



## **BUDGET SPEECH FOR 1978-79**

**SHRI M. K. HEMACHANDRAN**

*14th March, 1978*

Sir,

I rise to present the budget estimates for the year 1978-79.

The presentation of this budget takes place at a time when the necessity for fundamental changes in Centre-State relations is being mentioned at various levels. A few days back the House passed a resolution on the subject, State Government which are in close contact with the people, have to design and implement developmental schemes in tune with the hopes and aspirations of their people; but they are severely handicapped by the lack of adequate finances. Resources available to the Central Government are substantially in excess of their expenditure commitments; but the system of transfer of resources from the Centre to the States is not satisfactory. Principles for such transfer are drawn up, quite often, without taking into account the special problems and requirements of States. With the nationalisation of banks and insurance, the Central Government controls all the major instruments of national economic policy. But, neither in the formulation of economic policies nor in the distribution and utilisation of national resources, States have any effective role at present. While recognising the fact that the nation needs a strong Government at the centre, it is absolutely essential that in the utilisation of national resources, States are made real partners. It is in this context that a review of all aspects of Centre-State relations becomes relevant. This Government is of the view that the Government of India should take the initiative for a frank and friendly national debate on this issue.

2. The State Government has presented a memorandum to the Seventh Finance Commission explaining the problems and financial requirements of the State. Under the award of the Sixth Finance Commission, the State was expected to receive Rs. 271 crore as share of Central taxes and Rs. 209 crore as grant-in-aid under Article 275 of the Constitution during the 5th plan period. This roughly worked out to 5% of the total transfer of resources from the Centre to the States. But subsequent events have proved that this amount was inadequate to

take case of the requirements of the State. It is hoped that the Seventh Finance Commission would duly take into account the requirements of the State on a realistic basis and that the Commission's recommendations would enable the State Government to receive more resources. The Commission is expected to visit the State shortly. I hope that all sections, of the House, irrespective of political differences, would co-operate with the Government in explaining to the Commission the magnitude and complexity of the problems facing this State.

3. While making a statement in the House in July last, I had indicated the economic policy of this Government. I said that the developmental requirements of the State should be assessed on a realistic basis and more schemes should be drawn up and implemented. Mobilisation of necessary resources should be attempted by eliminating avoidable expenditure and promoting self reliance and savings habit among the people. At the same time we should also be vigilant in securing from the Central Government our legitimate entitlements. It is with a sense of satisfaction that I mention this again, because in implementing this policy, we have been able to achieve creditable progress. According to the plan programme presented to this Assembly in March 1977, the outlay estimated for 1977-78 was Rs. 136 crore. But in the budget that is being presented today the anticipated plan expenditure in 1977-78 is Rs. 159 crore. Taking the expenditure on Western Ghat Development programme, anti sea erosion programme and centrally sponsored and central sector schemes also into account, the total developmental outlay in 1977-78 would be Rs. 183.53 crore.

4. The budget for 1978-79 indicates the continuation of the same policy. To this Government, presentation of the budget for the next year is yet another opportunity to prove that we should allow nothing to come in the way of a steady pace of developmental activity. Reiterating this policy, I shall pass on to a review of the main trends in the economy of the State.

#### **ECONOMIC TRENDS**

5. The growth rate of the national income in 1977-78 is estimated at 5%. The increase in foodgrain production is 7% and in Industrial production 5.2%. While the wholesale price index recorded an increase of only 1%, retail price index recorded 5.8% increase. It has to be assumed that the reason for this order of increase in retail price is mainly the profiteering by the middle men. The State's economy showed a satisfactory trend during this period. Though there was 6% decrease in food production in 1976-77, compared to the previous year, the food situation in the State was generally satisfactory. There was a 25% increase in the percapita availability of rice. In the industrial front due to better availability of raw materials and absence of any power cuts there was improvement in the working results of the factories in the State. Goods worth nearly Rs. 400 crore were

exported from Kerala. There was 34% increase in the exports in 1976-77. Marine products, cashew kernels, tea and spices were the important items of export. The consumer price index recorded decrease ranging from 0.6% to 6.6% in the different centres of the State. The average decrease was around 3%. While a downward trend was recorded in the prices of rice, coconut, tamarind and coriander, prices of dhal, green gram, onion and chillies recorded substantial increase. Generally the price increase was reflected in items which are imported into the State. Contrary to the increase in the consumer price index recorded at the All India level, in Kerala the index recorded, in almost all Centres, a decrease. The fall in the price of rice and distribution of larger quantity of food stuff through the ration shops were the main reasons for the fall in prices. But the wholesale price index recorded an increase of 10.5%. This was reflected mainly in the prices of plantation crops, fruits and vegetables, non food crops and oil seeds. The percapita income of Kerala in 1975-76 was Rs. 909. This is less than the All India percapita income by Rs. 99. But in the previous year the difference was Rs. 123. The growth rate of the economy in 1975-76 was 5%.

#### **1976 -77 ACCOUNTS**

6. The year 1976-77, which opened with a deficit of Rs. 27.01 crore ended with a deficit of Rs. 41.36 crore. Total revenue receipt was Rs. 386.18 crore and total expenditure on revenue account Rs. 389.48 crore. The revenue deficit amounted to Rs. 3.30 crore. Capital expenditure during the year was Rs. 56.80 crore and the net expenditure under loans and advances Rs. 9.84 crore. The receipts from other heads amounted to Rs. 25.89 crore. In the discussions held with the Planning Commission and the Central Government in January, 1977 the understanding was that the year 1976-77 would close with a deficit of Rs. 50 crore. But actually the year end deficit was less than this estimate. Increase in receipts and control of expenditure helped to reduce the closing deficit. The State Plan outlay in 1976-77 was Rs. 132.37 crore.

