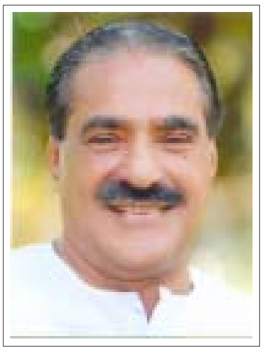

BUDGET SPEECH FOR 1976-77

SHRI. K. M. MANI

19th March, 1976

Sir,

I rise to present to this House the Budget Estimates for 1976-77

2. The year we leave behind has been momentous in many respects and we are stepping into another significant year with high aspirations. We have tackled quite a few grave crises that have confronted us in the recent past. The life of the common man who, with his limited means had to struggle hard against black marketing, hoarding, profiteering, depreciating incomes and rising prices, had indeed been one of extreme hardship. It was feared that smuggling and black money would assume the proportions of a parallel economy. Patriotic citizens wondered whether the country was fast moving towards an explosive situation which might destroy the very foundations of democracy. Large sections of people became anxious about their own and the country's future. Country-wide unrest and agitations followed. To save the nation from the impending dangers, bold and farsighted steps were called for.

3. Our Prime Minister addressed herself to this task with unparalleled confidence. She announced the Twenty Point Economic Programme with a view to ushering in rapid and far-reaching changes in the lives of the vast masses. People all over the country enthusiastically hailed the Programme which was to blaze a new trail in the path of our progress. States, one after the other followed the Centre in putting into effect this Programme, with speed and a sense of commitment. This was a development which was to herald the dawn of a new economic era. Farms and factories hummed with activity. Schools and colleges were inspired with a new sense of discipline and direction. A spirit of dedication and devotion to work pervaded Government Offices and other public institutions. In this changed atmosphere, the steeply rising trend in prices was halted and reversed. Foodgrains and other essential commodities came within the reach of the people. With the prevention of smuggling and the unearthing of black money, the economy began to show signs of marked improvement.

4. The basic and deep-rooted changes in the socio-economic areas of our national life paved the way for a political rethinking and reappraisal throughout the country. This led to the recognition of the fact that all those political parties which stood for the welfare of the people should work shoulder to shoulder so as to achieve a faster tempo of development and strengthen the base of democracy. Thus was established a climate in which people could, forgetting their differences, join their energies in united endeavours in the political and administrative fields. It is but natural that the political and administrative set-up in Kerala came under the influence of this change.

5. Before proceeding to review the state of the economy in Kerala, I wish to make a reference to the passing away of an illustrious colleague of mine. The void created by the death of Shri T. K. Divakaran, whose individuality made a remarkable imprint in the public life of the State, particularly in the administrative and labour fields can hardly be filled up. His sincerity, keenness of intellect and devotion to work will remain to be a source of inspiration to us for ever.

State's economy

6. Let me now briefly review the main-trends of the State's economy.

7. During the first half of 1975 there was increase in consumer prices ranging between 5 per cent and 7 per cent. But in the wake of the effective measures taken against hoarding and black marketing, prices began to fall. The fall in prices ranged between 9 per cent and 13 per cent at different centres of the State. Most significant was the fall in the prices of essential commodities. The price of rice declined by 20 per cent by December 1975 as compared to December 1974. During this period prices of coconut oil and green gram registered a fall of 26 per cent and 16 per cent respectively. The entry of the State Civil Supplies Corporation in a big way in the purchase of foodgrains, pulses and other essential commodities and their distribution to the consumers has been responsible for the reduction in prices to a great extent.

8. Production of rice registered a six per cent increase in 1974-75. In the current year production is expected to go up by another 6 per cent. The estimated production during 1975-76 is 14.19 lakh tonnes.

9. The food situation in 1975 was relatively satisfactory. Though there was a reduction in the import of rice this was made good by increase in wheat imports. The per capita availability of rice and wheat together was 263 grams in 1975 and this was higher than in the previous year. Rice ration was increased from 80 grams to 100 grams from December 1975 and again to 110 grams from February 1976.

10. The production of coconut, arecanut, tea, coffee, rubber and cashew nut increased in 1974-75. Fall in production was noticed in the case of tapioca among food crops and pepper among cash crops. The decline in the prices of agricultural produce particularly coconut and rubber was highly unfavourably to agriculturists. In the current year also the downward trend persisted. As a measure of relief against the fall in the price of rubber, the State Government has made representations to the Government of India to export the present accumulated stocks in the market giving subsidy. Besides, the State Government has decided to exempt from purchase tax, purchases of rubber by the State Trading Corporation for export.

11. The traditional export items except marine products did well during the year. The export of spices increased significantly. The value of exports of pepper, cardamom, ginger and turmeric amounted to Rs. 42 crore. Cashew valued at Rs. 92 crore and coir and coir products valued at Rs. 17.5 crore were exported during the year. The tea exports made through the port of Cochin fetched Rs. 42 crore. The total value of exports from Kerala in 1974-75 may be estimated at Rs. 330 crore.

State's financial position

12. The impact of the adverse trends in the economy on the finances of the State Government was not insignificant. Consequent on the hike in prices in the beginning of the year there was a considerable step up in the non-Plan expenditure of the State Government. The dearness allowance of the State employees had to be revised several times in conformity with the rise in the cost of living index. Revision of pay and grant of additional dearness allowance had cost the State exchequer of Rs. 30 crore in 1974-75 and Rs. 62 crore in 1975-76. A commitment of this dimension had not been provided for in the scheme of transfer of resources from the Centre to the State formulated by the Sixth Finance Commission. Along with this liability was the carry forward effect of the Fourth Plan deficit of Rs. 30.8 crore. All this caused a severe strain on the State's ways and means position. The State had to run into overdrafts off and on. Under the Reserve Bank's scheme of regulation of overdraft, an overdraft has to be cleared within seven days of its occurrence. Government was thus faced with a situation in which on the one hand increased non-plan commitments had to be taken up and on the other, enough resources had to be found to ensure the smooth implementation of the Plan. This challenging situation was met with vigorous efforts in regard to both additional resources mobilisation and regulation of expenditure.

