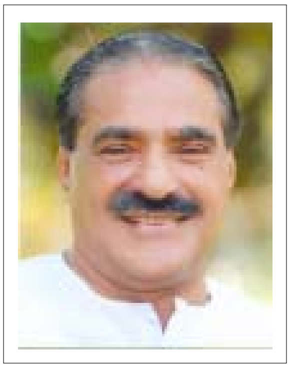

BUDGET SPEECH FOR 1981-82

SHRI K. M. MANI

20th March 1981

Sir,

On 21st March last year, I had the privilege of presenting before this House, the first Budget of the Left Democratic Front Government which had assumed office by virtue of the abundant faith and confidence placed on us by the people of Kerala. In spite of considerable external constraints, I had sought to present a balanced budget, with equal weightage to the welfare and developmental components of State expenditure and avoiding at the same time, any additional tax or other burden on the people. In their content and coverage, the distinct bias consciously exercised in favour of the more needy and weaker sections of our society and the scrupulous attention given to the time-bound programme of their successful implementation, the thirty three new welfare measures and developmental schemes approved by the House for the current year, have received in an unprecedented measure, beneficiary as well as general public approval within the State and elsewhere. The real beneficiaries under these measures have been the agricultural labourers thrown into destitution after a life-time of hard work, the large numbers who remain unemployed even with adequate education and abilities, the fishermens' families reeling under the sudden loss of breadwinners at sea, the small and marginal farmers burdened with interest and interest on interest, the students whose life time health care has been assured, the farmers and traders in the small sectors whose tax burden has been reduced and a host of other categories. This House and the Left Democratic Government have justifiable grounds for a sense of gratification, in having fulfilled during the year, within the constraints beyond our control the expectations of our people. It is proposed to introduce similar new developmental schemes and welfare measures consistent with the needs of the people, during the coming financial year also.

2. I now present the Budget Estimates for the State of Kera1a for the coming financial year 1981-82.

3. The facts, projections and intentions which I am presenting for consideration by the House, have to be viewed against the background of the current situation and trends of the economy as well as the serious deteriorations which are being sought to be imposed on our resources as well as financial autonomy, to extents not contemplated in the Constitution. While presenting the Central Budget three weeks ago, the Union Finance Minister has admitted that the economic situation continues to be difficult. Known facts, however, indicate that the expression difficult is at least a gross under statement, if not actually misleading. The recorded increases in price of 20% during 1979-80 and 13.5% during 1980-81, up to the end of January, add up to an abnormal increase in prices to the extent of 33.5% during the last two years. Even the impact of anticipated improvements in Agricultural or Industrial production on the economy is likely to be insignificant under such a situation. In the different centres of the State the increase in overall consumer prices during the year has been substantial. In fact, the price situation in respect of a number of items would have been much worse but for our sustained efforts in building up and maintaining an effective public distribution system.

4. In such a context, the Central Budget for 1981-82 holds out very little promise. While assessing the massive additional burdens imposed in the Railway Budget, it has to be noted that for many items, both inputs and finished products, freight is a vital and often substantial element of cost and that its enhancement must necessarily lead to a consequential price rise all around. The adverse impact will be greater in a state like Kerala situated at the Southern end of the country which is a net importer of consumer foods. There are also serious doubts about the budgetary arithmetic presented by the Union Finance Minister. The estimated budget deficit for 1981-82, before the tax proposals is 1810 crores i.e., Rs. 1539 crore after the new taxes. However, it is extremely doubtful whether the receipt of Rs. 200 crore during the current year and Rs. 800 crore during coming year, assumed under the Bearer Bonds, are capable of realisation. The deficit will be larger prorata to the shortfalls in estimated receipts under Bearer Bonds. The impact of the above order of budgetary deficit has to be viewed in conjunction with the burden of price increases specifically ordered prior to the Central budget on coal (Rs. 325 crore) steel and pig iron (Rs. 400 crore), petroleum products (Rs.1150 crore), and freight charges (Rs. 276 crore) as well as the cumulative effect of the increases in the cost of these basic commodities and services on almost all other products. The total impact on prices and the resultant burden are

not amenable to even a reasonable estimation and is bound to be a large multiple of what has been indicated in the central budget. In any case, even the estimated minimum of the budgetary deficits of the first two years of the current plan and the pre-budget price increases, must necessarily impose an additional burden of at least Rs. 5665 crore on the public, quite apart from the corollary effects of the increases in the price of basic commodities and transport charges on all other commodities and the shortfalls under Bearer Bonds. As a result, planned development in real terms is bound to suffer, since inflation will absorb the proposed increases in Plan expenditure. It is a fact that there has been no change in plan strategy to ensure an improvement in real growth rates, even in an inflationary situation. This is evident from the fact that during the past few years, real Plan expenditure has not shown any noticeable growth. It is to be noted further that nearly 70% of the entire deficit financing contemplated for the Sixth Plan will take place during the first two years themselves of the Plan, raising serious doubts whether it will be possible to achieve the physical objectives of the Plan within the estimated fiscal levels.

