



## **BUDGET SPEECH FOR 1996-97**

**C.V. PADMARAJAN**

*8<sup>th</sup> March 1996*

*Sir,*

I rise to present the Interim Budget for 1996-97 and the Revised Estimates for 1995-96.

2. Since the General Elections are round the corner, I am announcing no new schemes, no new concessions and no new taxes in the Budget in keeping with the highest standards of Parliamentary democracy.

3. In his address to the House, the Governor has described in detail the various programmes implemented by the Government and our achievements. As far as possible, I shall endeavour not to repeat them in my speech.

4. Five years ago, the people entrusted the Congress at the Centre and the United Democratic Front in Kerala with the task of governing the country and the State respectively. Our economy was then on the verge of collapse. Uncontrolled inflation, steeply declining export earnings and foreign exchange resources adequate only to finance two weeks' imports this was the situation that prevailed then. Today, five years later I would express, in all humility, my pride at being able to present before the people a new picture of resurgent India, a country that believes in itself, a country that looks to the future with confidence and hope. The last five years have witnessed phenomenal changes in the thrust and strategy of national economic policy. These changes have been brought about by a series of bold decisions. They included the elimination of industrial licensing controls, greater role for the private sector in the growth process of the country, streamlining the functioning of public sector undertakings so that they became more productive and efficient and, above all, much greater emphasis on infrastructure development.

5. The decision of the Government headed by Shri. Narasimha Rao to invite private participation in infrastructure development was an epoch-making one. As a consequence, the foundation was laid for rapid expansion of power generation, the establishment of telecommunication facilities on par with the most advanced nations, the construction of new national highways with private participation and the strengthening of ports in all parts of the country. As a result, the GDP growth rate, which had fallen to

0.8 per cent in 1991-92, has risen to 6.2 per cent in 1995-96. The rate of growth of industrial production is expected to touch over 10 percent during 1995-96 following a growth rate of 8.6 per cent in 1994-95. Employment generation has been averaging over 6.3 million per year during the years 1992-93 to 1994-95. The rate of growth of electricity generated has gone up from 4.9 percent in 1992-93 to 9.1 per cent in 1995-96. Food grains production is expected to touch last year's record levels during the current year. Agricultural production has been showing a growth rate of around 4 per cent since 1992-93. Export growth rate has shown remarkable buoyancy and is expected to touch 29.6 per cent during 1995-96. We have built up a huge foreign exchange reserve which lends strength and vitality to the entire economic structure of the country. Perhaps the most significant development has been the success of the Rao Government in controlling the rate of inflation. In the words of Dr. Manmohan Singh, "The annual rate of inflation was as high as 17 per cent in August 1991. It has been brought below 5 per cent in February 1996, the lowest level since 1988."

6. These far reaching changes were combined with massive increases in outlays for poverty alleviation and rural development. To quote Dr. Manmohan Singh, "As I have already mentioned, our strategy of reform accorded the highest priority to improve the living standards of the poor. We have pursued a three pronged approach of promoting rapid broad-based employment generating growth, broadening and deepening special programmes for poverty alleviation and employment generation and giving a strong thrust to programmes for social sectors and social security". As a result, the proportion of people below the poverty line has declined from above 25 per cent in 1987-88 to below 19 per cent in 1993-94. The average real wage for unskilled agricultural labour which had fallen by 6 percent in the crisis year of 1991-92 has risen steadily thereafter at an annual rate of 5 per cent in each of the next three years. During the period 1992-93 to 1995-96 the Central Plan budget allocation for rural development increased by about 150 per cent, for education by over 90 per cent, for elementary education by nearly 130 per cent and for health by over 120 per cent. Several new programmes such as the Employment Assurance Scheme, Prime Minister's Rozgar Yojana, National Social Assistance Programme, Mid Day Meal Programme, Indira Awas Yojana and the Group Life Insurance Scheme have been commenced. A Rural Infrastructure Development Fund has been established in NABARD with a corpus of Rs. 2000 crore.

7. The Kerala Government's policy for development has been largely in consonance with national policy. The long term growth and prosperity of the State was given the highest priority. Accordingly, emphasis was given to the development of infrastructure and to measures designed to improve production, productivity and incomes of the people. This was backed by higher investment in social support services like education and health. To protect the common man and the weaker sections of society, various new welfare measures were introduced. A sustained effort was made to improve the quality of administration. And, in order to make the achievement of all these objectives possible, the State Government continuously strived to build the finances of the State to ensure its financial stability.