13. For 1974-75, the first year of the Fifth Plan, the Planning Commission had approved an outlay of Rs. 73.89 crore against which the expenditure came to Rs. 83.43 crore. Though the outlay originally approved by the Planning Commission for the current year was Rs. 90 crore, the latest assessment is that the expenditure will go up to Rs. 101 crore. Despite the financial constraints we have been able to increase the investments in the core sectors of irrigation and power and to step up the tempo of efforts of the fields of industries and communications. The current year's revised outlay records an increase of Rs. 7 crore under irrigation, Rs. 5 crore under agriculture and allied programmes and Rs. 3 crore under industries over the year 1974-75. It can be seen that care has been taken to ensure that the financial constraints of the Government do not hamstring our developmental efforts.

Accounts 1974-75

14. Against a revenue of Rs. 287.9 crore the revenue expenditure of the year came to Rs. 287.6 crore. There was thus a marginal surplus of Rs. 30 lakh in revenue account. The capital expenditure including disbursement of loans and advances was Rs. 50.4 crore. The net receipts under Public Debt (Rs. 35.7 crore) and deposit heads, funds and other items (Rs. 32.6 crore) together with the revenue surplus brought down the opening deficit of Rs. 30.8 crore of the year to Rs. 12.6 crore at the end of the year after financing the capital expenditure.

Revised Estimate 1975-76

15. The budget for 1975-76 had placed the revenues at Rs. 305 crore. According to the revised estimate the revenue would be Rs. 336.4 crore. State taxes are expected to go up by Rs. 27 crore and non-tax revenues by Rs. 2.4 crore as compared to the budget. Under Sales-tax an improvement of Rs. 20 crore is anticipated, while the increase under excise is estimated to be Rs.5 crore.

16. The expenditure on revenue account anticipated in the revised estimate of Rs. 349.5 crore as against a budget estimate of Rs. 332.7 crore. The major factor that accounts for this escalation is the grant of additional dearness allowance to Government employees from September onwards. Among the other contributory factors may be mentioned, the increase in the rate of destitute pensions with retrospective effect, the taking up of relief measures to persons affected by floods and the quicker settlement of the pension claims of retired employees. The fact that while expenditure goes up by Rs. 16.8 crore, revenues show an improvement of Rs. 31.4 crore deserves mention here. Consequently the revenue deficit of Rs. 27.7 crore envisaged in the budget comes down to Rs. 13.1 crore in the revised estimate.

17. In the matter of mobilising savings and deposits our efforts have been less successful. A net accretion of Rs. 9.4 core has been anticipated in the budget under provident fund. Following the liberalisation in the restrictions introduced on withdrawals, there will be considerable shortfall in the net deposits under Provident Fund. The revised estimate takes credit for Rs.6 crore only under this head. The yield from treasury savings bank is also not expected to be significant. Small savings collections are showing a declining trend. Under all these heads large scale withdrawals have been noticed from the very beginning of the year.

18. The target of additional resources mobilisation for the Annual Plan is Rs. 13 crore. But the actual realisation from the measure introduced this year namely restructuring of motor vehicle tax, and increasing the rate of sales-tax on goods of inter-State importance is only Rs. 1.5 crore.

Despite the remarkable improvement in revenues at existing tax levels the shortfall in additional resources mobilisation could not be made up because of the increase in non-plan expenditure and the shortfall in mobilising savings.

19. A special Central Assistance of Rs. 17.5 crore was sought for funding the Annual Plan but the Central Assistance sanctioned was Rs. 3.38 crore only. There is a shortfall of Rs. 2.7 crore in the loans from LIC for water supply schemes while, in the loans from the Reserve Bank for share participation in co-operatives, there is a shortfall of Rs. 45 lakh. The deterioration in the working results of the Road Transport Corporation and the Electricity Board is yet another factor that has contributed to the gap in resources for the Plan.

20. It is a matter for gratification that despite these unfavourable factors, the Plan outlay has been stepped up significantly. The revised estimate places the plan outlay at Rs. 100.84 crore. This is higher than the budget outlay by 11 per cent. The announcement of the Twenty Point Economic Programme was a shot in the arm in our developmental efforts. The State Government took energetic steps to implement this programme, with speed. In July 1975, Government came to this House with supplementary demands for an aggregate amount of Rs. 12 crore for the programme anticipating Central assistance. Out of this Rs. 3 crore was intended for investment in the irrigation sector and Rs. 6 crore for power sector. Central assistance is however available only for the irrigation projects of Pamba, Periyar Valley and Kuttiyadi for a total amount of Rs. 2.1 crore and for Idukki Hydro-electric Project for Rs. 2.5 crore. This is being fully utilised. Further Government have also given financial assistance to the Electricity Board to go ahead with its transmission and distribution programme according to schedule. It is also hoped that an additional Central assistance of Rs.1 crore would be available for Idukki Project.

21. At the latest discussions with the Planning Commission, the current year's closing deficit was assessed at Rs. 41.3 crore taking into account the increase in the Plan outlay and the shortfall in additional resources mobilisation. According to the Revised Estimate presented to this House, the year end deficit of the State Government is Rs. 36.6 crore. If the financial transactions of the Transport Corporation and the Electricity Board are also taken into account the deficit will be about Rs. 41 crore.

BUDGET ESTIMATE 1976-77

22. The revenue for 1976-77 is estimated at Rs. 387.8 crore. The State's share of Central taxes comes to Rs. 65.9 crore. Consequent on the steps taken against black money including the recent scheme of Voluntry Disclosure, there will be a significant improvement in the State's share of Central Taxes. This improvement which is taken at Rs. 7 crore is included in the above estimate.

