



## **BUDGET FOR 1996-97 (REVISED)**

**T.SIVADASA MENON**

*19<sup>th</sup> July, 1996*

Sir,

I rise to present the Revised Budget Estimates for 1996-97.

### **I**

1. The Honourable House assembles in the background of a change in Governments both at the Centre and in the State. The Government of United Front at the Centre and of the Left Democratic Front in the State have taken office in place of the reactionary and anti-people Government. At the national level the verdict was against anti-national and anti-people policies of the Congress (I) and the communalism of the Bharatiya Janata Party. In our State, the people have given a clear verdict against the U.D.F. which was an unholy alliance of various communal forces that stood against the interest and aspirations of the masses. It was a verdict against the U.D.F., which symbolized corruption, nepotism and inefficiency. These developments have cleared the way for sweeping changes in the political, social, cultural and economic scenario both at the national and State level.

2. A new chapter has opened in the annals of Indian political history with the assumption of office by the Deve Gowda Government meeting the need for a coalition Government based on true principles of federalism. We believe and-as other State Governments do-that there can be no strong Centre without strong States. The people of India believe that the Deve Gowda Government will take all possible action to safeguard the most important and basic principles that guide our nation, viz, secularism, federalism and social justice in the true sense of the terms. I believe that the aspirations of the people can best be achieved, by the Deve Gowda Government only if the "Common Minimum Programme" as approved by the coalition partners is taken as the basis.

3. The rule of the Left Democratic Government of 1987-91 marked a very important and crucial phase in the political history of the State. For the first time in the history of the State since 1959, a Government without the support of or alliance with the communal forces took office. That Government had made every effort to ensure the comprehensive and sustained development of the State, upholding the principles of democracy and secularism. As a result, tremendous changes took place in the social, economic and cultural spheres of the State.

4. The 1991 election to state Assembly ought to have been based on the afore mentioned political agenda. Unfortunately, the tragic death of Shri. Rajiv Gandhi created an emotion surcharged atmosphere which to a great extent decided the fate of the election. As a result the U.D.F. Government came to power, as an error of history. The

five year rule of the U.D.F. bears ample testimony to the error. The common people were obviously convinced, that given another chance, the U.D.F. would have caused irreparable damage which would have led to the total destruction of the economy and the body politic of Kerala. The people of Kerala decided to correct the error committed five years back. Having evinced great faith in the policies, programmes and capabilities of the L.D.F. the people of Kerala have given the L.D.F. a clear mandate. I assure this Honorable House that this Government will spare no effort to develop the State and to fulfill the aspirations and ambitions of the people.

**5.** If the Governments at the Centre and in the State are to correct the wrong policies, especially the economic policies, pursued by the erstwhile Governments during the last five years, they have to analyse, evaluate and change those policies. I may now be permitted to make some observations in this regard.

**6.** It was in 1990-91 that the reforms in the name of new economic policies were introduced in our country. The new economic policies were formulated primarily on the principles of Liberalisation, Globalisation and privatisation. It was essentially at the behest of Imperialist Powers that the I.M.F., World Bank and the W.T.O. have tried to establish economic hegemony over the Third World. The flawed policies of the 1980's had led India to an economic crisis; our country fell easy prey to Imperialist Machinations which led to the introduction of the new economic policies.

**7.** It is claimed that as a result of these policies India has attained tremendous growth and has become another 'Asian Tiger'. What is the truth? The Narasimha Rao Government demitted office leaving behind an economic crisis far worse than the one we experienced in early 1990's.

**8.** Let us start with agriculture. It is claimed that during the reform period agricultural production grew tremendously. However, the average growth rate in agriculture during this period was only 2.1% which was far below the rate of 3.5% attained during the 1980's.

**9.** The case of foodgrain production is also not different. It increased from 1764 lakh tonnes in 1990-91 to 1911 lakh tonnes in 1994-95. However, it is reported that in the harvest year ending July, 1996, production may be well below 1900 lakh tonnes. The Economic Survey of the Government of India states that the per capita availability of foodgrains and pulses has come down from 510 grammes in 1991 to 469.5 grammes in 1994.

**10.** There are four reasons for this situation: (i) the fixed capital formation in agriculture which fell in the 1980's continues to stagnate; (ii) contraction in real plan outlays in agriculture, irrigation and rural development; (iii) cut in fertilizer, subsidies and (iv) the decline in the real value of agricultural credit as a result of the recommendations of the Narasimham Committee. These reasons are of recent origin. I consider however that the more fundamental cause for stagnation in the agricultural sector is the fact that the Centre failed to realise the importance of land reforms as an essential precondition for building up a capitalistic economy. They deliberately ignored the fact that it was land reforms which preceded and propelled the industrialisation of Japan and Korea. Instead, they depended wholly on irrigation, HYV seeds, fertilizers and

pesticides for increasing agricultural production. Even though this helped to augment production in the short run, Indian agricultural is still in a state of crisis.

**11.** It is claimed that it was the industrial sector which gained most from the reforms. Even though there was a decline of 0.8% in industrial production in 1991-92, it is claimed that during the ensuing period there was tremendous growth. The growth rates reported are 2.3% in 1992-93, 6% in 1993-94, 8.6% in 1994-95 and 12% in 1995-96. However, even these statistics are open to question. A case in point is the growth rate for 1993-94. Even though the Economic Survey claims 6% growth rate, the data of the R.B.I. as seen in the 'Report on Currency and Finance' published by the end of 1994, indicated that the growth in 1993-94 was only 2.37%. Thus, the credibility of the figures is at stake.

**12.** Even if we accept these figures, a comparison with the previous four years will bring out clearly that the claims of economic turnaround are highly exaggerated. In the four years immediately preceding the reforms the average industrial growth rate was 8.2%. However, in the first four years of reforms this came down to 4.3%.

**13.** It is pertinent to note that it was in the industrial sector that the policies of liberalisation, globalisation and privatisation had the most impact. As a result, two trends have emerged during the last five years. Firstly, the Public Sector Enterprises are being gradually dismantled as a consequence of which private capital has begun to capture the commanding heights of our economy. Secondly, the metropolitan foreign monopoly capital is trying to swallow the domestic capital. Both these trends will, in the long run, adversely affect the Indian economy.

**14.** In this context I wish to make it clear that none of us in the L.D.F. in Kerala is against private capital. Private sector has made tremendous contributions to the development of the economy and they will continue to do so in the future also. Private capital in our country has grown on the foundations of public investment and the development of public sector enterprises. However, forgetting this, they have unleashed an ideological attack on the public sector. The erstwhile rulers of the State who subscribed to the same ideology regarded privatisation and market economy as *sacred mantras* and formulated policies accordingly. We do not consider this as the right approach. We are against making everything subservient to the market and to private capital. We believe that we can achieve progress only through the harmonious union of public and private capital.

**15.** I have just pointed out certain effects of the new economic policy on the basic sectors of the economy. I need not elaborate on the crisis in the sectors connected with the day-to-day life of the people. This, probably was one period in the post independence history of our country, when we had the maximum inflation. Unless the new Central Government formulates policies with political will, the people of the country cannot be rescued from the dire straits they are in.

**16.** During the last five years concerted action was taken to dismantle the Public Distribution System. The strategy followed was to increase the price of foodgrains issued through the P.D.S. and confine it to a section of the population. The Economic Survey admits that as a result of these policies there was substantial reduction in offtake from the P.D.S. While in 1990-91, 149 lakh tonnes of food grains were distributed through the

ration shops it came down to 128 lakh tonnes in 1994-95. This was the result of the narrowing gap between the PDS and open market prices. It also marks increasing starvation amongst the poor.

**17.** The erstwhile Government has been claiming that there has been considerable reduction in poverty as a result of the reforms. The number of poor in 1987 was 20.14 crore making up 25.49% of the population. The Economic Survey claims that in 1993-94 it came down to 16.85 crore and 18.96%. As in the case of industrial growth rates these statistics are also being questioned by experts. They calculate that in percentage terms the number of poor has increased from 39.3% in 1987 to 40.69% in 1992. Even without the help of statistics we, from experience, realise that poverty has been on the rise.

**18.** The new economic policy has dragged the country and the people to the deepest crisis ever in our history. Even when the people were, thus, being crushed, our rulers merrily engaged themselves in corruption and extravaganza. The people were outraged every time a story like the share scam or hawala scam broke out. It was only natural that the people have a clear verdict against the Congress(I).

**19.** A coalition Government has taken Office after the eleventh general elections. Partners of the coalition and the parties which support the Government from outside, have formulated Common Minimum Programme. It has been made clear that this programme will be the basis for the policies of the Union Government.

**20.** It is obvious that the Common Minimum Programme is not a total programme of all the constituent parties. While it does not go against the basic premise of the programmes of these parties, it makes policy statements on certain important problems faced by the Government and the people.

