



BUDGET SPEECH FOR 1977-78

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28th March 1977

Sir,

I rise to present to this House the State's Budget Estimates for 1977-78.

2. For the first time in the history of Kerala a Ministry remained in office for its full term, went to the polls seeking a fresh mandate and was returned to power with massive popular support. Implicit in the people's verdict is the recognition they have accorded to the stable and beneficial administration of the last six years. Marking a clean sweep of the tradition of short lived ministries and political uncertainties, Kerala has set an example for the rest of India. The hundreds of thousands of voters of Kerala who have consciously exercised their franchise for ushering in a stable and devoted administration have demonstrated a rare political maturity and an extra ordinary sense of discrimination. There is no doubt that the generations to come will record their grateful appreciation of this historic predict of our enlightened people.

3. For us, it is a matter of profound gratification that the people of Kerala have placed their trust, in us once again. We are deeply conscious of the responsibility that this trust implies. With a sense of dedication and in humility, we honour the people's verdict and accept the responsibility. The wholehearted support and co-operation from all sections of the people give us the strength and confidence for taking up this task.

4. After the general elections a new Government has been formed at the Centre also. It is but natural that in a democracy different political parties come to power. A clear picture of the policies and programmes of the new Government

and its approach to problems will emerge only when its election promises are translated into administrative realities. Since the ultimate and basic objective of any administration is to bring prosperity to the people, there can be no hurdles for Governments at the Centre and in the State in working unitedly towards this goal despite political differences. The fact that administration is the means for serving the people should inspire administrators to sink their political differences. The experience of Kerala in the last six years has demonstrated that differing political parties can, retaining their individuality, work together in steering the ship of the State safely to its goal.

5. It is therefore with the optimism that, in the challenging task of providing a better life to all sections of the people – particularly to those below the poverty line and the middle classes – help and encouragement would come in full measure from all quarters, that I present this budget setting the pace and tone of the administration in the coming six years.

State's Economy

6. I now proceed to make a brief review of the main trends of the State's economy.

7. The economic situation in Kerala during 1976 remained quite stable and healthy. The overall price situation was kept under control, though there occurred sectional price increases. Prices in respect of essential items such as rice, tapioca, dhal, onion, chillies and firewood showed decline, while those of some other items like coconut oil and other edible oils, coriander, coconut etc., registered increases. The whole sale prices of agricultural commodities recorded an overall increase of 6 per cent over the previous year. The increase was mainly accounted for by condiments, spices and oil seeds.

8. The cost of living index during the year witnessed a fall ranging from 4 percent to 10 per cent at different centres in the State. Increase in agricultural production coupled with effective functioning of the public distribution system was mainly instrumental for this.

9. Food situation in Kerala remained comfortable. The per capita availability of rice increased from 208 grams in 1975 to 251 grams in 1976. This was made possible mainly by a substantial increase in the rice imports from 5.12 lakh tonnes in 1975 to 8.98 lakh tonnes in 1976.

10. The State's performance on the export front was impressive. There was a substantial increase in the export of the traditional items such as marine products, cashew nuts, tea, coffee and coir.

11. In short in the year that has just gone by, both the producer and the consumer got some relief from financial stresses and strains.

ACCOUNTS 1975-76

12. Against a revenue of Rs. 351.5 crore, the revenue expenditure of 1975-76 came to Rs. 355.0 crore. The expenditure on capital account of that year was Rs.47.4 crore, while the expenditure on loans and advances (net) was Rs. 8.2 crore. The loans raised amounted to Rs. 22.5 crore. The transactions under deposit heads resulted in a surplus of Rs. 24.1 crore. The opening deficit of the year was Rs. 12.6 crore. The grant of additional instalments of dearness allowance to State employees led to increase in non-Plan expenditure. Plan expenditure also went up. In these circumstances it was anticipated that the year would end with a deficit of around Rs.40 crore. But with increased receipts from the Centre and strict control over expenditure it has been possible to bring down the deficit to below Rs. 30 crore.

13. The Planning Commission had originally approved a Plan outlay of Rs. 90 crore for the year. Subsequently, they sanctioned additional outlays of Rs. 2.5 crore for the Idukki Hydro Electric Project and Rs.2.1 crore for the three irrigation projects of Pamba, Periyar Valley and Kuttiadi. Actually, the Plan expenditure at the end of the year went up to Rs. 103.5 crore. Besides, Centrally sponsored and Centrally aided schemes accounted for an expenditure of Rs. 14.5 crore.

