

**BUDGET SPEECH FOR 1967-68 (REVISED)****SHRI. P. K. KUNJU***23rd June, 1967*

Sir,

I present the budget estimates for the financial year 1967-68. Within ten days of this Ministry assuming power, I presented an interim budget for the four months of this year. At that time I indicated that I shall be introducing a final budget with necessary modifications in keeping with the Government's future policies.

The year 1967 is an important one for Kerala and for India. The Fourth General Elections heralded the birth of a new era in the history of Indian democracy. In many States there were sweeping changes in the leadership of the administration. The seven party Ministry has come to power in Kerala as a result of the expressed will of the vast majority of the people. I am presenting this budget, fully conscious of the responsibilities to the enlightened masses of this State who have changed the very political course of history of this State.

The problems facing the State are numerous: they are all complex too. The problems of food-scarcity and unemployment strain us most severely. All these problems are not easy of solution. On behalf of the Government I may give an assurance that we shall be diverting all our energies towards finding solutions to these burning problems. I make a request to the Hon. Members of this sovereign Assembly not to view the common problems of this State through the narrow political angle. If all of us stand united, our problems will be solved. And we will be able to get our legitimate dues from the Central Government which has all along been adopting a partial attitude against Kerala.

We have passed through three Five Year Plans. We are now in the second year of the Fourth Plan. If we evaluate our gains from the three Plans, we find that they have made the rich richer and the poor poorer. Still Silver linings of progress are visible here and there. But many of the problems of our country still remain unsolved. Twenty years have gone by since India became free. Still we see the pitiable plight of our country standing before the foreign nations begging for food. It is clear from this that there have been errors and miscalculations in the formulation of our Five Year Plans. There is a strong opinion that changes should be made in the very constitution of the Planning Commission. It may be a new Planning Commission that gives final shape to the Fourth Plan. Let us hope that irrespective of political considerations the Fourth Plan will be finally drawn up taking into account the viewpoints of everyone of us.

In 1966-67 also we continued to suffer from the ill effects of the drought of the previous year and the war with Pakistan. Still it is seen that there was an increase of 6% in agricultural and industrial production in that year, in India as a whole. But the per capita increase has come down by 6% as compared with the previous year. For Kerala the food situation became more difficult. The distribution of statutory ration became critical as a result of the stale mate in production and the fall in the supplies from the Centre. As cash crops had a comparatively better market, the producer was better off. Devaluation did not have the desired effects. As the production of consumer goods did not keep pace with the demand, prices soared high. Production of consumer goods fell down by 9% and money supply recorded an 8% increase. In the result the general level of prices rose by 18% during this year. Within the last decade such a difficult situation has not arisen so far. In short, the year 1966-67 was an year of rising prices. This affected the economy of the State very badly.

Food Situation:—In the interim budget, I had given indications of the food situation. The position has deteriorated considerably since then. Distribution through fair price shops broke down partially on several occasions. To maintain statutory rationing without breakdown, it is necessary to get 8.5 lakh tonnes of rice a year from outside the State. I must say with all the force I can command, that the Central Government has the moral responsibility to provide food grains to Kerala which plays a significant role in the economic development of the country by earning valuable foreign exchange.

The monthly allotment of sugar to this State was suddenly reduced from 10000 tonnes to 7000 tonnes in the month of March. In May this was further reduced to 5849 tonnes. Consequently corresponding reduction had to be made in the scale of distribution of sugar.

Considering the strain on the food situation, the export of tapioca and tapioca products have been temporarily prohibited.

The Government are by no means co-placement over the food crisis facing the State. Steps have been taken to procure from within the State as much rice as possible through levy.

Small cultivators and agricultural workers have been given certain concessions as an encouragement. The first two acre have been exempted from the levy. Besides, the second crop of single-crop fields and the third crop of double-crop lands have been fully exempted from the levy. In Palghat District a special bonus of Rs.9.75 is given for every quintal of rice over and above the levy. In order to intensify procurement through levy, to check undue profits in the open market and to tackle the difficulties and discrepancies in local distribution of ration, civil supplies peoples' committees are being organised.