#### **REVISED ESTIMATE 1977-78**

7. According to the budget presented to the House in March 1977, the revenue estimated in 1977-78 was Rs. 434 crore. The revised estimate is Rs. 429 crore only. The budget estimate for 1977-78 did not take into account the shortfall in sales tax receipts consequent on the amendments made to the Central Sales Tax Act. But in the revised estimate this loss has been taken into account. Increased receipts are anticipated from Agricultural income tax, excise, stamps and registration and electricity duty. The expenditure on revenue account will increase from Rs. 419 crore to Rs. 442 crore—an increase of Rs. 23 crore.

An expenditure of Rs. 8 crore had to be incurred on relief operations. Under interest payments there is an increase of Rs. 3 crore and under medical expenses Rs. 1 crore. Increased plan expenditure on revenue account consequent on enhancement of the plan outlay from Rs.136 crore to Rs.159 crore also accounts for part of the increase in the revenue expenditure.

8. According to the statement I made in the Assembly in July, 1977 additional resources to the extent of Rs. 9 crore were to be raised during this year. Out of this, Rs. 3 crore was by way of increase in provident fund deposit, consequent on the credit of the second instalment of compulsory deposit refund. But the Central Government subsequently decided to refund the amount in cash. So the above item of receipt could not be realised. Social Welfare Scheme has already been implemented by the Kerala State Financial Enterprises. The family benefit scheme for Government servants has also been implemented.

9. According to the statement made in July, 1977 it was expected that the closing deficit of 1977-78 would be Rs. 32.6 crore. If the Government of India sanctioned assistance, to compensate the loss in sales tax revenue, for the year 1976-77 also, it was expected that the closing deficit could further be reduced. But so far we have not received any compensation. So the closing deficit as per the revised estimate is Rs. 59 crore. During the discussions on the annual plan for 1978-79, we had agreed that attempt would be made to keep the deficit below Rs. 50 crore. In a recent communication received from the Planning Commission, it has been indicated that the closing deficit should not exceed Rs.45 crores. This is a slight deviation from the understanding arrived at in the discussions. However it is expected that by intensifying the collection of revenues and avoiding unnecessary expenditure, the year end deficit could be considerably reduced. The fact that there will be delay in sales tax refunds will also be of temporary help. As a result of all these, it is expected that we will be able to fulfil the promise made to the Planning Commission in the matter of closing deficit. In all probability, there will be further improvement.

#### **BUDGET ESTIMATE 1978-79**

10. The revenue estimated in 1978-79 is Rs. 467.63 crore. The share of Central taxes is Rs. 74.08 crore. A sum of Rs. 39.51 crore will be available to the State as grant-in-aid under article 275 of the Constitution. The receipt from State taxes and duties is estimated at Rs. 217.34 crore. This is more than the revised estimate for the current year by Rs. 20.97 crore. The revenue estimated from sales tax is Rs. 125 crore and from excise Rs. 39.95 crore. From non-tax revenues the estimated receipt is Rs. 80.75 crore. A sum of Rs. 55.95 crore has been taken credit as grant from the Central Government for State Plan, centrally sponsored, central sector and non-plan schemes.

11. The provision made for revenue expenditure is Rs. 473.42 crore. Of this, Rs. 405.31 crore is for non-plan expenditure. Compared to the revised

estimate for 1977-78 there is an increase of Rs. 22.48 crore under non-plan expenditure. The increase is mainly under education, interest payment, medical, pension and grant to Panchayats. The provision made for capital expenditure is Rs. 91 crore and for loans and advances Rs. 33 crore. Credit has been taken for a sum of Rs. 19 crore by way of repayment of loans and advances.

12. In formulating the plan for next year, we were confronted with a new set of difficulties. The basic reason was the change in the Central Government's approach to planning. The indication was that the Fifth Five Year Plan as well as the idea of formulating Five Year Plans would be abandoned by the end of the current year. Probably because of widespread criticism about the propriety of effecting radical changes in the process of planning without proper study and detailed discussions, it was later clarified that the formulation of next year's annual plan would follow the usual pattern. However, in respect of the contents of the plan, the Planning Commission and the Government of India insisted on substantial changes. The guidelines received by the State Government were to the effect that the plan should reflect a change in priorities in tune with the views of the Government of India in the matter. The State Government, while conceding that agriculture, irrigation and power required substantially increased outlays, are of the view that it will be a short-sighted step if other programmes designed to cater to the special requirements of different States are neglected. This view was reflected in the annual plan we presented to the Planning Commission. During the official level discussions, the Planning Commission pointed out the inadequacy of our resources. On our side, it was explained that, if the Government of India would extend to us the same kind of liberal treatment they showed to other States in the matter of closing deficit and central assistance and if the loss on salestax is compensated at least to the extent assessed by the Government of India, availability of resources would pose no problem. But the Planning Commission did not accept this view. It was against this background that the Chief Minister and myself met the Deputy Chairman of the Planning Commission for discussions.

13. During that discussion also, the stand taken by the Government of India and the Planning Commission was that loss on salestax would not be compensated. Our Chief Minister made it abundantly clear that the State Government could not, on any account, accept this position. Accepting that this was a basic difference of opinion, further discussions on the size of the plan was held. At this stage, we received an encouraging response from the Planning Commission. The Commission accepted the reality of an increased deficit consequent on the loss in salestax. But, they suggested that we should reduce the plan, increase effected in

July, at least by an amount of Rs. 10 crore. Requesting us to do our best in the matter of additional resources mobilisation, the Planning Commission indicated that they would find ways and means of covering the remaining gap of Rs. 24 crore for a reasonable annual plan. We made the position clear that the increase in plan outlay announced in July could not be reduced. But, we agreed that even without such a reduction in plan outlay, attempts would be made to contain the closing deficit at the level indicated by the Commission. We also agreed that we would rise Rs. 21 crore for the next year's plan by way of economy, better collection of revenues and additional resources mobilisation. On this basis, a plan of Rs. 176 crore was approved at the discussions.