REVISED ESTIMATE 1976 -77

14. The budget estimate for 1976-77 had placed the revenues at Rs. 393.4 crore. According to the revised estimate the revenue would be Rs. 381.8 crore. Owing to failure of rains sale of power to Tamil Nadu did not take place as scheduled and this affected the Electricity Board's revenues. Consequently the Board did not pay interest to the State Government. Further the decline in prices had a marked impact on sale-tax revenue leading to a short fall from the budget estimate. The Government of India has already been apprised of the sizeable fall in sales-tax revenue due to the recent amendment to the Central Sales tax revenue due the recent amendment to the Central Sales tax Act. We have requested that appropriate remedial action should be taken. At the discussions on the subject an agreement could not be reached in regard to the quantum of the shortfall. However the understanding was that the discussions would be resumed after the details of the collections of the year became available. It was also the implied understanding that the shortfall should not affect the implementations the Plan either in this year or in the coming year. Accordingly in the revised estimates for the year presented

to the House, the fall in sales tax revenue due to the Central sales-tax amendment has not been taken into account. It is, however, expected that the current year's realisation of revenue under this head would register substantial increase over the collections of last year.

15. The expenditure on revenue account anticipated in the revised estimate is Rs. 395.5 crore. This records an increase of Rs. 3 crore over the budget estimate. Interest charges are expected to go up by Rs.1crore. For repairs and maintenance of roads based on the revised norms substantially higher allocation than the budget provision is necessary. The revised estimate provides an increase of Rs.1crore under this item. For relief measures like grant of free ration Rs. 65 lakh has been provided.

16. The Annual Plan outlay approved by the Planning Commission for the year was Rs. 111.50 crore. This outlay was subsequently enhanced to Rs. 114 crore by providing Rs. 2.5 crore for the irrigation projects of Pamba, Kuttiadi and Pazhassi. Investments in the sectors of industries, roads, education, road transport and power had to be substantially stepped up in the course of the year. The revised estimate places the Plan expenditure at Rs. 120.5 crore. Besides, an expenditure of Rs.4.5 crore will also be incurred for schemes for which special assistance outside the Plan is available. The anticipated outlay on Centrally Sponsored and Central Sector Schemes is Rs. 16 crore. Thus, the aggregate investment in the Plan sector in the current year exceeds Rs. 140 crore.

BUDGET ESTIMATE 1977-78

17. The revenue for 1977-78 is estimated at Rs. 430.7 crore. The State's share of central taxes is taken at Rs. 73.8 crore. State taxes are expected to yield Rs. 205.4 crore. Sales tax accounts for a revenue of Rs. 126.6 crore; this estimate does not take into account the fall in revenue due the amendment to the Central Sales tax Act. The yield from motor vehicles tax is estimated to be Rs. 19.4 crore while that from stamps and registration fees to be Rs. 15.7 crore.

18. Non-tax revenues are estimated at Rs. 79.2 crore. The major item under this category is forest and the anticipated yield Rs. 25.5 crore. The State Electricity Board is expected to pay Rs. 5.8 cores by way of interest.

19. The expenditure on revenue account is estimated at Rs. 419.00 crore; the non-Plan component being Rs. 367.9 crore. The capital expenditure provided for in the budget is Rs. 64.4 crore. The estimate of loans and advances (net) is Rs. 5.2 crore.

Annual Plan

20. It was during the current year that final shape was given to the Fifth Plan. The National Development Council approved the Fifth Plan formulated by the Planning Commission after a series of discussions with the State Governments and the Central Government. The State's Fifth Plan outlay 1 has been fixed at Rs. 568.9 crore and the outlay for the next two years at Rs. 268.3 crore. In the light of this, the State Government prepared the draft of the next year's Annual Plan with an outlay of Rs.131. crore and submitted it to Planning Commission for discussions. At the official level discussions it was indicated by the Planning Commission that the State's Annual Plan outlay could be fixed at Rs. 121.8 crore. This outlay was totally inadequate to provide for the reasonable developmental requirements of the State.

21. The resources for the Annual Plan were computed by the Planning Commission in the following manner.

	<i>(Rs. in crore)</i>
Central Assistance	54.27
Market loans	23.98
Additional resources mobilisation	8.00
Loans from financial institutions	10.75
Other budgetary heads	42.28
	<hr/> 139.28

At the discussions it was estimated that the current financial year would end with a deficit of Rs. 50.84 crore. According to the Planning Commission, if this is fully deducted from next year's resources, Rs. 88.44 crore would alone be available for financing the Annual Plan. The State Government contended that out of the above deficit, Rs. 30 crore represented the Fourth Plan deficit and that this deficit should not hamstring the implementation of the current Plan. The Planning Commission held that even segregating this part of the deficit, the resources available would be Rs.118.44 crore only.

22. The State's Home Minister and the Finance Minister had discussions with the Union Finance Minister and the Planning Commission in January 1977. The need for a substantial set up in the Plan outlay was explained to the

Commission. At the discussions it was indicated that the State could expect an additional Rs. 8 crore under share of Central taxes and grant-in-aid. The Plan outlay was fixed at Rs. 135.5 crore on the understanding that the State Government would mobilise further savings of Rs. 4.5 crore by economies in expenditure and buoyancy in revenues and also raise additional resources for an amount of Rs. 3 crore. It was pointed out to the Planning Commission that even this outlay would not be fully adequate to provide for the new commitments that had to be taken up recently by the State Government such as the construction of roads in newsprint factory area. In view of this the Planning Commission subsequently enhanced the outlay to Rs. 136.5 crore, providing Rs.1 crore specially for road works in newsprint factory area. Since the communication conveying this decision has been received late, the budget provides only for an outlay of Rs.135.5 crore.