Agricultural production:—In the context of the critical food situation, agricultural production assumes extreme importance. To purchase food grains, we are diverting 100 crores of rupees every year. It must be remembered that every grain that we additionally produce contributes to checking this flow of resources from the State to outside. Only 35% of the cultivated land is utilised for the production of food grains. Cash crops are grown on the remaining 65% of the area. Assigning a lower priority to cash crops, will affect the economy of not only our State but of India as a whole. Such a step may, therefore, be suicidal. The main strategy to be employed in the matter of food production is to intensify cultivation and to maximize the yield from the existing acreage. We are utilising in all 14 lakh acres for cultivation of rice. Of this 50% constitute double crop lands and the balance single crop lands. We must endeavour to convert the 7 lakh acres of single-crop lands into double-crop lands. Government are formulating a scheme for achieving this object with the aid of the Agricultural Refinance Corporation. It is estimated that for this purpose an amount of Rs. 20 crore will be necessary. It is important that irrigation schemes are completed quickly. The rise in the prices of fertilizers is indeed a severe blow on our cultivators. The State Government will make every effort to persuade the Government of India to find solution to this problem.

To increase production and reduce the cost of cultivation mechanisation is necessary. Attempts are successfully being made to produce power tillers in the State itself. It is our hope that this year itself the factory will commence

production. It is also proposed to set up an Agro-Industries Corporation under the control of the Government. The object of this is to manufacture diesel pump sets and sprayers.

Government are also considering the question of leasing out waste lands under the Land Utilisation Act. Steps will also be taken to prevent the conversion of fields which have been under paddy for three years to garden lands for cultivation of other crops. Besides Kayal lands will also be made fit for cultivation. During the current year itself steps are being taken to convert 800 acres in Kayamkulam Lake and 200 acres in Paravoor Lake fit for cultivation. Dredgers required for this purpose are proposed to be purchased. There is also a scheme for cultivating forest areas which are suitable for cultivation. As an experimental measure, 500 acres in Pannikkode Valley, Kozhikode District, are being put under cultivation this year itself Preliminary steps are also being taken for starting a 10000 acre State Farm with Russian aid. Forest lands have been given for taungya cultivation. There is also a proposal under consideration to select 1000 acres of waste lands in each district and distribute them to the landless and unemployed persons for cultivation. The idea is to organise a land army consisting of persons eligible for assistance under this scheme.

In short, the agricultural policy of this Government is to increase production by all means and to the extent possible. Government expect the wholehearted support of all agriculturists in this venture.

Irrigation:—An important fact or for improving agriculture is irrigation. The ordinary farmers are put to difficulties on account of the levy of irrigation cess. Therefore lands irrigated by schemes the ayacut of which is less than 200 acres have been fully exempted from the cess. Following complaints against the levy of cess on areas not effectively irrigated by certain irrigation schemes, it has been decided to provide facilities to ryots to lodge their complaints so that appropriate decisions can be taken. Collection of cess from the lands other than the Kole lands irrigated by Peechi, Vazhani and Chalakkudy projects in Trichur District has been temporarily suspended. If the present progress of Pampa, Kallada, Kanjirappuzha, Kuttiadi and Pazhassi projects is maintained it will be possible to achieve substantial progress in agricultural production by March, 1969. There is also an idea to start quick yielding irrigation projects wherever necessary.

Co-operation:—The Kerala Co-operative Bill aimed at unifying the different laws in the State and making the co-operative movement and credit facilities more effective and purposeful has been introduced in the Assembly.

Department Stores have been set up at different places to check the rise in prices of the essential goods. It is proposed to start similar Stores at the remaining district headquarters also.

Power:—I am glad to say that it will not be necessary to effect power cut during this year. Electric power is required for rapid industrialisation, rural electrification and for working agricultural pump sets. It is important to ensure that the Kerala State Electricity Board functions at the peak of efficiency. Three Enquiry Committees have been constituted to look in to the activities of the Board and to submit proposals regarding the working of the Board. On the basis of their reports, measures will be taken to step up the efficiency of the Board.

To meet the increasing demands for power, it is essential to have an efficient distribution system. Necessary funds will have to be earmarked for implementing schemes connected with the distribution system. It is expected that financial assistance necessary will be forth coming from the Centre.

Fisheries:—Steps will be taken to exploit the fishery resources in the State. At the same time welfare measures for fishermen will also be continued. There is a programme for giving Puramboke lands in the coastal areas to landless fishermen for constructing houses.

The possibilities of setting up fishing harbours at Kayamkulam and Koottayi will be explored. It is proposed to accelerate harbour construction works at Vizhinjam, Ponnani, Ernakulam, Beypore and Moppila Bey. It is the intention of Government to bring the fishing operations within the fold of the co-operative movement. There are also programmes for providing recreational and educational facilities and also for giving subsidiary employment to those engaged in fishing.