23. State taxes are expected to yield Rs. 187.5 crore. Sales-tax alone would account for a revenue of Rs. 118 crore. The yield from State excise is estimated at Rs.22.5 crore; from motor vehicle tax Rs. 18.4 crore; and from stamps and registration fees Rs. 15.5 crore. Of this, Rs. 2crore; under excise, Rs. 2 crore under motor vehicles tax and Rs.1 crore under sales-tax represents the yield from certain measures of additional resources mobilisation already decided upon.

24. The estimate of non-tax revenues is Rs. 71 crore. The major item is forest and the estimated revenue Rs. 21 crores. Interest receipts are reckoned at Rs. 16.6 crore. The possibility of a cash realisation of Rs. 5.9 crore out of the interest dues from the Electricity Board has been taken in to account in the budget estimate. Besides an amount of Rs. 5.2 crores out of the interest dues from the Board will be adjusted against the subsidies and other payments due to the Board.

25. The expenditure on revenue account is estimated at Rs. 388.5 crore; the non-plan component is Rs. 346 crore. The capital expenditure provided for in the budget is Rs. 51 crores of which Rs. 48.7 crores is for plan schemes.

Annual Plan

26. The Annual Plan outlay for 1976-77 finalised at the discussions with the Planning Commission is Rs.111.5 crore. This records an increase of 24 per cent over the outlay originally approved for the current year. Some of the more important outlays are Rs. 25.7 crore for agricultural and other allied programmes including land reforms, Rs. 22.1 crore for power, Rs.18.4 crore for irrigation, Rs. 11.2 crore for industries, Rs. 7 crore for water supply schemes, Rs .4 crore for roads and Rs. 3.5 crore for housing. Since marginal increases have to be allowed in certain sectors, the Annual Plan outlay provided in the budget is Rs. 111.70 crore.

27. At the official level discussions held with the Planning Commission, the resources for the Plan have been estimated in the following manner :

		(Rs. in crore)
Central assistance	:	35.72
Market borrowings	:	19.82
Additional Resources Mobilisation	:	15.00
Savings due to economy in non-Plan expenditure	:	5.00
Loans from RBI, LIC and REC	:	9.67
Other budgetary heads	:	14.52
Total	:	99.73
Year end deficit of 1975-76	:	(-) 41.30
		58.43

28. At the discussions which the Chief Minister and I had with the Planning Commission in January 1976 we sought adequate Central assistance to ensure that reasonable minimum outlays are provided for the various developmental sectors. The understanding reached at these discussions was that Central assistance and market borrowings would be stepped up by ten per cent each, that the State should raise Rs. 5 crore more by additional resources mobilisation and that a matching special assistance of Rs. 5 crore would be provided by the Centre. An improvement of Rs. 7crore in the State's share of Central taxes was also taken into account. It was accordingly estimated that the resources would thus improve by Rs. 22.78 crore. On this basis the Planning Commission approved an outlay of Rs. 111.5 crore. This implies that a gap of Rs.30.29 crore would remain uncovered at the end of 1976-77 and that this gap should not in any way affect the implementation of the Plan.

Programmes for the coming year

29. Since mention has been made in the Governor's address about the important programmes in the various sectors of development I am making only a brief review of some of them here. About fifty per cent of the Plan outlay, that is, about Rs. 56 crore has been earmarked for the schemes falling under the Twenty Point Economic Programme'. Irrigation, power and land reforms are the more important among these programmes.

30. Land reforms being major component of the Twenty Point Economic Programme, a time bound programme was drawn up for completing the process of its implementation. The following specific targets were set. All the remaining

kudikidappu cases should be settled within six months; all the tenancy cases should be disposed of within one year; and all ceiling returns should be disposed of and the take over and distribution of excess land completed within one year. The new tempo achieved in implementation is evident from the fact that assignment of proprietary rights to cultivating tenants was done in over one lakh cases in the month of January alone which was a new record. By the end of January 1976, 3.56 lakh kudikidapu cases were disposed of conferring ownership rights to 2.25 lakh families. In the same period over 44,000 acres were declared surplus lands out of which 9,457 acres were distributed among 13,479 persons. Besides, under the Kerala Land Assignment Rules, 1,34,326 hectares of Perambroke lands have been assigned to 3,36,372 persons, while under the Arable Forest Land Assignment Rules an area of 4,288 hectares have been assigned to 8,381 beneficiaries. Under One Lakh Housing Scheme, 42,000 houses have been completed. It is declared objective of the Tax on Employment Bill which was passed in this session of the Legislature that house sites should be provided to landless poor persons.

31. The system of bonded labour which was in existence in the districts of Kozhikode, Cannanore and Malappuram has been abolished by the enactment of necessary legislation. As follow up action, steps are being taken to cure the basic causes behind the system namely, unemployment and poverty prevalent among the tribals so that economic freedom would be a reality to them.

32. Rural indebtedness has been estimated to be of the order of Rs.100 crore. The agriculturists of the State are getting the relief contemplated by the Kerala Agriculturists' Debt Relief Act, 1970. But other sections like landless labourers, artisans and kudikidappukars are put to hardship because of the burden of mounting debt. As a measure of according temporary relief to them, the Kerala Debtors (Temporary Relief) Act, 1975 was enacted effective from October 14, 1975 providing for moratorium for a period of one year. A permanent solution to their problem will be found before the expiry of this period.

33. The minimum wages of agricultural labourers was enhanced in last September. Accordingly, an adult worker would get Rs.8 per day. This is the highest rate obtaining in any State in India. About 20 lakh of workers stand to benefit by this measure.