23. The allocations for the major sectors of the Plan are Rs. 26 crore for agriculture including land reforms, Rs. 27 crore for irrigation, Rs. 27 crore for power, Rs.15.6 crore for industries, Rs. 7 crore for water supply, Rs. 4.2 crore for roads, Rs. 4.7 crore for housing and Rs.9.2 crore for education including science and technology. The Plan as now formulated would help increasing the tempo of activity in most of the developmental sectors.

24. Let me now proceed to deal with the important projects of the coming year.

Programmes for the coming year

25. The target of rice production for 1977-78 is 15.12 lakh tonnes. The important rice production schemes proposed are to bring under additional crop an area of 6000 hectares in Kuttanad and of 1,800 hectares in high altitude regions and problem areas as well as to extend the coverage of the intensive paddy development programme. It is also proposed to bring 1.25 lakh hectares under the high yielding varieties programme.

26. A comprehensive project for the development of Kerala's major cash crops like coconut, pepper, cashew nut and rubber with the assistance of the World Bank has been drawn up. Loan assistance from the World Bank totalling Rs. 27 crore is anticipated for this project which involves an outlay of about Rs. 63 crore. The project will be implemented in the districts of Cannanore, Kozhikode, Malappuram, Trivandrum, Idukki and Kottayam. The programmes proposed to be taken up are rehabilitation of 30,000 hectares of coconut plantations and of 10,000 hectares of pepper plantations besides fresh planting of

coconut in 5,000 hectares. Loans will be provided for raising inter-crops of cocoa and pulses in these areas as also for raising cattle. The Plantation Corporation will take up cultivation of cashew in 3,750 hectares in Cannanore. It is proposed to set up a seed garden for coconut, cashew and cocoa in an area of 435 hectares in the district of Malappuram. Ten crumb rubber factories will be established under the auspices of the Rubber Board and with the assistance of the Co-operative Rubber Marketing Federation. Completed in seven years, this project will substantially improve the income of about 75,000 families of small farmers. The additional production envisaged by the implementation of this project is 20 crore of coconuts, 6000 tonnes of pepper, 15,000 tonnes of milk, 2,000 tonnes of cocoa, 6,000 tonnes of cashew nuts and 40,000 tonnes of other food crops. For meeting the State's share of expenditure on these projects, an amount of Rs. 50 lakh has been provided in the budget estimate.

27. A scheme for taking up new class II minor irrigation works and for attending to the maintenance of existing works with peoples' participation has been formulated and put through during this year. Under this scheme fifty per cent of the expenditure will be borne by the State Government and twenty five per cent by the beneficiaries, while the remaining twenty five per cent will be met with the contribution from CARE in the form of wheat. In the case of Scheduled Castes and Scheduled Tribes their share will also be met by the Government. Execution and maintenance of the works will be entrusted to Associations of beneficiaries. The scheme will be continued next year also. For the various minor irrigation programmes, a provision of Rs. 350 lakh has been included in the Annual Plan.

28. While formulating and implementing soil conservation works, special consideration is given to harijans and other weaker sections. It is proposed to undertake soil conservation measures in 2,000 hectares of land belonging to harijans, tribals and landless agricultural workers.

29. Due importance has been given in the Fifth Plan to the development of milk production. The programme of cross breeding through artificial insemination aimed at improving the quality of cows is being intensified. A dairy advisory service to render advice on modern cattle husbandry practices is now in position. Co-operative societies have been formed exclusively for milk marketing. A new scheme of intensive dairy production and marketing is proposed to be implemented in one block each of the S.F.D.A. districts in the coming year. The dairy plant at Cannanore which is now under construction will be commissioned next year. The Kerala Livestock Development and Milk Marketing Board has been set up during the year. Its activities will be duly expanded in the coming year. The

approval of the Planning Commission and the Government of India has been secured for implementing the Kerala dairy project involving an outlay of over Rs. 5 crore. The project which would be completed in 1980-81 will be implemented by the Livestock Development and Milk Marketing Board under the supervision of the Indian Dairy Corporation. The funds required for this project will be provided as grant and loan by the Centre.

30. The Co-operative movement has emerged as a decisive force in the developmental economy of the State in the current year by setting a new record in resource mobilisation, besides affording necessary credit to the producers and distributing essential commodities at controller prices to the consumers. The short term and minimum term loans issued by the credit co-operative societies is estimated to be Rs. 66.5 crore during the current year. Besides, long term loans amounting to Rs.10 crore have also been distributed. It is proposed to set up 20 farmers' service co-operative banks in the four S.F.D.A. districts. Under the deposit mobilisation scheme introduced in April 1976 the co-operative societies were able to raise Rs. 27 crore—an achievement which has gained wide recognition.

