 lakh is more for all these centres. It is hoped that the activities of the Sri Chithra Medical Centre, the Industrial Testing and Research Laboratory, Electronic Research and Development Centre, the C.S.I.R. Laboratory and the Bio-Chemical Research Centre will blaze new trails in the field of science and technology.

69. In the field of health we are in the forefront of other States. Our achievements in realising the targets of one bed for a population of 1000 one dispensary for every panchayat and one nurse for 6 beds have been significant. The programme for increasing the number of beds in taluk hospitals has achieved good progress. The target is to increase the number in all taluk hospitals to 100. The scheme for construction of pay wards is under way. The taluk hospital at Manjeri has been converted into a district hospital. Taluk hospital will be set up in the taluks of Devicolam, Peerumade and Udumbanchola. A provision of Rs. 5.12 crore is made for purchase of medicines, dieting charges etc. The proposal to start a Corporation for the manufacture of Ayurvedic medicines is the highlight of the activities in the field of Ayurveda.

70. The scheme for the welfare of the harijans are implemented with vigour and determination. The policy of giving adequate representation in public service to members of Scheduled Castes and Scheduled Tribes has produced fruitful results. Priority is being given to harijans in all schemes of Government for distribution of land. The main beneficiaries of the programme for welfare of backward areas and tribals will be the harijans. The Development Corporation for Scheduled Castes and Scheduled Tribes will help them in attaining a measure of self reliance and developing entrepreneurial skills.

71. Proposals are under way for starting a film studio in the public sector, a Film Development Corporation and a mini zoo and Archaeological Museum at Kozhikkode.

72. During 1973-74 nine-Police Stations and 13 Police Circles were sanctioned. The opening of a police station fully staffed by women at Calicut is an event that deserves special mention. The system of entrusting the investigation of relatively more serious offences to the crime branch has been introduced. The

scheme of modernisation of police force has achieved rapid progress. It is hoped that central assistance would continue to be available for this scheme. The conditions of service of Policemen are being steadily improved. A provision of Rs. 70 lakh is included in the budget for construction of Police quarters. The efforts made to bring about changes in the outlook and behaviour of policemen towards the public have attained a measure of success.

73. The salaries of employees constitute a big chunk of Government expenditure casting a heavy liability. Consequently the funds available for investment have been severely restricted. It is a fact that there is over-staffing in several departments. It may not be practicable to retrench them. When new schemes are sanctioned the surplus staff can be redeployed. The expenditure in big departments can be reduced by keeping vacancies unfilled to the extent possible. A Committee has been set up to make studies in this direction. The budget estimates for the coming year have been prepared on the assumption that it would be possible with determined efforts to save $8\frac{1}{3}$ per cent of the expenditure on salaries.

74. Closely allied to this is the need for toning up administrative efficiency. For the administration to be fruitful it is essential that the employees in various fields are trained and equipped for the discharge of their duties and inculcated with a social sense and an awareness of the goals of administration. Several training schemes are being formulated and implemented for this purpose. Cash awards and advance increments will be given to promote and encourage efficiency. The system of giving advance increments which was discontinued in 1967 has been reintroduced recently. Further, prime consideration will be given to merit in the matter of promotions. At the same time Government will not hesitate to take disciplinary action against those who fail in the discharge of their duties.

75. It is essential to curb severely the indiscipline in public expenditure. The underlying concept of public expenditure is the maximum purposeful utilisation of limited resources. There have been instances where expenditure in excess of the voted appropriation has been incurred. The Public Accounts Committee has adversely commented on such irregularities and suggested that an effective system should be evolved to enforce strict financial control. Against that background, it is proposed to introduce the following systems of control of expenditure from next year onwards.

(i) The amounts that could be spent by each divisional officer in the departments of public works, public health engineering and forest will be pre-determined and intimated to the treasuries which will be instructed to dishonour cheques in excess of these credit limits.

(ii) In departments where the magnitude of spending is relatively high, the treasuries will be authorised to watch the progress of expenditure with reference to appropriations.

Detailed orders for implementing the above proposals have been issued.

76. It may be mentioned in this context that the inspection wing of the Finance Department and the vigilance wings of the forest and taxes departments, have, of late, been taking very effective measures to detect and check irregular spending and tax evasion and avoidance. The sustained efforts made in this direction will go a long way within building up administrative efficiency and toning up administrative morale.

WAYS AND MEANS

77. The budget estimates presented to the House, disclose a deficit of Rs. 5.57 crore on revenue account. The capital expenditure and the net disbursement of loans and advances are estimated at Rs. 39.74 crore. The repayment liability in respect of central loans would normally have been Rs. 44.46 crore, but under the scheme of debt relief recommended by the Sixth Finance Commission, the liability stands reduced by Rs. 22 crore. Accordingly the repayment is estimated at Rs. 22.46 crore. Since the central assistance for the plan has not been finalised, the loan from the centre for the plan is tentatively taken at Rs. 25.7 crore. The State's share of small savings is estimated at Rs. 3.5 crore. Loans from the Life Insurance Corporation totalling Rs. 6 crore are anticipated for water supply and housing schemes. For investment in the shares of co-operatives, an amount of Rs. 1.25 crore is anticipated from the Reserve Bank of India. The target of market borrowings is fixed at Rs. 9 crore. We have, however to repay a market loan of Rs. 4.21 crore. The net accretion under provident fund and savings bank is estimated at Rs. 9.75 crore, while the transactions under deposit and remittance heads are expected to field a surplus of Rs. 4.12 crore.