Industries:—In the matter of industrialisation Kerala is lagging behind. In order to bring about balanced regional development, it is essential that the central investments in the States are made taking into account the peculiarities of each State. Kerala is a State where there is neither an organised private sector nor the potential for saving. In such a State Central investments should have been of a much greater order. But the extent of the Central Government's disregard in this

matter will be abundantly clear from the following figures .The Central investments in some of the States as on 31-3-1961is as follows:—

Mysore	..	Rs. 55.68	Crore.
Madras	..	Rs. 60.91	Crore.
West Bengal	..	Rs. 205.71	Crore
Madhya Pradesh	..	Rs. 213.47	Crore
Orissa	..	Rs. 215.74	Crore
Kerala	..	Rs. 2.13	Crore

The following table shows the total investments in the Central Sector, the Central investments in Kerala and the investments due on population basis.

	<i>Total Investment in Kerala</i> (Rs. in crore)	<i>Investment in Kerala</i> (Rs. in crore)	<i>Investment due on Population basis</i> (Rs. in crore)
I Plan	150	..	5.78
II Plan	747	0.79	28.76
III Plan	1728(a)	26.40	66.53
IV Plan	3922	60.00	151.00

[(a)-This increased subsequently to Rs. 1,955 crore]

The catalogue of discriminations against Kerala is long. These are the bitter results of the lack of a stable government in Kerala. The people of Kerala should stand united to liberate themselves from this sad plight which has been their fate for the last 20 years.

The Kerala Government have approved an industrial policy aimed at attracting and encouraging industrialists. If the Kerala State Industrial Development Corporation finds that funds are required over the budgeted level for rendering assistance to new industries, Government will be prepared to consider its demand. Government are actively considering what steps can be taken in regard to Handloom, Coir and Cashew industries. There is a proposal to set up a Handloom Finance Corporation. There is also a programme for starting a Kerala Commercial Corporation to enable the State to secure the benefits of export-import trade.

It is the accepted policy of Government to encourage film industry and give encouragement to artists.

Labour.—It is the Government's policy to expedite decisions on labour disputes and to give greater importance to conciliation than to compulsory adjudication. The existence of a multiplicity of trade unions in the same institution or industry will be discouraged. Minimum wages have been prescribed for employees in shops, hotels and theatres. Steps have also been taken to nationalise minimum wages in the printing industry.

Transport.—Government have accepted a policy of nationalisation of bus routes. An Expert Committee has been appointed to examine the various implications and to submit a comprehensive report on the matter. This year the more important routes in Trichur and Palghat Districts will be nationalised.

Ports.—There is a proposal to prepare a master plan for the development of the minor ports. The Government of India has been approached for getting the services of a foreign expert for this purpose.

Railways.—Even though repeated representations have been made for expanding the railway facilities in Kerala, all the previous efforts have not proved of any avail. It is necessary that the Ernakulam-Trivandrum line is converted into a broad gauge line and that it is connected up to Cape Comorin, via., Nagercoil. There is also need for a second line at least up to Shorannur in the Ernakulam-Mangalore line. The construction of the Ernakulam-Kayamkulam via. Alleppey line is also of extreme importance considering the travel facilities required by the people in the coastal area and the need for developing trade and industries in this region. This Government will press the Centre for the construction of these lines during the Fourth Plan period.

Education.—It is reported that repair works have to be done for 565 L. P. Schools, 268 U. P. Schools, 221 Secondary Schools, 16 Training Schools and 20 Welfare Schools. Besides, accommodation facilities have to be provided for 40 departmental High Schools and 60 U.P. Schools sanctioned in 1965-66. A sum of Rs. 1 crore has been set apart for all these schools, which total up to 1200. I hope that the public will extend their co-operation to these efforts of Government in the interest of protecting the lives of the children studying in these schools.

A new bill is proposed to be introduced in the Assembly with a view to rectify the anomalies in the existing University Act and to make it more progressive. Necessary funds will be provided for encouragement of Arabic

education. The conferment of political rights on private school teachers is a measure indicative of the progressive character of the present Government. It has been decided to give a grant of Rs.1 lakh to the Kerala Working Journalists Union for the construction of Kesari Memorial Building in the capital city.

Harijan Welfare.—The amelioration of the backward classes is one of the declared objectives of this Government. Many schemes have been formulated for their social, economic and educational uplift. It has been decided to increase the stipend given to Harijan students of post matriculation classes. The question of increasing housing grants to Scheduled Castes and Scheduled Tribes is under consideration.