31. Programmes for the development and conservation of our forest resources are under different stages of implementation. The scheme for raising plantations of economic importance like teak, rose wood and soft wood has made much headway. A special programme of forestry under which trees will be planted along important roads as well as in the compounds of public offices, colleges, schools and other public institutions is being put through. Fire protection and prevention services in forest areas are being strengthened with modern equipments. Survey and demarcation of vested forests will be completed soon. It is proposed to assign 59000 hectares of vested forests.

32. The achievements of the State in land reforms implementation have won recognition throughout the country. About 4 lakh kudikidappu cases have been disposed of till the end of January 1977, leaving only 3640 cases pending. Considerable progress has also been achieved in the assignment of proprietary rights to cultivating tenants. Till the end of January 1977, 27 lakh applications have been disposed of. The number of pending applications is 4.86 lakh. The extent of surplus land ordered to be surrendered is 1.10 lakh acres and about half of this has been taken over. Out of hits, 30,417 acres have been distributed among 45,872 persons. A scheme of providing financial assistance to assignees of surplus land is

being implemented with Central aid. Under this scheme both individual assignees and joint farming co-operative societies will be eligible for assistance. During the current year three joint farming co-operative societies have been given an assistance of Rs. 2.32 lakh. An amount of Rs. 5.73 lakh has been sanctioned for assistance to individual assignees.

33. In the field of fisheries development one more A.R.D.C. aided scheme is proposed to be implemented. The special feature of this scheme is the linking up of production with marketing. The Fisheries Corporation will be purchasing two more trawlers for deep sea fishing. Financial Assistance has been given for building houses to 1000 fishermen this year and will be given to another 1000 fishermen next year. Two hundred houses have been constructed for fishermen affected by sea erosion at Poonthura. Government have appointed a sub committee to prepare a project report regarding the welfare measures to be undertaken for fishermen.

34. The allocation for major irrigation in the budget estimate is Rs. 27 crore; this is higher than the currency year's allocation by Rs. 6.2 crore. The outlay in 1974-75 was Rs. 7.9 crore. In 1975-76 this went up to Rs. 15.3 crore. The anticipated outlay of the current year is Rs. 20.8 crore. The high priority given to irrigation will be fully borne out by the substantial step up of the outlay from year to year. By the end of the Fifth Plan Pamba, Periyar Valley, Chitturpuzha, Kuttiadi, Kanjirapuzha and Pazhassi will be completed and an additional area of 1.11 lakh hectares will be brought under irrigation. Provision is also made for the new projects of Muvattupuzha, Edamalayar Meenachil and Chimoni. The recent 'Janasaktiyajna' at Manakala in the district of Quilon, has demonstrated that peoples' participation is indispensable for the success of the development schemes and that the peoples energies channelised 'with a sense of purpose into constructive activities can transform the very face of the land. Irrespective of party differences all sections of the community including students, workers and intellectuals have joined shoulder to shoulder with bubbling enthusiasm in the digging of canals for the Kallada Irrigation project. If this spirit of enthusiasm and cooperation permeates to every field of developmental activity, not only would the targets of the Fifth plan be fulfilled much earlier but our progress towards glorious future will be easier of attainment.

35. With the Commission of the third unit of the Idukki Hydro Electric project in December 1976 the first stage has been completed, adding 390 MW to the power system. Despite inadequate rains this year, the States, internal demand was fully met and it has also been possible to sell power to the neighbouring State of Tamil Nadu. The works relating to Idukki Stage III are making head way. It is hoped that these would be completed by the end of the Fifth Plan. Priority will be given to Idamalayar and Sabarigiri augmentation schemes. For transmission and distribution programme a much larger allocation viz., Rs.14 crore has been made next year as compared to previous years. Since within the frame work of the Annual Plan adequate funds could not be provided for transmission and distribution, rural debentures have been floated to mobilise the resources needed for this programme. The Board raised Rs. 2.25 crore with the first issue of debentures. The next issue has been floated on January 26. This mobilisation effort will continue next year also. The Idukki-Mysore inter-state transmission line will be completed by September 1977. This line will help in stabilising the voltage conditions in the northern districts. The Government of India have in November 1976 approved the construction of Idukki Udumalpet transmission line.

36. In the last few years significant discoveries of iron ore, graphite, bauxite and lime stone deposits have been made in several parts of the State. About one-third of the geographical area consisting dense forests have yet to be explored for mineral wealth. A rapid and comprehensive survey of the State's mineral resources has therefore to be undertaken. A massive mineral development project aided by the U.N.D.P. has been formulated and will be implemented. It is hoped that preliminary works on this project will start in April, 1977.