78. The financial position of the State envisaged in the budget estimates may be summarised as follows:—

	<i>(Rs. in crore)</i>
Revenue Deficit	(-) 5.57
Capital Expenditure	(-) 38.47
Loans and Advances	(-) 1.27
Debt and Deposits	(+) 43.32
Overall Deficit	(-) 1.99
Opening Balance	(-) 9.83
Closing Balance	(-) 11.82

The Government of India will be moved for a ways and means advance to clear the outstanding deficit at the end of the current financial year. As a result, the outstanding deficit at the end of the Fourth Plan will not be carried forward to the coming year. The next year's overall deficit has been estimated at Rs. 1.99 crore on the assumption that it would be possible to regulate strictly the growth of expenditure. Since our resources are limited, severe financial discipline has to be enforced to keep the expenditure within limits. No new schemes have been provided in the non-plan sector in the coming year.

79. As mentioned earlier we have to raise additional resources for financing the Plan. Accordingly, Government propose to introduce the following new measures of taxation:-

(i) *Irrigation Cess*:—In view of the vast investment made for irrigation, it has become unavoidable to levy irrigation cess. In the context of rising prices of agricultural produce, it is only reasonable that a part of the working expenses of the irrigation projects is realised from the beneficiaries. It is proposed to levy irrigation cess at Rs. 25 per acre. An additional revenue of Rs. 2.5 crore is expected from this measure in a year.

(ii) *Electricity Tariff*:—In the present context of the increase in the cost of fuel like kerosene and cooking gas, there is good potential for promoting the domestic consumption of electricity. Taking this factor into account, it is proposed to restructure the electricity tariff rates applicable to domestic consumers so as to encourage consumption and thereby increase the revenues. It is estimated that

the Electricity Board will get an additional revenue of Rs. 70 lakh a year by the rationalisation of the rates.

(iii) *Tax on buildings*:—The Bill for the introduction of tax on buildings has passed the select committee stage. When the Bill becomes law, an annual revenue of Rs. 25 lakh will accrue to the State Government.

(iv) *Sales Tax*:—It is proposed to raise the rate of general sales-tax from 3 1/2 per cent to 4 per cent. An additional revenue of Rs. 4 crore per annum is anticipated from this measure. A rational restructuring of the rates of single point sales-tax will be made besides severely restricting tax exemptions. The tax on food grains, firewood and kerosene which are essential commodities will not be raised. The changes in the rates of single point tax will fetch additional revenue to the State Government.

80. The above measures are estimated to yield an additional revenue of Rs. 7.45 crore a year. Out of this, Rs.70 lakh will accrue to the Electricity Board. The State Government's budgetary deficit for 1974-75 is Rs. 1.99 crore. The additional taxation measures will besides covering the gap fully, yield a surplus of Rs. 4.76 crore.

81. Provision has not been made in the Budget Estimates for the revision of pay and increase of dearness allowance of Government Employees. A Sub Committee of the Cabinet is considering the details of the revision of pay. Decision on this matter will be taken without further delay and they will be implemented shortly. Along with this, the demands of the pensioners will also be examined and appropriate relief extended to them.

82. The old age pension and widow's pension will be raised from Rs. 25 per mensem to Rs. 35. The allowance paid to the T. B. patients will also be raised from Rs. 30 per mensem to Rs. 40. Grants to orphanages will be raised from Rs. 20 per capita to Rs. 25. The benefits now given to handicapped children, blind and deaf children during their education will be improved. All these welfare measures are estimated to cost the state exchequer Rs. 1 crore per annum additionally.

83. Sir, I conclude. The budget of the first year of the Fifth Plan has been placed before this House. Operating within severe resources constraints, the Government have endeavoured to step up the investments in areas of development and introduce welfare measures for the benefit of the weaker sections. This

Government is wedded to the fulfilment and realisation of policies aimed at controlling prices, maximising production, securing equitable distribution of wealth and enlarging the spheres of social service. Within the framework of a time-bound programme, earnest efforts will be made towards this end. The period that we are passing through calls for a high sense of social discipline. If we want to tide over successfully the crisis facing us, everyone of us in whatever walk of life he is, be he a student, worker or politician has to work with a sense of discipline and dedication. With an earnest appeal for whole-hearted co-operation from all members of this House irrespective of party affiliations, from all sections of the public and from officers and other employees, 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 expenditure for a period of three months.