8. In the agricultural sector, the thrust of Government policy has been to increase productivity and to bring down cost of production. At the same time Government endeavoured to provide a package of welfare measures for the cultivators. Emphasis was also given to co-operative effort involving groups of farmers. A range of new schemes was started. These included schemes to subsidise investments on infrastructural support for paddy cultivation to an extent of 85 per cent, strengthening the Group Farming Samithies by providing them with agricultural implements, the revival of the Kole Land Development Project, a comprehensive Coconut Development Project with an outlay of Rs. 215 crore, formulation of a project for commencing a technology mission for pepper with assistance from Government of India, implementation of the Kerala Horticultural Project from 1992 onwards, and a comprehensive insurance scheme for major groups. Research effort in the agricultural sector has been strengthened following the decision to establish three new colleges under the Kerala Agricultural University. Schemes for recognising efficient farmers and for encouraging women farmers have been started. Paddy growers were exempted from electricity tariff with effect from 1<sup>st</sup> August 1995. These efforts have begun to show significant results. The most striking example is in the case of coconut, the production of which touched a peak of 5303 million nuts with a record productivity level of 5888 nuts per hectare during 1994-95. Commercial crops in general, recorded impressive increases in production. The same policy of increasing productivity and promoting cost effectiveness was followed in the field of animal husbandry and dairy development also. As a consequence, milk production increased from 16.9 lakh tonnes in 1991 to 22.46 lakh tonnes in 1995-96. During the same period, egg production increased from 1550 million to 1991 million and meat production from 1.17 lakh metric tonnes to 1.38 lakh metric tonnes.

9. The achievements in rural development during the term of this Government have been noteworthy. The thrust areas of poverty alleviation, rural employment generation and women and child development received particular attention through such programmes as IRDP, DWCRA and JRY all of which have achieved more than the targets set for the State.

10. The Fisheries Development and Management Policy was announced by Government in 1994 for the first time anywhere in the country. The objective is to increase production in the marine, inland and brackish water sectors and to ensure steady growth in the incomes and living standards of traditional fishermen. To improve production, three new prawn hatcheries were started and scientific aquaculture technology was popularised through ADAK. Outboard engines in large numbers were distributed to traditional fishermen. NCDC phase III project was implemented with 100 per cent achievement and an Integrated Fisheries Development Project with a project outlay of Rs. 210 crore was formulated. Five major fishing harbour projects at Thankassery, Kayamkulam, Munambam, Mopla Bay and Chombal were taken up and Pudiappa Fishing Harbour was commissioned. A massive project for social infrastructure facilities in fishing villages was finalised and a nylon net factory was established in Kochi with Japanese assistance. The number of fishermen enrolled in co-operatives increased from 50,000 to 1.6 lakh.

11. Considering the importance of forests in maintaining ecological balance, Government have taken various measures to arrest encroachment and poaching. These

measures include the amendment of the Kerala Forest Act to give more stringent punishment to the offenders, intensification of forest vigilance and effective programmes to arrest forest fires. Programmes have also been implemented for regeneration of forest areas and for involving the public in forestry development.

12. In the industrial sector, Government realised early that significant industrial activity can be expected only through the creation of suitable industrial infrastructure. Technopark and the Kerala Industrial Infrastructure Development Corporation have contributed to the growth of industrial infrastructure. A number of new Industrial Parks and Estates are in the process of development. The Kerala Industrial Infrastructure Development Corporation has formed a joint venture with ICICI Ltd., for identification, structuring and promotion of infrastructure projects in the State. A new thrust was given to the development of small scale industry and an Intensive Industrialisation Programme was launched. During the last 5 years as many as 63785 new small scale industrial units were set up in the State.

13. Public Sector Industrial Units were monitored and carefully nurtured with the assistance of the Public Sector Restructuring and Internal Audit Board, with the result that they have collectively now begun to make net surpluses. Emphasis was given also to traditional industries and significant change has taken place in the Handloom, Coir and Khadi Sectors. The introduction of new coir spinning machines, the implementation of the Integrated Coir Development Programme, the removal of controls on husk movement and the popularization of “Coir Ret” and “Pith Plus” have led to phenomenal growth of the industry and of coir exports. A Group Insurance Scheme for Coir Workers is under the active Consideration of Government. There has been enormous increase in sanctions, disbursements and recovery, both of KSIDC and KFC.

