



## **BUDGET SPEECH FOR 1971-72**

**SHRI C. ACHUTHAMENON**

*19th March, 1971*

Sir,

I rise to present before this House the Budget Estimates for 1971-72. After the general elections to the Parliament, a new Government is being installed in office at the Centre. The country is looking forward with anxious hopes to the policies and programmes of this new Government. The elections have generated high expectations among the people of India. Let us hope that fundamental and far reaching reforms in the socio-economic structure will be made in the near future to fulfill these expectations. Under the Indian administrative system, there are severe limitations for States in formulating and implementing policies, independent of, and distinct from, those of the Centre. For, the Centre controls all the key sectors of the economic system. Consequently, the States have very little initiative in the matter of raising resources and discharging the responsibilities enjoined on them under the Constitution.

2. Even after two decades of planned development, we have not succeeded in solving the social and economic problems confronting the people. On the other hand, with the growth of population and unemployment, the problems have become more complex and have almost reached explosive dimensions. The economic policies that have been followed till now have dismally failed in effectively curtailing the rising prices. Our economy has landed itself in a vicious circle in which following price increases, wages of workers and office employees have to be raised from time to time, which, in turn, leads to a further spurt in prices. The unorganised sections of the community which do not have the ability and the leadership for collective bargaining are the worst hit in this process. The ordeals silently borne by the unemployed and under-employed can better be imagined. Of late, they are also raising their voice and no Government can turn a deaf ear to the challenge posed by them. Our youth is in ferment. The new generation that has come up since independence

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has its own problems. Born and bred up in an atmosphere of political freedom they naturally resent the barriers of economic dependence which they see around them. And they do forcefully express their resentment.

3. Against this background, it has become imperative to reassess our national policies and evolve new ones. Unless bold and imaginative fiscal measures are taken, it will not be possible to tackle the grave problem of unemployment or remedy the evils of inflation. Towards this end we have to organise public opinion effectively and turn the attention of our policy makers in the Planning Commission and the Central Government. Only if all those who are associated in the various production processes work hard and unremittingly, keeping in view before them the interest of the nation and are at the same time prepared to make small sacrifices, will we be able to develop our national wealth.

4. The State Government has been in the grip of financial difficulties for some time now. Since the Fifth Finance Commission did not make a realistic assessment of the State's requirements, a situation has arisen in which there will be a deficit of Rs. 84 crore in the Revenue Account during the Five Year period 1969-74. When the gap in the capital side is also taken into account, the deficit will increase to Rs. 125 crore. Following repeated representations made by the State Government, the Government of India have agreed to extend financial assistance to cover the Non-Plan gap. But it has not been possible for the Central Government and the State Government to agree on the quantum of this deficit. The gap as calculated by the Planning Commission will be about Rs. 67 crore only during the discussions held in January last with the Planning Commission I strongly urged for a more realistic assessment of the gap. Even if ultimately financial assistance is forthcoming to cover the entire gap, the fact remains that it will be only in the form of loans. The bulk of the deficit is attributable to the inadequacy of the Finance Commission's award. We are getting by way of loans to make up for the inadequacies in the Revenue Account, what we ought to have got as share of Central taxes and Central grants. A new liability has, thus, fallen on us in the matter of interest payment and repayment.

5. Any uncovered gap in the Non-Plan account cannot but have its impact in developmental activities. For financing the Fourth plan the state will have to raise resources of the order of Rs. 83 crore. Out of this, Rs. 50 crore has to be raised by additional taxation. The measures already introduced in this regard in 1969-70 and 1970-71 would fetch only Rs. 18 crore during the Fourth Plan period. It follows

that we have raise another Rs. 32 crore during the next three years by additional taxation. The problem is how to raise additional revenues to this extent without imposing too heavy a burden on the people. The *ad hoc* increase in the emoluments of Government employees and aided school teachers recently sanctioned by Government is a new commitment which involves an expenditure of Rs. 17 crore in the Fourth Plan period. Unless we get Central assistance for this expenditure, there is no doubt that it will cut into the resources available for the Plan. There has been no favourable reaction to our representations to the Centre on this matter. Even if by straining to the utmost we succeed in raising additional resources and implement the Plan on the financial side, the possibility remains that the physical targets of the Plan may still remain unrealised owing to the inflationary conditions of the economy.

6. The liability on account of the repayment of loans received from the Centre from time to time is going up every year. In fact the yearly swelling deficit in the capital account of the State is mainly attributable to this liability. The Fourth Finance Commission had recommended that an expert committee should make a comprehensive study of the States' growing debt liability, particularly the servicing and repayment part of it and its impact on the States finances. But no positive steps seem to have been taken by the Central Government in pursuance of this recommendation. A scheme for consolidating the various type of loans with the repayment liability spread over a longer period so as to give relief to the States has also been under the consideration of the Centre. No measures have, however, been initiated which will give perceptible relief to the States. To safeguard the financial stability of the States something has to be done in this matter immediately. And I hope that the Central Government will bestow serious attention to this problem.

7. There is, thus, a measure of uncertainty about the smooth working of the Plan and the financial stability of the State. For the people, the prospect of a prosperous life still remains a distant goal. To fulfill the promises made to the people, the Central and State Governments particularly the former have to strike new traits and go forward boldly and with determination. As mentioned elsewhere, the key sectors of the economy are under the control and direction of the Central Government. The States have only limited powers and privileges in this respect. No doubt, the Government should get unstinted co-operation from all sections of the people. Let us, therefore, stand together and work in unison, disregarding party or group considerations.