14. The Planning Commission approved the following pattern of financing of the plan outlay of Rs. 176 crore.

	<i>(Rs. in crore)</i>
1. Central assistance	86.48
2. Market borrowing	26.38
3. Additional resource mobilisation, increased revenue collections and economy in non-plan expenditure	85.52
4. Loans from R.B.I., L.I.C and R.E.C.	11.51
5. Other budgetary receipts	(—)33.89
<b>Total</b>	<b>176.00</b>

Even the plan of Rs. 176 crore so formulated was not completely satisfactory to this Government. This was because in certain areas, the Planning Commission did not provide for any worthwhile increase over the revised outlay for the current year. As this would have caused a slackening of the pace of development in those sectors, next year's plan was finalised by the Government after adding in outlay of Rs. 8 crore in those sectors. According to the budget estimates submitted to the House the total state plan outlay of the next year is Rs. 184 crore. When this is compared to the plan outlay of Rs. 136 crore presented in March last year for the current year's plan, the significant progress we have achieved in this matter during the short span of one year will be quite evident. When the outlays for Western Ghat Development, Anti Sea Erosion, Centrally Sponsored and Central Sector Schemes are also taken into account, the State will have according to the present estimates, a total developmental outlay of Rs. 213.91 crore during 1978-79.

15. In the next years' budget, Rs. 710 lakh has been provided for the development of agriculture. IPD Unit Programme (Ela Programme), will be extended to new areas. By the end of 1978-79, one third of the area under paddy cultivation will be brought under this programme. An area of 5 lakh hectares will be brought under high yielding varieties. The special scheme for the development of coconut cultivation will be extended to more areas. Special emphasis will be given to cocoa cultivation, as an inter crop. Works relating to Kuttanad Development Project and the Trichur Kole Land Development Project will be expedited. A separate department has been formed to deal with matters relating to the utilisation of ground water resources. A Government owned company has been formed for the development of oil palm cultivation. This cultivation will be taken up in ten thousand acres of forest land near Anchal in Quilon District. The Government of India is assisting this programme. In order to ensure a reasonable price to the agriculturists for their produce, regulated market system will be introduced as a beginning, in Idukki District.

16. Cashew cultivation is of special importance to Kerala. The workers in the Cashew Industry are now getting only about 100 days work on an average, in a year this is due to insufficient availability of raw nuts for processing. Different schemes including one assisted by the World Bank, are being implemented for development of Cashew cultivation. During 1978-79, an area of 28000 hectares of land will be brought under Cashew cultivation, increasing the total area under Cashew to 1.53 lakh hectares.

17. We have achieved considerable progress in the co-operative sector during the past few years. It is expected that a sum of Rs. 78 crore by way of short term credit and Rs. 22 crore towards long term loans (total Rs. 100 crore) would be disbursed through the co-operative sector in 1978-79. The Kerala Land Mortgage Bank is currently implementing 33 agricultural development schemes with assistance from ARDC. The total investment in the schemes is Rs. 12 crore. During this year also, the Kerala State Marketing Federation is the agency for procurement of raw nuts produced within the State. The Co-operative sector was able to help the rural population with necessary credit facilities at a time when they were facing difficulties in getting loans.

18. Various schemes are being implemented to augment milk production. A scheme for giving subsidy to farmers for fodder cultivation is under implementation. Under a special animal husbandry programme, implemented in the SFDA districts, financial assistance is given to small farmers and Harijans for rearing of cross-bred calves. Financial assistance is also given to these categories

to take up poultry as a subsidiary means of employment. The Kerala Livestock Development and Milk Marketing Board has played an effective role in the field of collection and marketing of milk. Steps have been taken to increase the capacity of the dairy plants at Trivandrum, Alleppey and Ernakulam. By the end of 1978-79 these three dairy plants together will be processing one lakh litres milk per day.

19. An amount of Rs. 4.68 crore has been provided for Minor Irrigation. The various schemes undertaken for the economic uplift of small and marginal farmers will be continued in all the districts.

20. For the development of large and small industries depending on forest-based raw material, Government have a scheme for expanding the area under industrial plantations. Government have appointed a special officer to prepare a project report about the introduction of progressive and tangible changes in the collection, processing and marketing of forest produce with a view to improving the productivity of our forests and the availability of employment opportunities in forest-based developmental programmes. The Forest Development Corporation would be opening firewood depots at all district headquarters, to make available to the common man firewood at reasonable price. A project report is also being prepared for establishing an industrial unit for producing readymade timber articles required for house construction.

21. In the field of land reforms, the work relating to the conformerment of proprietary rights to Kudikidappukars and tenants has almost has completed. A sum of Rs. 5 crore has been provided in the budget for payments of compensation to the landlords and intermediaries. Assignees of surplus land would be given financial assistance for cultivation. A provision of Rs. 12.14 lakh has been made for this Re-survey will be conducted in an area of 2025 sq. km. next year.

22. Certain new programmes are proposed to be implemented in the field of Fishery development. A scheme has been started at Tanur for giving mechanised fishing boats and other assistance to groups of fishermen consisting of five members. This scheme will be implemented directly under the control and supervision of the Fisheries Department. The scheme will be extended to other regions also Fishermen Welfare Corporation intended for giving financial assistance and for providing houses, and other amenities to the small scale traders in fish and fishermen engaged in traditional fishing has already been established. At least 25000 houses to the fishermen will be provided with the help of various agencies, during the next four years. Schemes will be formulated for construction of more link-roads to connect coastal areas, and for providing drinking water in the coastal belt, under an intensive development programme.

23. Significant progress has been achieved by this State in the construction of medium and major irrigation projects during the past two years Rs. 35 crore has been provided in the next year's budget with a view to completing all the projects on hand as early as possible. The investment on these projects next year will be more than 4 times the outlay for major irrigation in 1974-75. Irrigation facilities will be extended to 35000 hectares in the coming year. An amount of Rs. 4.5 crore has been provided for anti-sea erosion works, taking credits for Central assistance of Rs. 3 crore.