14. There can be no self-sustained growth of industry unless the Power sector is fully streamlined. Great emphasis has therefore been given to Power generation. In addition to the ongoing Hydel schemes, the construction of the first major diesel power plant in Kerala at Brahmapuram is progressing rapidly. Action has also been taken for the implementation of 57 small/mini Hidel schemes through private participation. In order to meet the immediate requirements of power, Government have decided to establish 25 mini thermal projects in the private sector through KSEB and KSIDC. The State has taken steps to encourage private sector investment in thermal power plants in the State. Power Purchase Agreements have been signed with three Independent Power Producers with a capacity of 1360MW and a decision has been taken to sign agreements with six more producers with a capacity of 2630 MW. Necessary seeps have also been taken to exploit non-conventional sources of energy. Memoranda of Understanding have been signed with private entrepreneurs for establishing wind-farms in the State. Improvement to the distribution system is also planned on an emergency basis, particularly in the Malabar area. The 220 KV sub-stations at Palakkad, Kannur and Kozhikode are progressing, as also the sub-station at Brahmapuram and Kasaragode with World Bank aid through the Power Finance Corporation. In addition to the renovation and modernisation of existing generating stations, work on the modernisation of load despatch stations and communication systems is progressing. A number of transmission lines and sub-stations have been completed and the capacity of existing ones enhanced.

15. Another important achievement of this Ministry has been the progress achieved in the matter of setting up the Southern Gas Grid. It was at our initiative that a meeting of Chief Ministers of Southern States was held at Thiruvananthapuram in 1993 to discuss the issue. The KSIDC was appointed as nodal agency for preparing a project with funding from all the Southern States. The project report is now ready, and it has been decided by the Southern States jointly that it will be presented to the Government of India shortly. The economies of the Southern States will be transformed if and when the Southern Gas Grid becomes a reality.

16. Attention was also focussed on the development of transport infrastructure. The most significant development in the transport field has been the action taken to set up two new airports of international standards with finances from Government, public sector undertakings and through mobilisation of resources from the market. Work on setting up a new airport at Kochi and for development of the airport at Kozhikode has already reached an advanced stage. The development of Thiruvananthapuram Airport has been taken up by the International Airport Authority of India.

17. The completion of Konkan Railway will speed up travel along the west coast to Bombay. The Mangalore-Shoranur line is being doubled and the work of doubling the Kollam-Thiruvananthapuram sector is fast progressing while the doubling of Kollam-Kayamkulam line has already been completed. The electrification of Erode-Ernakulam line will be completed in about two years and the conversion of Kollam-Shenkotta metre gauge is included in the first phase of the action plan of the Railways. Survey of the Kottayam-Sabari-Thiruvananthapuram line is in an advanced stage. In respect of water ways, the State Government has succeeded in getting the Kottapuram-Kollam section of the west coast canal including the Udyogamandal canal and Chambakkara canal declared as National Water Way III by the Government of India. Jetties and being constructed as 341 places on inland water ways. KSRTC has become operationally viable on a cash basis. All the parameters relating to the working of KSRTC have been showing consistent improvement.

18. The development of ports will have a significant impact on the future growth of Kerala. Vizhinjam port has already been declared a Customs Port, and a big scheme for development of the port has been taken up with private participation. Development plans for Alappuzha, Beypore and Azheekkal ports have been prepared and private participation is being sought for speedy implementation. Using our own limited resources, efforts have been made to improve facilities at all minor ports.

19. The network of roads and bridges plays a major role in speedy transport of goods and passengers, so essential for pushing up the rate of growth of the economy. During the last five years almost all the roads have been repaired and rendered fit for transport. Many old bridges have been rebuilt. 10 roads were declared as State Highways and work has started in respect some of them. Work has commenced on 74 bridges and 15 major District roads are to be declared as State Highways soon.

20. The role of irrigation in increasing production and productivity of crops needs no emphasis. As part of the strategy in the Eighth Five Year Plan allocation of resources for irrigation projects was prioritised based on a time-bound action plan for completion. By and large the State could adhere to this policy. In addition to four major irrigation

projects and 2400 small and medium irrigation schemes, a number of innovative programmes have been implemented with the active participation of farmers. Some of the new programmes have become models for the country. Some of the major schemes implemented in the State are funded by external agencies such as EEC. The World Bank aided National Hydrology Project has been sanctioned. Financial assistance to the extent of Rs. 99.72 crore has been sanctioned by NABARD from the Rural Infrastructure Development Fund to complete various on-going projects in irrigation and agriculture. The first stage envisaged in the State Water Policy will be completed by 1996-97.