37. For the encouragement of the handloom industry, one intensive development project with an outlay of Rs. 185 lakh and one export production project with an outlay of Rs. 40 lakh have been sanctioned by the Government of India this year. These projects will be implemented through the Kerala Handloom Finance and Trading Corporation. An amount of Rs.30 lakh has already been given to this Corporation towards expenditure on these projects. The Government of India has also been requested to sanction one more intensive development project

and two more export production projects. The Government of India has provided a short-term loan of Rs. 1.25 crore to clear off accumulated stock of handloom goods. The scheme of giving 20 per cent special rebate to handloom goods has been implemented this year also from January, 21. The Government of India have introduced the production of Janatha dothies and sarees in the handloom sector and allotted 10,000 looms to Kerala for the purpose. This scheme will be implemented through the Kerala State Handloom Weaver's Co-operative Society. Subsidy at the rate of Rs.1 per square metre will be provided by the Centre.

38. The scheme of revitalisation of the coir industry has made progress. Minimum wages has become a reality to the workers in the co-operative sector and this has had a very healthy influence in the private sector, where too the wage rates have improved. It is worth mention that the exports of coir products in 1976 have recorded increase over the previous years.

39. The cashew industry in the State has been facing a crisis due to the decline in the import of African nuts. Government therefore, authorised the Kerala Co-operative Marketing Federation to procure the entire production of raw cashew nuts in the State and distribute them to the cashew factories at reasonable prices. The procurement is being done through co-operative societies. This measure will, besides helping the producer to get a fair price, ensure longer operation of the cashew factories.

40. The New Industries Programme aimed to generate self employment opportunities for thousands of educated persons is being vigorously implemented. The main objective of this programme is the establishment of one mini industrial estate with a complex of ten small scale units in each Panchayat. The banks, the Kerala Financial Corporation and other financial institutions will provide financial assistance on liberal terms for setting up industries under this scheme. The responsibility for the implementation of the New Industries Programme has been entrusted to the Kerala State Industries Development and Employment Corporation. Steps are also being taken to revive defunct industrial units.

41. Among the large and medium industries, priority has been given to the expansion programme of the Kerala Minerals and Metals Limited. The expansion programme envisages mainly the enhancement of production of ilmenite from 20,000 tonnes to 2 lakh tonnes per year. The project report and the

detailed feasibility report of the Titanium Dioxide Plant for the manufacture of 48000 tons of Titanium Dioxide Plant for the manufacture of 48,000 tonnes of titanium dioxide from ilmenite have been prepared. Agreement with two foreign collaborators have been executed. The Kerala State Industrial Development Corporation is taking steps for the establishment of a cement factory with a capacity of 1000 to 1200 tonnes per day at Walayar.

42. In the field of electronic industries, commendable achievements have already been made. The Keltron Component Complex Limited and the Keltron Magnetics Limited—Two factories in Cannanore district, the Keltron Power Devices and Keltron Rectifiers Limited in Trichur district and the Dielectromagnetics Limited in Malappuram district will start functioning. The Keltron Equipment Complex at Karakulam will be expanded. It is Government's policy to set up a chain of electronic industries in the different districts of the State so as to provide employment opportunities to a wide range of technicians and other skilled personnel. The Electronic Research and Development Centre is expected to attain its full stature before long.

43. A public sector company, the Scooters Kerala Limited has been formed to take over the Alleppey Scooter Project. Steps are being taken to establish a Three Wheeler Project in Trivandrum. It is expected that the news print project at Velloor will be commissioned in 1978 itself as scheduled. The other central sector industrial ventures are also gaining good progress.

44. Several steps have been taken to improve the working of the State Road Transport Corporation. As a result it has been possible to reduce its losses. The possibility of improving its profitability next year has now emerged. The Thiruvalla—Thakazhi route and the Calicut—Sultanbatteri route have been nationalised this year. The allocation for the Corporation's Plan expenditure for next year is Rs. 170 lakh. This is financed by a Government loan of Rs. 59 lakh and the Corporation's internal resources. Besides, the Corporation could secure contribution from the Railways and loans from financial institutions. If these additional resources are taken into account the Corporation can go in for a Plan expenditure of a higher order than that provided in the Annual Plan.

45. With the inauguration of the Quilon-Trivandrum broad-gauge railway line, by the Prime Minister the communication facilities between the northern end of Kerala and the south and also between Kerala and the other States have vastly improved, a notable achievement of this year. The survey of Ernakulam-Alleppey railway line and the Guruvayoor-Kuttipuram line has been completed and the reports are under the consideration of the Railway Board. It is hoped that the reports will be accepted and works started next year.

46. For construction of roads an additional outlay of Rs. 1 crore has been provided this year over the budget estimate. A huge amount is required for completing the spill-over works of the Fourth Plan: at the same time funds have also to be provided for the works started during the current Plan. The bridges in the Alleppey-Changanacherry road, the roads in the news print factory area and the roads in the Greater Cochin Belt and Kalamassery area have to be taken up with a sense of urgency. The budget estimate for road works for next year is Rs. 4.2 crore. Further Rs. 1 crore will also be earmarked for roads in the news print factory area. As a means of raising funds for construction of new bridges it is proposed to levy tolls on vehicles passing through major bridges. The works on the National Highway are making headway. The construction of the Trivandrum bye-pass will be taken up soon. Equally important as the construction of new roads is the proper maintenance of the existing roads. In the current year an amount of Rs. 1.6 crore has been sanctioned over and above the budget allocation. For the coming year an amount of Rs. 8 crore is provided in the budget estimates for maintenance works.