24. In previous years, priority was being given for hydro-electric projects and so adequate investments could not be made for programmes relating to transmission and distribution. The surplus power produce in the State is sold to neighbouring States. We are now trying to expand the transmission and distribution capacity so that more power could be consumed within the State in different fields of economic activity. During 1978-79, 24 new sub-stations will be opened, and 60000 new connections given. Energisation of 17,700 pump sets and 15000 street light points will also form part of next year's programme. Work on the inter-State Idukki-Mysore-Udummalpet line is fast progressing. By the end of 1978-79 all the villages in the State will be electrified.

25. The Government shall mount a systematic, time-bound and comprehensive effort for strengthening the industrial base and exploiting the enormous potential of the State for rapid industrialisation and creation of employment. The efforts will comprise, identification of further mineral and natural resources, stabilisation and expansion of the traditional industries, an intensive programme for small industries development, with special accent on the rural areas, the establishment of maximum number of medium and large industries with weightage for the public sector, further thrusts in special areas like electronics and creation of overall climate conditions and suitable organisational frame work for efficient industrial promotion and management. The programme for the re-organisation of the coir industry, involving an outlay of Rs. 4.31 crore, has almost been implemented. A new scheme costing Rs. 30 crore is being prepared for submission to the Government of India for approval. Government firmly oppose any move for mechanisation in the coir industry, as it will defeat the steps taken by this Government to sustain the employment potential of this industry. 60% of the one lakh looms in the handloom industry will be brought within the Co-operative field. As part of the intensive development schemes at Trivandrum and Cannanore being implemented with Central assistance, 10000 looms each will be newly established. Besides 10000 looms will be set-up

utilising bank loans, at low rates of interest. The garment factory at Cannanore will be commissioned soon. Four power loom complexes consisting of 1260 looms will be established. Financial assistance of nearly Rs. 3 crore is expected from the Central Khadi Commission for implementing State Khadi Board's one lakh employment programme. Kerala Cashew Development Corporation proposes to take over new factories next year. The activities of Kerala Dinesh Beedi Co-operative Society will be expanded, enrolling 5000 workers additionally. Beedi Workers Co-operative Societies will be formed in other districts also.

26. The working of 3000 industrial units, started as a part of the Mini Industrial Estate Programme will be improved. Forty-four new Mini Industrial Estates will be set-up next year. An efficient marketing mechanism will be evolved for sale of goods manufactured in the small scale sector.

27. The Kerala Textile Corporation has taken steps to revive the four textile mills that were closed for a long time.

28. The main thrust of the Government's policy in the sector of large and medium industries is to promote the public sector. Rs. 4.9 crore has been provided in the budget for the three major industries viz., Kerala Minerals and Metals, Malabar Cement Project and Steel Complex. Kerala State Industrial Development Corporation has to organise a Watch assembling Factory at Kasargode, a Refractory Project at Quilon with Russian assistance a Potassium Chlorate Project at Mavelikkara, an Ossein Project at Koratty, a Power Systems Project at Palghat and a Carbon Black Project at Ernakulam.

29. Kerala Electronics Development Corporation has already established 12 industrial units and a Research and Development Centre. Four new projects will be started during 1978-79. A control equipment factory is proposed to be started at Aroor with French Collaboration. This unit will employ 1000 persons.

30. Steps are under way to improve the working of the companies under the Kerala State Industrial Enterprises. Action is also in progress to start a Glazed Tile Factory, a Detergent Factory at Kuttipuram and a Vitamin A Project at Alleppey. Steps will be taken to get Kottayam, Idukki and Palghat Districts also notified as industrially backward districts.

31. The State Road Transport Corporation proposes to purchase 300 new buses next year. 200 of them are for replacement and the rest will be utilised to operate new schedules.

32. Government have decided to transfer, free of cost more than 3 acres of land to the Railways for the formation of a Railway Division with headquarters at Trivandrum.

33. A sum of Rs. 6.39 crore has been provided for roads and bridges. For the repair/re-construction of roads damaged by floods, special assistance was made available by the Government of India this year. During the current year the Public Works Department has taken over 157 kilometres of Panchayat roads. While selecting these roads, the requirements of backward areas have been given due consideration. In spite of resource constraints provision has been made for a few new roads and bridges taking into account local needs of different areas. The Public Works Department has under consideration, a scheme for the construction of small bridges in the Panchayat areas, accepting contribution from local bodies. A scheme for the construction of 900 kilometres of hill roads is under formulation. The Government of India are being moved to sanction loans for the re-construction of weak culverts and bridges. The Plan allocation for construction of office buildings has not been adequate in the recent years. A sum of Rs. 2 crore has been provided next year so that there could be better progress in this sector. Construction of the Civil Station at Idukki has been taken up. Work on the other Civil Stations at other district headquarters are in progress and will be completed as early as possible. Construction of Mini Civil Stations will be taken up at least in some places next year.

34. Steps have been taken to construct more quarters for Government Servants. The construction of buildings for schools, hospitals, dispensaries and police stations is being expedited. Since the current years' outlay for National Highways was inadequate, the Government of India was moved to allot more funds for the purpose. They have agreed to this. The State Construction Corporation is exploring the possibility of taking up more construction works in foreign countries. The P.W.D. Workshop will be converted into a Public Sector Company. The question of revising the scales of pay, dearness allowance, service conditions, etc. of the N.M.R. employees is under consideration.

35. Due to the persistent efforts of the State Government, direct flight from Trivandrum to Dubai, twice a week, has been introduced, satisfying a long felt need of the people of Kerala. The State Government will continue to press the Government of India to take up the construction of Alleppey-Trivandrum Railway Line at an early date.

36. A scheme will be drawn up to increase the attendance in the schools in socially backward areas. The question of supplying text books and note books free of cost to the pupils to encourage them to attend schools is under consideration. A scheme for giving training to teachers in Science and Mathematics is already under implementation. This will be continued. The intention of Government is to

impart similar training to all teacher handling important subjects. A comprehensive adult education programme is proposed to be implemented which will benefit about fifty lakh persons. Provision has been included in the budget for the construction of new school buildings.