### 8. *Kerala's Economy*

The year 1969-70 was a period of over-all progress in the agricultural economy of the State. Though there was a slight decline in the production of rice, other major crops like coconut, tapioca, arecanut, banana and rubber have registered remarkable increase. The total cropped area increased by 2.2 per cent mainly due to more intensive land use. Increases in production of the principal crops were as follows:

coconut	3%
tapioca	14%
arecanut	3%
pepper	20%
bananas	4%
cashew	3%
rubber	17%

Rice production declined by 2 per cent and tea by 11 per cent.

9. The production of rice which stood at 12.51 lakh tonnes in 1968-69 came down to 12.26 lakh tonnes in 1969-70. Though the virippu and punja crops were comparatively better, there was considerable damage to the mundakan crop owing to untimely rains and floods. But, the food situation was generally satisfactory. Since the distribution of rice through fair price shops continued uninterrupted throughout the year and enough stocks were available in the open market, there were no stresses and strains on the food front. During the period January-December, 1969, 9.05 lakh tonnes of rice was imported into the State. It may also be mentioned that the production of tapioca reached an all time high of 46.7 lakh tonnes.

10. Kerala is one of the leading producers of rubber, contributing about 94 per cent of the rubber produced in the country. In 1969-70, the production of rubber increased by 16.7 per cent. The production of tea declined by 11 per cent. There was also a fall in the area under tea. The decline in the value and the volume of the corporate of this commercial crop to matter of grievance anxiety in view of its impact on the State's economy. It is high time to re-orient our production and export policies relating to tea, especially in the context of the present unfavourable trend in the British market and the competition of countries like Ceylon.

11. For the past few years, fish production has been on the increase. The production has increased from 3.66 lakh tonnes valued at Rs. 13.20 crore in 1968-69 to 3.85 lakh tonnes valued at Rs. 33.26 crore. A special feature of the year's production is the predominance of high priced varieties like prawns.

12. The foreign exports of Kerala stood Rs. 164.5 crore in 1969-70. Compared to the previous year, there was only a nominal increase in the value of exports. Marine products, pepper, rubber products and timber recorded increases while there was fall in the export of cashew, coir and coir products. The export of marine products has been steadily increasing. During 1969-70 about Rs. 26 crore worth of marine products were exported from the State and this was higher by Rs. 5 crore than the previous year's figure.

13. The exports of pepper have been showing a highly erratic trend. There have been unusual variations both in the value and quantity of pepper exported from the State from year to year. It is matter of regret that as one of the biggest producers of pepper, we have not been able to exert a dominant influence in the world market and to secure a stable price trend. During 1969-70, 19,772 tonnes of pepper worth Rs. 16 crore were exported, recording an increase of Rs. 6 crore over the previous year.

14. The export of cashew kernels declined by Rs. 4 crore compared to the previous year. The export to sterling area has been declining while the export to East European countries is increasing.

15. In respect of coir products also, our foreign market is shrinking. Unless appropriate measures are taken to reverse this trend it may not be possible to revitalise the coir industry in the State.

16. Rise in prices continued during 1969-70 also. The average consumer price index (base 1939=100) moved up by 33 points and touched 850 during the year. The price of essential consumer goods like coconut, coconut oil, tea and coffee went up and the year was generally not favourable to the consumer. The price of rice in the open market showed a steadily increasing trend till June, 1970 and declined thereafter. In December 1970, the average price of rice was Rs. 1.43 per Kg. as against Rs. 1.52 per Kg. during the previous year.

**ACCOUNTS 1969-70**

17. The year 1969-70 which was the first year of the Fourth Plan opened with an over draft of Rs. 60 lakh with the Reserve Bank. The budget estimates for that year had provided for a State Plan Outlay of Rs. 40.35 crore. But, the accounts disclose that the outlay had gone up to Rs. 44.79 crore. The resources for the Plan including Central assistance aggregated to Rs. 38.79 crore only. To cover the gap on the Non-Plan side a special accommodation loan of Rs. 17.88 crore was received from the Government of India during the year. The year ended with an overdraft of Rs. 6.56 crore with the Reserve Bank. Taking into account, the cash in treasuries etc., the closing balance of the State was (-) Rs. 5.90 crore.

**Revised Estimates 1970-71**

18. Against an outlay of Rs. 46 crore suggested by the Planning Commission, the budget for 1970-71 has provided for a Plan of Rs. 46.94 crore. According to the Revised Estimate for the year the expenditure on the State Plan is expected to go up to Rs. 50.03 crore. The increase is mainly in sectors like water supply, public works, irrigation, power and education.

19. It is needless to emphasise the importance of supplying pure water to the urban areas which are densely populated. With the limited allocations made in the Annual Plans it may not be possible to solve the problem of water supply in the near future. To secure resources for completing the water supply scheme within a short period, the Government approached the Life Insurance Corporation and the Corporation has agreed to provide funds. Accordingly urban water supply schemes which could be completed within a period of three years beginning from 1970-71 were formulated. The Corporation will provide loans to meet two-thirds of the total outlay of Rs.16.4 crore. A loan of Rs. 2.53 crore was received from the Corporation in 1970-71. As suggested by the Planning Commission, the additional outlay on water supply schemes is treated as Plan expenditure. For a State like Kerala which lags behind in additional resources mobilisation, this was indeed breaking new ground.