Health.—Schemes have been formulated for making family planning programmes more effective; to check the growth of population which has become almost a menace in Kerala. Mobile dispensaries will be started to provide medical facilities in the hilly areas of the State. Nine dispensaries each under Allopathy, Ayurveda and Homoeopathy will be opened this year. An Ayurveda Hospital will also be started.

Public Works.—Special attention will be bestowed on completing the construction of roads and buildings already begun.

Tourism.— A provision of Rs. 34 lakh has been set apart in the current financial year for promotion of tourism. Out of this, Rs 20 lakh is for the development of the Tourist Centre at Kovalam.

Registration.—Government have decided to introduce filing system so as to avoid the difficulties of the public on account of delay in getting copies of documents.

Agararian Policy.—The Kerala State Eviction Proceedings Ordinance has been promulgated to give relief to Kudikidappukars. Steps have been taken to implement the Land Reforms Policy effectively.

Panchayat Raj.—Government have decided to introduce Panchayat Raj with a view to secure the participation of the people in the administration. This is, indeed, a mile stone in democratic decentralisation. A bill for implementing Panchayat raj will be introduced in the Assembly.

Government are also thinking of entrusting greater powers and responsibilities to the Panchayats.

There is a provision in the Kerala Panchayats Act to give a portion of the basic land tax to the Panchayats. This provision has not been given effect to

Government are examining how best to delegate to the Panchayats certain functions along with the transfer of resources. As a provisional measure, grants to Panchayats have been increased by Rs. 24 lakh.

Official Language.—Closely connected with the introduction of Panchayat Raj is the problem of Official Language. It is obvious that under a scheme of decentralisation in which the people are closely associated with administration the mother tongue should be used for the transaction of Government business. Certain steps have already been taken in this direction. A glossary of technical terms to be used for official purposes has been published some years back. There is a scheme for the manufactures of Malayalam typewriters which will give a more satisfactory performance. Orders have been passed for the transaction of official business in Malayalam at the lower levels. Besides quickening the pace of implementation of these orders, Government will strive to use Malayalam as the Official Language at all levels including State level.

Government wish to introduce the mother tongue as the medium of instruction in Colleges also. This does not mean that Hindi and English should not be taught. It is essential that knowledge of these languages is also acquired. With this in view steps will be taken to increase the standard of instruction in Hindi and English. But the most effective medium of instruction of any subject is the mother tongue. That being so, Government will be taking steps to change the medium of instruction from English to Malayalam at the collegiate level.

A glossary of technical terms in Hindi useful for instruction in sciences has been prepared by the Government of India. Similarly, the terms to be used in legal matters have also been published by the Central Government. We have been advised by the Government of India that these technical terms can be used in Malayalam also. But Government consider that these terms cannot be simply adopted in Malayalam. It is necessary to prepare a glossary of terms in Malayalam taking into account the peculiarities of our language. Like-wise it is also necessary to prepare and publish books useful for purpose of education and administration. Government are considering the steps to be taken on these matters. They will shortly appoint a Committee of Experts to advise Government.

General Administration.—When Panchayat Raj is introduced and Malayalam becomes the language of administration there is bound to be a radical change in the relationship between the people and the administrators. Between the rulers and the ruled closer ties will be established. Government Officers functioning in this changed set-up will have to develop a new attitude in their relationship with the representatives of the people. To enable this, certain changes may be necessary in the code of conduct of Government Servants, especially in matters relating to their contact with the representatives of the people. It is the intention of this Government to make a comprehensive examination of all these aspects and to prepare a new set-up of Government Servants' Conduct Rules in keeping with the spirit of democratic administration and to place them before the Legislature for approval.

Police.—Before I conclude on the general administration, I wish to touch upon the Police Service which is part of General Administration. The Chief Minister has already stated that Government are seriously considering certain matters relating to the administration of the Police Department like the rules relating to the allowances, leave etc., of the police personnel, housing facilities of Police Officers especially those in the Lower ranks, vehicles for efficient detection work, inadequacy of police stations and outposts in certain parts of the State etc. All these are under examination. It is obvious that additional expenditure will be necessary for making improvements in the situation. This budget does not contain provision for these purposes. As and when schemes are finalised supplementary demands will be brought forward and placed before the House.

Some years back, a Police Re-organisation Committee under the Chairmanship of Shri N. C. Chatterjee had submitted certain very important proposals in regard to the relationship between the Police and the people, the role of the Police in labour disputes, the powers of the Police to restrict freedom of Speech, freedom of demonstration and such other matters. This Report is now under the consideration of the Government. They expect that the decisions taken by the month is Report will help to improve the relationship between the people and the Police and also to increase the efficiency of the Police Service.