37. Government have set-up a committee to study the question vocationalisation of education at the plus two stage. Government will take necessary steps in this regard on the basis of the recommendations of the committee. The Government of India have agreed to convert the existing Sanskrit Vidyapeed at Guruvayoor into a Central Sanskrit Vidyapeed and the State Government have agreed to meet 50% of the capital cost on this account.

38. Government propose to provide more training facilities to Teachers at the University level. Teachers in Government and Private Colleges, with the requisite educational qualifications, are being deputed for M.Phil. and Ph.D. courses 75 teachers have been selected for these courses this year. A Junior College has been started at Kattappana in the educationally backward district of Idukki. New courses have also been introduced in various colleges during the year. A sum of Rs. 403 lakh has been included in the next year's budget for the various programmes in the field of Technical Education.

39. There has been improvement in the standard of sports and games in the State. The Athletes from the State secured championships both at the National School Games recently conducted at Trivandrum and at the inter-State Athletic Meet at Quilon. The Athletes and their coaches deserve congratulation. Schemes drawn up for development of sports and games will continue to be implemented. State Sports Council has formulated a scheme for giving assistance for the construction of Playgrounds in rural areas. The question of establishing an Aquatic Training Centre at Alleppey is under consideration. A scheme for giving financial assistance to disabled sportsmen in indigent circumstance is under implementation. Government are also taking steps to provide employment to outstanding sportsmen within the State. It is proposed to start two sports hostels for imparting continued training to students who come out successful from the G. V. Raja Sports School. A Proposal to start a sports school for Girls at Kozhikode is under consideration.

40. A sum of Rs. 18.24 crore has been included in the next year's budget for Harijan Welfare Schemes. A comprehensive scheme has been formulated for the construction of ten thousand houses for Harijans and Girijans, which is proposed to be implemented through the State Development Corporation for Scheduled Castes and Scheduled Tribes. It will be ensured that 10% of the plan

provisions in the general sector will be set apart for the benefit of Scheduled Castes and Scheduled Tribes and utilisation of such provision will be closely watched. A scheme will be drawn up to provide job opportunities to the trainees who come out successful from the Training Centres run by the Department of Harijan Welfare. Government are considering the question of enhancing the quantum of grant and stipend now being paid by the Harijan Welfare Department as well as the monetary benefits given to the students of welfare hostels. Developmental activities for the Welfare of Adivasis included in the Tribal sub-plan are being implemented.

41. The activities of the various institutions attached to the Trivandrum Medical College will be integrated and this institution will be re-constituted as “Kerala Institute of Health Sciences” and modern facilities for treatment and research will be provided. This Institute will gradually be raised to the status of a National Institute. The difficulties experienced by poor patients in getting the requisite medicines will be overcome, by starting “medicine banks” in all District Hospitals, with the co-operation of the Association of medical officers, social service organisations and utilising Hospital Welfare Fund.

42. Construction of pay wards in all hospitals in the State will be continued. Priority will be given to provide pay ward facilities to patients belonging to low income groups at reduced rates. As a first step in this direction, pay wards costing Rs. 3 per diem are being provided in the Medical College Hospital, Trivandrum.

43. All the District Hospitals will be provided with ambulance vans this year itself. This facility will be extended to Taluk Hospitals also in stages.

44. Our medical institutions will keep close contact with the people within their area of jurisdiction and take care of their health problems. The families coming within the purview of an institution will be registered with the institutions and the members will be subjected to medical examination and medical records will be maintained for each. This scheme will be implemented as a pilot project in selected areas.

45. Medical Institution will be started in Panchayats which do not at present have any medical facility. A comprehensive health scheme integrating programmes relating to nutrition, medical care and health education will be implemented in Adivasi areas, in co-operation with the Departments of Harijan Welfare, Social Welfare, Panchayat and the Western Ghat Development Agency.

46. Steps will be taken to provide a minimum of 10 beds in dispensaries which do not at present have facility to treat in patients. One hundred such dispensaries will be provided with this facility. Under this scheme, accommodation will be provided by the public and the Panchayats and the other facilities by the Department of Health Services. 10 Hospitals will be opened in areas inhabited by fishermen. Land and building required for this purpose has to be made available by the Department of Fisheries.

47. Scheme for the second stage development of the Cancer Institute in the Medical College, Trivandrum will be taken up. Construction of additional buildings for the Medical Colleges at Kottayam and Alleppey will be taken up. Development programmes of the Medical College, Calicut will be implemented.

48. Provision has been made for construction of buildings for the post graduate course in Ayurveda at Trivandrum. Construction of buildings for Ayurveda Hospital at Tripunithura and Hostels for the students of the Ayurveda Colleges will also be taken up.

49. The Homoeo College, Kozhikode will be developed as a Degree College with all facilities. A Nature Cure Centre will be started at Varkala utilising the medicinal springs. Government have appointed a high power committee under the Chairmanship of Dr. K. N. Pai to make recommendations for improving the working of the hospitals. Action in the matter will be taken on receipt of the report of the Committee. Programmes relating to Cancer detection, preventive vaccinations/inoculations, as also school health programmes will be continued next year.

50. The E.S.I. Scheme is proposed to be extended to more sectors. Steps have been taken to include Ayurveda system of medicine in the E.S.I. Scheme. The Corporation has already approved certain new hospitals and their construction works will start soon.