**21.** I shall enumerate certain points included in the programme. As distinct from the policies of the erstwhile Government, it declares that “the Public Distribution System will be used to attain price stability and make available essential articles to the poor”. Similarly on public sector, it says that instead of selling away, all efforts will be made to make them compete in the international market place. Also important are the views expressed on Centre State relations. It says:

“During its term of office the United Front Government will advance the principle of political, administrative and economic federalism . In each of these spheres powers will be devolved and authority will be decentralized”. The last review of Centre-State relations was undertaken by the Sarkaria Commission which gave its report over ten years ago. Since then, there has been a sea change in both the politics and economics of the country. There has also been a new articulation of States’ rights and the need for greater powers to the States to meet the aspirations of their respective people.

“Hence, the United Front Government intends to pursue a two track policy: on the first track, the recommendations of the Sarkaria Commission on which there is already a broad consensus will be implemented through legislation and administrative action, as appropriate,taken. The United Front believe that it is possible to take immediate action, legislative and/or administrative on the following matters:

(i) to give greater autonomy to States in determining their priorities in developmental programmes;

(ii) to give states greater freedom to draw their State plans within the broad framework of the national five year plans;

(iii) to transfer most centrally sponsored schemes to the control of the State Government;

(iv) to grant assent promptly to bills passed by State Legislatures on matters which are within the legislative powers of the State Legislatures.

On the second track, the United Front Government will immediately appoint a high-level committee to review and update the recommendations of the Sarkaria Commission. The Committee will be requested to also look into the vital question of devolution of financial powers from the Central Government to the State Government”

**22.** I need not emphasise here that these are the long standing demands of the States. If they are implemented, as expected, it will result in the comprehensive improvement of our federal structure.

**23.** The Chief Ministers’ conference held at New Delhi on the 4<sup>th</sup> and 5<sup>th</sup> of July has proved that these are not empty expressions. That conference has put forward seven targets for attainment by the turn of the century. They are:

- i. To ensure 100% drinking water in rural and urban areas.
- ii. To ensure 100% basic public health facilities in both urban and rural areas.
- iii. Universal primary education
- iv. Financial assistance to the homeless poor for home construction.
- v. Existing mid-day meal programme in primary schools to be extended to the villages and to the urban slums.
- vi. Linking of all villages by roads.
- vii. Targetting the Public Distribution System aimed at the poor.

**24.** The conference also decided to give freedom to the States to decide priorities in the implementation of this programme. I consider this to be the beginning of the restructuring of Centre-State relations.

**25.** In short, the change at the Centre will be a great relief to us. I hope this will herald a new era in the federal structure of our country.

## **II**

**26.** In Kerala, the U.D.F. Government pursued the same policies formulated by the Centre. As a result, like in other parts of the country, in our State too there was tremendous economic crisis leading to the pauperization of the people.

**27.** It was the agricultural sector that to bear the brunt of the new economic policies in our State. When the Government of India withdrew fertilizer subsidy, its impact was the most on Kerala peasantry. Due to the peculiarities of the soil and crop we mostly use phosphatic and potash fertilizers. The Government of India withdrew subsidy on these fertilizers completely. On account of this, the cost of production of the Kerala peasant was much higher than that of his counterparts in other States. At the same time the Government slowly withdrew from the market. The peasants fell into the clutches of market forces which resulted in a reduction in the prices of their produce. They were squeezed from both sides. The impact of this policy on the agricultural sector was not small.

**28.** The impact of the new economic policy was visible in the industrial sector also. As a result of the opening up of our economy to the multinationals and reduction in import duties, our weak industrial sector faced a crisis situation. Even profit making enterprises fell into the red and many of them had to down shutters. Factory closure became rampant and workers lost jobs. Since hardly any new industry was set up, there was no relief in unemployment.

**29.** The crisis was not confined to agricultural and industrial sectors alone. The grant of licence to foreign ships deprived fishermen of their catch; wrong policies in the energy sector led the State into total darkness; confusion prevailed in the education sector; the stench of corruption emanated from the corridors of power-this was the general picture of Kerala during the last five years. The Government of the L.D.F. has to shoulder the heavy responsibility of correcting these misdeeds to ensure the comprehensive development of the State and to lead the State to prosperity. For discharging these responsibilities we have to review the developments in the Kerala economy during the past five years.

**30.** As result of the creative programmes of the L.D.F. Government there was substantial growth in the agricultural sector during 1987-91. In 1986-87 the production in the primary sector (based on 1980-81 price) was Rs.1419 crore. In 1990-91, when the L.D.F. Government left office production was Rs.1893 crore. That means we attained a growth of 33.4% during the four years. However, during the past five years there was virtual collapse of agriculture. In 1994-95 production rose only to Rs.2088 crore. This means that during the first four years of U.D.F. Government the growth rate was only 10.3%.

**31.** In the secondary sector, which includes industry, the situation was not different. Production rose to Rs.1258 crore in 1990-91 from Rs.887 crore in 1986-87 which means a growth of 41.8%. However, the growth between 1990-91 and 1994-95 was only 29.4 per cent.

**32.** It was the crisis in the energy sector that led to stagnation in agriculture and industry. The previous L.D.F. Government had formulated creative policies for the development of that sector. The Government tried to increase energy generation by completing ongoing projects. As a result there was at least some gain on that account. Between 1986-87 and 1990-91 the energy generation increased by 15 %. However, the increase between 1990-91 and 1994-95 was only 4.3%. Even though the L.D.F. Government, with a long term view, formulated many schemes, the U.D.F. Government failed both in getting Central Government approval and in implementing those approved. As a result, our economy is at a virtual stand still now.

**33.** I shall point out some other examples of the dismal situation facing our State. For decades, Central Public Sector investment has been the mainstay of our industrial development. However, there has been considerable decline on this score for the past two decades. Whereas, in 1975, Kerala accounted for 3.24% of the total Central Public Sector investment, our share in 1994 had come down to 1.29% (it was 1.42% in 1991). Our share in loans from all India financial institutions is a meagre 2.11%. Statistics shows that our share is coming down year by year in this respect also.

**34.** As far as bank finance is concerned the situation is more serious. Whereas in 1990 the banks gave 62.2% of their deposits as advance in Kerala, in 1995 this had come down to 44.66%. It shows that the amounts being sent by even the ordinary workers in the Gulf are not available for the development of our economy. The erstwhile Government was not concerned about this situation.

**35.** It was the service sector, including Government service, which registered nominal growth during the U.D.F. regime. Between 1986-87 and 1990-91 the growth was 29.3%. It increased to 30% between 1990-91 and 1994-95.

**36.** In short, during the period of the U.D.F. Government that rate of growth of the economy was just half that attained during the L.D.F. rule. Whereas, during the L.D.F. regime the per capita income increased by 29.64% the rate during the rule of U.D.F. was only 16.4%. I wish to emphasise that this was the natural result of the new economic policy and the lopsided policies of the erstwhile Government.

**37.** In the preceding paragraphs I have pointed out certain visible trends in our economy. Of late, tall claims have been made about the fiscal management of the erstwhile Government. I wish to make some observations about these claims.

**38.** The claims mostly revolve around the cash balance. The cash balance as on 31.03.1996 was Rs.481.40 crore. It is argued that this high cash balance indicates the health of the Government.

**39.** In the Government sector the transactions run into crore of rupees every day. It is absurd to make claims about fiscal management solely based on the cash balance on a particular date. We can arrive at a conclusion only on the basis of the source of the money and the reasons for its remaining as cash in hand. Therefore, I wish to state some facts before this House.

**40.** The above cash balance was built up mainly by the postponement of expenses in March 1996. As a result the cash balance in March was inflated to the tune of about Rs.500 crore. Similarly, the unemployment allowance and agricultural workers' pension were in arrears to the tune of Rs.60 crore. As per the information collected by the Finance Department, about Rs.300 crore is due to contractors. The Government also has to give about Rs.250 crore to Panchayathi Raj/Nagarapalika institutions as share of different taxes and levies. Thus while the erstwhile rules were boasting of Rs.481.40 crore cash balance actually, there was a minimum liability of more than Rs.1100 crore. Instead of their fiscal management expertise they have revealed their capacity to conceal the truth.

**41.** The working of a Government should not be evaluated on the basis of cash balance. Money comes and goes, and at times cash balance rises or decreases. The main question is the revenue account. The question is whether the Government is able to meet its daily administrative expenditure out of tax and non-tax revenue. An analysis of this will show the gravity of the situation. During the past five years there was a spurt in revenue deficit. The revenue deficit increased from Rs.422 crore in 1990-91 to Rs.820.47 crore in 1995-96 (revised estimate). The budget for 1996-97 presented in March had shown a deficit of Rs.1071.51 crore.