21. Tourism Development is one of the major thrust areas of Government. Considerable effort has been expended during the last five years in developing tourism as one of Kerala's most important economic activities. A multi-prolonged strategy expansion of tourism is under implementation. Promotional and publicity programmes have been launched, and Kerala has been regularly participating in major tourism and travel events such as the World Travel Mart in London, International Tourism Bourse in Berlin, Asia Travel Market in Singapore, and in various travel trade fairs and festivals within India. At the same time, emphasis is given to development of tourism infrastructure. Areas of high potential, such as Bakel in the North, Kumarakom in Central Kerala, and Veli-Akkulam and Varkala in Southern Kerala have been selected for intensive development. The private sector is encouraged to invest in the tourism sector and constant liaison is maintained with leading players in the field. As a result of these efforts, the number of both foreign and domestic tourists has increased manifold. The landing of the first chartered flight from Gatwick (U.K.) at Thiruvananthapuram airport on 23.10.1995 was a milestone in the history of tourism in Kerala. There are now two chartered flights landing in Thiruvananthapuram every week.

22. The creation of a solid foundation for growth and the expansion of economic activity witnessed in all sectors was accompanied also by dramatic improvements in the industrial relations scene. It is universally recognised by industrialists in the State that industrial relations problems are now well under control. The number of working factories in the State has increased. Some important industrial units, which had closed down, such as Madura Coats Ltd. and Premier Tyres have resumed work. Steps have been initiated to revise minimum wages in some labour intensive activities in the State.

23. There is thus no doubt whatsoever that the State has achieved take off in the process of economic growth during the last five years. As a consequence of the various measures initiated by the State Government, a growth rate in Gross Domestic Product of 6.4 per cent was achieved in the first three years of the Plan. The virtual stagnation of the state economy witnessed at the beginning of the Eighth Five Year Plan is now a thing of the past. Also indicative of the growth and diversification of the economy is the structural change in the contribution of the primary and secondary sectors to the Gross Domestic Product. Another indicator of the growth and diversification of the State economy is the credit-deposit ratio. Many times in the past, expressions of concern have been expressed in this House regarding the decline in the Credit-Deposit Ratio-Taking note of our views, the Reserve Bank of India had appointed a committee, consisting of bank and Government officials to recommend measures for reversing this trend. I am now happy to report to this House that the credit deposit ratio has begun to show a swing

in favour of the State, and that it has gone up from an all time low of 40.9 per cent in September, 1994 to 45.5 per cent in September, 1995.

24. Another significant achievement of this Ministry has been the increasing exposure of Kerala to the global economy. Kerala is well-positioned globally on the trade route between the West and the East. Exports, export-oriented industries and tourism will have to be the major engines for the growth of Kerala. We have succeeded in, attracting foreign interest in Kerala's development. Several delegations have visited us from diverse countries—U.K., U.S.A., France, Germany, Singapore, Malaysia, Australia, Netherlands, Italy, Canada, Sweden, the Gulf countries and several others. There is growing awareness of the potential of Kerala in foreign countries and we should be able, in the next few years, to translate this into sizeable foreign investment.

25. I could spend much time describing in detail the various achievements of this Government. However I propose to confine myself only to some of the most important changes that, in my opinion, have had a far-reaching impact on the State's economy and administration.

26. We are proud of the fact that we have been able to introduce a credible system for transfer of powers, functions and finances to local bodies through the Kerala Panchayat Raj Act, 1994 and the Kerala Municipalities Act, 1994. The Government conducted elections to the local bodies and enabled the local bodies to come into position by 30<sup>th</sup> September 1995. Development activities hitherto implemented by various departments were transferred to the local bodies and Rs. 85 crore was placed at their disposal for the implementation of these programmes. The State Finance Commission was constituted with a view to assessing the fund requirements of the local bodies. The recommendations of the Commission will be helpful to identify new financial resources for local bodies and to determine the principles whereby funds are to be devolved.