47. The construction of office buildings has achieved good progress. Two blocks of the Vikas Bhavan in Trivandrum have been completed and are put to use. The construction of Civil Station buildings in district headquarters is in different stages among the new works which are given high priority may be mentioned a new block for Secretariat and the Civil Station for Idukki district.

48. The formation of the State Construction Corporation has been an event of great significance in the field of public construction. The Corporation proposes to expand its field of activities and is trying to negotiate for contracts from the Middle East Countries. If this move materialise, the Corporation will be able to provide employment opportunities to several engineers and other skilled personnel.

49. Measures are being taken for improving the standard of education taking full advantage of the new sense of discipline and enthusiasm. A system of education with accent on science studies is being introduced from the primary state. High priority has to be given in the matter of imparting special training to teachers and equipping them to each science subjects. Several schemes have been formulated for this purpose. Attention has also been bestowed on the construction of school buildings and the purchase of furniture, scientific equipments etc. It is proposed to restart next year T.T.C. courses which have been discontinued for the last four years. Among the new programmes for the coming year may be mentioned the conduct of special coaching classes to harijan students in schools and the institution of scholarships by way of encouragement to harijan students.

50. The proposed establishment of two University Centres at Quilon and Changanacherry under the auspices of the Kerala University deserves special mention. It is proposed to bifurcate the Maharaja's College at Ernakulam which has recently celebrated its centenary. Government will provide special assistance to the Cochin University to start the ship technology course.

51. The Fifth Plan lays due emphasis on improvement of standards and quality of technical education. Several modern and diversified courses have been started with a view to enabling our students to gain insight into the rapidly expanding horizons of science and technology. Industrial engineering and coastal engineering are examples of such courses. An amount of Rs. 235 lakh is provided in the next budget for the various Scientific and Technological Research Institutes.

52. For harijan welfare activities a provision of Rs. 8.2 crore is included in the next budget. While undertaking programmes in the different developmental sectors, special care is taken to ensure that the Scheduled Castes and the Scheduled Tribes get the due share of the fruits of development. A correct appraisal of the aggregate contribution from the State exchequer for harijan welfare can be done only if the share of expenditure on the other sectors of development attributable to the welfare of harijans is also taken into account. The scheme for organising co-operative societies exclusively for harijans so as to protect them from the exploitation of middle men deserves special mention in this context. High priority will be given for the formulation and implementation of the Tribal Sub-Plan within the frame work of the Annual Plan in the coming year. Efforts are being made to improve the socio economic conditions of the primitive tribes like the Kurumbas of Attapadi and the Cholanaikans of Nilambur.

53. The facilities for medical care in the hospitals and dispensaries of the State are being progressively improved. The norms adopted for providing in additional facilities are one dispensary for every Panchayat a minimum of 12 beds for primary health centres, a minimum of 100 beds for taluk hospitals and a minimum of 500 beds for district hospitals. The scheme of introducing specialities in taluk hospitals has gained good progress. Measures are being taken for the development of the Ayurvedic and homeopathic systems of treatment. Among the noteworthy achievements of this year may be mentioned the setting up of the Kerala Ayurvedic Studies and Research Society at Kottakkal and a Corporation for the manufacture of Ayurvedic drugs and cultivation of medicinal plants. There is also a proposal to organise a co-operative pharmacy for the manufacture of homeopathic medicines.

54. The Employees State Insurance scheme has been extended to several more categories of employees. About 2.85 lakh employees in the State are now covered by this scheme. With a view to providing adequate facilities to the large number of persons who have been brought under the scheme, it is proposed to improve the facilities in the existing hospitals and to open new dispensaries. At the E.S.I. hospital at Ezhukone which was opened in 1974, 125 additional beds will be provided. It has been decided to open a 100 bedded hospital near Feroke in Kozhikode. New dispensaries will be opened at Changanda (Shertallai), Chavara, Changanacherry, Vazhakad (Kozhikode), Alwaye and Kalamasserry.

55. Urban water supply schemes have been implemented in all corporations and municipalities. The important new schemes envisaged are the augmentation of the existing water supply schemes of Trichur and Palghat as well as the Trivandrum augmentation scheme with the construction of a dam at Peppara. High priority has also been accorded to rural water supply schemes. The coverage of the rural population with protected water supply stood at 6.5 per cent in 1970-71 ; at present this has gone up to 17 per cent. It is proposed to set up a statutory body styled the "Kerala Water and Waste Water Authority" to administer the existing water supply schemes, to take up new water supply schemes with greater vigour and to formulate and execute drainage and sewerage schemes. The Connected Bill is being drafted. With the Formation of this Authority, a most all the functions of the Public Health Engineering Department will vest in it.