51. Comprehensive schemes have been formulated for providing, dwelling houses to people who do not own houses. The target is to construct one million houses within 10 years at the rate of one lakh houses an year. Last year, the Housing Board advanced loans for the construction of 2250 houses to low income groups. Schemes are underway for giving house building advances to persons in the low income groups with the support of the banks. A scheme is also being formulated under which loans will be given directly by the Housing Board. Persons belonging to the low and Middle income groups will be entitled to

receive loans under this scheme. The HUDCO has recently extended its sphere of activity, relating to housing schemes to the village areas. It is expected that 50000 houses can be constructed for the weaker sections under the housing scheme of the HUDCO. Slum clearance schemes will be continued next year. A scheme has already been undertaken to rehabilitate 700 families residing at the Chenkalchoola slum in the Trivandrum city. The first stage of this scheme is expected to be completed by the 2nd October, 1978. Similar slum clearance schemes will be implemented in the other slum areas of Trivandrum, Calicut, Cochin and Kottayam. These schemes are also implemented with the support of the HUDCO and other agencies. To solve the acute housing problems in the Cochin area, a scheme for the establishment of a peripheral city at Trikkakkara has been prepared and the work has already started. This will greatly help the development of the Cochin area. Steps are under way for the establishment of similar peripheral centres at Kozhikode, Trichur and Kottayam. In addition to the above, there is a scheme under consideration to extend, the house building programme to all Taluks and the Municipal Panchayat centres. Houses costing Rs. 5,000 to 42,000 are proposed to be constructed under the scheme. The monthly payments to be made by the beneficiaries of the scheme will range from Rs. 30 to 400 and the beneficiaries will become the owners of the houses after a specified period. Detailed survey of the scheme has been conducted by the Housing Board. Steps will be taken to implement the scheme based on the findings of the survey. The scheme for providing free house sites to landless agricultural labourer will be continued. The target is to provide 10000 house sites a year. A scheme to secure bank loans for employees, including private school teachers who do not have the eligibility to get any loan under the house building schemes of the Government is proposed to be implemented next year. A housing scheme to benefit industrial employees is also under consideration.

52. Water Supply Schemes have been implemented in almost all the Corporations and Municipalities in the State. Rs. 4.65 crore has been set apart for Water Supply Schemes in the next years budget. Assistance was being received from the Life Insurance Corporation of India for these schemes from 1970-71. The work on the Water Supply Schemes at Malappuram, Shertallai and Kayamkulam will be expedited. The water supply arrangements in Trivandrum City will considerably improve on completion of the Peppara Dam which is under construction. Rs. 2.22 crore would be spent on this work next year. Rs. 4.35 crore has been provided in the next years' budget for rural water supply schemes. Out of this Rs. 1.5 crore relates to a Centrally Sponsored Scheme. It is estimated that about 33% of the rural population will have the facility for good drinking water on completion of the water supply schemes already undertaken by Government.

53. The administrative set up of the Labour Department will be streamlined to shoulder the task of better enforcement of the Labour Laws. The Central Government is likely to bring in new legislation to revise the existing labour laws. The State Government have already communicated its views in the matter to Central Government. After the Central Legislation, the State Government will consider whether any amendments to the State Labour Laws are necessary. The scope of the Labour Welfare Fund, created for the welfare of the Labourers and their families, will be increased to cover other sectors. A “workers sanatorium” and “health resort” will be set up in collaboration with the Health Department to benefit the Industrial, Agricultural and Plantation workers. The difficulties experienced in implementing the Provident Fund Scheme of the Agricultural Labourers will be removed. Action is under way for the establishment of an “Institute of Labour and employment” to give necessary advice to the Government and to impart necessary training to the officers. It will also undertake research on matters relating to the employment opportunities and the general working conditions of the labourers in the state. Considering the acute unemployment problem in the State, the Government propose to implement a training programme to educate the people, especially rural population, on self-employment utilising local resources. This is proposed to be undertaken in collaboration with the I.L.O. A draft scheme submitted by the experts of the I.L.O. is under consideration. The activities of the Kerala Overseas Development and Employment Promotion Consultants Limited, which has been established for exploring the employment possibilities to our people abroad and for mobilising deposits from them for investment in developmental activities of the State, will be intensified. New trades will be started in the Industrial Training Institutes keeping in view the changes taking place in the Industrial field. Government also intend to start special courses for harijan students.

54. The construction of the ‘Studio Complex’ of the Government owned Film Development Corporation at Thiruvallam costing Rs. 175 lakh is progressing and it is expected that the studio can be inaugurated in the coming Onam season.

55. In the field of Science and Technology a “Centre for Water Resources Development and Management” has been established. “Institute for Earth Science” will be established soon. Rs. 15 lakh each has been provided for the above Institutes in the next years’ budget. The “Institute for Promotion of Developmental Administration and Adaptive Technology” will also be established

for which an amount of Rs. 10 lakh has been provided. The State Science and Technology Committee has undertaken studies on the possibility of producing energy from sun light, wind and waves. There is a proposal to give awards for eminent works on Science and Technology.

56. The scheme for the modernisation of police force will be continued. The police will be equipped with more vehicles and modern equipments. Schemes to benefit the police personnel will be implemented. The policy of Government is to provide housing accommodation to all the police personnel. Rs. 1 crore will be spent for this purpose next year. There is also a proposal to increase the police strength.

57. A scheme has been formulated in consultation with the jail advisory committee to improve the conditions in the Jails in the State. Government propose to give practical training to convicts to rehabilitate them in useful vocations.

58. The food situation in the State during 1977-78 has been very satisfactory. Production of more quantities of food grains within the State and the steady supply of rice and wheat from the Centre made this position possible. During the current year, till December 1977, 10.44 lakh tonnes of rice and 46000 tonnes of wheat have been distributed. Besides rice and wheat, items like Kerosene, Sugar and Textiles have been distributed. The Kerala Civil Supplies Corporation has undertaken storage and distribution of some of the essential commodities as a result of which the prices of these commodities could be controlled. Rice, wheat products, pulses, note books, uniform clothes for school children, soap, etc., were distributed through the Civil Supplies Corporation.

59. The current years provision for payment of house construction advances to Government Servants was Rs. 120 lakh. This was since enhanced to Rs. 150 lakh. Rs. 212.50 lakh has been provided in the next year's budget for the purpose. The possibility of making available from nationalised banks for this purpose will be considered.