34. Irrigation is another major item coming under the Twenty Point Economic Programme. The investment in this sector is of the order of Rs.14 crore this year and Rs. 18.4 crore in the coming year. An additional ayacut of 8600 hectares is expected to be commissioned in the coming year. The outlays of

the more important projects are Rs.350 lakh for Pamba, Rs. 350 lakh for Periyar valley and Rs.320 lakh for Kuttiyadi. Besides the new schemes of Muvattupuzha and Chimoni, provision is also being made for the Meenachil river valley scheme.

35. The generation and distribution of power is a matter of utmost importance for Kerala. Commendable progress has been achieved in this field with the commercial operation of the first stage of the Idukki Project. The works relating to Idukki Stage II will be continued in the coming year with greater momentum. This scheme diverts the waters of Kallar and Erattayar to augment water availability in the Idukki reservoir, thereby increasing the energy potential of the Idukki power station by 377 million units. Priority is also given to the Idamalayar hydroelectric project. A crash programme is being implemented for giving new service connections. The target for 1975-76 has already been exceeded. Up to the end of January 31, 1976, 65752 new connections have been given. Besides, 3843 pump-sets have been energised. Of the inter-State transmission lines, Sabarigiri-Aryankavu line is expected to be completed and ready for use by the end of this month.

36. Good progress has been achieved in the field of science and technology. Facilities have been provided for the conduct of research on various subjects. The establishment of the Electronics Industrial Complex and the setting up of the Sri Chitra Tirunal Medical Centre have opened the doors of modern scientific technology in the fields of industry and medicine. Government propose to set up a Science Research Fund to encourage research by individuals and institutions. Grants will be given from this Fund to scientists for research work on problems of science.

37. The small industries programme initiated this year is one of the most important measures undertaken in the field of industrialisation of the State. The setting up of the 10000 small scale units with the support of financing institutions will go a long way towards solving the problem of educated unemployment. It is also proposed to revive 2500 sick units. A large number of industries both in the public and private sectors have come into existence in recent years. Special mention may be made of the Appollo Tyres and the Newsprint project at Velloor. The construction of the 75000 tonnes bulk carrier is under way in the Ship Building Yard at Cochin.

38. Vigorous steps are being taken for the revitalisation and development of our traditional industries. The handloom development programme has gathered a new momentum. A comprehensive handloom development scheme has been

drawn up as part of the Twenty Point Economic Programme. Among the achievements of this year may be mentioned the organisation of over 4000 bamboo mat workers and several lapidary workers on co-operative lines with a view to enabling them to secure assistance from banks and to stabilise their operations.

39. In order to improve the facilities of the travelling public the Road Transport Corporation has embarked on a scheme of expanding and enlarging its activities. The Kerala State Shipping Corporation acquisition of its first ship "Kairali" is a symbol of the State's entry into the field of maritime trade. Remarkable progress has been achieved in recent years in the construction of roads. A number of new bridges and several kilometres of pukka roads have been built. The new bye-passes and the three major bridges in the Alleppey-Changanassery road deserve special mention in this context.

40. For construction of office buildings, the Planning Commission has not approved any outlay. Still the Government are earmarking a reasonable provision for this activity. Within the limited allocation, the works are being taken up according to priority. In the coming year priority will be given to the construction of civil station at Idukki.

41. In the field of education it has been possible to give a new direction and a sense of purpose to the new found enthusiasm. A policy decision has been taken to start a few recognised schools in 1976-77 and a few aided schools in 1977-78.

42. A comprehensive plan for the integrated development of fisheries with the assistance of the World Bank has been drawn up, with the objective of fully exploiting the marine resources of the State. The schemes for giving financial assistance to fishermen for purchase of boats and nets, and assisting them in marketing their catch to the best advantage and providing houses to fishermen are making good progress.

43. Measures for the welfare of harijans are being implemented with greater vigour under the Twenty Point Economic Programme. A new department has been formed to implement the welfare schemes relating to the tribals. Special priority has been given to the harijans in the distribution of land under Land Reforms Act, as well as in the assignment of poramboke lands and in providing houses and house sites. The representation of harijans in Government service has been stepped up through a scheme of special recruitment.

44. Remarkable progress has been achieved in the field of health. The number of medical institutions in the State has increased to 880. Five Co-operative hospitals and sixty co-operative dispensaries are functioning in the State with Government subsidy.

45. As a result of various measures taken in the field of agricultural production, the production of rice by the end of 1976-77 is estimated to be 15.10 lakh tonnes. Since the Intensive Paddy Development units have been found to yield excellent results, it is proposed to establish 200 more units in addition to the existing 289 units. During 1976-77 1.5 lakh hectares of land will be brought additionally under the high yielding variety programme. Ameliorative measures to agriculturists who are faced with fall in the prices of agricultural commodities on the one hand and damage to crops due to pests and diseases on the other, are under the active consideration of Government. In addition to the existing debt relief's, it has been decided to give fresh short-term loans to those who pay the amounts due from them on account of loans given during 1974-75.

46. The Twenty Point Economic Programme has resulted in a remarkable spurt in activities in the field of co-operation. Co-operative societies have been playing a very vital role in providing agricultural credit. The consumer co-operatives have expanded their activities recently and become very active.

47. Among the major achievements of this year may be mentioned the strengthening and reorientation of the police force in keeping with the changed conditions. The special wing of the Police formed to deal with economic offences has been very effective. The extension of the crime branch to the districts has helped in checking crimes and tracking down criminals. The modernisation of the police force and the provision of wireless and other modern equipments have led to the improvement in the efficiency of the police. Construction of police quarters is also making headway.

WAYS AND MEANS

48. The budget estimates presented to this house show a deficit of Rs. 73 lakh on revenue account. Capital expenditure is estimated at Rs. 50.9 crore. Disbursement of loans and advances (net) will be Rs. 3.5 crore. The repayment liability of Central loans is Rs. 24.9 crore, while for repayment of other loans an amount of Rs.1.2 crore is necessary. An open market loan for Rs. 4.5 crore is maturing for repayment.