**42.** The reason for the increase in revenue deficit is that revenue expenditure surpassed revenue receipts. If we take the account of 1988-89 as the base (100), the

revenue expenditure in 1996-97 should be 343. However, the revenue receipts is only 316. The gap shows the increase in revenue deficit.

**43.** I wish to point out one of the reasons for this situation. Since almost all the main tax resources have been appropriated by the Central Government, The States cannot exist solely on the basis of their own revenue. It is not only necessary that we should get our due share of the taxes collected by the Center but also there should be an increase in the tax revenue of the Centre. However, as part of the new economic policy, the Centre has been systematically reducing direct taxes. Therefore, there has been no corresponding increase in the share of Central taxes compared to our own revenue. Based on 1988-89 accounts (100) our own revenue in 1996-97 is 338. At the same time, our share of Central taxes does not increase correspondingly, our total revenue goes down, resulting in an increase in the revenue deficit. It points to the gross negligence on the part of the erstwhile rulers who always were in the forefront in upholding the new economic policy.

**44.** Since the revenue deficit was on the rise, the Government was forced to resort to more and more borrowings. During the five years since 1990-91 there was phenomenal increase in the public debt of the State. The public debt which stood at Rs.4716 crore on 31-03-1991 rose to Rs.12,689 crore on 31.03.1996. Even the day-to-day expenses were met out of such loans.As result, our interest liability this year is Rs.1,106 crore. The accounts show that between 1991 and 1996 the interest expenditure has increased three times.

**45.** No Government can exist without borrowings. However, the question is for what purpose these loans are used. If it is used for capital expenditure resulting in the development of the overall economy, there is nothing wrong in borrowing. But we find that a major portion of the loans were used unproductively, for day-to-day expenditure. This is the source of all the maladies of our fiscal management and the economy.

**46.** Our most important duty is to get out of this situation. Let me conclude this part by stating that we will formulate policies and programmes to take the economy out of the woods.

### **Agriculture**

**47.** Kerala being primarily an agricultural economy, the development of this sector, plays an important role in the growth of the State. Unfortunately to say, our performance in this sector is not so better.

**48.** Productivity is the most important problem that faces our agriculture. Our productivity in agriculture is far below the national or international level, perhaps with the exception of rubber. For example take the case of paddy. The productivity in Kerala is more or less half the rate when compared with the green revolution belts of Haryana or Punjab. In the case of paddy it becomes more important, when we consider the fact that the area under cultivation fall along with fall in the productivity. In 1992-93 the area under paddy cultivation has 5.3 lakh hectares, which has decreased to 5.03 lakh hectares in 1994-95, whereas the production has fallen from 10.84 lakh tonnes to 9.78 lakh tonnes. This leads to our increased dependence on others in the case of food grains. So that measures have to be taken for increasing the productivity of paddy.



**49.** The situation is not different in the case of coconut also. When the All India average productivity of coconut is 7032, per hectare this is only 5843 in Kerala. We must remember that this is more than 11000 in TamilNadu. We can compete in the markets of Coconut, Copra and Coconut oil, only if we increase the productivity of Coconut.

**50.** As in the case of Rubber, since, Kerala is the most important producer of most other cash crops, productivity rate of Kerala becomes the all India rate of production. But we must remember that the productivity rate is far below when compared to other nations. During the times of globalisation and GATT agreement we cannot compete in the markets without raising productivity.

**51.** Therefore, Government will implement constructive programmes for raising the productivity of various agricultural products. In this field, the Government will implement the Group Farming System introduced by the earlier L.D.F. Government and also through decentralization of administration. Government will try to establish a cordial relation between the local self Governments and the farming community.

**52.** Improvement of Fruit production through EEC assistance, Integrated Development of Coconut Cultivation with an outlay of Rs.215 crore, etc., are some of the programmes included in this year's Annual Plan.

#### Animal Husbandry

**53.** In line with the policy of the Government to encourage production of poultry, meat and eggs with a view to reducing our dependence on the neighbouring States, it is proposed to work out a new scheme. An amount of Rs.50 lakh is provided for purchase of incubators and other requirements and for the maintenance of the existing ones. Day-old chicks will be produced to be sold to farmers who will also be provided with the necessary veterinary care for the growing stock.

#### Industry

**54.** The Industrial Policy of the Government aims at strengthening and restructuring the Public Sector. The previous L.D.F. Government had taken several steps for strengthening the public sector. Unfortunately, there was a reversal of these policies during the interim period by the U.D.F. Government which, coupled with the privatisation efforts, have ruined several of our public sector industries. It is now a herculean task to salvage these institutions. In the current budget a sum of Rs.35 crore is provided for the reconstruction of the public sector industries that were closed down or on the verge of closure.

**55.** Human resources development will be an essential component of all the schemes in the traditional sector, in the SSI sector and in the public sector with special emphasis on improving employment for women. There is an urgent need to improve the quality of administration of the KFC, DIC and SIDCO and to involve local level Governments in serving and improving the SSI Sector.

**56.** Welfare measures and technological changes are required to review traditional industries in the changed environment. This would also go a long way towards helping the economically and socially backward sections.

**57.** Industrial promotional and developmental agencies, the KSIDC and the KINFRA will be strengthened through induction of professionals. This would help to promote industrial growth in the State and aid the process of revival of sick industries. A

total sum of Rs.42 crore has been set apart in the budget for financing the KSIDC schemes. A sum of Rs.20 crore is set aside for the development of industrial infrastructure through KINFRA.

### **Energy**

**58.** We are facing a crisis in energy sector. The 15<sup>th</sup> Power Survey projects an annual energy requirement for 1996-97 at 10921 MU and peak demand of 2187 MW. However, the availability is far below. That is the reason for the crisis situation.

**59.** Schemes like Lower Periyar, Kakkad, Kuttiadi Extension are in progress. The first major Diesel Power plant in, Brahmapuram is expected to be commissioned shortly. Kayamkulam Thermal Power Plant and Pooyamkutti project await clearance by Government of India. Government is considering the setting up of a power project in Kozhikode District.

**60.** Government have also decided to involve the private sector in power generation. For generating about 400MW Government have decided to have the private sector to establish 25 Mini Thermal Plant through competitive bidding. It has been decided to sign power purchase agreements with 8 Independent Power Producers (IPPs) for setting up large plants in various parts of the State.

**61.** As a part of modernising the power distribution system a master plan will be formulated for the three cities. It is also proposed to renovate and modernise existing generating stations at Peringalkuthu, Neriamangalam, Sabarigiri, Sholayar and Chenkulam.

### **Irrigation**

**62.** The Policy of Government will be to give priority to projects and schemes which can be completed quickly. Pazhassi, Karapuzha and Kanjirapuzha projects are expected to be completed in the current year. The active involvement of Karshaka Sanghoms, Grama Panchayats and officials will be ensured in the implementation of Minor Irrigation Schemes. Assistance from external and internal financing institutions will be mobilised for the speedy implementation of Irrigation Projects and Schemes. The Malayora Jalasambharana Scheme which aims at collection and storage of natural springs and water in sources in hilly areas for irrigation and drinking purposes will be popularised with Government and sponsoring agencies sharing the cost on 85:15 ratio. The programmes of Command Area Development Authority will be intensified in the ayacuts of completed projects.

**63.** The on-going water supply schemes of the Kerala Water Authority will be completed as expeditiously as possible and effort intensified. For this purpose maximum financial assistance will be obtained. Efforts will be made to get the approval for the scheme submitted for Japanese assistance from overseas Economic Co-Operation Fund. Necessary action will be taken to solve the drinking water problem in the drought prone areas of the state.

### **Public Works**

**64.** As part of modernisation of the Public Works Department, the latest technology will be introduced in the Design and Construction Wings. Computers will be installed in the offices upto the level of Divisional Offices in a phased manner.

**65.** Two Roads Alappuzha-Madurai (via Thanneermukkom, Vaikom, Koothattukulam, Idukki, Bodimettu) and Ernakulam-Thekkadi (via Moovattupuzha, Moolamattom, Pullikkanam) will be declared as state Highways. The four lining work in NH 47 will be extended from Aluva to Thrissur. The work in respect of Thiruvananthapuram Bye-pass, Kollam Bye-pass, Harippad-Karunagappally sector etc., will be accelerated. The work in respect of Tellisserry-Mahe Bye-pass and Chamravattom-Puthuponnani portion in NH-17 will start this year itself. The Government of India has been requested to declare the road from Parassala to Mysore as National Highways. This 750 kilometre road, via Nedumangad, Punalur, Ranni, Erumeli, Bharananganam, Thodupuzha, Moovattupuzha, Ankamaly, Thrissur, Nilambur, Gudalloor will result in the development not only of those places but also the entire State.

**66.** The work on the Legislature Complex Buildings which was started during 1980 will be completed by the end of 1997. The work on the Civil Station at Thodupuzha and Mannanthody will be started this year. The Construction work of the buildings for Planning Board, Secretariat Annexe and High Court will be completed this year.