60. According to the budget estimate presented to the House the estimated revenue receipt is Rs. 467.63 crore. It was after finalisation of the above estimate that the Central Government announced their additional taxation measures. The State Government would receive a sum of Rs. 2.75 crore as its share out of the receipts from the additional taxation measures, to be implemented by the Central Government. This figure does not take into account the share of excise duty on electricity. On the basis of the understanding reached at the time of formulation of the plan, steps will be taken by the State Government to increase revenue

collections and it is expected that it would be possible to effect an increase of Rs. 3 crore from various items of revenue. According to the budget estimates the expenditure on revenue account is Rs. 473.42 crore. By enforcing economy measures in the various sectors, it is expected that a reduction of Rs. 2 crore can be effected in the expenditure items. If the above changes are also taken into account, next year's budgetary position can be summarised as follows:—

		<i>Rs. in Crore</i>
Receipts on revenue account	:	473.38
Expenditure on revenue account	:	471.42
Revenue surplus	:	1.96
Capital expenditure	:	(—) 91.01
Loans and Advances (net)	:	(—) 14.45
Debts and deposits	:	91.57
Overall deficit	:	(—) 11.93

61. During the annual plan discussions the Planning Commission expressed the view that the State Government should not generate a deficit on account of the transactions of 1977-78. It was on this basis that they approved a plan outlay of Rs. 176 crore. I have already explained the circumstances under which the plan outlay had to be further increased by Rs. 8 crore. Similarly, we have to undertake some important new schemes next year, for which also resources have to be found. The State Government is quite willing to raise resources for development purposes. Since the amount to be raised by additional taxation will be utilised for developmental activities, I am sure the Government would receive full co-operation from the people. But there are certain limitation for the State Government in raising additional resources. Due to inadequate capital investment in the previous years there has not been substantial increase in the incremental income, a share of which is to be collected as additional tax. There are certain other States also in the same predicament whose non-plan expenditure is more than the revenue receipts. For Finance Commissions can play a prominent role in tackling this problem. But unfortunately the awards of the previous commissions did not succeed in designing a devolution satisfactory to the economically weaker States. Even the most satisfactory award has only covered the revenue gap of such States assessed on a realistic basis. At the same time the awards of the Commission have resulted in creating substantial revenue surplus for economically stronger States. Neither in the distribution of Central assistance for State plan nor

in the distribution of assistance on a discretionary basis made by the Central Ministries from time to time, economically weaker States get any special consideration. The suggestions made by us to the VIIth Finance Commission are intended to effect a change in this situation though to a limited extent. In the distribution of Central excise, which is the largest revenue item of Central Government, the first charge should be the amount required to cover the revenue deficit of States. Of the remaining amount a part should be distributed to States on the basis of population, magnitude of unemployment etc. The amounts required to tackle the special problems of States should be provided as grant in aid under Art.275 of the Constitution. It is hoped that the Commission would accept this suggestion for ensuring a fair deal to all States.

62. But this alone will not solve all our problems. The Finance Commission's award is for a period of five years. At present there is no mechanism to take care of the fluctuations in the financial position of the states during the five year period. To some extent, one can accept the arguments states' financial difficulties arising out of their own decisions should be tackled by the States themselves. But how can the States – especially financially weaker states – tide over the financial difficulties arising out of factors which are beyond their control, such as increase in wages and cost of production, consequent of increase in prices? Even more serious are the difficulties caused by decisions taken by the Central Government. The present position is that the financial loss arising out of such decisions, whatever be the amount, should be met by the States themselves. While this State Government are willing to extend its co-operation in implementing all decisions taken by the Central Government in the overall interest of the nation, we have to point out that it will not be possible for a State like Kerala, to meet all the financial losses arising out of such decisions. In this context we have to evaluate two important problems faced by us. The first is the excise duty on electricity introduced by the Central Government, and the other is the loss in sales tax revenue to the State consequent on the amendments to the Central Sales Tax Act. Apart from the fact that excise duty on electricity would create difficulties to the various categories of consumers and will also adversely affect industrial development, this taxation measures indicate a tendency to step into the sphere of state activity. We have requested the Central Government not to implement this taxation measure. Consistent with this stand, in the estimates of interest payment by the Electricity Board to Government and in the loan

disbursement by the Government to the Board for plan schemes, the changes that may be necessary on the basis of the new tax have not been taken into account. On the loss of sales tax revenue to the State, several rounds of discussions, have already taken place. During the three years 1976-77 to 1978-79 the loss estimated is Rs. 70 crore. But according to the assessment of the Central Government the loss would be only Rs. 45 crore. We cannot accept or bear this difference of Rs. 25 crore, Yet we thought of meeting that part of the loss and accordingly requested the Central Government to give compensation for at least the amount of Rs. 45 crore as assessed by them. The Government of India have indicated in their latest reply that they cannot agree to give any compensation. Probably taking into account the loss in sales tax revenue also, the Central Government have helped the State Government in the matter of closing deficit and Central assistance for State plan. But this type of assistance has been extended to other State Governments as well. It is in this context that the point I made earlier become particularly relevant. Such a big loss occurring during a period when a Finance Commission's award is in operation, is not due to any decision of the State Government. It is solely the result of a decision by the Government of India. The State Government are of the firm view that there is no impropriety whatsoever in seeking compensation for such a huge loss caused by the centre's decision, So the State Government would again request the Central Government to reconsider the question of payment of compensation, I hope the Government enjoy the full support of the House in making this request. On this basis it is proposed to take into account an amount of Rs. 45 crore as part of the revenue receipts of the State for next year.

63. Both for the implementation of the Annual Plan and for the initiation of certain important new programmes, it is necessary to take credit for this amount on the side of receipts. I have briefly hinted about these new programmes elsewhere. Government have decided to make provisions, though as a beginning for certain important items.

*Increase in financial assistance to films shot inside kerala:*

64. It has been decided to increase the subsidy given for films shot fully inside the State. The rate in force is Rs. 25000. This will be enhanced to Rs. 50000.