20. The Revised Estimate takes credit for a loan of Rs. 15.24 crore to cover the non-Plan gap. Special loans totalling Rs. 5.7 crore were received during the year from the Government of India to close the overdraft outstanding at the beginning of the year. It was also suggested to us that by effecting a saving of Rs.1crore in Plan expenditure, the overdraft should be completely repaid. But, this suggestion has not been practicable as larger investments have had to be made in the vital sectors of irrigation power, etc.

21. Some of the State taxes record a shortfall in the revised estimate, Agricultural income tax shows a downward trend. This is because of the fall in the income of plantation companies which contribute the bulk of the revenue. Following the judgement of the High Court a stalemate has been reached in the collection of tax on goods and passengers. Only by an amendment of the tax laws will it be possible to collect the tax. An increase of Rs. 2 crore is anticipated under sales tax. The proceeds from State excise duties are placed at Rs. 68 lakh higher than the budget estimate.

22. The interest charges are estimated to go up by Rs.1 crore. About Rs. 89 lakh has to be paid to the Government of India as interest on the special accommodation loan of Rs.17.88 crore received last year. Increases of Rs. 69 lakh for grants to private colleges and of Rs. 60 lakh for preparation of text books are also contemplated in the revised estimate.

23. The repayment of central loans is estimated to be higher by Rs. 2.23 crore than in the Budget Estimate.

24. Representation were made to the Government of India to afford large scale assistance for flood relief measures to be instituted in the State this year. A team of officer of the Government of India visited the State and made an on-the-spot assessment of the damages caused by floods. On the basis of the recommendations of this team Central assistance of Rs. 1.78 crore – as loan and Rs. 18 lakh as grant has been taken into account in the Revised Estimate. Accordingly, additional amounts have been sanctioned for repairs to the communication and irrigation systems. An increase of Rs. 1.50 crore is made under these heads in the revised estimate. Besides, for famine relief works a provision of Rs. 47 lakh is included.

25. The year is expected to close with a deficit of Rs. 9.35 crore with the Reserve Bank of India. In other words, the closing balance will be (-) Rs. 8.69 crore.

### **BUDGET ESTIMATE 1971-72**

#### **Revenue**

26. The revenue estimated for 1971-72 is Rs. 165 crore. Out of this, Rs. 33.77 crore represents state's share of central taxes and duties and Rs. 9.93 crore constitutes the grant-in-aid from the Centre under Article 275 of the Constitution. The yield from State taxes is placed at Rs. 74.39 crore which

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exceeds the revised estimate of the current year by Rs. 7 crore. The largest increase is under sales tax from which a yield of Rs. 40 crore is expected in 1971-72. Government propose to amend the laws relating to tax on goods and passengers suitably so as to avoid any shortfall in collections.

27. The grants from the Centre for the State Plan schemes and for centrally sponsored scheme are estimated at Rs. 10.5 crore and Rs. 5.8 crore respectively.

**Expenditure (Non-Plan)**

28. The Non-Plan Expenditure on revenue account is estimated at Rs. 160.60 crore recording an increase of Rs. 11.69 crore over the current year. The ad hoc increase in emoluments recently sanctioned to Government employees is one of the main factors that contribute to the increase in expenditure. Had the demand of the State Government employees to grant interim relief on the same scale as was sanctioned to the Central Government employees been accepted in toto, the additional liability would have been of the order of Rs. 9 crore. It was because this demand could not be accepted that the Government employees went on strike. Under the terms of the settlement reached with them, increase in emoluments involving an additional commitment of Rs. 5.2 crore a year was sanctioned with effect from 1st January, 1971. If this extra commitment is excluded, the budget estimates for 1971-72 record only a four per cent increase over the revised estimate for 1970-71.

**Annual Plan 1971-72**

29. At the discussions with the Planning Commission the State's resources for the annual Plan for 1971-72 were assessed at Rs. 20.75 crore. Besides, Central assistance amounting to Rs. 35 crore will also be available. On the basis that the State Government would raise additional resources of the order of Rs. 5 crore, the Planning Commission has given approval to a Plan outlay of Rs. 60 crore for 1971-72. As against Rs. 40 lakh anticipated from the Reserve Bank for investment in the co-operative sector at the earlier discussions with the Planning Commission an amount of Rs. one crore is now expected. Taking this extra resource also into account the Plan outlay has been increased to Rs. 60.60 crore in the budget estimates for 1971-72.

30. The budgeted outlay for the Plan exceeds the current year's revised estimate by Rs. 10.5 crore. Sector-wise, the increase are, Rs. 3 crore for agricultural programmes, Rs. 1.5 crore for power, Rs. 55 lakh for irrigation,

Rs. 80 lakh for road transport, Rs. 1.26 crore for industries and Rs. 3.5 crore for social services. However, when compared to the requirements in areas like irrigation, public works, education and industries, the allocations are not adequate. If under any of these heads, paucity of funds affects the tempo of activity, steps will be taken at the appropriate time to sanction additional funds.