27. The improvement and streamlining of administration has been another area where the State has achieved remarkable results. The 15 Point Programme launched last year was a significant effort to focus the attention of Government at all levels to certain problems that required immediate solution. This included substantial programmes for generating additional employment opportunities, relief to farmers, development of Scheduled Castes and Scheduled Tribes, construction of dwelling houses for the poor and health services for the common man. The feedback from this programme shows that they have had a positive impact on the State's economy and the people.

28. A number of new measures have also been taken to bring Government closer to the people. The Chief Minister has been conducting Mass Contact Programmes in all districts. Adalats, Taluk Sabhas, Grama Sabhas and file clearance drives have been organised to dispose off old pending cases and fresh representations on the spot without delay. A system has been created for redressal of the grievances of the public and one officer has been designated in each Department as the Grievance Redressal Officer who could be approached by the public. Recently a Grievance Redressal Week was organised in all Departments and officers, which met with considerable success.

29. The task of tackling corruption has been given high priority by Government. In the Government's 15 Point Programme this is the first item that finds mention. A Vigilance Commission consisting of a High Court Judge, senior administrator and a

reputed public figure will soon be constituted. Besides, Government have been endeavouring to introduce transparency in all procedures adopted by all Departments to ensure that the possibility of corruption is minimised.

30. The administrative machinery of the State has been geared up to anticipate and deal with problems as and when they arise. The manner in which the administration was able to cope with the huge inflow of pilgrims to Sabarimala during the 1995-96 season has won appreciation from all quarters. The drought situation presently prevailing in various parts of the State is being similarly handled and advance action has already been taken. The recent outbreak of Japanese encephalitis has prompted immediate action on the part of Government and a major programme has been launched in all parts of the State with the help of local bodies, non-governmental organisations and the public in general.

31. The decision to ban the sale of arrack in the State with effect from 1<sup>st</sup> April, 1996 is an historic one. This was accompanied by a steep increase in the excise duty on Indian made foreign liquor. To prevent illicit distillation and smuggling of spirit and liquor into the State the Excise department has been strengthened and a district level monitoring mechanism installed. For those who are under threat of losing their jobs on account of this decision, rehabilitation programmes will be prepared and implemented. This is a major step towards prohibition. I look forward to co-operation from all sections of the people, all political parties, non-governmental organizations and all our citizens in making this programme a resounding success.

32. To increase the out-reach of the public health system as many as 71 Primary Health Centres, 11 Community Health Centres, 4 Taluk Hospitals, 59 Ayurvedic Dispensaries, one Ayurveda Taluk Hospital, 60 Homoeo Dispensaries and one Homoeo Taluk Hospital have been sanctioned during the last four years. Primary Health Centres will be established in all Panchayats by the end of the Eighth Plan. Additional facilities are being provided increasingly in all major Hospitals. A unique scheme has been started for early detection and treatment of childhood disabilities as a public health programme with community participation which will be a model for the entire world in the next decade.

33. In the field of education 19 High Schools, in both Government and aided sectors, have been permitted to be opened in Panchayats where there are no High Schools. In addition 247 schools in the unaided sector, 53 Higher Secondary Schools and 137 Vocational Higher Secondary Schools have been started. Continuous attention was paid to the upgradation of the quality of education.

34. The Rajiv One Million Housing Programme has achieved significant progress and there are now as may as 4 lakh houses under construction at a cost of about Rs.700 crore. The effort to make available drinking water to all people has been very successful. By March, 1996 about 45 per cent of the rural population and 70 per cent of the urban population will have access to drinking water facilities.

35. The revenue administration of the State has gone through radical changes in strategy and levels of activity resulting in speedy and efficient service to the public. The Survey Adalat, Revenue Adalat, Taluk Sabhas and Grama Sabhas and the introduction of Torrens System are among the few which require special mention.

36. Kerala has always been proud of her public distribution system. During the last five years several measures have been undertaken to further strengthen the system. The Central allocation of rice, sugar and kerosene has increased. The number of Maveli Stores run by the Kerala State Civil Supplies Corporation has increased from 350 to 650 and essential commodities are distributed through 3500 Subhiksha Stores. It has been the practice in past budgets to make provisions for the Corporation in the Budget Speech. I am therefore providing Rs. 5 Crore for meeting the immediate needs of the Corporation for the first four months of the financial year.