#### **Transport**

**67.** The affairs in the Transport Corporation is in ramshackles at present. Immediate action will be taken for the smooth functioning of the Corporation with the co-operation of management and staff. The claims of the employee will be examined and deserving cases will be allowed. All schedules which were suspended earlier will be introduced again. It is also decided to purchase 600 new buses this year. Sub-depots will be started at the places of Thalasserry, Vellanadu, Kaniyapuram, Kulathupuzha and Chathannoor.

**68.** Kannur depot will be renovated and shopping complex constructed. Kalpetta depot will be expanded. Number of long distance buses will be increased. Travelling facilities in buses will be improved. Luxury bus services will be started to Karnataka and Tamilnadu.

**69.** Regional Transport Offices will be computerised and emission testing facilities will be extended to all districts.

**70.** The boat services conducted by State Water Transport Department will be improved. The previous U.D.F. Government has stopped that boat services operated from Payyannur. In order to reintroduce the boat services from Payyannur an amount of Rs.5 lakh has been included in the Budget.

#### **Port**

**71.** Augmenting the existing facilities at Beypore Port by commissioning two more cranes and providing two tugs is underway. The question of extending the length of the wharf at Beypore is under consideration of the Government. Proposal for development of ports through private participation at Vizhinjam, Munambam, Beypore and Azhikal and to facilitate transportation of commodities and to introduce Roll on Roll off 'A' facilities at Thankasserry are under the consideration of the Government.

**72.** The Kerala State Maritime Development Corporation formed for taking up dredging, developmental works of ports etc., on commercial basis is expected to take up various projects from this year onwards.

73. In the field of Maritime Transportation Sector starting of an institute at Kochi for conducting technical courses which provides job opportunities is also under consideration.

### **Education**

74. Government consider that a serious restructuring of the education system is round the corner, the content of which should be job oriented. Hence forth Government wish to give emphasis on job oriented education.

75. The previous Government have caused heavy financial burden on state exchequer by sanctioning a large number of conventional courses. The new policy of the Government will be for starting of new job oriented courses by utilising the existing infrastructure to the maximum extent. The Pre-degree course will be de-linked in consonance with U.G.C. norms with a view to end uncertainties. The scheme of University examinations will be unified.

76. Government will provide all assistance for the establishment of Indian Institute of Management at Kozhikode. It is proposed to upgrade the existing three music colleges and 2 fine arts colleges at Mavelikkara and Thrissur.

77. It is necessary to evolve a peoples movement consisting of parents, teachers, voluntary organisations and local bodies etc., to increase the standard of school education and to prevent the dropouts. At present DPEP is being implemented in six districts. This will be extended to other districts and infrastructure created. The Government is bound to attain this target by the turn of the 20<sup>th</sup> Century.

78. We were the model for the entire nation in the matter of literacy movement. But during the last five years this programme was stagnant. Government will take necessary steps to create a new awareness in this field.

79. Library movement has played a key role in our cultural life. For the enrichment of the library movement, I am providing an amount of Rs. one crore to the Library Council.

### **Culture**

80. Our nation is passing through a phase of crucial crisis in its history. The cultural crisis is as important as the political and economic crisis. We will formulate and implement a new cultural policy which is based on secularism and scientific thought with emphasis on ancient heritage in order to overcome the present crisis.

81. We will start a programme of granting rewards and titles to State Level Kalaprathibhas in classical, folk and tribal arts. We will start programmes for expanding the existing memorials in the name of the late great literary genius of our language. As part of this I set apart an amount of Rs.25 lakh for payment to Thunchen Smaraka Samithi.

82. Kerala will host the International Film Festival 1997 during January at Thiruvananthapuram. We will receive an amount of Rs.165 lakh a Central assistance for this purpose. I provide an amount of Rs.80 lakh in the budget as State's share.

83. The working of the C-DIT which seek new dimensions in the field of Video software, Imaging Technology and Development Communications will be accelerated. The working of the Kerala State Film Development Corporation will be revived. Our film atmosphere will be made more energetic by modernising the film societies which are

the schools of new Cinema interaction with a view to improve our quality of film appreciation.

### **Health**

**84.** Government will formulate long term scheme for the upkeep and maintenance of what we have already achieved in the field of Public Health and, also for the expansion of existing Public Health facilities. As part of this, the existing schemes will be reviewed and rescheduled.

**85.** Government desire to convert all Medical Colleges in the State to 'Referral Hospitals'. It is proposed to take action for upgradation of all other Medical Colleges to the status of the Medical Colleges of Thiruvananthapuram and Kozhikode. 'Eye Banks' will be established in the Alappuzha Medical College and Kollam District Hospital. 'Eye Clinics' will be established in ten more Public Health Centres. 'National AIDS control' Programme will be extended to all Taluk Hospitals.

**86.** Nursing Colleges will be established in the Medical Colleges of Alappuzha and Thrissur and Nursing Schools will be established in the districts of Malappuram, Wayanad and Kasargod. The previous Government had stopped the stipend to nursing students. This will be reintroduced and the amount will be enhanced from Rs.260 to Rs.300. An amount of Rs.25 lakh has been set apart for this purpose.

**87.** Considering the limitations in the supply of medicines in Government Hospitals, Government have considered to start a Pharmaceutical Division under the Kerala Health Research and Welfare Society.

### **Public Distribution**

**88.** The Government are committed to ensure the supply of adequate quantities of essential commodities at reasonable prices to all card holders through the Public Distribution System in the State. To ensure this the functioning of the Kerala State Civil Supplies Corporation will be improved.

**89.** The Government have decide to provide subsidy for rice to benefit all ration card holders. The subsidy will be Re.1 per kg. subject to a maximum of four kg. per week. It is expected that it will cost approximately Rs.117 crore per annum. An amount of Rs.60 crore is provided for the current year.

**90.** In order to protect the interests of the consumers and eliminate unfair trade practices the working of the State Commission and the 14 District Consumer Fora is proposed to be improved.

### **Tourism**

**91.** Kerala is aiming at a target of 55 lakh tourists including five lakh foreign tourists, by the turn of the century. To facilitate this the Department has undertaken a number of programmes. There is an increase in budgetary provision from Rs.18 crore last year to Rs.30 crore in the current year. The two major areas of stress this year are development of Bekal and Veli Projects.

### **Co-operation**

**92.** The Co-operative sector was one which had to face serious attack and had set backs at the time of the U.D.F. Government. Government is committed for the proper development of Co-operative sector. In the Co-operative sector, emphasis will be given to the programmes of eradication of poverty and generation of more employment

opportunities. In order to achieve the above objective, policies and programmes will be chalked out targetting the vulnerable sections of the society. Similarly action will be taken for strengthening of women's Co-operatives and Consumer Co-operatives. It is intended to extent the Integrated Development of Co-operatives to the districts of Malappuram, Kozhikode and Kasargod also.

### **Fisheries**

**93.** A large number of schemes are being formulated in the field of fisheries for the development of fishing industry and for the improvements of the standard of living of fishermen.

**94.** There are schemes for simultaneous development of marine and inland fisheries projects. The State Government will request the Centre to cancel all the licenses issued to trawlers for deep sea fishing in order to check their in-roads into sea-fishing. Five patrol boats costing Rs.1.75 crore are nearing completion in the Cochin Shipyard which will be used for preventing unlawful fishing and for life saving operations. These will be made operative this year itself. One fishing station each will be established at Vizhinjam and Kannur. Besides, on going Prawn Nursery Project at Thankasserri and Varkala, one will be established at Alappuzha as a Fresh Water Prawn Nursery. The fisheries co-operative societies will be strengthened and working capital mobilised.

**95.** A scheme for construction of houses, roads and provision of drinking water facilities to fishing community will be implemented from this year onwards by utilizing the amount of Rs.50 crore as recommended by the 10<sup>th</sup> Finance Commission at the rate of Rs.10 crore per year.

**96.** An NCDC Scheme for Rs.210 crore is being formulated and implemented through Matsyafed. The fish distribution net work will be reorganised scientifically. Fish selling booths will be installed in important centres. It is decided to enhance the compensation payable to the kin of fishermen who died in accidents, from Rs.25,000 to Rs..35,000. The fishermen pension will be raised from Rs.85 to Rs.100 per month.

**97.** The 'Theera Jyothi' scheme which envisages the free electrification of the houses of the fishermen will be implemented from this year. 'Matsya Bhavan' will be opened in all Panchayats where fishermen live populously and single window system will be introduced to mitigate their hardships. A scheme will be formulated to start prawn cultivation in Kuttanad as an interim crop with a view to increase the earnings of the farmers and the export earnings as well.