31. The details of the programmes to be implemented next year are given in the budget documents. I do not propose to deal at length with them. But there are certain problems which have to be highlighted in this connection. One of them is the growing expenditure on salaries. This has cast too heavy a burden on the State with its limited resources potential. Quite recently there has been a further increase under this head. The tax revenues of the State, according to the budget for 1971-72 amount to Rs. 74.39 crore. Tax and non-tax revenues together, are estimated at Rs. 103.32 crore. Against this the expenditure on salaries alone comes to Rs.97.81 crores i.e., a percentage of 95. This implies that for all developmental activities we have to depend on fiscal transfers from the Centre. It is a matter for serious consideration how far such a situation is desirable. Viewed from another land point, about 59 percent of the aggregate revenues of the State including transfers from the Centre is spent on salaries. It was in consideration of this stark reality that Government tried to dissuade the Government employees from pressing their demand for increase in emoluments, though Government were quite aware of the difficulties faced by them in the context of rising prices. The employed sections are undoubtedly in a far better position than the unemployed. For this reason, we have to set certain limits to the allocation of larger amounts for improving the emoluments of the already employed, thereby, cutting into the resources available for employment-oriented schemes designed to give relief to the unemployed. This was the government's stand when the employees decided to strike. Even though the problem has been solved for the time being, it is likely to come up again and again and hence I wish to draw the specific attention of all concerned to this situation.

32. The view is quite often expressed from certain quarters that Government officers are over-staffed and that what should be countered not rise in emoluments but expansion of staff. This does not seem to be true to facts. But this is not to say that strict austerity pervades the staffing pattern of every Government office or that there is no surplus staff anywhere or that there is no scope for effecting economy in this field. It has, however, to be recognised that in recent times the responsibilities of the Government have vastly increased and are increasing every day. The present day Governments have to shoulder many social obligations. It is only natural that

the expansion in the sphere of Government's activity is accompanied by increase in staff. There were quite a few occasions in the past when developmental activity suffered a set-back for want of adequate staff.

33. Moreover, it cannot be forgotten that investment in developmental activities contributes to expansion of employment opportunities. Every economist will now agree that it was the virtual Plan holiday from 1966 that was the main reason for aggravating the problem of unemployment. It is matter of common knowledge that the acute unemployment among engineering graduates, diploma holders, agricultural graduates, graduates in veterinary science etc., is largely attributable to the fall in the tempo of developmental activities.

34. The second problem relates to the Centre-State financial relationship. This subject has been discussed in this House many a time. It is therefore, needless for me to quote facts and figures to explain the background of this problem. Moreover, there seems to exist no difference of opinion in this House on the basic premise that our State did not get its legitimate share from the Centre till now, whether in the location of Central sector projects or in the matter of Central assistance for the State Plans. The building up of the resources potential required to ensure the speedy implementation of our projects and the vigorous pursuit of our developmental efforts would be possible only with the liberal support and sympathetic consideration of the Central Government. Our present plight is indeed unenviable. Kerala is one of the States which earns valuable foreign exchange for the nation as a whole. The foreign exchange earnings are estimated to be Rs. 164.5 crore this year. But are we getting adequate assistance and encouragement even for the sustained development of our export-crops and commodities? Let us take the case of our fish products. All economists who have made a study of the finances and economy of the country and of our State have with once voice affirmed that fisheries constitute a 'gold mine' so far as this State is concerned and that, if developed on modern lines by resorting to deep sea fishing etc., this will be an area that holds our immense potentialities. But, this calls for investment on a massive scale. With the limited resources of the State Government and within the meagre allocations made in the Annual Plans, any substantial progress cannot be achieved in this direction. The question arises why fishery development may not be taken up as a major central sector project in the State. The cashew industry which is important to this State as one giving employment to hundreds of thousands of people is equally important to the Government of India in view of the foreign exchange earned by it. The Central Government should therefore be prepared to extend assistance for a comprehensive scheme for the development of this industry. The same holds good in respect of coir industry too.

35. Kerala does not get its due share in the matter of central assistance also. Our State does not lag behind in exploiting its resources potential. When considering the per capita tax-income ratio i.e. per capita tax expressed as a percentage of per capita income, it is seen that Kerala stands abreast of the richest States in India like Maharashtra and Bengal. The tax-income ratio is 5.20 in respect of Kerala, while it is 4.99 in respect of Maharashtra and 5.58 in respect of Bengal. But, our efforts at raising additional resources do not seem to have been given any weightage either by the Finance Commission while determining its award or by the Planning Commission while deciding on the quantum of Central assistance. On the other hand, it is our serious doubt that the above factor has worked to the disadvantage of the State. This obvious deficiency has to be rectified.

36. Against the above background the State is making almost Herculean efforts in the matter of raising resources. We have been forced to exploit our tax and non-tax revenues even to the saturation point. We have not, however, been able to secure any sizeable amounts from financial institutions. The obvious reason is that we have not made serious efforts in this direction. It is seen that out of the resources made available to the States by the I.F.C, A.F.C., I.C.I.C.I., L.I.C. I.D.B.I., A.R.C., etc to the States our share has been negligible. Out of the total assistance of Rs. 2188.29 crore extended to the States from the above institutions, Kerala received only Rs. 59.18 crore, that is, only about three per cent of the total. The share of each State as a percentage of the total is given in the following table:

<i>State</i>	<i>A.R.C.</i>	<i>I.C.I.C.I</i>	<i>I.F.C.</i>
Andhra Pradesh	14.78	..	7.1
Mysore	12.05	6.1	5.8
Punjab	12.50	..	..
Uttar Pradesh	11.66	..	..
Gujarat	9.21	11.7	6.6
Tamil Nadu	9.48	10.3	14.6
Kerala	2.25	1.0	3.4
Maharashtra	..	36.6	20.0
West Bengal	..	..	12.3