5. Apart from the inadequacies and the relative neglect which we have experienced from successive Central Budgets, the two specific issues, which are forcing us to seek a review of the very basis and fundamentals of the existing pattern of Central- States financial relationships, are -

(i) Central assistance for the State Plans and

(ii) the levy of additional Excise duties by the Central Government in lieu of Sales Tax accruing to the State Governments.

Out of the total outlay of Rs. 97,500 crores for the 1980-85 Plan, the Central assistance for the State Plans is only Rs. 15,350 crores. From out of this, the amount to be distributed under the Gadgil formula is only Rs. 7,700 crores. The States have no voice in the fixation of the total amount or its distribution among the various classifications. Nor are we consulted or even informed of the principles or the criteria followed. The only classification of assistance in respect of the distribution of which the States, at least in theory, have a voice in the National Development Council, is in respect of the distribution of the amount set apart under the Gadgil formula which is only around half the total assistance. Even in respect of the Gadgil formula, substantial changes have been brought in to our disadvantage. The 10 percentage under Gadgil formula set apart for distribution in terms of ongoing Irrigation and Power projects has also been shifted to distribution in terms of per capita income below the All India average, raising the percentage to be distributed under the latter criterion from 10 to 20%. To the best of our knowledge the National Development Council, while increasing the percentage of assistance to be distributed on the basis of per capita income from 10 to 20 % did not indicate the formula for the distribution of the enhanced amount. The system now being adopted, under which the amount is distributed exclusively to States whose per capita income is below the All India average, keeping the others out of 20% of the Central assistance under this head is obviously unjust, especially to those States on the border line. The variation in respect of Kerala is only Rs. 18 i.e., 1.9% from the All India average while if the special category States who are being taken care of separately are excluded, the variation will only be around Rs. 2. Yet, all our efforts' in the different forums and at the highest levels, urging the adoption of any formula which while giving due weightage to the adverse disparity with the All India average will not exclude any State from their entitlements under this head, have been in vain.

6. Similarly the enhancements under Market Borrowings are also being distributed exclusively to States whose average per capita income is below the All India average. The practice followed hitherto was to allocate a larger share of market borrowing to the advanced States on grounds of repayment capacity. Now the policy has been changed, with a greater weightage for allocation in terms of per capita income below the All India average, with the result that our share of Market Borrowings is only 1%. The net result throughout all the Five Year Plans is that in the allocation of Market Borrowing, we have been in no weightage, low priority category both when our average per capita income was far below the All India average as well as when it is marginally above the All India average. It has been our consistent stand that the total Market Borrowings should be divided between the Centre and the States on a 50:50 basis (which is roughly the ratio of the relative Plan sizes) and that the amount set apart for the States should be distributed in terms of scientific and acceptable criteria. As a result of the above adverse formulations, although as compared with the 1978-83 Plan, the National Plan 1980-85 has increased by 37.3% from Rs. 71,000 crore to Rs. 97,500 crore and the State Plan itself has increased by 29.2% from Rs. l,200 crore to Rs. l ,550 crore, the Central assistance for the State Plan 1980-85 remains at the same level as for the 1978-83 Plan i.e, Rs. 430 crore effectively reducing the Central assistance component of the State Plan from 35.83% to 27.74%.

7. The House may recall our detailed discussions on the 12th on the proposals relating to the levy of additional Excise Duty in lieu or sales tax. Such

a practice was initiated in 1957 in respect of Sugar, Tobacco and Textiles. The compensatory payment received by the State on account of the loss of sales tax Revenue is only around Rs. 14.5 crore (1980-81) whereas but for the substitution, our sales tax income on these items, even at the old rates would have been around Rs. 30 crore. In fact, if the rates were subjected to normal enhancements as has taken place in the case of other commodities, the loss will be much higher. As already reported to the House, the same practice is now being sought to be extended to Vanaspathi, Drugs and Medicines, Cement, Paper and Paper Board and Petroleum Products. If this proposal also is implemented, our annual loss under sales tax will be around another Rs.30 crore.On principle, the substitution of sales tax by the levy of additional excise duties is objectionable as an unwarranted intrusion into the financial autonomy of the States as well as an abridgement of their legitimate sources of revenue. In practice also the States will be the losers since no formula of compensation can accommodate the high buoyancy of sales tax as compared to additional excise duties.