49. Loans from the Government of India aggregating Rs.38.6 crore are anticipated for State Plan, Centrally sponsored and other schemes. The State's share of small savings collections is taken at Rs. 7crore. The budget takes credit for open market borrowing of Rs.10.8 crore. A Loan of Rs. 2.5 crore is anticipated from the L.I.C. for water supply schemes, while another loan of Rs.1crore is expected from the Reserve Bank for investment in the co-operative sector. Provident Fund and savings bank transactions are expected to bring in a surplus of Rs. 12 crore. The net accretions under other deposit and remittance heads is anticipated at Rs. 7crore.

50. The financial position of the State as envisaged in the 'budget estimate' may be summarised as follows:

		(Rs. in crore)
Revenue deficit	:	(-) 0.7
Capital Expenditure	:	(-) 50.9
Loans and advances	:	(-) 3.5
Debt deposits etc.	:	(+) 50.8
Overall deficit	:	(-) 4.3
Opening Balance	:	(-) 36.6
Closing balance	:	(-) 40.9

51. The target of additional resources mobilisation for 1976-77 has been indicated at Rs. 20 crore. Some steps have already been taken in this matter. Bus fares are proposed to be revised by 25 per cent from April 1. This will yield an additional revenue of Rs. 6 crore to the State Transport Corporation. The revision of motor vehicles tax in the wake of revision of bus fares may fetch an additional revenue of Rs. 2 crore. Substantial improvement under State excise duties is estimated as a result of the change in auction procedures and the revision of licence fees. An additional revenue of Rs. 1 crore is expected by bringing the sale of certain monopoly articles within the tax net. The above improvements under excise duties, sales tax and motor vehicles tax have been taken in the budget estimates. The question of streamlining electricity tariffs applicable to non-domestic consumers is under active consideration. This is expected to bring in Rs.4 crore. Additional resources mobilisation of the order of Rs. 20 crore in a single year is an unprecedented effort. Still it is a matter of over riding importance

that efforts are made for realising the target without imposing fresh burdens on the common man. The realisation of the target of additional resources mobilisation calls for further efforts to yield Rs. 5 crore. While doing so care has to be taken to ensure that new taxes are not imposed.

52. With this background, Government propose to make a comprehensive survey of the structure and scope of some of the important taxes and attempt rationalisation, giving concessions and reliefs wherever found deserving on the criterion of fiscal justice, but ensuring that the objective of mobilising additional resources is also achieved.

Sales tax

53. Among the State taxes, sales tax occupies a pre-eminent position. Over the period 1970-71 to 1974-75 the yield has doubled from Rs. 37.4 crore to Rs. 75 crore. While in 1970-71 sales tax accounted for 55 per cent of State taxes, in 1974-75 its contribution went up to 61 per cent. According to the budget estimates for 1976-77 the yield will be Rs. 118 crore, that is, 61.3 per cent of State Taxes. Over the years tax rates have been increased piecemeal. A restructuring of the rates and streamlining of the assessment procedures in keeping with the altered economic conditions is long over due in respect of this tax which is closely linked to price levels. As a first step towards this end, the following measures are proposed to be adopted in the coming year.

(1) At present dealers of goods subject to multi-point levy have to register if the turnover is not less than Rs. 12,500 but become assessable to tax only when the turnover is not less than Rs. 20,000. Consequently, several dealers who are not liable to pay tax have to get themselves registered. Such a distinction does not exist in the case of dealers of single point goods, in whose case the taxable and the registrable limits are one and the same. In some other States also, particularly the States in the North such a distinction does not exist. Experience has not shown any particular advantage in keeping a lower limit for registration than for assessment. Government therefore propose to equalise the limits of registration and assessment.

(2) Dealers of goods subject to multi-point levy are liable to tax if the turnover is Rs. 20000 or higher. In view of the increase in prices in recent years, it is only reasonable that this limit is suitably raised. Accordingly it is proposed to enhance this limit to Rs. 25,000. This will give considerable relief to large numbers of small dealers. At the same time this will enable the department, to bestow greater attention on dealers having higher turnovers. Consequently there will be no significant fall in revenue on this account.

(3) It is also proposed to effect changes in the system of compounding, in keeping with the increase in the assessable limit. Under the present system, dealers with an annual turnover of the range between Rs.20,000 and Rs. 25,000 are given the facility of compounding. The compounded rate is fixed at 1.5 per cent. In view of the fact that the exemption limit will be raised up to Rs. 25,000 dealers whose turnover ranges between Rs. 25,000 and Rs. 30,000 will be given the benefit of compounding. The compounded rate will however be increased from 1.5 per cent to 2 per cent.

(4) Hotels are at present liable to pay sales tax; those whose turnover is below Rs. 35,000 are however exempted. Though it has been estimated there are about a lakh of hotels in the State, only a small percentage are now assessed to tax. Government have been receiving representations for exempting the sale of cooked food from tax. With a view to enabling persons who take food from hotels to get food at cheaper rates, it is proposed to exempt the sale of cooked food in all hotels from sales tax.

To make good a part of the loss of revenue involved in the exemption of, hotels, it is proposed to levy a luxury tax on the Maharashtra—West Bengal model on the bigger hotels with reference to the standards of comfort that are provided to the occupants. This tax is conceived of as an arrangement to introduce an alternate levy on the bigger hoteliers who get exemption from sales tax and is not to be construed as a new levy.

(5) Rice and wheat products are now subject to multi-point taxation at 4 per cent. Being food items, it is proposed to levy the tax at single point at the present rate of 4 per cent itself. Sale of tapioca through ration shops will be exempted. Similarly gunny bags which are used in the transport of food grains will also be exempted from tax.