56. For the various housing schemes a provision of Rs. 493 lakh has been included in the next budget. This is higher than the current year's allocation by about Rs. 120 lakh. The allotment for house construction advances to Government servants has been substantially stepped up. For the last few years it has not been possible even to entertain fresh applications for house construction advances from Government servants. It is hoped that the position will improve next year and fresh demands could be met within limits. It is also proposed to enhance the maximum limit of the advance from Rs. 15,000 to Rs. 25000.

57. The The State's food situation is extremely satisfactory. Following repeated representations, it has been possible to secure larger allotments of rice and wheat. From September 12, 1976 every adult person is given ration of 160 grams per day. Since the Kerala Civil Supplies Corporation is distributing rice in open market at fair price, it has been possible to control effectively the price. At present rice is being sold by the Corporation at Rs. 2.30 per Kg; Palghat rice is now sold at Rs. 1.90 per kg. Despite the decline in the production of the viruppu crop of 1976 due to failure of rains, the consumers did not experience any

shortage of rise in prices of rice. The Corporation has also paid attention on the distribution of essential commodities like kerosene oil, sugar controlled cloth, baby food and ground nut oil; as a result it was able to ward off scarcity conditions.

58. Substantial progress has been achieved towards modernisation of the police force. A special armed battalion is now under formation, The police force has been equipped both for detection of crime and for maintenance of law and order, by providing vehicles and modern equipments like wireless. The housing scheme for police men has also been given high priority.

59. The need for imparting training to Government officers so as to ensure high standards of public administration has been widely recognised. An institute of Public Administration has been recently set up in order to formulate and implement necessary training programmes. It is proposed to build up this institution to a level comparable with the major institutions in other parts of the country.

60. It is proposed to introduce a system by which the data relating to financial transactions can be made available to the administering departments without delay. Preliminary steps towards this end are being taken. As an experimental measure the system will be introduced from April 1, in respect of transactions of a few heads of account selected on the basis of the magnitudes of expenditure; the treasuries will report the transactions direct to a Centre where they will be processed and furnished to the concerned departments. Necessary provision for the establishment of a Data Processing Centre is included in the budget.

WAYS AND MEANS

61. The budget estimates presented to this House show a surplus of Rs. 11.7 crore on revenue account. Capital expenditure is estimated at Rs. 64.4 crore. Disbursement of loans and advances (net) will be Rs. 5.2 crore. The repayment liability of Central loans is Rs. 26.4 crore, while for repayment of other loans an amount of Rs. 1.2 crore is necessary. An open market loan for Rs. 4.2 crore is maturing for repayment.

62. Loans from the Centre aggregating Rs. 45.8 crore are anticipated for State Plan, Centrally sponsored and other schemes. The State's share of small savings is taken at Rs. 6.0 crore. A loan of Rs. 2.7 crore is anticipated from the L.I.C. for water supply scheme, while another loan of Rs. 1.1 crore is expected from the Reserve Bank for investment in the co-operative sector. It is proposed to raise Rs. 12.8 crore by market borrowings. Provident Fund and savings bank transactions are expected to bring in a surplus of Rs. 14.6 crore. The net accretion under other deposit and remittance heads is estimated at Rs. 6.4 crore.

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

		<i>(Rs. in crore)</i>
Revenue Surplus	:	+11.7
Capital expenditure	:	(—)64.4
Loans and Advances	:	(—)5.2
Debts, deposits etc	∴	(—)59.9
Overall surplus	:	+ 2.0
Opening balance	:	(—)49.0
Closing balance	:	(—)47.0

At the official level discussions held with Planning Commission in December last, the closing deficit of the current year was estimated at Rs. 50.8 crore. According to the revised estimates now presented to the House, the year end deficit will be Rs. 49.0 crore.

64. In the communication received from the Planning Commission approving the Annual Plan for 1977-78, the financing of the Plan has been envisaged in the following manner:

		<i>(Rs. in crore)</i>
1. State's own resources		
(a) At the 1976-77 level of taxation and market borrowing		74.83
(b) Additional market borrowing		2.18
(c) Fresh additional resource, mobilisation in 1977-78		11.00
(d) Economy in expenditure, buoyancy in State receipts etc.		4.50
Total—State's own resources		92.51
2. Opening deficit envisaged for 1977-78		50.84
3. Net Resources (1—2)		<u>41.67</u>
4. Central assistance		54.27
5. Aggregate resources (3+4)		<u>95.94</u>
6. Plan Outlay		136.52
7. Gap in resources		<u>40.58</u>

A part of the above gap is expected to be covered by increase in the State's share of Central taxes and grant-in-aid. At the discussions with the Planning Commission, it was indicated that consequent on the above increase, there would be an additional accrual of Rs. 8 crore to the State. The budget estimates take credit for the entire Rs. 8 crore increase under share of Central taxes. Going by the calculations made by the Planning Commission, the uncovered gap would be Rs. 32.58 crore.