8. It is on account of such practices that we have been repeatedly urging for a review of the existing framework of Centre State Financial relations, in order to evolve satisfactory means of ensuring a healthier growth in these relationships. Since the division of resources do not correspond to the division of responsibilities, the Central government having expansive and buoyant sources of revenue while the States are burdened with expensive obligations under social services, the transfer of resources from the Centre to the States is a natural and logical phenomenon, duly provided for in the Constitution. The assumption of functions and the resultant retention of resources by the Centre in respect of areas falling within the purview of the States, conscious inroads into the functions and the limited resources earmarked for the States, the artificial distinction between Plan and non-Plan transfers, the resultant diminution in the role of the Finance Commission which is the only statutory body in the context and the emergence without any legal warrant, of the Planning Commission which is a creation of the Central Executive as the final arbiter without appeal of the development needs of the States, etc., are post-Constitution phenomena which have changed beyond reason and recognition the basic premises upon which the Constitution itself was framed. It is on account of the emergence and perpetuation of such authorities, functions and practices, never even dreamt of by the makers of the Constitution, that we urge that the time has come to seek the formulation of a more equitable and flexible scheme of devolution of resources and a healthier pattern of Centre State Financial relationships.

1979-80 ACCOUNTS

9. The Budget Estimates for the current financial year indicated that the year 1979-80 would end with a closing cash balance of Rs.45.51 crore. However, on account of the substantial improvements, mostly under non-tax revenues, even after accommodating a higher Annual Plan expenditure of Rs. 235 crore, as against the planned outlay of only Rs. 218 crore the year 1979-80 ended with a closing cash balance of Rs. 65.22 crore inclusive of investments in Treasury Bills.

1980-81 REVISED ESTIMATES

10. The Revised Estimates for the current financial year indicate an improvement under total revenue receipts by Rs. 62 crore i.e., Rs. 653 crore against the Budget Estimate of Rs. 591 crore. However, on account of higher than estimated expenditure, mainly under interest payments, Police, Pension, Education, Housing, Labour and Employment, Social Security and Welfare, Famine Relief, Co-operation, Community Development, Roads and Buildings and D.A. increases, the Revised Estimate of expenditure on the Revenue Account has also increased by Rs. 97 crore. i.e., Rs. 672 crore as against the estimate of Rs.575 crore. It is also to be noted that as against the budgeted Plan outlay of Rs. 246 crore, the Annual Plan outlay was finalised at Rs. 273 crore inclusive of the new development schemes indicated in my Budget speech indicating an increase in Plan expenditure by Rs. 38 crore over the preceding year. Yet, in spite of the increased expenditure under Plan, as a result of the substantial economies enforced and the discipline exercised in the management of the finances of the State, the current year 1980-81, in terms of the Revised Estimates, is expected to close with a clash balance of Rs. 10.78 crore.

1981-82 BUDGET ESTIMATES

11. The total revenue receipts for 1981-82 are estimated at Rs. 722 crore inclusive of the State’s share of Central taxes estimated at Rs. 167 crore. The receipts from State Taxes and duties are estimated at Rs.356 crore, representing an improvement of Rs. 31 crore over the revised estimate for the current year. Non-tax revenues are estimated at Rs. 120 crore and grant-in-aid from the Central Government at Rs. 79 crore. The Revenue expenditure is estimated at Rs. 711 crore of which Rs.124 crore will be under Plan. The non-Plan expenditure of Rs. 587 crore represents an increase by Rs. 32 crore over the Revised estimates for the current year. The areas where major increases in expenditure have been estimated are Interest Payment (Rs.8 crore), Police (Rs.3 crore), Education (Rs. 21 crore) and Medical (Rs. 4 crore).

1981-82 Annual Plan

12. The State plan outlay for the Sixth Five Year Plan 1980-85 has been fixed at Rs. 1550 crore. The outlay for the Annual Plan 1981-82 stands indicated at Rs. 275 crore. I have already reported to the House the inadequacy of these outlays, and the circumstances, mainly relating to reduced levels of Central assistance, which has led to the less than satisfactory levels of Plan outlays. The resources for the Annual Plan 1981-82 were originally estimated as follows:-

		Rs. in Crore
Central assistance for State Plan	..	112.35
Other Budgetary receipts of the State	..	70.86
Market Borrowings and Loans	..	52.33
Additional Resources Mobilisation (1980-81) Measures	..	21.10
Internal resources of K.S.E.B. and K.S.R.T.C.	..	(-)13.88
		242.76

13. We are however budgeting for the approved Annual Plan outlay of Rs. 275 crore. The gap in resources, as budgeted, is less than what had been assessed at the time of the resources discussion on account of subsequent developments. Taking into account the Central share of the outlay on Centrally sponsored schemes (Rs. 51.12 crore), provision for Western Ghats Development Scheme (Rs. 2.42 crore) special Central assistance for anti-sea erosion works (Rs. 3.50 crore), the overall outlay on developmental activities during 1981-82 will be Rs. 332.28 crore.