Fourth Five Year Plan

According to the draft outline of the Fourth Plan the investment in the State sector in Kerala is of the order of Rs. 293 crore. The Planning Commission has intimated that over and above this, schemes costing Rs. 10 crore in all will be transferred from the Central sector to the State sector. Thus the total outlay of the State Plan will be Rs. 303 crore. Excluding the total Central assistance of Rs. 192 crore which is made up of the Centre's share of 182 crore for the State Plan and the outlay of Rs. 10 crore for schemes fully financed by the Centre, the State has to raise Rs. 111 crore from within the State during the Plan period. It appears that while suggesting the methods for raising the State's resources for the Plan the special features of Kerala and its economic structure had not been properly understood by the Planning Commission. The methods of raising resources they have suggested have now to be re-examined on the basis of the additional commitments that had to be taken up, contrary to expectations.

Central Budget.— Before entering into our Budget Estimates I may make a reference to the Central Budget introduced in May. Some of the policies announced by the Central Government in the above Budget affect the States in general and our State in particular. Control of prices is the accepted remedy for the economic crisis facing the country. But it is doubtful whether the policies formulated by the Central Government are helpful for this purpose. The important factor in price control is the level of prices of food-grains. It is with this in view that this Government decided to subsidise the sale of food grains instead of passing on to the consumer the increase in the price made by the Central Government. The attitude of the Government of India in this matter is not helpful. The Union Minister for Finance has also taken the unhelpful attitude that it will not be possible to share even partly the additional expenditure consequent, on the grant of Dearness Allowance at Central rates to the State Government Employees. There can be no two opinions that the basic reason for the periodical increases in Dearness Allowance can be traced to the policies of the Central Government. It is for this reason that I say that the additional expenditure on this account should be borne by the Centre. It has been indicated to us that to check inflation, deficit budgets should not be prepared and overdrafts in the Reserve Bank should be avoided. Even though on principle there can be no difference of opinion on these

basic matters, I fear that if these are to be rigidly followed, it would affect the production potential considerably. The present need of the hour is to increase agricultural production at all costs. It will not be desirable if the application of these dicta affects our hydro-electric projects and irrigation schemes which protect and shelter our farmers from the havocs of monsoons and drought.

The Central Government has been able to present a balanced budget by keeping down the Central assistance to State Governments. We may perhaps be able to maintain the present tempo of expenditure without resorting to overdrafts from the Reserve Bank. But it may become necessary to take overdrafts to meet sudden demands, for procurement and distribution of food-grains for example. I hope that in such situations the Reserve Bank will act as the State Bankers.

The industrial policy of the Central Government is vague and not well-defined. The size of the Central investment in the State has not yet been finally determined. It is usual for the Centre to follow policies which affect prejudicially the economy of the State. While formulating policies applicable to the country as a whole, it is necessary to hold consultations with the concerned States. The State's economy has been affected by the import of Copra and Rubber which was decided upon without consulting Kerala.

Accounts (1966-67).—After a brief review of the accounts of last year, I shall pass on to the current year's budget estimates.

The year 1966-67 ended with an overdraft of Rs. 1.08 crore from the Reserve Bank. But there was a cash balance of Rs. 39 lakh in the treasuries. In addition there was a short-term investment of Rs. 10.16 crore. The actual cash balance of the Government thus showed a surplus of Rs. 9.08 crores. This was because the yield from certain sources of revenue exceeded the estimates while the expenditure on certain Departments was less. There was an increase of Rs. 41 lakh under Agricultural Income-tax, Rs. 178 lakh under Sale tax, Rs. 37 lakh under State Excise duties, Rs. 19 lakhs under

Stamps and Rs. 62 lakh under Forests. At the same time there was a reduction in expenditure of Rs. 123 lakh under Education, Rs. 50 lakh under Health and Rs. 143 lakh under Public Works. The capital expenditure recorded a decrease of Rs. 3.31 crore from the estimates. The economy measures and the cut on the provision for purchase of stores and equipments for public works were the reasons for this reduction in expenditure.