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37. It is only quite recently that we have been able to get a significant amount from the Life Insurance Corporation for water supply schemes. We have also received loans from the A.R.C for certain agricultural programmes and fishery schemes. All this, however, constitutes only a very small portion of the resources that could and should have been secured. Two factors have led to such a situation. First of all, the head offices of the financial institutions are located in Bombay or Delhi and our Government and our officers have not been able to establish close contact with these institutions. Secondly, we have not been able to formulate schemes which satisfy the technical and financial norms laid down by these institutions for assistance. Our past record in these matters has been poor. Government have, therefore, decided to set up a special machinery to overcome the handicaps and pursue vigorous efforts to make up for the shortages of the past. It will be its objectives to establish close and constant liaison with financial institutions, to obtain necessary information and pass them on promptly to our development departments and assist them in the formulation of technically feasible schemes.

38. In this context, we have to bear in mind one important fact. Since the assistance from financial institutions is in the form of loans, the liability for repayment also falls on the recipient. While formulating schemes, it should, therefore, be ensured that they are financially sound and productive of reasonable returns.

39. As the activities of the most of the departments of Government have been dealt with by the Governor in his address to this House, it will be superfluous to repeat them here. I, therefore, confine myself to only some of the points which have not figured in the Governor's address.

40. A provision of Rs. 5.25 crore is included in the budget for major irrigation projects. Owing to paucity of funds it has not been possible to accelerate the work at the desired pace. At the present rate, it is quite likely that the six projects – Pamba, Kallada, Kuttiadi, Chitturpuzha, Kanjirapuzha and Pazhassi may heavily spill over to the next Plan. If the allotments made in the budget are fully spent before the year is over and there is decline in the tempo of activity, additional funds will be made available.

41. For minor irrigation there is a provision of Rs. 2.87 crore. Besides completing some of the existing schemes it is proposed to take up a few new schemes.

42. The possibility of securing assistance from the World Bank for some of the major irrigation projects is being explored. During this month (March) a World Bank team visited the State. After a preliminary study of the working of the irrigation projects, the team has taken up Pazhassi, Kuttiadi, Kanjirapuzha and Pamba projects for a more critical scrutiny.

43. To secure greater efficiency in the execution of works, certain changes have been made in the set up of the Public Works Department recently. A separate Chief Engineer has been appointed to be in charge of the works relating to National Highway. If the National Highway has to be widened to 100 ft. to reach the standards approved by the Central Government, works will have to be carried out almost throughout the entire length. Five major bridges and 25 minor bridges have also to be newly constructed.

44. Government propose to fix norms for all types of works carried out by the Public Works Department. Perhaps, based on a rational workload, a thorough reorganisation of the department may have to be attempted. A token provision is included in the budget for this purpose.

45. A provision of Rs. 3.65 crore is included in the budget for roads and bridges and Rs. 5.6 crore for construction of buildings. Considering the order of investment required to clear the backlog in respect of school buildings, office buildings, residential quarters for policemen and other employees etc. the inadequacy of the budgeted allotments will be abundantly clear. Moreover, owing to the escalation of prices, construction costs are also going up. I would state that in such a situation our engineers should bestow serious thought as to how the scanty resources available can be effectively utilised. They should take the initiative in re-examining the present methods of construction and bringing about the strictest economy possible in expenditure. A proposal to constitute a Construction Corporation is also under the consideration of Government.

46. The most important event in recent times in the sphere of University Education has been the decision to start a new University at Cochin. During the past few years there has been abnormal increase in the number of colleges in the State. If the University is to discharge its responsibility in ensuring the maintenance of high standards of education, the number of colleges under its control and supervision should be limited. The object of setting up the new University is, therefore, to bring down the number of colleges and students to a manageable limit, to raise standards of instruction, and tone up research.

47. Following complaints that the teaching staff of the Government colleges have a comparatively higher workload than their counterparts in private colleges, Government have examined this question and decided to re-fix the work load of the former with reference to the norms prescribed by the University. To implement this decision from next year a provision of Rs. 5.6 lakh is included in the budget.

48. The scales of pay applicable to Government college teachers have been extended to private college teachers. This is a measure which involves an extra commitment of half a crore of rupees. At present Government do not have any effective control over private colleges either in the matter of starting new courses or appointing additional staff; at the same time the consequential additional expenditure falls on the State Government. It is necessary to check the abnormal growth in the expenditure relating to private colleges. I hope that the University and all concerned will bestow their attention on this matter. Government have yet to take decisions on the "Padmakumar Report" dealing with unification of fees, direct payment of salaries, changes in the procedure for paying grants etc. Government wish to take early decisions on all these issues after holding discussions with the representative of all parties involved.

49. In the field of technical education, the accent is on improving quality and toning up research. It is proposed to reorganise diploma courses and a committee has been formed to suggest diversification of the courses. Postgraduate courses in certain subjects are proposed to be started in the Engineering College, Trichur. Moreover, to enable the diploma holders in the profession to secure engineering degree, a part-time degree course has also been started in this college.

50. With the discontinuance of central assistance for the Regional Engineering College from 1971-72, the State Government's commitment in regard to this institution will increase. The Central Government have been moved to reconsider their stand.