**98.** A Brackish Water Fish development Agency will be started at Kasargod district this year.

### **Revenue**

**99.** District Collectors will be free of major responsibilities of important development activities in the district with the establishment of Panchayat Raj system. The District Collectors can exercise some of the functions and powers of the Board of Revenue once the Board is abolished. Similarly, some of the powers of the District Collectors can be delegated to the levels down below. Therefore, it is proposed to modernise and restructure district administration so as to ensure timely service to the public.

**100.** The Department of Survey and Land Records will be re-organised and the officers will be given modern equipment and training so as to improve their efficiency. Rs.25 lakh is provided for this purpose.

**101.** The Department of Legal Metrology is in an infant stage. It will be re-organised to provide better service. Rs.25 lakh is provided for this purpose.

**102.** The financial assistance now being given to those who are affected by natural calamities will be increased. The compensation will be Rs.15,000 instead of Rs.12,000 for loss of house. The compensation to the next of kith and kin for loss of life will be increased from Rs.15,000 to Rs.20,000.

### **Registration**

**103.** In order to avoid complaints in the issue of certified copies of documents etc; modernisation programme including computerisation will be introduced in the Registration Department. The anomalies in the present tax structure will be examined and action taken for rectification of such defects. Necessary action will be taken for the modification of the Societies Registration Act of 1860 and the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act of 1955.

### **Police**

**104.** It is necessary to revamp and strengthen the traffic police system in the State. So it is proposed to create one more traffic wing in each of the three cities and to create a traffic police station in each of the remaining 14 districts. A provision of Rs.50 lakh is provided for this purpose. The increase of anti-social problems such as drug trafficking, atrocities on women etc. have necessitated the strengthening of control rooms and flying squads in all the three corporations. For this purpose an amount of Rs.125 lakh is provided for meeting both recurring and on-recurring expenditure. The Narcotic Cells will be adequately staffed besides providing more vehicles for the efficient functioning of it. As a first step, to purchase new and modern vehicles in the Police Department replacing the old ones, Rs.150 lakh is provided in the budget. As part of modernising and strengthening the Fire Force Department it is proposed to purchase a modern vehicle viz. a Bronto Saik Lift and to open up more fire stations. It is also proposed to purchase 10 diesel portable fire pumps and 4 stretcher ambulance utilising Rs.75 lakh from the total allotment of Rs.3 crore sanctioned by the 10<sup>th</sup> Finance Commission. With a view to strengthen the security measures of jails, it is proposed to construct watch towers and to provide flood light facilities in Central Prison at Thiruvananthapuram, Viyyur and Kannur. Proposals for simplifying the procedure of granting parole and for the release of life imprisonment prisoners on completion of 8 years term are also under consideration of Government. Government also propose to revise the wages of the inmates of jails.

### **Excise**

**105.** The liquor ban imposed by the U.D.F. Government without proper studies has rendered several labourers in the field jobless besides it resulted in the increase of production, consumption and transportation of illicit liquor. Therefore Government have constituted State, District and Block level Committees under the chairmanship of the Chief Minister, the District Collector and the R.D.O. respectively in order to check production, transportation and distribution of illicit liquor, effectively. A survey has been

started to collect the statistics on the qualification, age etc. of the unemployed labourers in the field for their rehabilitation. Government will decide how to rehabilitate them soon on receipt of the details. As a temporary relief for Onam, it has been decided to give an amount of Rs.2,000 each to the jobless. I set apart an amount of Rs.2.8 crore for this purpose.

### **Forest**

**106.** The Government is pursuing a policy of making available to the people all the benefits from the forests protecting the ecology and bio-diversity. Development Programme in this sector will give importance to ecological protection. A comprehensive programme with the World Bank assistance for the development of our forests has been formulated. It is expected that its implementation can be started by 1997-98. In all wild life sanctuaries information extension centres will be started. Eco-tourism will be developed without affecting the ecology.

### **Rural Development**

**107.** Rural Development Schemes will be implemented through Panchayat Raj Institutions with people's active participation. It has been targetted to assist 37000 families for self employment under IRDP. For this purpose assistance of Rs.7300 lakh provided. All Blocks will be covered under the "Cash Disbursement Scheme" to create tangible assets. Under the scheme 'Development of Women and Children' 10000 women can be assisted by providing Rs.210 lakh as revolving fund. By providing an amount of Rs.11585 lakh under Jawahar Rozgar Yojana (JRY) it is targeted to create 130 lakh mandays this year. 25,000 houses will be constructed under Indira Awas Yojana and Jawahar Rozgar Yojana for SC/ST and weaker sections. Alappuzha, Kollam and Malappuram districts will be covered under the Information, Education and Communication Programme involving people's participation.

**108.** The O.E.C.F. (Japan assisted Project) for Attappady for eco restoration has been approved for implementation this year. An amount of Rs.219.31 crore will be spent under this scheme. Under waster land development scheme Idukki district will also be included.

### **Local Self Governments**

**109.** In Kerala, it was the then L.D.F. Government that have started the process of decentralisation of administration. But the U.D.F. Government have completely destroyed the District Council that was introduced at that time. Even though with the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional amendments, the establishment of Panchayat Raj/Nagarapalika institutions became a constitutional obligation, the U.D.F. Government have not cared to put it into practice sincerely or in a time bound manner. The Legislation that was brought out with much reluctance and half heartedness was also not in conformity with the basic principles of the Central Act. With the above views in mind, Government will take necessary action to bring out amendments so that the concept of decentralisation of power will become a reality. As an initial step, Government have constituted a high power committee, to bring out amendments to the Act.

**110.** As part of the programme, the planning process also has to be decentralised. Government feel that the powers already transferred to the local bodies are not up to the desired level. For that alone, it is decided to take necessary action to ensure the



participation of the local bodies. The former Government had appointed a Finance Commission for prescribing norms for the transfer of funds from the State Government to the Local self Governments. The Commission has already submitted its report. That report will be examined and appropriate decision taken at the earliest.

**111.** It is felt that, it is better if the Local Self Governments are working with a competitive spirit in the field of administration as well as development. I set apart an amount of Rs.5 lakh for that Panchayat which is selected as the best in the field of administration and development. I also set apart an amount of Rs.3 crore for the development of Thiruvananthapuram being capital city.

**Scheduled Castes, Scheduled Tribe Welfare**

**112.** To promote the self-employment of unemployed SC/ST youths the Government propose to encourage setting up a chain of cottage industrial units. Uneducated SC/ST youths will be given financial assistance to establish small scale units. Efforts will be made to start at least 100 such units during the current financial year. I set apart Rupees One crore for this purpose.

**113.** Under the existing schemes for the construction of houses for SC/ST families there is a grant at the rate of Rs.15,000 for buying land for landless families. The grant of Rs.15,000 for the construction of houses will be enhanced to Rs.20,000.

**114.** In addition to the existing Model Residential schools, a new type of Model Higher Secondary Residential Schools are proposed to be started for students of SC/ST, Backward Communities and others.

The rate of lumpsum grant and stipend to students belonging to SC/ST and OBC will be raised as follows:

Lumpsum Grant	<i>Existing Rate</i>		<i>Proposed Rate</i>	
	Rs.	Rs.	Rs.	Rs.
Pre-Matric	35	125	50	175
Post -Matric	100	900	140	1100
Stipend				
Pre-Matric	16	25	25	35
Post -Matric	125	180	175	250
Pocket Money				
Professional	25	45	35	85

**115.** The income limits now fixed for the fee concession for students studying in the Pre-Degree and Degree Courses and belonging to backward classes are Rs.10,000 and Rs.12,000 respectively. It is proposed to enhance the limits to Rs.20,000 and Rs.25,000 respectively.

**116.** A hundred bed hospital with all facilities will be opened at Attappady for the tribal people. The work on the construction of the hospital building will start this year. Rs.25 lakh is provided for this purpose.

**Social Welfare**

**117.** Steps are being taken to extend the Integrated Child Development Schemes to the remaining uncovered areas of the State. An Institute for the hearing impaired

children is to be set up at Thiruvananthapuram as an autonomous society. Rs.1 crore is set apart for this purpose.

### **Housing**

**118.** During 1996-97 two lakh houses are proposed to be constructed through different Government agencies. To expand the coverage of the programme and raise additional resources, support of voluntary organisations and NRI sponsorship will be mobilised. In the hill areas housing is poor on account of the difficult terrain, inaccessibility and scarcity of building materials. Keeping these in view it is proposed introduce a special low income group housing programme with concessional finance. A special cell will be constituted in Kerala State Housing Board for giving consultancy and technical expertise on building design and construction, the services of which will be free to economically weaker sections and low income groups and at nominal cost to other categories. Panchayat level Nirmithi Kendras will be set up to organise construction works and encourage training activities to artisans for the implementation of cost effective environment friendly building construction.