BUDGET ESTIMATES, 1967-68

Revenue.—In the interim Budget, the revenues were estimated to be Rs. 116.83 crore. On the basis of the trend of last year preliminary accounts and certain measures taken by the Central and the State Governments, it is now estimated that the revenues will be Rs. 123.49 crore. Additional revenue is estimated under Sales Tax (Rs. 180 lakh), State Excise duties (Rs. 30 lakh), Agricultural Income Tax (Rs. 20 lakh) and under Forests (Rs. 20 lakh). In addition, an amount of Rs.3 crore is anticipated on account of the lifting of prohibition. The State's share of Union Excise duties is expected to go up by Rs .85 lakh on account of the changes in the duties made recently. As the Trivandrum Milk Supply Scheme has been brought under departmental management, a receipt of Rs. 40 lakh is expected from the scheme. Correspondingly a provision of Rs. 37.11 lakh is included on the expenditure side.

The Central assistance for the State Plan for 1967-68 was earlier intimated to be Rs. 28 crore. Still we had taken credit for Rs. 34.25 crore in the interim Budget. Now the Central Government have informed us that we will be getting Rs. 31 crore as assistance for the State Plan. Out of this shortfall of Rs. 3.25 crore an amount of Rs. 75 lakh is under grants. But additional grants for Rs. 55 lakhs are expected for Central Sector Schemes. Out of this Rs. 43 lakh is for Family Planning Programmes.

After a re-examination of the existing schemes in all Departments and after providing for new schemes, the estimates of expenditure on Revenue Account stand at Rs. 122.14 crore. In the interim Budget the estimate of expenditure was Rs. 110.52 crore. As a result the revenue account shows a surplus of Rs.1.35 crore. In the interim Budget, the surplus was estimated to be Rs. 6.31 crore.

It is estimated that an amount of Rs. 6.91 crore will be required for the grant of Central rates of D.A. to Government employees and Aided School Teachers with effect from 1-1-1967, and that an amount of Rs.1.09 crore will be required for

additional expenditure under pension charges consequent on the reduction in the age of superannuation from 58 to 55. For the various new schemes a total amount of Rs. 2.56 crore has been earmarked. The contribution for sinking fund is proposed to be raised from 5% to 8% and an additional amount of Rs. 1.06 crores will be required under Revenue accounts for this purpose. An amount of Rs. 62.00 lakh has to be re-imbursed to the Contingency Fund. This also contributes to the increase in the revenue expenditure.

Capital expenditure.—Under capital heads an amount of Rs. 25.15 is provided. In the interim Budget this was Rs. 23.49 crore. The major variations from the interim Budget are Rs. 100.00 lakh for maintenance and repairs of School buildings Rs. 50.00 lakh for share contribution to the Travancore Titanium Products and Rs. 34 lakh for share contribution to Transformers and Electricals.

Loans and Advances.—In the interim budget a provision of Rs.15.78 crore was included for loans and advances. Of this Rs.12.00 crore represent loans to the Electricity Board. It was then expected that the Board would take a loan of Rs.1.00 crore from the LIC. Now they expect to take a still larger loan from the LIC and therefore the Board intends to draw Rs.10.00 crore only from the Government. As a result of small variations under certain other items the net expenditure is expected to be less by Rs.0.12 crore. The next expenditure under loans and advances is expected to stand at Rs.13.66 crore.

Debt deposits and remittance.—The estimates under debt, deposit and remittance heads in the interim budget showed a net receipt of Rs. 29.70 crore. On account of the increased contribution of the sinking fund an additional receipt of Rs.1.06 crore is now taken into account. The Central assistance for the State Plan (loans) is now Rs. 2.50 crore less than the earlier estimate. For the Central sector schemes an additional assistance of Rs. 0.13 crore is also taken into account. Last year's surplus is also available for ways and means transactions of this year. Government have carefully examined the matter. It is accordingly decided that out of the surplus of the previous year an amount of Rs. 5.0 crore can be utilised for the programmes relating to Agriculture, Industry, Irrigation etc. Credit for this amount is also taken. As a result of all these transactions the net receipt under these heads is estimated to be Rs. 31.88 crore.

The following table gives a comparison of the Interim Budget for 1967-68 and the final budget as now presented.