(6) Dealers whose turnover is less than Rs. 1 lakh will be exempted from surcharge. This will give relief to large numbers of small dealers. At the same time in the case of dealers who turnover exceeds Rs. 10lakh the rate of surcharge will be enhanced from 5 per cent to 10 per cent.

(7) Assessment procedure will be simplified. Seventy-five per cent of the sales tax is realised from dealers whose turnover exceeds Rs. 1 lakh. Since the accounts of the dealers with lesser turnovers have to be subjected to detailed scrutiny year after year, it is not possible to devote greater attention to areas which have higher tax yields. It is therefore proposed that in the case of dealers whose turnover does not exceed Rs. 1lakh, assessment will be done on the basis of the returns submitted by them with necessary corrections of prima-facie mistakes. The dealers need not produce the account registers in the normal course. But their accounts will be subjected to a detailed scrutiny once in three years. Such a system of easy assessment is in vogue in the State of Maharashtra and Gujarat.

54. A Committee headed by Dr. Gulati is currently making studies in the field of sales taxation. The Committee is expected to submit its final report soon. Appropriate steps will be taken on receipt of the Committee's report. Government's approach is that revenues should be improved not by periodically enhancing the rates but by restructuring the tax and toning up tax administration. The steps proposed to be taken on the basis of the Committee's report and the measures mentioned in the foregoing paragraph are estimated to yield a net additional revenue of Rs. 7 crore in the coming year.

Agricultural Income - tax

55. As part of the Twenty Point Economic Programme, the exemption limit in respect of non agricultural income-tax was enhanced from Rs. 6,000 to Rs. 8,000 by the Government of India. But agriculturists have, under the existing law to pay tax on agricultural incomes exceeding Rs.5,000. It is irrational to have two yardsticks in fixing the exemption limits in respect of agricultural and non agricultural incomes. Government therefore, propose to enhance the exemption limit of agricultural income-tax from Rs. 5,000 to Rs.8,000.

56. Considerable disparity exists between agricultural income tax and non agricultural income-tax not only in respect of exemption limit, but in regard to tax rates as well. The highest rate of agricultural income-tax applicable to individuals is 85% whereas the highest rate of Central income-tax, is 70%. Inclusive of surcharge the rates are 89% and 77% respectively. The budget proposals presented by the Union Finance Minister this week result in a further reduction of the highest income-tax rate from 77% to 66%. This has accentuated the disparity between the two taxes. It is only just that the agricultural income-tax rates are revised and brought on a par with the rates of non agricultural income-tax. But the

State's financial position does not permit a reduction of the tax rates to the revised levels announced by the Central Government. Nevertheless, the State Government propose to reduce the tax rates to the extent possible keeping in view their financial limitations. Accordingly, the agricultural income-tax rates will be brought on a par with the rates of Central income-tax in force prior to the recent announcement of the Union Finance Minister. The above measures will give tax relief of nearly a crore of rupees to our agriculturists. The rate of surcharge will also be equalised. The revised tax rates will be as follows:—

Where the total income does not exceed Rs. 8,000	:	Nil
Where the total income exceeds Rs. 8000 but does not exceed Rs. 15,000	:	17% of the amount by which the total income exceeds Rs. 8,000;
Where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	:	Rs. 1,190 plus 20% of the amount by which the total income exceeds Rs. 15,000;
Where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	:	Rs. 2,190 plus 30% of the amount by which the total income exceeds Rs. 20,000;
Where the total income exceeds Rs. 25,000 but does not exceed Rs.30,000	:	Rs.3,690 plus 40% of the amount by which the total income exceeds Rs. 25,000;
Where the total income exceeds Rs. 30,000 but does not exceed Rs.50,000	:	Rs.5,690 plus 50% of the amount by which the total income exceeds Rs. 30,000;
Where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	:	Rs.15,690 plus 60% of the amount by which the total income exceeds Rs. 50,000;
Where the total income exceeds Rs. 70,000	:	Rs. 27,690 plus 70% of the amount by which the total income exceeds Rs. 70,000

As a measure of relief to small agriculturists, the assessment procedure will be simplified. In the case of those whose income does not exceed Rs.25,000, their tax liability once determined with reference to the income of the just previous year will remain to be in force for a period of three years. If in the meanwhile the income goes up or down by over 15%, Government or the tax payer will have the right to move for reassessing the tax liability.

57. The rate of tax on foreign companies will be enhanced from 75% to 85%.

Plantation tax

58. As mentioned earlier, the prices of agricultural commodities have fallen considerably since 1974-75. Government consider that it is necessary to give urgent relief at least to small agriculturists. Till 1971-72 plantations below 2 hectares in extent were exempt from tax. The exemption limit was reduced to 1 hectare at a time of rising prices of agricultural produce. The position has changed today. Owing to decline in prices the income of the agriculturists has come down, while the cultivation expenses have gone up considerably. A levy based on the number of trees and without regard to the income derived from them has, in these circumstances, become a burden on the small cultivators. Hence as a measure of relief to them it is proposed to extent plantations below 2 hectares is exempt from the tax. There will however be no change in the tax applicable to Plantations above this limit.

Profession tax

59. Government now levy a surcharge on the profession tax collected by the local bodies in the State. From next year onwards, the surcharge will be discontinued.

Social Welfare measures

60. Let me now leave the field of taxation and turn to the area of expenditure. While setting apart resources for development, it has to be ensured that appropriate reliefs are given to the weakest sections of the society who do not directly enjoy the fruits of development. It is therefore with a sense of gratification that I propose the following welfare measures.

(1) *Destitute Pensions*

(a) The expenditure on destitute pensions is around Rs. 3 crore. Those with incomes exceeding Rs.20 or having sons or husband/wife having income above this limit are not entitled to this pension. The income limit are fixed years back and has no relevance to the present day conditions. It is therefore proposed to raise this limit to Rs. 40. The additional commitment on this account is estimated to be Rs. 150 lakh.