14. In the Agricultural sector, the Training and Visit System already in operation in the Trivandrum, Quilon and Alleppey Districts, will be extended to all the Districts. Proposals are under consideration for the establishment of Agricultural Development Centres in each Panchayat to ensure the grass roots level involvement of farmers. The protection and replacement programme of Coconut trees in the context of root wilt disease, which has already covered majority of the affected trees and the removal of 1.9 lakh diseased trees in 62 Panchayats, will be extended to the other Panchayats. The Kerala Agriculture Development Project and the Multi-State Cashew Project will be continued an additional area of 3000 hectares will be brought under cashew in the southern Districts. The existing facilities and assistance for cocoa will be improved. A new scheme for the rehabilitation and revitalisation of pepper cultivation, with a subsidy

of Rs.1,250 per hectare for new planting and Rs.1,375 per hectare for rejuvenation, will be introduced. A scheme for the promotion of vegetable cultivation will be introduced in and around the urban centres. Special Animal Husbandry Programmes are being designed to compensate seasonal unemployment in the Agricultural Sector. The intensive cattle development project will be extended to the Southern Districts and more Veterinary Polyclinics and mobile farm aid units will be established. Steps have already been initiated for the intensification of Dairy Development activities under Operation Flood II, which will raise milk production in the project area from around 13 to 18 lakh litres per day and raise processing capacity from 0.39 lakh litres per day to 4 lakh litres per day. Provision and maintenance of Minor Irrigation facilities will continue to receive emphasis.

15. Four hundred Fishermen Welfare Societies which have already been legislated for, will be established immediately and the Kerala Marine Fishing Regulation Act will be enforced. Expeditious completion of the Neendakara Fishing Harbour and the first two stages of the Vizhinjam Harbour Project, investigation work relating to the mini Harbours at Muthalapozhi, Thankassery, Kayamkulam and Thottappalli and eight landing centres; expansion of the Nylon net Factory, a distribution net work for the sale of fish and arrangements for deep sea fishing under the auspices of the Fisheries Corporation; the completion of the first phase of 10000 houses, the launching of the second phase of another 10000 houses and the introduction of a scheme for financial assistance for the marriage of girls from Fishermen families by the Fishermen Welfare Corporation; and the start of activities by the Inland Fisheries Corporation in the fields of brackish water fish culture and inland operations are scheduled for the coming year.

16. Special attention has been devoted to the implementation of the Land Reforms legislation which is nearing completion. A scheme to extend financial assistance to the former jenmies in distress will be introduced. The schemes for the settlement of landless agricultural labour will be liberalised by enhancing the grant and loan components. The preparation of Revenue Records will be undertaken simultaneously with the progress of Re-survey. A number of Cyclone Shelters is contemplated with E.E.C. assistance.

17. Under the National Rural Employment Programme initiated in October, an estimated 105 lakhs man-days of employment will be generated during the coming year. A massive scheme for the construction and improvement of rural roads, enhancement of the assistance under the Integrated Rural Development Programme from Rs. 5 lakh per Block to Rs 6 lakh per Block, enhancement of

funds reserved under the Programme for Scheduled Castes and Scheduled Tribes families from 20% to 30% and a UNICEF assisted programme for the improvement of basic services in districts with a heavy concentration of Scheduled Castes and Tribes will be undertaken during next year.

18. Neendakara Harbour development, improvement of the piers at Calicut, Valiathura and Alleppey and the construction of two breakwaters at Beypore will be implemented during the coming year.

19. The Kerala Water Supply Project costing Rs. 45 crore and the three comprehensive Rural water supply scheme covering the Vakkom-Anjengo area, Kuttanad and Nattika Firka are being considered for World Bank and bilateral assistance. The Premo Pipe Factory will be initiating work on the establishment of an A.C. Pressure Pipe Factory with an installed capacity of 30000 M.T. per year.

20. Our emergence as the leading State in the field of athletics has been a matter of great pride. Provision of coaching facilities by the best experts available in the respective fields from India and abroad and the extension of hostel and other facilities even to those outstanding sports persons who are unable to continue their education are contemplated for the coming year.

21. The expansion of the plantation activities as well as the establishment of a wood complex under the Forest Development Corporation will take place during the coming year. Proposals are also under consideration for a botanical garden at Ponmudi, the elevation of the Forest Research Institute as an institution of national importance, a system of rewards for information relating to Forest offences and the grant of financial assistance to victims of wild animals.

22. In addition to the various Labour Welfare measures to be continued, Government have under consideration the extension of the coverage of such measures to construction workers and quarry workers. A scheme for the establishment of an Industrial Hygiene Laboratory is being drawn up.