(Rs .in crores)

	<i>Interim Budget</i>	<i>Final Budget</i>
1. Revenue Account		
(a) Revenue	116.83	123.49
(b) Expenditure	110.52	122.14
(c) Surplus(+)	(+)6.31	(+)1.35
Deficit (—)		
2. Transactions outside the Revenue Account.		
(a) Capital expenditure outside the Revenue Account	(—) 23.49	(—) 25.15
(b) Loans and Advances by the State Government	(—)15.78	(—)13.66
(c) Debt deposit and remittance heads (net)	(+)28.19	(+)31.88
(d) Surplus (+)		
Deficit (—)	(—)11.08	(—) 6.93
3. Budget Gap	(—) 4.77	(—) 5.58
4. Opening Cash balance	(—) 1.91	(—) .69
5. Closing Cash balance	(—) 6.68	(—) 6.27

It will be seen from the above table that the cash balance at the end of the year will be Rs.(—)6.27 crore. In the interim budget credit was taken for an amount of Rs. 2.00 crore from the Centre by way of subsidy on rice. No decision has so far been taken by the Government of India in this matter. If this is also taken into account the real gap in the ways and means position will be Rs. 8.27 crore. We have to seek means for closing this gap.

It will be recalled that while presenting the interim budget, I have mentioned that new taxes which affect the common man will not be imposed. Other avenues of

raising resources for the purpose of meeting the demands on the State Exchequer have to be explored. This Government have given keen and anxious thoughts on the methods of raising funds for closing the budgetary gap as well as for financing development schemes. In this context, our socialistic goal has also been taken into consideration. The existing tax laws have been re-examined so that the loopholes in them are effectively plugged to prevent evasion.

The House is aware that prohibition has been scrapped. The prohibition laws remained in paper only. This became the means for bootleggers and other anti-social elements to become rich. By lifting prohibition, an additional revenue of Rs. 3 crore will be realised this year. It is expected that in the coming years the revenue from this source will increase.

Sales Tax

A bill proposing certain amendments to the sales tax laws and increase in the tax on certain declared goods will be introduced in this House. In accordance with the increase in the ceiling on declared goods from 2% to 3% under the Central Sales Tax Act the present rate of sales tax on certain commodities of this category will be raised from 2% to 3%.

The sales tax on luxury goods which is now 10% is proposed to be raised to 12%. The sales tax on prawns etc., will be increased from 2% to 5%. The proposed bill seeks to make certain amendments in the categorisation of items subject to multipoint and single point levies. A revenue of Rs. 60 lakh a year is anticipated by these changes. The additional revenue this year will be Rs. 30 lakh. Care has been taken not to increase the rates on articles like soap, coffee, tea, etc., which affect the common man.

Tax on Urban Non-Agricultural Lands.—It is proposed to levy a tax on urban non-agricultural lands in lieu of the present land tax. An annual yield of Rs. 80 lakh is estimated from this measure. This year the revenue will be Rs. 10 lakh.

Stamp Duty.—A bill to enhance the rates of stamp duty will also be introduced. Under this item an increase of Rs. 25 lakh is estimated in a full year. The yield this year will be Rs. 10 lakh.

Tax on Motor Vehicles.—Increase in the tax on motor vehicles and in the tax on goods is also proposed. As a result of this measure an additional revenue of Rs. 55 lakh is expected in an year. In this year the yield is estimated to be Rs. 20 lakh.

Lotteries.—Lottery is a method to raise funds without increasing the tax burden of the people. This is quite common in several countries like Mexico, Australia, Ceylon and Vietnam. Honourable members are aware that in this State itself several organisations and institutions are conducting lotteries successfully. It is seen that the State Government can conduct lotteries within the provisions of the Constitution. The proceeds from the State lottery are proposed to be utilised for construction of school buildings, giving grants for social welfare organisations; health programmes etc. It is estimated that about Rs.70 to 80 lakh can be secured from this source in an year. It is estimated that proceeds this year will be Rs. 20 lakh.

General insurance.—Government have decided to take up all types of general insurance on Government properties and public sector properties departmentally. The necessary sanction of the Government of India has been obtained. This is in collaboration with the Life Insurance Corporation. It is estimated that the annual yield from this source will be Rs. 20 lakh. This year there will be a receipt of Rs. 10 lakh.

Plantation Tax.— An additional revenue of Rs. 60 to 65 lakh can be estimated by increasing the rate of plantation tax from Rs. 8 to Rs. 25 on a standard acre. A revenue of Rs.50 lakh is anticipated this year.

Other Revenue Items.—Proposals for raising the rate of super tax on the higher slabs of agricultural income tax, levying a fee of trees felled from private forests and raising the fee for transfer of ownership of motor vehicles have also been considered. From all these measures a revenue of Rs. 10 lakh is expected. This year's estimate is Rs.5 lakh.

The taxation measures mentioned above are expected to yield Rs. 3.8 crore in all a year. The estimated revenue this year is Rs. 1.55 crore.