(2) *Financial assistance to patients*

(a) A scheme for giving financial assistance to T.B. patients with reference to their income for a limited period is being implemented in the State. This scheme with appropriate modifications will be made applicable to leprosy patients and cancer patients. The commitment involved in this measure is estimated at Rs. 12 lakh.

(3) *Grants to Orphanages*

(a) Grants to Orphanages are paid on the basis of the number of inmates. The percapita grant of Rs. 25 will be enhanced to Rs. 30 p.m. The additional cost is Rs. 25 lakh.

(4) *Financial assistance to victims of motor accidents*

(a) Under the scheme administered by the State Insurance Department, victims of motor accidents used to get compensation or exgratia assistance. With the nationalisation of general insurance, the compensation in such cases is payable by the General Insurance Corporation. There have been numerous complaints of delay in this matter. The hardship of those who are involved in accidents and who have to remain in hospitals for long periods can well be imagined especially when they happen to be bread winners. Delay in getting eligible compensation aggravates their hardship. Immediate relief is called for in such cases. It is proposed to draw up a scheme of temporary financial assistance in deserving cases. The scheme will be implemented by the State Insurance Department. The expenditure is estimated to be Rs. 3 lakh. Drivers of vehicles involved in accidents will also be covered by this scheme.

(5) *Legal aid to the poor*

(a) A modest scheme of providing legal aid to the poor has been in existence from 1958. But experience has shown that this has not had much impact. Owing to the fact that the remuneration fixed was very low the advocates who were included in the panel did not show much enthusiasm in taking up the assignment. Further it was not possible to enforce compliance from them. The fact that an expenditure of about Rs. 8,000 only was being incurred shows that the beneficiaries were few. There is no separate allocation for the scheme in the budget and the expenditure is being met from the contingencies of the courts.

(b) A regular machinery for providing free legal advice and aid has to be instituted in order to ensure that in the cases before the land tribunals between the landlords on the one hand and tenants or kudikidappukars on the other as also in the cases before the regular courts in which harijans, agricultural labourers and other weaker sections are involved, proper guidance and timely advice are available to them. With this end in view, the Legal Aid Scheme will be revamped and implemented effectively. For the conduct of cases it is proposed to appoint two lawyers in each taluk on a part-time basis on a monthly remuneration of Rs. 300. An expenditure of Rs. 5 lakh is anticipated on this account.

(6) *Advocates' Benefit Fund*

(a) Under sub-section (2) of Section 76 of the Court Fees and Suits Valuation Act, fifty per cent of the court fees levied on Mukthiars and Vakkalaths will have to be earmarked for a legal benefit fund from which a portion can be appropriated for welfare schemes relating to those engaged in the legal profession. So far no steps have been taken to formulate any benefit scheme. It is therefore proposed to set up an Advocates' Welfare Fund. The administration of the fund will be entrusted to the Bar Council. Government will remit to the fund the contributions due from the court fees now being levied.

(7) *Benefits to pensioners*

a. Pensions not exceeding Rs. 100 per mensem of Government employees who retired before July 1, 1973 were revised at rates varying from Rs. 10 to Rs. 15 per mensem with effect from July 1, 1974. It is proposed to extent the benefit of this revision to those whose pensions do not exceed Rs. 200 per mensem. Accordingly pensioners whose pensions exceed Rs. 100 but do not exceed Rs.200 will get the following enhancement.

	Rate of increase
Those who retired prior to November 14, 1966	15 Rs.
Those who retired prior to November 14, 1966 and March 31, 1969 (both days inclusive)	13 Rs.
Others	10 Rs.

Following the acceptance by the Government of India of the recommendation of Central Pay Commission to increase pensions with reference to the cost of living index, the State Government have been receiving representations from pensioners for extending this benefit. It is not possible to concede this demand. However Government propose to sanction a modest increase in pensions at the lower ranges. Accordingly a Rs. 5 increase in the basic pensions of all those whose monthly pension does not exceed Rs. 200 will be sanctioned with effect from April, 1976.

The above measures involve an additional expenditure of Rs. 75 lakh.

(8) Compulsory Insurance for Government Employees

Even after the nationalisation of Life Insurance in 1956, the State Government have been administering a life insurance scheme for Government employees. Life Insurance is compulsory only for those employees who do not subscribe to the Provident Fund. Consequently persons who took policies in the life insurance were negligible in number. In view of the reduction in the rate of subscription to the Provident Fund from 10 per cent to 6 per cent, it is proposed to make subscriptions to the State Life insurance compulsory at least in respect of new entrants in service. Since Government employees have to produce medical fitness certificates when they join the service, it is proposed to exempt them from a further medical test at the time of insurance. The rates of premium will be regulated on the basis in income slabs as follows:

Salary	*Rate of premium*
Upto Rs. 250	10
Rs. 251 to Rs. 400	15
Rs. 401 to Rs. 600	20
Rs. 601 to Rs. 800	30
Rs. 801 to Rs.1,000	40
Rs. 1,001 to Rs. 1,500	60
Above Rs. 1,500	75

When an employee moves up from one income slab to the higher income group on promotion, he will be required to take an additional policy so that his total premium will be equivalent to the rate applicable to the relevant higher income slab. It is needless to mention that this scheme is beneficial to the employees in view of the attractive dividend it offers. It may be mentioned here that compulsory insurance schemes are in vogue in the States of Karnataka, Andhra, Rajasthan and Madhya Pradesh.