51. To conduct higher studies in economic development and planning it is proposed to set-up an Advanced Centre at Trivandrum as an autonomous body. This Centre will advise the State Government in the formulation of policies relating to the Five Year Plans and their implementation. The Centre will also be equipped to undertake ad hoc studies and consulting services on behalf of Government enterprises and private industries. Government hope to secure the services of many leading economists and social scientists for this organisation.

52. In the field of school education, efforts to revise the syllabus with special accent on teaching of science are being continued. The Deva Gowda Committee which was set-up to enquire into the working hours, vacation time and other allied matters concerning teacher has submitted its report. Government have not yet taken a decision on the report. Government propose to consult the representatives of teachers' associations and pass appropriate orders. The re-organisation of the Education Department, the conversion of part-time posts of teachers into full time ones, abolition of shift system etc., are also under the consideration of Government.

53. A larger allocation is made in the budget for cultural programmes.

54. Availability of power at cheap rates is an essential pre-requisite for industrial development. But, any concessions in this regard can only be given for a limited period of time. Twelve major industries in the State have been getting power supply on the basis of prior agreements at rates far below cost of production. On this score, the State Electricity Board loses nearly a crore of rupees every year. Government propose to conduct direct negotiations with the managements of these companies to ascertain to what extent the rates can be increased in their cases without detriment to their functional efficiency. In cases in which the rates so fixed are below the normal tariff fixed by the Board, Government would consider making good the difference to the Board. Government are also considering how best to help the industries in the State other than the twelve concerns mentioned above, particularly the medium and small scale industries.

55. Government have accepted with slight modifications the recommendations of the "Incentives Committee" which was set-up to study the problems of small scale industries and report on the types of incentives to be given to them. Accordingly, in the case of small scale industries started after 1st April, 1971, and also in respect of expansion schemes of the existing units taken up after that date, the sales tax payable by them can be retained for a period of five years for plough-back to its working funds. This will be treated as an interest-free loan. The amount should be remitted without interest from the sixth year onwards. Again, documents executed by small scale industrialists to the Kerala Finance Corporation will be exempted from levy of stamp duty.

56. There are several factories in the public sector in Kerala. With the emergence of the Cashew Development Corporation, this sector is poised for rapid expansion. There can be no doubt that in the present socio-economic conditions

the expansion of the public sector will be quite a desirable trend. But, it is a common complaint that the working of the public sector industries is not satisfactory. The fact that there is considerable truth in this complaint has to be recognised. Severe criticisms have been made about the working of the public sector concerns by the Committees on Public Undertakings of the Parliament as well as of the State Legislature. Government propose to adopt certain new measures to improve the state of affairs of the public sector companies. There is also a proposal in hand to organise a Bureau of Public Enterprises in Kerala as under the Government of India.

57. It is the considered view of the Government that a lasting solution to the present undesirable state of affairs lies in giving adequate participation to the employees in the management of the industries, so as to instill in them a sense of responsibility and a healthy concern about the future interests of the undertakings. Government are now considering in what form and manner such participation should be given. Even at present workers' representatives are given membership in the Boards of Directors of Public Sector Companies. But, there is a complaint that the nominees to the Boards are not often the real representatives of the workers. The question of giving membership in the Boards to elected representatives of workers is under consideration. Government also wish to redesign the share capital structure of such companies so as to make the workers shareholders entitled to dividends. A scheme for bringing about this desirable change will be formulated.

58. Government have received the report of the Committee on Unemployment which after considering the various aspects of the problem have suggested certain urgent relief measures. The details of the recommendations of the Committee have been mentioned in the Governor's address to this House. It is hoped that the finances required for implementing the schemes will be forthcoming from the Central Government, and from various financial agencies. Government will be implementing the schemes suggested by the Committee according to availability of resources. A crash programme for relieving unemployment in the rural parts of the State, which has been drawn up by the Central Government is also under our consideration. For implementing this programme Central assistance will be forthcoming for a period of three years as Rs. 1.25 crore a year. The programme envisages additional employment opportunities for a minimum of 1000 people in each district. Accordingly instructions have been given to the Collectors to select the schemes which have to be implemented in each district. It is hoped that the programme can be started during the month of April itself.

59. There is no doubt that unemployment is the gravest problem in our State. The problem does not also lend itself to any quick remedies. Nothing short of a multi-pronged attack will have any perceptible impact on it. Government have no illusions that the employment opportunities provided by Government institutions and public sector undertakings will fully solve the problem. Along with accelerating development works in the Government and public sectors, Government intend to encourage our educated young men particularly those with technical qualifications and skill to organise themselves and start industries on their own. Mention has to be made here about the Kerala State Engineering Technicians (Workshop) Industrial Co-operative Society Limited, Trivandrum. This society has been able to raise a share capital of Rs. 5.2 lakh from its 660 members and give employment to 203 members in its four units. Many similar Co-operative Societies are coming into the field. The prospect of forming more such societies is also there. Government have decided to assist these societies by making direct investments in them as well as by standing guarantee to banks and other financial institutions for raising loans. It is a matter of extreme gratification that a chain of such industrial societies is going to be built up in the State.

60. The above scheme is proposed to be extended among medical graduates also. Government have under consideration a proposal to accord initial financial assistance to medical graduates who set-up practice in the remote areas of the State where medical facilities are few and far between. Government also intend to render financial assistance to doctors to set-up Co-operative medical institutions. A token provision is made in the budget for this purpose.

61. Steps have been taken to run the transport services efficiently. During the last few months greater attention is paid on improving the existing schedules. The extension of the services to new routes will be taken up thereafter. Seventeen express services have been recently introduced. If their working is found to be satisfactory, more express services will be introduced.