23. The main thrust of activities in the Industries Sector will be the follow up action on the successful special efforts to attract investment and participation from outside, improvement in the performance of Government companies and their expansion, establishment of new units under the auspices of the State Industrial Development Corporation, five Textile Mills on the strength of investments by Gulf Malayalis, expansion of the ship breaking unit at Beypore and the utilisation of their scrap to revive the closed down re-rolling Mills, a new Control Instrument Factory, Semiconductor Complex, metalised plastic film plant, electronic watch factory and ancillary units in the small scale sector under the auspices of the

Electronic Development Corporation, the commissioning of the Malabar Cements Project and the Second Stage expansion of Travancore Cements, development of a Bamboo Complex, arrangements for the exploitation of gem resources, revival of sick industrial co-operative societies, introduction of assistance programmes for export oriented industries, modernisation of the Tile Industry, generation of employment in the Khadi & Village Industries Sector, streamlining of registration procedures, more work centres for Beedi Workers, bringing a larger number of beedi workers within the co-operative fold, and a new welfare scheme for Cashew Workers. The State Government propose to undertake a detailed survey of sick units in the State and to evolve individual schemes of resuscitation, streamlining and co-ordinating the provision of existing patterns of assistance and with greater emphasis on additional working capital requirements, clearance of statutory dues and repairs and maintenance. The programme will be implemented in a phased manner to complete the coverage of all the sick units within the shortest possible time. To cover the initial expenditure on the scheme in accordance with the rules to be formulated, a sum of Rs. 75 lakh is being set apart.

24. Due to a variety of reasons there is considerable stagnation and unemployment in our major traditional industries i.e., Cashew, Coir and Handlooms. It is proposed to bring the cashew plantation and area expansion activities in the public sector, under a separate agency to be created exclusively for the purpose. In the coir sector primary attention will be devoted to the exploration of new markets and greater coverage of the co-operative sector. The activities of the coir corporation will be expanded and new production units will be established. In the Handloom sector, more marketing outlets, opening of exhibition cum-sales centres in major cities, new production units such as garment factories and the provision of improved facilities for printing, calendering and dyeing at all centres are contemplated.

25. The public sector Chitranjali Film Studio will become fully equipped and operative during the coming year in respect of all the requirements of filmmaking. In recognition of the role of Malayalam films as a major feature in our cultural life, it is proposed to enhance the cash awards for the best Malayalam Film, best Director, Actor, etc.

26. In the context of attracting institutional finance for funding developmental programmes and to build up an adequate shelf of suitable projects, Government proposes to set up an independent body of experts for the formulation of projects.

27. At present the schemes and issues relating to commercial activities, and the co-ordination with Central policies in the context are being dealt with in a

diversified manner. The Government propose to streamline the existing arrangements to ensure greater effectiveness and co-ordination.

28. The State Government propose to overcome the difficulties caused by the absence of a national policy towards the nationalisation of the wholesale trade in essential commodities and to endeavour to hold prices under rein, by bringing some more commodities such as edible oil, tea, vegetables etc., under our public distribution system. Government also propose to strengthen the public distribution system through the Kerala Civil Supplies Corporation under a phased programme of opening one thousand retail outlets, covering all the Panchayats and urban areas in the State. For this purpose, the share capital base of the Corporation will be strengthened.

29. The construction of 25000 houses under the Aided Self-help Co-operative Housing Scheme; a rental housing scheme for Government employees, first in the capital city and later in other District Headquarters; and a Pilot Project, covering six Municipalities in the first instance of 250 houses in each Municipality, being constructed on a hire purchase basis for individual on their own sites, with the assistance and under the supervision, of the Housing Board, will be undertaken during the coming year. The pattern of assistance to the Housing Board will be rationalised to increase their capacity and cost efficiency.

30. We are already among the foremost in India in per capita expenditure on Health Services, bed-population ratio, reduction in death rate and infant mortality and higher life expectancy. Now, we have become the first State in India to have at least one Dispensary in each Panchayat. Apart from the continuance of the schemes and the planned development under implementation, Farm cum-Workshops for the mentally retarded to be attached to the Mental Hospitals, a regional research centre for the Sidha system of Medicine, new postgraduate courses in the Alleppey Medical College, degree courses for Homoeopathy under the Kerala University, and District Regional and Central Rehabilitation Centres during the year of the Handicapped, will also be established in the coming financial year.

31. Government have decided to conduct the Tourist Week celebrations during the Onam Festival as a regular annual programme. The new Guest House at New Delhi will be commissioned early during the coming year. The construction of a convention complex at Veli and Guest Houses at Alleppey, Idukki and Kasaragod are programmed for next year. The Tourism Development Corporation will commission the Samudra Hotel at Kovalam and ensure substantial progress under the Thampanur, Cochin and Bolgatty Projects. It is also proposed to commence work on a major Hotel Project with technical and other collaboration, aimed mainly at foreign tourists.