(9) *Encouragement to sports*

The field of sports and games is astir with a new life and spirit. Kerala is fast coming up as a dominant force in sports and games. Several schemes are being implemented by the Sports Council for encouragement of sports men. The enthusiasm shown by the sports loving people of the State has stimulated sports activities. Still there is felt need for concerted efforts so as to bring about solid achievements in this field. It should be our aim to develop the latent talents of the coming generation by concentrating attention on schools. Boys and girls of the secondary stage who show ability and talent in sports have to be selected and given intensive training. With this end in view, it is proposed to start 11 coaching centres, one in each district around a Secondary School. Competent coaches will be deputed to these centres. It is also, proposed to provide one nutritive meal a day to each trainee. An expenditure of Rs. 5 lakh is anticipated on this account.

(10) *Students concessions*

Students belonging to socially and educationally backward communities are enjoying several concessions. But those coming from forward communities are eligible for such concessions only if they pass in first class. This disparity has created hardship among students of forward communities. Government therefore propose to take urgent measures to extend the educational concessions to students of forward communities also on income basis. This concession involves a liability of Rs.50 lakh per annum.

(11) *Pensions to private college teachers*

It is a cherished desire of the private college teachers that they should be brought within the fold of a pension scheme. I am therefore happy to announce that Government have decided to implement a pension scheme for private college teachers. This will be given effect to form the beginning of the next financial year. In the case of those who retire between the date of introduction of the system of direct payment of salary and the end of the current financial year, executive orders will be issued so as to enable them to get the pension benefit. Government are confident that a satisfactory solution can be found in regard to the grant of options regarding retirement age. The recurring expenditure is roughly Rs. 75 lakh per annum.

61. A net additional revenue of Rs. 5.6 crore is anticipated from the package of measures relating to sales-tax, agricultural income-tax and plantation tax. The new welfare measures involve a commitment of Rs. 4 crore. Consequently the additional resources available for the Plan will be Rs. 1.6 crore. Including this, the next year's additional resources mobilisation stands at Rs. 16.6 crore. After the finalisation of the budget, intimation has been received about an improvement of Rs. 4.9 crore in the State's share of Central taxes this year and in the coming year together. At the discussions with the Planning Commission, it was suggested to the State Government to bring about an improvement of Rs. 5 crore through economy measures. This is certainly not an easy proposition. The budget estimates do not take any credit for economy measures. In view of the outstanding deficit, efforts will nevertheless, be taken to improve the financial position by acceleration revenue collections and regulating expenditure. Government expect that the tax collecting departments and the major spending departments would fulfil their responsibilities in this matter. It may be possible to bring down the gap by Rs. 5 crore by collecting arrears of taxes and by exercising strict financial control.

62. Taking into account all the factors mentioned above, the overall deficit of Rs. 4.3 crore in the financial transactions of 1976-77 will be converted into a surplus of Rs. 7.2 crore. As a result, the year-end deficit will come down to Rs. 29.4 crore, which is lower than the current year's closing deficit by Rs. 7.2 crore and the Fourth Plan end deficit by Rs. 1.4 crore. Adequate financial adjustments would be sought from the Centre so as to ensure that the State's ways and means position does not deteriorate to the point of breakdown under the stress and strain of this deficit.

63. Our financial administration needs revamping. The policy decision that audit and accounts should be bifurcated and that the Central and the State Government should take over full and complete responsibility in the matter of maintenance of accounts has been announced by the President in the Parliament. The State Government will take appropriate steps in the matter in due time. A common approach in the matter applicable to the States may have to be evolved through discussions at the all India level. It is a matter of utmost importance that for a proper evaluation of Government's activities from time to time and for taking timely policy decisions, the necessary financial data are made available to Government. It is therefore proposed to take appropriate measures to streamline the procedures now followed in the matter of gathering financial data from the field and compiling them under relevant heads. A reorganisation of the administrative machinery and the adoption of modern techniques including computerisation may be necessary. A comprehensive reform in accounting is inevitable if accounts are to become the tool of management and the yardstick for evaluation of administrative efficiency. Changes in the form and content of the budget may also have to be made as a sequel. A restructuring of the major heads

and minor heads of account has already been done. It should be possible ultimately to replace the present Appropriation budget with the Performance budget. Inter-State consultations and decisions at all India level are called for in this matter also.

64. Here I wish to touch upon a closely allied matter. Since the advent of the Five Year Plans the public sector has expanded vastly with Government's investment reaching new heights. There is no regular machinery to evaluate the performance of the public undertakings and to give appropriate directions on financial matters. The Public Accounts Committee of this House has recommended that on the pattern of the Bureau of Public Enterprises attached to the Union Finance Ministry, we should also set up an organisation for managing the State's public sector. It is proposed to accept this recommendation and to take steps to set up such an organisation. Under the auspices of the proposed Bureau, facilities will be afforded for imparting managerial training to prospective entrepreneurs.

Sir,

65. While presenting the budget estimates in the face of very severe resources constraints, I am reminded of a fact which should be obvious to any diligent student of history. Periods of glory and greatness in the history of nations are not necessarily the same as their days of material prosperity. Many a time, history judged the greatness of nations in terms of the social and moral awakening of their peoples. Prosperity in terms of material wealth is at best a by-product of an era of such awakening.

66. Our nation and our people are today on the threshold of such an era. We retraced our steps from an aimless drift before it led us to a point of no return. We are now conscious that all fields of activity have an equal and significant share in the future of our land and that the best we could offer to those who follow us in future, is an example of dedication and devotion to our chosen fields of duty.

67. This awareness will no doubt enable us to transcend the limitations of resources we face. What I have attempted in these budget proposals is a humble effort to imbibe the spirit of this new awareness and to evolve a few measures to stimulate the process of development. I would earnestly seek wholehearted participation in this endeavour from all of us, particularly from those who wait and watch and those who come to criticise.

68. I submit the budget estimates for 1976-77. As there is no time to complete the detailed discussions on demands, I shall also be moving a vote on account.