62. Nationalisation of road transport is making gradual headway. In the coming year 200 new chassis will be purchased. More inter-state routes will be operated in consultation with other State Governments. Recently there has been satisfactory improvement in the relationship between the Corporation and its employees.

63. Government will invest a sum of Rs. 140 lakh in the Corporation for financing the next year's programmes. It is expected that besides the normal contribution of Rs. 70 lakh due for next year, arrears of contribution of Rs. 50 lakh relating to previous years will be received from the Railways. For the last few years the Corporation has been facing continuous losses. This is a situation which has to be set right. There is a proposal under consideration to increase fares so as to improve the revenues of the Corporation.

64. The engineering and traffic survey for converting the Trivandrum-Ernakulam railway line into broad-gauge has been completed and the report has been submitted to Railway Board. It is understood that this report is very favourable. We have moved the Railway Minister to take immediate steps on the basis of this report. The Survey for the Trivandrum-Nagercoil-Tirunelveli line is also going on. The field work in respect of the survey for a coastal railway line from Ernakulam to Kayamkulam via Alleppey has also begun. The work relating to doubling of the track from Ernakulam to Alwaye has also started.

65. A programme has been drawn up for electrifying all villages yet to be electrified, within a period of three years. Applications for about 15000 connections are now pending and it is hoped to complete this work within three months. It is expected that next year about 75000 new connections could be given. It is also hoped that the Kuttiadi Project will be commissioned next year and with its commissioning the voltage conditions in Malabar area will improve. Though owing to scarcity of steel there have been set backs in the electrification programme, off and on, it is hoped that this would gain momentum in the future.

66. A survey of forest resources with special emphasis on raw materials for industries is being undertaken in the State. It is expected that the Survey will be completed within a year. Based on the survey report, steps will be taken to plant new varieties of trees which could feed industries like newsprint, paper pulp, timber etc. About 15000 acres of forest land have been cleared for distribution among the landless. It is possible to distribute the land within a period of two months.

67. The assistance given under the Harijan Housing Scheme has been raised from Rs. 1,500 per house to Rs. 2,000. Necessary changes have been made in the relevant rules, making the Kudikidappukars also eligible for the assistance.

68. Immediate steps are proposed to be taken to provide electricity and water in Harijan colonies and also in areas where there is a concentration of Harijans. A Special Officer will be appointed to prepare a project report for the proposed Harijan Finance Corporation with the object of attracting Harijans to industrial ventures.

69. Effective steps will be taken to correct the present imbalances in providing adequate representation to Harijans in the services.

70. With the advent of the Housing Board, it is hoped that housing activities in the State will gain a new tempo and a sense of urgency. A comprehensive housing programme for agricultural labourers and other weaker sections like Harijans is being drawn up. The scheme is to employ new techniques of construction at low cost and to build houses which are strong and durable, the cost of which will be within a range of Rs. 2,000 to Rs. 2,500 per house. It is hoped to construct 10000 such houses during the coming year. A separate Corporation will be set up for this purpose.

71. The Kuttanad Development Authority about which mention was made in the budget of 1970-71 could not come into existence so far. The necessary legislation has now been drafted. It is hoped that it will be possible to pass the Bill without further delay so that the Authority can start functioning during 1971-72.

### **Ways and Means**

72. The budget estimate presented to the House disclose a revenue deficit of Rs. 16.26 crore. The net expenditure under Capital heads and under loans and advances is estimated to be Rs. 36.22 crore. A provision of Rs. 26.59 crore is made for repayment of loans received in the past from the Central Government and from other sources. Further a public loan of Rs. 4.47 crore is maturing for repayment next year. For financing the Plan a new public loan of Rs. 8 crore is proposed to be raised. The State's share of small savings collections is estimated at Rs. 2 crore. Loans from the Centre totalling Rs. 28.48 crore are expected for financing the Plan and for other schemes. Besides the Life Insurance Corporation will provide Rs. 5.55 crore and the Reserve Bank Rs. 1 crore. The net deposits under Unfunded Debt are estimated at Rs. 5.12 crore. Credit is also taken for a special accommodation loan of Rs. 13.17

crore from the Government of India towards the Non-Plan deficit. A summary of the financial transactions envisaged in the budget is given below:—

(Rs. in crore)

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Revenue deficit	(-)16.26
Capital expenditure	(-)34.38
Loans and Advances	(-) 1.84
Debt and Deposit heads	(+)36.32
Opening balance	(-) 8.69
Closing balance	(-)24.85

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The year is thus expected to close with a minus cash balance of Rs. 24.85 crore.

#### **Additional Resources Mobilisation**

73. While approving the State's Annual Plan, the Planning Commission had taken into account the additional resources likely to be raised by the State. Accordingly Government propose to raise additional resources by introducing the following measures.

##### *74. (i) Land Tax*

At present holdings below 2 acres are exempted from land taxation. In the conditions prevailing in the State those who possess at least some land are certainly in a better position when compared to the landless people. There is therefore no justification in exempting any holdings. Government propose to remove the existing exemption in respect of holdings below 2 acres. An additional revenue of Rs. 50 lakh is estimated by this measure.