### **Employment and Training**

**119.** Government consider that training to the youth is an important factor in the field of employment. Government have appointed a Committee to go into the details of the aspect. An amount of Rs.2 lakh is set apart for this purpose.

**120.** As part of improvement in the working of employment exchanges, they are to be computerised. As a beginning it is proposed to computerise the employment exchanges in Thiruvananthapuram district for which an amount of Rs.10 lakh is included.

### **Labour Welfare**

**121.** Government will take necessary action for the speedy settlement of labour and industrial disputes at the earliest. Government will try to create a conducive atmosphere to the labour force in the unorganised sector. The Labour Laws will be strictly enforced for the steady growth of industrialisation and for the participation of Labour force in that process. The Labour force will be induced to follow an attitude that may help industrialisation of the State. The Government will establish a mechanism by which the labour disputes that may crop up the the time of construction and at the time of starting of production by new units will be settled as expeditiously as possible. The Government will evolve new guidelines regarding recognition of Trade Unions. The working of the different Welfare Boards will be streamlined.

### **Social Security Pensions**

**122.** Agricultural workers' pension, unemployment allowance, widow pension, pensions paid to leprosy-TB-cancer patients, destitute pension and disabled pension will be enhanced by Rs.10 on the existing rates from 01.08.1996. Three months arrears of agricultural workers' pension and unemployment allowance will be disbursed before Onam.

### **Treasury**

**123.** A scheme for the health care of nearly 3 lakh pensioners is under consideration of Government. It will be reformulated with the co-operation of pensioners.

**124.** The programme of opening of one man treasuries will be continued vigorously with a view to bring the people closer to the treasury system in the changed circumstances of the prevalence of Panchayat Raj-Nagarapalika institutions. These treasuries are entrusted with distribution of pension and Treasury Savings Bank operations. Gradually, the remittance through chalans, payment of agricultural workers' pension, unemployment assistance etc. will be distributed through these treasuries.

**125.** Reckoning the difficulties of Government employees more extension counters will be established in office complexes. More and more counters will be opened after evaluating the efficiency of existing ones.

#### **National savings Scheme**

**126.** As a result of the policies of Government of India, state's receipts on account of share on Small Savings have been reduced considerably. The receipts from these sources have to be increased to the maximum level for the proper implementation of our plan schemes. Therefore, I desire to declare a scheme on this account. A scheme will be introduced for sales of Indira Vikas Patra during the months of October, November and December 1996. 20% of the collection from the sales of the Indira Vikas Patra during the above period will be distributed to the local bodies who undertake this as special scheme. 5% of the amounts collected from the regions of the District Panchayats will be distributed to the District Panchayats. By participating in the schemes, the Panchayat Raj-Nagarapalika Institutions will be getting more funds for developmental purpose.

#### **Government Employees**

**127.** Traditionally, the Left Democratic Front was always following a very friendly attitude to Government Employees. I wish to make it clear that in future also Government will follow the same policy towards its employees. Only one instalment of DA is in arrears to be paid to the employees, which was declared by Government of India from 01.01.1996. That will be paid to them from the salary for October 1996 onwards. It is seen from reports that the Fifth Pay Commission appointed by Government of India will submit its report during September 1996. Soon on receipt of the report of the Pay Commission Government will take a decision on the restructuring of Pay and Service conditions of Government Employees in consultation with their organisations. The Problems of Pensioners also will be looked in to.

#### **Non-Resident Indians**

**128.** The economy of Kerala is being sustained by the Non-Resident Indians, in real sense. But there is wide spread complaints that they do not get due regard from Government. In order to avoid this, and to solve the problems of Non-Resident Indians, a separate department will be constituted.

#### **State's Plan**

**129.** The total out lay for Eighth Five Year Plan was estimated to be Rs.5460 crore at 1991-92 prices. If we consider the rate of inflation the annual plan for 1996-97 should be Rs.2600 crore. But the former Government have formulated the annual plan Rs.2100 crore only. Since the discussions with Planning Commission is not over even this outlay is only tentative. Since the Government of India have not re-constituted the Planning Commission, the uncertainty still continues.

**130.** Since this is the last year of the Eighth Five Year Plan and considering that the new Government came to power recently, we have not attempted for any major changes. Yet necessary changes have been brought about in certain sectors. Emphasis has been given for completion of Irrigation Project which lay incomplete. Agriculture and Industrial sectors are some of the thrust areas.

**131.** The Ninth Five Year Plan has to be implemented from next year onwards. Planning process also has to be decentralised on the background of Panchayat Raj/Nagarapalika Legislations. The State Planning Board has already decided to organise a mass movement in the name “Ninth Plan - People’s Plan”. A State level body with shri.E.M.S. Namboodiripad as Chairman and the former Chief Ministers and Opposition Leaders as Vice-Chairmen and the state level leaders of all political parties which have representation in the State Legislative Assembly as members to lead this. There will be discussions and debates even at ward levels of local bodies regarding the programmes that are to be implemented during the Ninth Five Year Plan period. It is expected that nearly 30 lakh people will participate in this endeavor. There is no doubt that our State which has taken the initiative in “Total Literacy Programme” will become a “great model” in the case of “decentralisation” of administration also.

### **III**

#### **Financial Position of the state Government**

Sir,

132. Now I wish to deal with the financial position of the Government. I have already stated some facts in Part II of this speech. Therefore, I do not want to repeat all those things stated about the revenue account, debt liabilities, interest burden etc. Even though we are in a very difficult situation I have full confidence that we can overcome every difficulty. I believe that if we implement the following things systematically, the Government will be able to give impetus to the overall development of the State:

(i) We have to increase our tax and non-tax revenue. It should be examined how best the revenue can be increased without burdening the people and also ensuring the development of trade and industry;

(ii) We must impose restrictions on revenue expenditure to convert revenue deficit into revenue surplus;

(iii) We must ensure that the loans taken are used productively and that we get out of the debt trap;

(iv) We must stop giving unlimited guarantee to Public Sector Undertakings and other institutions and impose restrictions;

(v) We must chart out a time-frame for clearing arrears under different heads and hold discussions at different levels to ensure that such a situation does not arise in future; We must try to get more funds from the Centre as grant;

We are utilising only a fraction of the possibilities in Centrally Sponsored Schemes and externally aided projects. We must try to get the maximum from these sources;

In order to control and monitor the Ways and Means position of the State a suitable “Information system” will be established in Finance Department.

**133.** If we work in the direction enumerated above, I am sure, we will be able to not only solve the financial difficulties of the Government but also to pave the way for taking the economy out of stagnation. I assure that every effort will be made in this direction.

**134.** I wish to point out one aspect with regard to the Budget. As per the three tier Panchayat Raj and Nagarapalika system, a major portion of the developmental activities are to be undertaken at the local bodies' level. However, we have not been able to make the required changes in the Budget this year. By amending the concerned Acts and Rules, this will be done from next year onwards.

**135.** As per the Budget presented by the erstwhile Government in March this year the deficit was Rs.28.67 crore. I am presenting an Alteration Memorandum on the basis of the receipts and expenditure estimated since then. As per this, the cumulative deficit will be Rs.108.14 crore. Reckoning the increase in receipts amounting to Rs.40.18 crore on account of share of Central taxes and the expenditure of Rs.75.97 crore on measures announced in this Speech, the deficit comes to Rs.143.93 crore. Now, I wish to propose the following additional resource mobilisation measures to cover this gap.

#### **Motor Vehicles Tax**

**136.** I propose the following enhancement in the tax on private motor cars which has not been subject to enhancement of tax for the past five years.

(i) Tax on motor cars weighing not more than 750 kgs. unladen will be raised from Rs.110 to Rs.150.

(ii) Tax on motor cars weighing more than 750kgs.but not more than 1500 kgs. unladen will be raised from.Rs.150 to Rs.200.

(iii) Tax on motor cars weighing more than 1500 kgs. unladen will be raised from Rs.190 to Rs.250.

Additional revenue of Rs. 6 crore is expected.

**137.** Ten percent additional surcharge is proposed to be imposed on all types of vehicles. Additional revenue of four crore is anticipated.

#### **Registration**

**138.** The rates of stamp duty levied on various instructments as per the Kerala Stamp Act 1959 were fixed years back. I consider it is appropriate to make timely changes in these rates. So, I propose to revise the rates as shown in annexure I. Additional revenue of Rs. 6 crore is anticipated.

#### **Building Tax**

**139.** The rates fixed as per the simplified building tax assessment scheme which were introduced earlier are still continuing . These rates are too low. I consider it necessary to make timely revision of these rates. I therefore propose to increase the existing rates by 50%.

Additional revenue of Rs.3 crore is anticipated.

#### **Lottery**

**140.** 207 draws of lotteries including nine bumper and five super bumper will be held during 1996-97. The prize of Kerala Soubhagya Lottery will be raised to Rs.10 and the first prize to Rs.20 lakh. Pooja Bumper Lottery will be reintroduced as super bumper.