37. In the co-operative field, innovative new projects were commenced. Kerala State Co-operative Hospital Complex and a Centre of Advanced Medical Services Ltd., Kannur were registered for the purpose of establishing a Super speciality Hospital Complex and a new Medical College. The Society started functioning in 1995 and the Medical College was inaugurated this year. The Kerala State Co-operative Tyre Factory is being set up at Kottayam. A new scheme for consortium lending by primary agricultural co-operatives and non agricultural co-operatives, which have mobilised more than Rs. 5 crore as deposits, has been approved by the Government to enable the financing of short term working capital needs of co-operative societies and public sector undertakings.

38. An important new change is being made in the manner of implementation of schemes for Scheduled Castes and Scheduled Tribes with effect from 1996-97. Until now, it was left to individual departments to spend amounts under Tribal Sub-Plan and Special Component Plan. This occasionally resulted in lapse of funds as well as misdirection of expenditure. With effect from 1996-97 it has been decided to pool all the funds so that integrated implementations of schemes for Scheduled Castes and Scheduled Tribes is ensured.

39. Another singular achievement of this Government has been the initiative taken to address the problems of the minorities and backward classes. The Kerala State Backward Classes Development Corporation has been registered on 28-2-1995. It has already opened two regional offices at Kollam and Ernakulam and one more will shortly be opened at Kozhikode. Government have already released share capital of Rs. 7.15 crore to the Corporation, which also received a loan of Rs. 5.45 crore from the National Backward Classes Finance and Development Corporation. The Corporation has submitted schemes costing Rs. 76 crore to the National Backward Classes Finance and Development Corporation and schemes costing Rs. 19 crore to the National Minorities Development and Finance Corporation. The Kerala State Commission for Backward Classes was set up in 1993 to look into issues relating to inclusion and non inclusion of classes in the O.B.C. category.

40. Our Government is committed to the welfare of its employees. We have been very receptive and responsive to their aspirations. As a gesture of good-will towards our employees, we have granted interim relief, revised TA/DA rates, Special Pay and allowances and increased the ceilings for house building advance and motor conveyance loans. Pensionary benefits were also revised with retrospective effect. Perhaps this is the first time in the history of the State when no instalment of DA sanctioned by the Government of India is in arrears to our staff. When the Central Pay Commission gives

its recommendations, we will have to consider the question of pay revision of our employees also.

41. A basic duty of Government is to ensure maintenance of law and order. It is with satisfaction that I note that the number of communal incidents and of murders arising out of communal clashes has come down significantly during the last five years. We have endeavoured to strengthen the force, keep up its morale and to modernize it. All vacancies of constables and Sub Inspectors have been filled. Promotion avenues have been provided. All the money available from the Government of India for modernization of the force has been fully utilized. New vehicles, computers, wireless sets and security equipments have been purchased.

42. Ours is a State which has produced some outstanding Sports persons whose performances in national and international sports events have been brilliant. If proper sports infrastructure is provided, we can distinguish ourselves even more in this field. As a major step in this direction, we have built up a sports complex of international standards in Kochi within record time.

43. This Government has made it a point to ensure that resources crunch should never affect developmental activities in the State. Kerala is among the handful of States where Plan expenditure has consistently exceeded Plan outlays during each year in the Eighth Plan Period. The actual expenditure was 102 per cent of the outlay in 1992-93, 109 per cent in 1993-94 and 108 per cent in 1994-95. During the current year Government confidently expect that the entire plan outlay of Rs. 1563.00 crore would be spent, perhaps even exceeded. The total outlay approved for the Eighth Five Year Plan was Rs. 5460 crore. By the end of the third year, the State could achieve expenditure to the extent of Rs.3283 crore, which is more than 60 per cent. By the end of the fourth year, we would have achieved almost 90 per cent.