##### *(ii) Plantation Tax*

75. The minimum extent of holdings on which plantation tax is leviable will be reduced from two hectares to one hectare. Accordingly only the first hectare of plantations held by a person will be exempt from tax. For purpose of levying the tax,

the extent of plantations is determined with reference to the prescribed number of trees in the area. It is proposed to revise these norms as follows:—

<i>Plantation</i>	<i>Norms for determining a hectare</i>	
	<i>Existing</i>	<i>Proposed</i>
Coconut (number of bearing trees)	200	150
Arecanut (number of bearing trees)	1500	1200
Rubber (number of yielding plants)	450	400
Coffee (number of yielding plants)	1500	1200
Pepper (number of yielding vines)	1000	750

Moreover it is proposed to take steps to intensify the collection of this tax. An additional revenue of Rs. 50 lakh is anticipated from plantation tax as a result of all the above measures.

*(iii) Tax on non-agricultural lands in urban areas*

76. A proposal to levy a special tax at a higher rate on urban lands used for agricultural purposes in lieu of land tax was announced in the budget for 1967-68 by the then Government. Though the connected Bill was presented to the Legislature, the proposal was not pursued. It is a fact that urban lands appreciate in value day by day. This is not due to the efforts made by the landowners. On the other and the sizeable investments made by Government and the public-private sectors in these areas in building up roads, schools, hospitals, water supply schemes, commercial institutions, industrial concerns etc. have led to the phenomenal increase in land values. It is only reasonable at the landholders in urban areas where land value has gone up without their conscious efforts are made to pay land tax at a higher rate.

Government therefore propose to levy a tax on urban lands put to non agricultural use in the following manner.

<i>Locality</i>	<i>Rate per sq. metre per year</i>	
	<i>Lands used for commercial and industrial purposes</i>	<i>Lands used for other purposes (including residential purpose) in specially notified areas only</i>
1. Within the limits of Cochin Corporation	6p.	6p
2. Within the limit of the Corporation of Trivandrum and Kozhikode and the Municipalities of Trichur, Alwaye, Quilon, Kottayam, Alleppey, Palghat and Cannanore	5p	5p
3. Within the municipal limits of Perumbavoor, Irinjalakuda, Kunnankulam, Tellicherry, Changanacherry and Kayamkulam	4p	4p
4. Within the limits of other municipalities	2 ½ p	2 ½ p

The above tax will be levied in substitution of the existing land tax. This will fetch an additional revenue of Rs.1crore.

*iv) Sales Tax*

77. The hotel owners have made representations for complete exemption of cooked food from sales tax or alternatively for the adoption of the system of compounding the tax in the case of all hotels. Government have carefully considered this matter. There is no justification to completely exempt hotels and restaurants from the purview of sale taxation. On the contrary, there is a case for raising the rate of sales tax applicable to hotels with higher turnovers. But certain concessions are called for in the case of the smaller hotels. The decisions taken by Government

in this matter will be given effect to as soon as the amendments to the tax laws are finalised. Accordingly the minimum taxable turnover will be raised from Rs. 20,000 to Rs. 30,000 in the case of hotels, restaurants etc. Provision will be made for compounding the tax payable on turnover ranging from Rs. 30,000 to Rs. 1,00,000 at different slabs. Turnovers from Rs. 1,00,000 to Rs. 2,00,000 will be taxed at 4 per cent while turnovers of Rs. 2,00,000 and above will be taxed at 5 per cent:-

78. Simultaneously Government have also decided to raise the minimum taxable turnover in respect of general sales tax from Rs. 10,000 to Rs. 15,000.

*(v) Provident Fund Subscription*

79. Government employees and aided school teachers have to contribute to the Provident Fund at a minimum rate of 8 per cent of their basic pay. Government propose to raise the minimum rate of subscription to 10 per cent. There need be no reluctance on the part of the employees in contributing larger amounts to this compulsory saving scheme which contains liberal provisions for temporary withdrawals to meet the domestic and other requirements of the subscribers from time to time. A net increase of Rs.1 crore in deposits under Provident Fund is anticipated on account of the proposed change in the minimum rate.

80. Thus measures yielding in all Rs. 3 crore are proposed to be introduced. Besides, the tax on buildings and the cess on properties and buildings announced in the last year's budget will also be introduced soon. Certain items of expenditure will be subjected to a critical scrutiny with a view to find out how far savings could be effected. Taking into account, the yield from the additional measures mentioned above, it is estimated that the coming year will end with a cash balance of (-) Rs. 21.85 crore.

81. This budget has been framed under sever constraints of financial resources. The limitations within which Government have to function will be clear from the fact that after taking into account special accommodation loans totaling about Rs. 52 crore during the three year period 1969-72, the State will have an accumulated deficit of about Rs. 22 crore at the close of the coming year. Efforts will, therefore, be made to secure greater central assistance both for implementing the Plans and for meeting the growing expenditure of the State Government. A solution to the immediate problems facing the State's economy cannot be found by the investments contemplated in the Fourth Plan alone. If the developmental

process as in at least the vital sectors have to continue with unabated vigour and tempo, resources of a substantially higher order will have to be located. Concrete steps towards this end are being taken. Special attention will also be bestowed in drawing up and implementing schemes designed to afford immediate relief to the problem of unemployment and to increase employment opportunities. With an earnest appeal for unreserved support from all sections of this House to Government's policies and programmes, I submit the budget estimates for the acceptance of this House. As there will not be time enough to complete the discussions on the budget before 31st March, a Vote on Account for meeting the expenditure for a period of four months is being sought from this House.