32. The Social and economic uplift of the Scheduled Castes and Tribes will continue to receive priority attention. It is proposed to start, in collaboration with the Lalithakala Academy and other agencies, a Research Institute for the preservation of the rich cultural heritage of the Scheduled Castes and Tribes. The activities of the recently formed Corporation for the benefit of the Christian converts will be intensified.

33. The preliminary work relating to the implementation of the District Administration Act are being completed. Election to the District Councils will be held soon after the 1981 Census operation and the Councils will be formed during the course of the year. The Rural Development Board will be reorganised as a financing agency for the implementation of remunerative schemes by the Panchayats and the Urban Development Finance Corporation will be converted into a public limited company. Steps will be taken to establish Development Authorities in all the District Headquarters. A programme for the eradication of slums within 10 years with adequate funding arrangements, perspective plans coinciding with the five year plans for the development of Municipalities and Corporations, the continuance of the seven point programme relating to the Harijan-Girijan Colonies and the one lakh housing scheme colonies and a special scheme for improving the amenities and living conditions of the dwellers in the High range colonies are scheduled for the coming year. It is proposed to establish a special fund for slum clearance programme.

34. During the coming year, the new Press at Mannanthala will be commissioned and capacity increase will be implemented in the Presses at Trivandrum, Ernakulam, Shornur and Cannanore. A phased programme for the establishment of Government Presses in all the District Headquarters will be initiated. Government also have under consideration a scheme for the establishment of a Publishing House with an Advisory Committee consisting of eminent writers and publishers.

35. The upgradation of existing schools and the opening of new schools will be undertaken during the coming year on the basis of detailed surveys of needs with adequate weightage to the requirements of the weaker sections in the population. A training school for nursery teachers and programmes for the vocationalisation of education beyond the Secondary level are also under consideration. As indicated in my last budget speech, a society has already been registered for the provision of Housing loans to the teaching and non-teaching staff of aided schools.

36. The State Government consider that the proposed development programme of Rs. 2.5 crore during 1981-82 by the K.S.R.T.C. is not commensurate with public needs. In order to ensure the acquisition of minimum of 250 new buses and to introduce new routes, an amount of Rs. 3 crore is being set apart. The Inland Navigation Corporation will introduce additional charges and commence parcel services connecting the major towns. More medium size wooden boats and fibre glass speed boats will be introduced to improve the ferry services in Cochin.

37. In the context of extending electricity connections, the current years' achievements will be about double the physical target originally indicated and during the coming year it is expected that all the applications for line extension received during the current year will be implemented. An accelerated power generation programme to double generation capacity in seven years will be undertaken. The Mananthoddy, Pooyankutty, Kurian kutty, Karappara, Idukki II Stage and Kuttiadi augmentation projects have already been cleared by the State Government.

38. It is proposed to construct a new building for the Sri Chitra Art Gallery in the premises of the Trivandrum Museum.

39. Arrangements along scientific lines will be evolved for the reduction of the high cost of sea walls. Earth bunds, groynes and rubble retaining walls will be constructed under the flood control programme and a scheme for public participation in the context is being drawn up. The Kallada Project will receive World Bank assistance from the coming year.

40. Improvement of communication facilities with emphasis on the comparatively under developed areas, take over of more Roads, and the streamlining of codal provisions to eliminate waste and delays will receive priority consideration during the coming year.

41. A larger number of Co-operative Banks will be established and the working of the Primary agricultural credit societies and Primary Land Mortgage Banks will be streamlined and equipped to ensure greater impact on agricultural production as well as the generation of repayment capacity among the borrowers.

42. Improvement of the image of the Police Force in their relations with the public, expansion of the Force, modernisation of equipment and streamlining of police administration will receive special emphasis. Family Quarters have already been provided for about 37% of the Staff and barracks for about 55%. During 1981-82, additional family and barracks accommodation for 350 and

500 persons respectively, is planned. A Police Housing Society has been registered to help police personnel to construct their own houses. The formation of the Fourth Kerala Armed Police Battalion will be completed during the coming year. Adequate attention and funding will be accorded to Police Welfare Measures.

43. Parole leave will be liberalised and the standard of food improved in the Jails. It is also proposed to establish clinical laboratories attached to the hospitals in the Central Jails.

44. The existing Legal Aid to the poor will be popularised to ensure the full flow of benefits to the needy. The Advocates Benefit Fund announced in my earlier Budget will become operative in the first month of the coming year. Special arrangements will be made for the drafting and presentation of Bills in Malayalam as far as possible.

45. In view of the importance of the Sales tax Department to the finances of the State as the realisation machinery for about 60% of the total Tax Revenue of the State, on the basis of detailed studies to be undertaken, the departmental operations will be streamlined and procedures simplified to ensure both the elimination of inconvenience to the assessees as well as the prevention of evasion to augment revenues.