44. The Annual Plan, 1996-97, envisages a total outlay of Rs. 2100 crore, which represents an increase of about 35 per cent over the previous year. The Plan provides for substantial increase in outlays for key sectors. For agriculture and allied sectors, outlay is stepped up from Rs. 207.25 crore to Rs. 237.85 crore, for irrigation and flood control from Rs. 177 crore to Rs. 216.50 crore, for industry and minerals from Rs. 195.10 crore to Rs. 242.20 crore, for transport (including roads and bridges) from Rs. 111.35 crore to Rs. 132.25 crore and for social services (inclusive of education, health services and water supply and sanitation) from Rs.270.35 crore to Rs. 368.59 crore. The most significant increase is in respect of energy, where outlay goes up from Rs. 459 crore to Rs. 565 crore. Energy constitutes 27 per cent of the total Plan outlay. In keeping with the present Government's resolve to launch tourism as a major vehicle for the growth of the State, we are providing for a three-fold increase in plan outlay in tourism. The share of Panchayati Raj institutions in total outlay is estimated as Rs. 480.64 crore, out of which Rs. 212 crore will be in the form of un-tied grants. I would like to mention specifically, however, that the outlay as well as priorities laid down are tentative and can be reviewed by the incoming Government. The Plan also needs to be considered and approved by the Planning Commission.

45. When the UDF Ministry assumed office in June, 1991 there was a serious ways and means problem in the form of an opening cash deficit of Rs. 100 crore. The

adverse impact of this deficit lingered for some time. The unprecedented floods of 1992-93 and 1993-94 added to the financial problems of the State. As part of the efforts to set right the situation a series of measures were initiated during this period. As a result, the financial position showed signs of positive improvement and we ended the year 1993-94 with a surplus of Rs. 9.97 crore.

46. 1994-95 was a key year with regard to the financial management of the State. A shift in emphasis was effected during the year from expenditure control to resource mobilisation. This came out of the realisation that Kerala has the resources to fund development on a much larger scale. The Finance Department was therefore asked to concentrate on resource mobilisation and to monitor resource inflows on a day to day basis. Frequent meetings were held by the Finance Minister and the Chief Secretary with the heads of revenue earning departments. These departments were strengthened by providing more vehicles, more staff and more resources. At the same time, the measures taken to economise on non-productive expenditure were enforced rigorously.

47. The results are visible. In 1991-92 the State was on overdraft on 195 days and had taken ways and means advance from the R.B.I. on 156 days. The total amount of overdraft taken was Rs. 1136.61 crore and the amount of ways and means advance taken was Rs. 473.54 crore. In 1994-95, we resorted to overdraft only on one day and took ways and means advance from R.B.I. only on 28 days. The total amounts involved were Rs. 3.30 crore by way of overdraft and Rs. 128.52 crore by way of ways and means advance. During 1995-96, we have taken neither overdraft nor ways and means advance even for a single day. At the same time we have been liberally providing resources for Plan expenditure. We have dispensed with the system of monthly ceiling and monthly letter of credit and introduced a quarterly system with facilities to carry forward unspent balance from one month to the next within the quarter.

48. I had announced in my Budget Speech last year that I propose to reorganise the Finance Department to make it more effective and purposeful. I have already begun this task. We have introduced a system of rigorous file monitoring to ensure quick disposal of files in Finance Department. In keeping with my decision to focus more attention on resource mobilisation, we are in the process of strengthening the Resources Wing. We already have an officer of the level of Special Secretary in charge of the Resources Wing. The Resources wing, now organises regular meetings of revenue earning departments and monitors inflows and outflows carefully. Non tax revenue is an important area which requires constant attention. A series of meetings were held by the Chief Secretary with the heads of departments and administrative secretaries to increase inflows of non-tax revenue as a result of which all administrative departments have taken action to increase their collection.

49. Another area of concern relates to externally aided projects and centrally sponsored schemes. Kerala has not really been able to effectively mop up resources available from external agencies and domestic financing institutions. A Nodal Centre has been set up in the Finance Department which interacts with administrative departments, State Planning Board, the Resident Commissioner at New Delhi and with various ministries and external agencies. Concept papers for several new schemes have been prepared and further action is being taken to prepare detailed schemes for seeking

external financing. Regular meetings are being held by the Chief Minister to monitor progress in this regard.

50. As a result of all these measures, the State's own, revenue receipts increased from Rs. 1908 crore in 1991-92 to Rs. 3181 crore in 1994-95 registering a growth of over 66 per cent. On the other hand the growth of non-plan revenue expenditure could be limited to 53.12 per cent during the corresponding period despite the fact that, substantial financial benefits were conferred on the State Government employees and teachers. The definite improvement registered during 1993-94 in the financial position was substantially consolidated during 1994-95 when we could close the year with a surplus of Rs. 417.53 crore, which was unprecedented.

51. The fact that ways and means advance was not availed even for a single day during 1995-96 bears ample testimony to the determined and consistent efforts of the State Government in managing the finances of the State. Treasury closures and Treasury restrictions on various items of expenditure are now behind us, hopefully for ever.