65. On the basis of the estimates submitted to the house, the year-end deficit of 1977-78 would be Rs. 47 crore. The budget estimates do not take into account the likely improvement in the state's finances by economies in expenditure and buoyancy of revenues. Government have already taken decisions to exercise strict control over expenditure, to boost revenue collections by taking all necessary steps including tightening revenue recovery and to issue instructions to the public sector undertakings not to default dues to Government. There are definite indications of buoyancy under certain items like State excise duties. It is expected that all these measures would generate resources of the order of Rs. 6 crore.

66. Intimation has been received that under share of Central taxes there will be an improvement of Rs. 2.4 crore this year as was anticipated by the State Government during the discussions with the Planning Commission. The measures taken by the State Government after these discussions for economising expenditure and boosting revenues are expected to yield Rs. 5 crore this year itself. Against this an improvement of about Rs. 2 crore has been taken into account in the revised estimate now presented. If the remaining Rs. 3 crore is also taken into account, the current year's deficit will be Rs. 43.6 crore and the next year's deficit Rs. 35.6 crore. As mentioned earlier, these assessments do not taken into account the fall in revenue on account of the amendment to the Central Sales Tax Act.

67. The report of the Gulathi Committee on salestax is under the consideration of the Government. Some of the recommendations have been implemented. Some other have been processed and are ready for implementation. These include proposals for enhancing the rate of tax on certain commodities and for converting multi-point system of taxation into single point in respect of a few commodities. By implementing these proposals, an additional revenue of Rs. 3 crore is anticipated.

68. Taking credit for the above additional resource mobilisation effort, the deficit at the end of the coming year may be estimated at Rs. 32.6 crore. This

deficit is more or less at the level assessed at the discussions with the Planning Commission. It may be specially mentioned here that on the transactions of 1977-78 alone, there would be a surplus of Rs. 11 crore. Though next year's closing deficit is not higher than the level indicated at the discussions with the Planning Commission, there is shortfall in the target of additional resource mobilisation. Some more time is required to examine this issue and take necessary decisions.

69. It was only three days back that the present Government assumed office, following the general elections. The Ministry has yet to be fully formed. Consequently it has not been possible to make a comprehensive review of the State's financial position and formulate a budget fully reflecting the policies and programmes of the new Government. Discussions may again have to be held with the Government of India on the State's financial problems, the content of the Plan as well as resource mobilisation. After the Ministry is fully formed, all the relevant aspects will be considered in detail. The measures and programmes newly formulated on the basis of this review will be brought before this House when it meets again for a detailed discussion of the Demands.

70. The appointment of the Seventh Finance Commission is expected soon. The views of the new Government at the Centre in the matter of Centre-State financial relationship are yet to be known. The working as well as the recommendations of the Commission are largely conditioned by its terms of reference; the terms of reference naturally reflect the policy of the Central Government. Our basic stand is that the inter-state financial disparities should be corrected and that each State should be assured the resources it needs for the discharge of its administrative responsibilities has been argued before successive Finance Commissions. Even the Sixth Finance Commission which recommended transfer of resources to State on a relatively more liberal scale has not evolved any solution to the financial imbalances among the States. Under its recommendations seven States would have revenue surpluses amounting to Rs. 2000 crore while the other States having two-thirds of the population are to get grants just to cover the revenue deficits. A solution to the financial difficulties faced by States like Kerala both in the matter of mobilising resources for the Plan and meeting the periodical Non-Plan commitments, can emerge only if the Finance Commission as well as the Government of India bring to bear a more imaginative approach to the problem. The State's financial difficulties are aggravated by the operation of Gadgil formula according to which the lion's share of the Plan assistance takes the form of loans, leading to heavy repayment liability and capital deficits. In January 1977,

the former Chief Minister had written to the then Union Finance Minister bringing out all these aspects for the consideration of the Government of India. It is hoped that these will receive earnest consideration and that the Commission's terms of reference will be suitably enlarged.

Sir,

I conclude,

71. Many of the complex problems facing the State still remain unresolved. The removal of poverty and the elimination of unemployment are matters deserving the highest priority. These basic objectives can be realised only with hard, determined and single minded endeavours. The last six years have witnessed the emergence of desirable and promising growth trends in the different sectors of the economy, which is a good augury for the future. Notable progress was achieved in many fields. Nevertheless we have a long way to go. What has been achieved till now is quite meagre compared to what remains to be done. The agriculturists suffering from the impact of the decline in prices of agricultural produce, the fisherman struggling day in and day out in the high seats for their livelihood, the depressed and downtrodden classes of harijans, adivasis and others in the lower rungs of society and the ordinary consumers who are exposed to the exploitations of greedy middle man, have very high expectations in voting us to power. Let me take this opportunity to assure them that all further steps necessary will be taken with a sense of urgency to relieve their distress.

72. The involvement of the people is vital for achieving a faster tempo of development. Past experience shows how miraculous achievements can be made by linking natural resources with human resources. With a humble appeal to every section of the people and every member of this House to extend full support irrespective of party affiliations, I commend this budget for the acceptance of this House.

73. I shall be moving a Vote on Account to meet the expenditure for four months.