It is also proposed to conduct a summer bumper Lottery in March 1997. Additional revenue of Rs. five crore is anticipated.

### **Sales tax**

**141.** In order to make up the increasing revenue deficit, it is necessary to concentrate on revenue collection and also to find out new sources of revenue. Government proposes to implement a tax policy which will help to contain the trade and industry within the State, to increase employment opportunities and to augment tax collection. Government decide to raise additional resources by curbing tax evasion and by rationalising the tax structure. Now I propose certain measures which will help to rationalise the tax rates by taking the tax payers, traders and industrialists into confidence and to effectively mobilise the tax collection machinery.

### **Concession to Industries**

**142 (i)** The rate of tax on sale of products of small scale industrial units whose annual turn over is up to Rs.50 lakh is 4%. But as per the existing law, this concession will not be available from the year in which the 50 lakh limit is exceeded and higher rate will be leviable on the entire turn over. In order to avert this difficulty, the higher rate is proposed to be made applicable to the turn over above Rs.50 lakh only during the year in which the turn over exceeds the limit. This will be given retrospective effect from 01.04.1995. A revenue loss of Rs. 50 lakh is anticipated.

(ii) The rate of tax on diesel generator sets manufactured by manufactures within the State is proposed to be reduced from 10% to 1% for a period of one year from 01.04.1996. No loss of revenue is anticipated on account of increase in sales.

(iii) A concessional rate of tax is available on industrial raw materials. But this concession is not available to industrial units enjoying sales tax exemption. It is proposed to extend this concession to industrial units enjoying exemption provided the product of the industrial units is liable to tax either under the Kerala General Sales Tax Act or under the Central Sales Tax Act. A revenue loss of Rs.1 crore is expected.

(iv) As a result of the new economic policy the caprolactum unit of FACT is facing severe crisis. In order to improve the competitiveness of this prestigious unit of Industrial Kerala in the Market, it is proposed to reduce the rate of tax on inter-state sales of caprolactum from 4% to 2%.

(v) It is proposed to reduce the rate of tax on biscuits manufactured by small scale manufacturers within the State from 10% to 6% for the financial year 1996-97. Additional revenue of Rs.1 crore is expected on the basis of increase in sales.

(vi) Rate of tax on confectionery manufactured by Small Scale Industrial units within the State is proposed to be reduced from 10% to 6%. This concession will be for the financial year 1996-97. Additional revenue of Rs.1 crore is expected on the basis of increase in sales.

(vii) 20% thermal efficient Wick-stove certified by ANERT and manufactured by Small Scale Industrial units within the State is proposed to be completely exempted from tax. A loss of Rs.10 lakh is expected.

(viii) It is proposed to reduce the rate of tax on laundry whiteners and detergents manufactured within the State without the use of power from 10% to 5%. No revenue loss is anticipated on account of increase in sales.

### **Concession to trade**

**143.** (i) Rate of tax on spectacle glasses, goggles, rough blank lenses, spectacle frame and parts is proposed to be reduced from 8% to 4%. An additional revenue of Rs.10 lakh is anticipated on account of increase in sales.

(ii) It is proposed to reduce the rate of tax on photographic films from 7% to 3%. Rate of tax on X-ray films is proposed to be reduced from 8% to 3%. An additional revenue of Rs.10 lakh is expected from increase in sales.

(iii) It is proposed to reduce the rate of tax on pagers from 20% to 3%. Additional revenue of Rs.50 lakh is anticipated on account of increase in trade.

(iv) Rate of tax on excavators, bulldozers and earthmoving machinery is proposed to be reduced from 10% to 3%. Additional revenue of Rs.50 lakh is expected from increase in sales.

(v) It is proposed to exempt organic manure from tax. A revenue loss of Rs.6 crore is anticipated.

### **Rationalisation of Tax Structure**

**144.** (i) As part of rationalising the tax structure it is proposed to revise the rates by considerably reducing the tax on consumer items and to make slight increase in other items as shown in Annexure II. An additional revenue of Rs.6 crore is anticipated.

(ii) In order to remove the ambiguity in the rate of tax, articles made of glass are also proposed to be included under “glasswares” falling under entry 62 of the First Schedule.

(iii) The rates of tax on various works contracts mentioned in the Fourth Schedule have not been revised in tune with the rates applicable to the predominant object used in the execution of the contracts. To remove the anomaly, the rate of tax on works contracts is proposed to be revised suitably as given in Annexure III.

**145.** Section 22 of the Kerala General Sales Tax Act is proposed to be amended so as to permit dealers to recoup the tax already paid within the State on goods subject to price control as per the price control order, in cases where the retail price fixed is not inclusive of the local tax.

**146.** Rate of interest on refund under section 44 of the Sales Tax Act is proposed to be enhanced to 10%.

**147.** The practice of buying building materials and other high valued items from outside the state for sale on the guise of own use is now rampant. In order to compensate the consequential loss in revenue it is proposed to introduce entry tax on marble, cuddappah, glazed tiles, mosaic tiles, ceramic tiles, cement, refrigerators and washing machines. However, dealers will be exempted from paying entry tax on items on which they pay sales tax in this State. Additional revenue of Rs.5 crore is expected.

**148.** There is provision under Section 4 of the Kerala Tax on Entry of Motor Vehicles Act to give set off for the amount of tax paid in other states by individuals. But this provision is being misused to evade sales tax and entry tax. In order to prevent this the said provision is proposed to be deleted. Additional revenue of Rs.1 crore is anticipated.

**149.** In order to remove the ambiguity regarding the maximum rate of tax that can be fixed by Government under the Entry Tax Act, it is proposed to amend Section 3 of the Act to fix the maximum rate as 15 per cent.

**150.** In order to effectively contain tax evasion on account of transport of goods without records through parcel agencies, parcel offices are proposed to be included under the definition of “place of business” in the Sales Tax Act. Additional revenue of Rs.1 crore is anticipated.

**151.** The maximum penalty leviable under Section 45 A of the Sales Tax Act and the maximum compounding fee that can be accepted under section 47 in cases where tax evasion cannot be quantified is Rs.5,000. These rates were fixed in 1978. It is proposed to revise this rate to Rs.50,000. Additional revenue of Rs.2 crore is anticipated.

**152.** Chief Judicial Magistrate will be vested with powers to impose fine under section 46 of the K.G.S.T. Act and the maximum of fine that can be imposed under sub-sections (1) and (2) will be raised to Rs.25,000 and Rs.50,000 respectively.

**153.** It is proposed to raise the maximum registration fee payable under the K.G.S.T. Act from Rs.10,000 to Rs.20,000. Additional revenue of Rs.3 crore is expected.

**154.** The rate of tax on non alcoholic drinks falling under entry 87 of the first schedule is proposed to be raised from 12.5% to 20%. Additional revenue of Rs. one crore is anticipated.

**155.** It is proposed to classify chewing gum as a separate item in the first schedule and levy tax at 20%. Additional revenue of Rs.50 lakh is expected.

**156.** Sales Tax exemption available to charitable institutions is proposed to be restricted to those whose annual turnover does not exceed Rs.10 lakh. Additional revenue of Rs.3 crore is expected.

**157.** The annual license fee payable by money lenders is proposed to be enhanced from Rs.2000 to Rs.10,000. Additional revenue of Rs.5 crore is expected.

**158.** It is proposed to prescribe fee for appeals and revisions under the Kerala Money Lenders Act, Kerala Tax on Luxuries Act and Entry Tax Act. The fee will be Rs.100 for appeals and revisions before officers of or below the rank of Deputy Commissioner and Rs.250 for appeals and revisions before the Board of Revenue or Government. Additional revenue of Rs.10 lakh is expected.

#### **Administrative measures**

**159.** Now I propose the following measures to increase the efficiency of the Taxes Department and augment revenue collection.

(i) As part of effectively curbing tax evasion, the Intelligence wing of the Department will be modernised. Modern communication facilities including wireless and required vehicles will be provided and the investigation branch is proposed to be fully equipped. A new office of the Deputy Commissioner (Intelligence) is proposed to be started at Thiruvananthapuram.

(ii) Border check Posts will be strengthened and tax evasion arrested by establishing new check posts wherever necessary. New offices of Deputy Commissioners will be started in Kasargode and Wayanad districts.



(iii) It is proposed to take necessary steps to give publicity regarding tax laws among the traders, tax payers and the public. Steps will be taken to revise the Departmental Manual published in 1965.

(iv) As part of modernising the information system of the Department, computer system will be extended to the District offices of the Department. An expenditure of Rs.3 crore is anticipated for the above administrative measures.

(v) Substantial revenue is blocked as the assessments in respect of works contract and luxury tax are pending. In order to complete the assessments and ensure revenue collection separate offices are proposed to be started in each district exclusively for these and to sanction the required staff. Additional revenue of Rs.30 crore is expected.