*Increase in financial help from Fishermans' Relief fund:*

65. The present limit of Rs. 3000 as relief payment for the families of fishermen who meet with accidents out in the sea will be enhanced to Rs. 5000.

*Provident Fund for Advocates*

66. Government have decided to institute a provident fund scheme for advocates. A provision of Rs. 5 lakh is being made for this purpose.

*Financial help for the children of ex-servicemen*

67. A scheme will be formulated to extend financial help to bright students among the children of ex-servicemen. A provision of Rs. 5 lakh is being made for this purpose.

*Housing scheme for journalists*

68. Government have decided to sponsor a subsidised housing scheme for journalists. The provision made is Rs. 5 lakh for next year.

*Financial help to widows towards marriage expenses of daughters*

69. Government have been implementing a scheme of pensions to destitute widows. Many of these widows find it extremely difficult to meet the expenses connected with marriage of their daughters. The Government intend to give them some help in this matter. The scheme is for paying an amount of Rs. 1,000 for such expenses. This payment will be made for the marriage expenses of the daughters of all widows whose annual family income is not above Rs. 6,000. The provision of next year is Rs. 50 lakh.

*D. A. for Government Servants*

70. Government of India have announced increase in the D.A. of their employees with effect from 1-1-1978 on the basis of increase in the cost of living index. It has been decided to extend this benefits to the State Government employees also with effect from the same date. A provision of Rs. 5.5 crore is being made to meet the expenditure during next year.

*Support price for agricultural produce*

71. It is very necessary to ensure reasonable prices for agricultural produces. The cost of production in agriculture has substantially increased. The market price for many agricultural commodities is substantially below this level. It is needless to stress that such a situation would adversely affect agricultural production. This Government is of the view that initiative should be taken by the Government of India in formulating a long range programme to ensure reasonable price for agricultural products above the level of cost of production. In the case of the agriculturists of this State, very serious difficulty is being experienced in the matter of paddy and tapioca production. Cultivation of both these items results

in a clear loss now. Extending some relief to these cultivators is a matter of extreme urgency which cannot await the formulation of a national scheme. Therefore, the Government have decided to implement a price support scheme for these two commodities. The provision made for next year for this purpose is Rs. 5 crore.

*Relief to the unemployed youth*

72. The efforts so far made for removing unemployment have not succeeded. The real solution for this problem is to create new employment opportunities by means of an intensive agricultural and industrial development programme implemented on a war footing. While concentrating all attention on such an effort, it is also necessary to provide some temporary relief. It is too much to expect that the unemployed youth who have already waited too long will continue to wait indefinitely. As a beginning in the solution of this problem, it is proposed to utilise their services in the field of such activities as literacy drive, rural reconstruction and town improvement programmes. Those among the unemployed men and women, whose names are on the live register of the employment exchanges for over a period of five years and who have not yet secured any employment, will be paid Rs. 400 per annum if they belong to families with annual income not exceeding Rs. 4,000. In return for this payment, they will be expected to work for two months in programmes formulated by Government. A rough assessment indicates that this scheme will benefit 2½ lakhs of people. The cost on this scheme for the next year will be Rs. 10 crore.

73. These measures together account for an additional expenditure of Rs. 21.20 crore for next year. This will increase the deficit for the year from Rs. 11.93 crore to Rs. 33.13 crore. It is not possible for the Government to meet this deficit without receiving compensation on sales tax loss. However, responding to the Central Government's request that the States should extend maximum co-operation in the matter of additional resources mobilisation for developmental efforts, we are prepared to do our best.

74. Last year's budget speech contained an announcement about some increase in sales tax rates based on Gulati Committee recommendations. Steps for framing necessary statutes are nearing completion. As the implementation of certain other recommendations of the Committee resulted in additional revenue, the target for additional resources mobilisation from sales tax for the current year has been achieved. From the measures now nearing completion, we expect to raise Rs. 2 crore for next year.

75. I have mentioned elsewhere that we have to bear the loss on sales tax over and above the amount of Rs. 45 crore assessed by the Government of India. At least a part of the remaining loss will have to be raised by way of additional tax. During official level discussions held on the 6<sup>th</sup> of January, the officials of the Planning Commission expressed the view that we should meet the entire loss till the end of 1978-79 after which the award of the Seventh Finance Commission might govern such situations. Against this background, setting apart the loss of Rs. 45 crore, out of the remaining loss of Rs. 25 crore, we propose to raise an amount of Rs. 10 crore by way of additional taxation, till the date of effect of the award of the Seventh Finance Commission. On this basis, additional sales tax at the rate of 10% of the current rate will be realised for the sales during 1978-79. Government expect that it will not be necessary to continue this levy from 1978-80 onwards as by that time the award of the Seventh Finance Commission will be in operation.

76. If receipt under these two items are also taken into account, the deficit of Rs. 33.13 crore indicated earlier will come down to the level of Rs. 21.13 crore. Though the deficit at the end of the current year and the commitment likely on the revision of pay and allowances of the State Government employees may cause a further worsening of this position, the receipt of compensation on sales tax loss will again bring down the deficit.

77. In short, if the revenue loss caused by a decision of the Government of India is compensated for, Kerala will not be generating any substantial deficit during the Plan period between 1974 and 1979. This will be our humble but uncommon contribution to the stability of the nation's economy. I am sure that none would expect the State suffering from clear resources constraints to do any better in the matter of financial discipline.

78. We hope that the award of the Seventh Finance Commission will be satisfactory to us. We also hope that a frank discussion on Centre State financial relations will lead to a new order more encouraging and helpful to the States. If both these hopes materialise, it will be possible for our developmental efforts to step ahead at a faster pace in tune with the aspirations of our people. It is with this hope that I submit for the approval of this House the budget estimates for 1978-79. As we have no adequate time for detailed discussions on the demand before the end of March, a vote on account for meeting the expenditure for four months and the demand thereon will also be introduced.