52. Perhaps for the first time ever, the present Ministry will leave to its successor a healthy exchequer. It is for the incoming Government to build on the foundations already laid and ensure orderly growth of the State without, in any way, jeopardizing its financial stability.

53. May I give a brief account of the financial transactions of the year 1995-96. In the Budget speech for 1995-96 I had stated that the year would end with a surplus of Rs. 12.49 crore after taking into account the additional resources mobilisation. A Supplementary Grant of Rs. 333.10 crore was obtained in August, 1995. Out of this, Rs. 101.10 crore was for the 15 point programme of the Government and Rs. 39 crore for payment of pending bills of contractors. The Supplementary Demands for Grants now presented includes a provision of Rs. 364.05 crore which is intended for meeting the inevitable expenditure including the commitment towards additional D.A. instalment due from 1.1.1995. The additional expenditure as detailed above is partly offset by augmentation of revenue collection resulting in an over all deficit of Rs. 202.88 crore. When the carry over surplus of Rs. 417.53 crore is also reckoned, it is expected that the year would end with a Closing surplus of Rs. 206.25 crore after adjusting the reduction of Rs. 8.40 crore in the share of central taxes.

54. The Budget for 1996-97 is estimated to result in a deficit of Rs. 55.45 crore. This deficit is expected to be reduced to Rs. 28.67 crore taking into account the net enhanced receipts of Rs. 31.78 crore on account of share of central taxes and the additional commitment of Rs. 5 crore now announced for payment to the Civil Supplies Corporation. The summary position of the Budget estimates is indicated below:

(Rupees in Crore)

	<i>Revised Estimate 1995-96</i>	<i>Budget Estimate 1996-97</i>

Revenue Receipts	5405.95	6004.08
Revenue Expenditure	6226.42	7075.59
Deficit	(-)820.47	(-)1071.51
Capital Receipts	1422.22	1591.90
Capital Expenditure	1354.59	1401.03
Surplus	(+)67.63	(+)190.87
Public Account (Net)	549.96	610.54
Overall Deficit	(-)202.88	(-)270.10
Carry over Surplus	(+)417.53	(+)206.25
Cumulative Surplus/Deficit	(+)214.65	(-)63.85
Variation in receipts on account of share of Central taxes (Net)	(-)8.40	(+)40.18
Expenditure on additional measures announced		5.00
Surplus/Deficit (Net)	(+)206.25	(-)28.67

55. Eventhough the decision to abolish arrack has resulted in loss of revenue of over R.s 300 crore, my Budget for 1996-97 shows a deficit of only Rs. 28.67 crore. Through additional resource mobilization and sound financial management, I have no doubt that we can end the next financial year also with a surplus.

56. As we approach the end of our five year term in office, we have a feeling of gratification that we have achieved in good measure all that we had set out to achieve. No Government can possibly hope to solve all problems, faced by the people within any given time—frame. In a dynamic, growing society, new problems, new commitments and new challenges arise even as old ones get resolved. We have, however, no doubt in our minds that, during these five years, the State's economy has become vibrant and is poised for phenomenal growth.

57. Our agenda for the future is clearly laid out. On the economic front, in industry and agriculture, we have already achieved satisfactory levels of growth. The infrastructure for quick progress in these areas has been built and we should achieve much higher rates of growth in the years to come. Tourism has, at long last, been recognised as a major economic activity, which could carry the State to new heights of economic prosperity. The substantial achievements that we have made in the housing

sector should enable us to achieve the goal of housing for all within the next five years. The energy sector will power Kerala's march towards plenty. On the social front, the problems of the economically and socially backward and of the weaker sections of society should continue to receive the highest priority in Governmental policy. Bold initiatives will have to be taken and the Government, local bodies and the people have to work hand in hand to reach our common goal of prosperity for all. When posterity looks back at the economic and social history of Kerala, I am sure that the last five years would stand out as a period during which new strategies, policies and initiatives created a turnaround in the fortunes of our people. Let us hope that during the next five years, the State will be able to consolidate these gains and become a major player in the economic mainstream of our country.

58. Since it will take time to complete the procedures after the constitution of the new Legislative Assembly, I seek a Vote on Account to enable expenditure for the first four months of the next financial year.

JAI HIND.

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