Chitties and Kuries.—Government have also accepted in principle that chitties and kuries should be conducted under State auspices. A Special Officer is being appointed to work out a detailed scheme for the implementation of this decision. As soon as his report is received, Government will take appropriate steps in the matter. I view this decision as a bold step forward along the path towards socialism, aimed at bringing banks and other financial institutions under social control. Government expect substantive income from this.

Government have also under consideration certain proposals like the levy of wealth tax on agricultural lands. All these are complex and require close examination.

Government have also decided to setup a Taxation Committee to advise them on the ways and means to raise resources.

Economy.—This Government have a clear policy about economy measures. The recommendations of the Vellodi Committee are under the active consideration of the Government. Very soon necessary decisions will be taken on these matters.

Agricultural indebtedness.—I have mentioned earlier the relief measures that have been adopted by this government. The Government are now examining what steps could be taken to give relief to the cultivators from their debt liabilities.

Minimum Pension.—Taking into account the rising price level and the difficulties in meeting the cost of living, Government have decided to raise the minimum service pension and pension to aided school teachers to Rs.30. This increase will be given effect to from the first of June.

Before concluding my already lengthy speech I should like to touch upon one or two things.

Loans from the Centre.—I should like to mention about our debt liabilities to the Central Government. Kerala's loan liability to the Centre is estimated to be Rs.155.21 crore as on 31-1-1966. This year under interest alone we have to pay Rs. 8.76 crore to the Centre.

The loans from the Centre are mainly utilised for financing the various projects. These projects begin yielding returns only after some period. At the same time, interest on the loans have to be paid from the date of drawing the loans. There are also cases where the principal and the interest have to be repaid even before projects start yielding returns. In such cases the repayments are made from the normal revenues of the year. For example we get loans for anti-sea erosion works. The aid which the Centre gives to the States should be based on the nature of the scheme and the financial position of the State. To those states, which are economically backward, the grant element should be higher and the loan element less. It is essential to formulate a new policy in this matter. This Government will discuss the matter with the Central Government and arrive at suitable solutions.

Sea-erosion.—Sea-erosion is one of the major problems that face our State. We have about 200 miles of coastline which are subjected to continued encroachments from the sea. It will be almost impossible for any State Government to take up effective protection measures along so long a coastline.

To protect every inch of our country from foreign invasion a defence budget running to crore and crore of rupees is being framed. Whether it is by foreign invasion or by encroachments by the sea, what is lost is Indian soil. Therefore, the Central Government should-view anti-sea erosion on an emergency basis. All the funds that are given to us by the Central Government for anti-sea erosion works should be

given as outright grants. The loans that have been given for this purpose till now should also be treated as grants. In this matter a new policy has to be evolved. This Government will betraying to find out a solution after discussions with the Centre.

Centre State Financial Relations.—It will not be out of place in this context to make a reference to the Centre-State financial relations.

In the changed conditions following the general elections it will be all the more useful to consider the financial relationship.

The State's share of income tax, union excise duties and estate duty is determined on the basis of the recommendation of the Finance Commission appointed under the Article 280 of the Constitution. At the time when the above provision was incorporated in the Constitution, the framers of the Constitution would not have thought about the Five Year Plans and the huge amounts required for Plan expenditure. The grants that are given by the Central Government to the State Governments for the Five Year Plans are treated as discretionary grants under Article 282 of the Constitution. Under Article 274 of the Constitution all matters affecting the finances of a State can be presented before the Parliament only on the recommendation of the President. In effect the recommendation of the President means only the recommendation of the concerned Central ministry. Even if for arguments sake it is conceded that in all important matters the views of the States are sought, it is the opinion of the State Government that there should be a legal provision requiring the Central Government to make consultations on such matters. In the past the Central Government have given assistance to certain States based on certain special considerations. But Kerala did not get similar assistance even when it was sought. This highly partisan attitude has to be depreciated. It is the firm view of this Government that there should be a high powered permanent Finance Commission which would look into the needs of the States with impartiality and determine the transfer of resources from the Union to the States both for Plan and non-Plan purposes. It will be advisable to have a Centre-State Council to consider their recommendations.

Within the short period at our disposal it has not been possible to perform wonders, but what has been done is really some thing to be proud of, and is a matter for gratification.

Sir, I have briefly explained Government's programmes. The success of these programmes is the success of this Government. I am sure that people who put us to power will stand by us.

Before concluding, just a word more. I express my gratitude to the staff of the Finance Department and the Government Press who have laboured hard to prepare the budget.