WAYS AND MEANS

46. The financial position of the State, as presented in the Budget Estimates for 1981-82, now before the House is briefly as follows:—

(Rs. in crore)

Opening cash balance including Treasury bill investments (1981-82 operations)	..		10.78
Revenue Surplus	..	10.49	
Capital Expenditure	..	(-) 124.00	
Loans and Advances (Disbursement)	..	(-) 34.91	
Public debt (net)	..	28.67	
Recoveries of Loans and Advances	..	11.77	
Debts and deposits (net)	..	109.32	
Over all surplus (1981-82)	..		1.34
Closing cash balance	..		12.12

47. It is proposed to rationalise the taxes on land and income on a scientific basis with the three objectives of reducing the burden on the small and medium cultivators, a progressive enhancement of the tax rates to be imposed on larger plantations and at the same time ensuring a net increase in the resources to be mobilised by the State for developmental purposes.

AGRICULTURAL INCOME TAX

Raising of exemption limit to Rs. 15,000

48. I had indicated in my last Budget Speech that, against the background of rising costs and fluctuating prices in agriculture, detailed guidelines will be evolved to ensure realistic assessments of real income and agricultural expenses. These guidelines have been issued and arrangements are being made to make them available to all tax-payers.

49. In the last Budget, the exemption limit for the levy of Agricultural Income Tax was raised from Rs. 8,000 to Rs. 12,000. Consequent on the raising of the exemption limit for Central Income Tax at Rs. 15,000 and in recognition of the difficulties faced by the agriculturists, it is proposed to exempt annual agricultural income which does not exceed Rs. 15,000 from the levy of Agricultural Income Tax for all persons other than companies.

50. Government also believe that parity between agricultural and non-agricultural income, not only in respect of exemption limits for the levy of tax, but also in respect of tax rates, will be of relief to the agriculturists. Therefore, in my last budget, while retaining the rates applicable to the higher slabs, I had equalised the Agricultural Income Tax rates for the lower slabs up to Rs. 20,000 with the rates applicable to non-agricultural income. The recent Central Budget has however combined the two slabs of Rs. 15,000 to Rs. 20,000 and Rs. 20,000 to Rs. 25,000 into a single slab for the levy of Income Tax at 30 per cent. In terms of our established policy, the same revised slab and rate as in Central Income Tax is proposed to be introduced in respect of Agricultural Income Tax as well. As a result, those in the slab Rs. 15,000-20,000 who would have had to pay Rs.1,050 plus 18% of the excess over Rs. 20,000 need benefit pay only at a flat 30% of the excess over Rs. 15,000 and those in Rs. 20,000-25,000 slab who would have had to pay Rs. 1,950 plus 30% of the excess over Rs. 20,000 need henceforth pay only at a flat 30% of the excess over Rs.15,000. On the average, this involves an Agricultural Income tax relief varying from Rs. 450 to 930 for assessees on this revised slab of

Rs. 15,000-25,000 the extent of benefit being progressively greater for lower incomes. Slabs above Rs. 25,000 are proposed to be retained at their present levels.

Exemption of food crops from Agricultural Income Tax

51. In the midst of non-remunerative prices and rising costs, the cultivators of our crops like paddy, tapioca, plantains, ginger and all cash crops are facing extreme difficulties which call for long-term solution. As a measure of relieving their distress, at least in part for the time being, the income from these crops is being exempted from the purview of Agricultural Income Tax.

Agricultural Income Tax relief for Religious and Charitable Institutions

52. Under the Kerala Agricultural Income Tax Act, religious and charitable institutions have been allowed to deduct from their total agricultural income, that portion derived from property held under trust wholly or in part for religious purposes to the extent such income is applied for such purposes, within the State. However, these concessions are not being availed of in actual practice, on account of procedural and interpretational difficulties. Government have issued clarifications and guidelines to ensure that all the beneficiaries get their legitimate concessional entitlements. It is however seen that the existing concessions fall for short of similar concessions relating to non-agricultural income in the context of Central Income tax. Government therefore propose to legislate for suitable amendments under which benefits similar to those available for non-agricultural income under the Income tax Act such as, accumulation of 25% of the exempted income for future years, and the carry forward of deficits below 75% in the expenditure entitled to exemption, to subsequent years or their investment in Government securities without compromising the entitlements to exemption.