(vi) The present system of monthly assessment in respect of luxury tax will be changed as yearly assessment. This will be made applicable to pending assessments also.

**160.** General discussion on the report of the Justice Radhakrishna Menon Commission on tax reforms will be arranged and steps taken on the basis of the recommendation of an expert committee to be appointed by Government.

**161.** Nearly 24000 appeals involving more than Rs.100 crore is pending decision before the Appellate Tribunal. In order to ensure speedy disposal of these appeals one additional bench each will be created at Thiruvananthapuram, Ernakulam and Palakkad. Single member of the Tribunal will be empowered to decide appeals filed against orders passed by an officer not above the rank of a Sales Tax Officer and where the tax assessed or penalty imposed does not exceed Rs.25,000 and does not involve any legal issue. All appeals against orders where the tax assessed or penalty imposed exceed Rs.1 lakh will be provided to be heard only by a bench consisting of the Chairman or a bench specially constituted by the Chairman. Similar amendments will be made in the Agricultural Income Tax Act also. An additional revenue of Rs.10 crore is expected from this.

**162.** The recent hike in the price of petroleum products by the Centre, may lead to additional Sales Tax revenue of more than Rs.100 crore to the State exchequer. But since the price hike has cast unbearable burden on the people and since the L.D.F. Government consider its bounden duty to give relief to the masses, I propose to fore go the above additional revenue, and to extend the following Sales Tax concessions on petroleum products:

The Sales Tax on High Speed Diesel will be reduced from 17% to 15%. As a result a reduction of 16 paise per litre in the price of High Speed Diesel is expected.

The Sales Tax on Petrol will be reduced from 20% to 17%. The price of Petrol is expected to be reduced by 63 paise per litre. I consider this concession will give relief to over 1,75,000 autoriksha drivers, over 6 lakh two wheeler owners and other vehicle owners as well.

I also propose to reduce the Sales Tax L.P.G. from 20% to 10%. Due to this concession there is likely to be a reduction of approximately Rs.12 per L.P.G. Cylinder. I hope my Budget proposal will help reduce the budget deficit in lakh of families at least to some extent.

**163.** The Summary position of the Revised Budget Estimates 1996-97 is as given below:  
(Rupees in crore)

<i>Revised Budget Estimates</i>	
<i>1996-97</i>	
Revenue Receipts	6004.08
Revenue Expenditure	7146.69
Deficit	(-)1142.61
Capital Receipts	1491.90
Capital Expenditure	1455.00
Surplus	(+)36.90
Public Account (Net)	516.17
Overall Deficit	(-)589.54
Carry over Surplus	(+)481.40
Cumulative Deficit	(-)108.14
Variation in receipts on account of share of Central taxes (Net)	40.18
Net yield from ARM (1996-97 measures)	93.00
Expenditure on additional measures announced	75.97
Deficit (Net)	(-)5093

Sir,

**164.** I am concluding my presentation. As I have pointed out in the beginning of this speech, our country and the people face serious challenges today. The Political problems; the danger of communalism; the attacks of the new economic policies initiated at the behest of Imperialism and the corrosive wounds of corruption that have spread over the body Politic of our country are the major challenges. We have to shoulder the responsibility of overcoming these challenges, to give relief to the people and to lead Kerala on the path of comprehensive development. We have the confidence and will to overcome any challenge that may crop up in this process. As the “Song of the Oppressed” declares:

“We shall overcome, we shall overcome  
We shall overcome one day,  
Deep in our hearts, we do believe  
We shall overcome one day”

I am sure this Honourable House and the people of Kerala will extend full support to the L.D.F. Government which goes ahead with this will.

Since time is required for detailed discussion on Demands for Grants I am also presenting a Vote on Account for two months from 01.08.1996 to 30.09.1996.

Thank you.

## ANNEXURE I

Proposed amendment to section and schedule of the Kerala Stamp Act, 1959

Item	Description	Present rate	Date of previous amendment	Proposed rate
(1)	(2)	(3)	(4)	(5)
Section 4	Principal instrument When there are more than one instruments of sale, mortgage and settlement	Rs.15	24.02.1988	Rs.100
Section 6	Instruments coming within several descriptions	15	24.02.1988	Rs.100
Schedule				
1	Acknowledgement of Debt: Up to Rs.1,000	upto Rs.100-20 paise from Rs.101 to Rs.500-40 paise from Rs.501 to Rs.1,000-60 paise	20..04..1969	5
	Above Rs.1,000	Rs.1	01.04.1985	10
3	Adoption deed	50		250
4	Affidavit	10	01..04..1985	25
5	(c)Agreement	15	01.04.1985	50
7	Appointment of execution of power	75	Before 1985	150
8	(b) Appraisement	30	Before 1985	75
13	Bond	2.5%	Before 1985	5%
14	Bottomery Bond	2.5%	Before1988	5%
15	Cancellation	100	24..02..1988	250
19	Chitty or Kuri Variola	15	24..02..1988	25
23	<i>Certified copy:</i>			
	(1)	5	24..02..1988	10
	(2)	10	24..02..1988	20
24	Duplicate	15	24..02..1988	100
27	Divorce	10	Before 1985	500
39	Notarial Act	15	24.02.1985	50
42	Partition (ii)	Rs.5 for every Rs.100	12.11.1990	Rs.6 for every Rs.100
43	Partnership			
	A (a) To be deleted			

	B Dissolution	100	01..04..1985	250
44	<i>Power of Attorney</i>			
	(a)	5	01..04..1985	25
	(b)	10	01..04..1985	50
	(c)	30	01..04..1985	150
	(d)	100	01..04..1985	500
	(f)	30	01..04..1985	150 for each person authorised
47	Reconveyance of mortgaged property	150	01..04..1985	200 Urban areas
	(b)	100	01..04..1985	150 Rural areas
50	Security bond or Mortgage deed	60	24..02..1988	100
	(b)			
51	Settlement - B. Revocation of-	50	Before 1985	100
54	Surrender of lease	50	Before 1985	100
	(b)			

**ANNEXURE I**  
Proposed changes in the rate of tax

No.	Sl. No. and description of goods in the 1 <sup>st</sup> Schedule	Existing rate %	Revised rate %
(1)	(2)	(3)	(4)
(1)	5. Aluminium household utensils made of aluminium and aluminium alloys	6	4
(2)	6. Aluminium products including aluminium extrusions and products of aluminium alloys	6	8
(3)	10. (i)Artificial Silk Yarn, Polyester fibre yarn and staple fibre yarn	2.5	4
(4)	12. Bakery products excluding biscuits ,bun and bread	6	8
(5)	18. Bricks and tiles (Kiln burnt)	6	4
(6)	19. Bullion and species	2.5	1
(7)	22. Cashew nut with shell	7	5
(8)	23. Cashew Kernal	7	5
(9)	24. Cattle feed	6	5
(10)	38. Compounded asafoetida	6	4
(11)	43. Curd and buttermilk	6	4
(12)	45. Detergent powders etc	10	12.5
(13)	66. Ice	6	4
(14)	67. Ink	6	8
(15)	85. Mosquito repellants	7	8
(16)	93. All types of pens and ball pens	6	4
17.	98. Photographic and other Cameras etc.	7	8
(18)	98A. Pickles	6	8
(19)	108. Readymade garments	10	5
(20)	111. Rubberised coir fibre foam and other fibre foams	2.5	4
(21)	124. Sports goods	6	4
(22)	125. Stainless steel rods and sheets	12.5	4
(23)	126. Sugarcane	6	4
(24)	129. Tapioca Products including tapioca flour and waste	2.5	3
(25)	138. Turmeric	6	4

(26)	143. Umbrella and parts thereof	6	5
(27)	146. Vermicelli, Ada, Samia etc.	6	4
(28)	156. All other goods not coming in any of the schedules	6	8
<i>Coming under Second Schedule</i>			
(29)	9A.Wheat (The set off the tax paid on wheat from the tax payable on wheat products will not be allowed)	4	1
<i>Coming under Sixth Schedule</i>			
(30)	5. Voltage stabliser	6	8

### ANNEXURE III

Revision proposed in the rate of Tax on Works Contract

Nature of Contract	Present rate %	Proposed rate %
1. Supply and installation of Air conditioners and air coolers	15	12.5
2. Supply, fixing and laying of all kinds of mosaic tiles, slabs, stones and marbles	12.5	10
3. Supply of fixing, laying of glazed tiles, any other wall or Floor tiles except brick tiles	12.5	10
4. Supply and fitting of electrical goods and supply, and installation of electrical equipments	12.5	10
5. Supply and fitting of electronic equipments.	5	10
6. Supply and erection of sanitary fittings and articles for plumbing drainage, sewage etc.	12.5	10