Plantation Tax - enhanced Exemption limit and higher levy on the large holdings

53. At present, the first two hectares in the possession of an individual is exempted from the levy of Plantation Tax. In respect of lands held above 2 hectares, tax is levied at the rate of Rs. 20 per hectares, for possessions between 2 to 4 hectares and at Rs. 50 per hectare for holdings between 4 and 20 hectares, with a levy of Rs. 70 per hectare on holdings above 20 hectares. It is proposed to remove all the small and medium cultivators from the liability under Plantation Tax by raising the exemption limit from 2 to 4 hectares. In order to

cover the reductions in revenue on account of the above necessary concession and to raise additional resources, it is further proposed to modify the rates and area slabs relating to the levy of Plantation Tax, as follows:-

Up to 4 hectares	..	Nil
4 to 8 hectares	..	Rs. 50 per hectare for the area above 4 hectares
8 to 20 hectares	..	Rs. 60 per hectare for the area above 4 hectares.
Above 20 hectares	..	Rs. 90 per hectare for the area above 4 hectares

Under the above pattern, holdings up to 4 hectares are totally exempted, the tax rate for holding between 4 and 8 hectares is retained at the present level, the rate for holding between 8 and 20 hectares is increased by Rs. 10 per hectare and the rate for holdings above 20 hectares is increased by Rs. 20 per hectare. The net additional yield under the above pattern of taxation is estimated at Rs. 25 lakh per year.

SALES TAX

Enhancement of exemption limit to Rs. 50,000

54. In my last Budget, the exemption limit for the levy of Sales tax relating to multipoint goods was raised from Rs. 25,000 to Rs. 35,000. Consequent on the increases in price of almost all the commodities it has become necessary to raise the exemption limit, in order to sustain the same level of relief to the small traders. Traders with an annual turnover below Rs. 50,000 are small traders. Actual experience has proved that the provision of reliefs to the such traders does not affect the total yield under sales tax. It is therefore proposed to raise the exemption limit to Rs. 50,000 thereby excluding the small traders with an annual turnover of less than Rs. 50,000 in respect of multipoint goods from the levy of sales tax. Similarly the exemption limit in the case of single point goods is raised from Rs. 10,000 to Rs. 15,000. The limit upto which the facility for compounding is to be made available will also be raised from Rs. 40,000 to Rs. 55,000.

Simplified procedure for annual turnover up to Rs. 1.5 lakh

55. In my 1976-77 Budget, I had introduced a simplified procedure for the assessment of traders with an annual turnover of less than Rs. 1 lakh. Under this system tax liability in such cases is fixed on the basis of the returns filed, the detailed accounts being subjected to scrutiny only once in three years. Actual experience during the last five years has indicated that the simplification of

procedures have added considerably to the convenience of the assessees as well as the buoyancy of Sales Tax Revenue. Against this background and in the light of the substantial increase in the prices of commodities, it is proposed to apply the simplified system under S.17(4) of the Kerala General Sales Tax Act, to all traders with an annual turnover up to Rs. 1.5 lakh.

Sales Tax exemption for raw tapioca and ginger

56. At the last purchase point in the State, a 2% sales tax is levied at present in respect of raw tapioca. In recognition of the fact that this is the common man's food, it is proposed to waive the levy of sales tax on raw tapioca. Similarly, the 4% Purchase tax on raw ginger is also waived.

Sales Tax Relief on Fertilisers

57. As a result of the enhancement of the price of petroleum products and the consequential near doubling of fertiliser prices, the cost of agricultural operations has increased substantially. This is causing considerable hardship to agriculturists in general and to paddy cultivators in particular. As an initial measure to reduce their burden, the levy of sales tax is being waived on the purchase of fertilisers by the paddy cultivators for the cultivation of paddy.

Sales Tax concessions for the purchase and utilisation of raw rubber within the State

58. We are the major producers of Rubber within the country, with a near monopoly on the supply of this vital raw material. Therefore, it has been our consistent policy to ensure through appropriate tax rates and concessions, the utilisation of the raw rubber produced by us within the State itself for the manufacture of the value added products so that the generation of profits and employment may take place in this State itself. With this end in view, initially we had reduced the sales tax on the raw rubber purchased for the manufacture of tyres within the State to 3%. In my last Budget I had extended the same concessional rate of 3% to the purchase of raw rubber by the small-scale sector for all productive purposes. The net result of the above measures has been to leave out from the range of these concessions, only a small area, namely the purchase of raw rubber by the large and medium industries for purposes other than the manufacture of Tyres. To complete an objective of ensuing that the rubber produced us is converted into value added products within one state itself, it is now proposed to extend the concessional rate of 3% sales tax to raw rubber purchased by large and medium industries for the manufacture of any finished products within the state. The net result will be that the concessional sales tax

rate of 3% on the purchase of raw rubber will be available to all manufactures, whether they be in the large, medium or small scale sectors, as long as the manufacture of the finished product take place within the state.

Sales Tax relief for the raw materials used in finished products

59. Because the benefit is allowed only to physical components, the present concessional sales tax rate of 1% on the purchase component parts is not available to all raw materials used in the manufacture of finished products. As a result, tax gets levied on the raw materials as well as on the finished products. Consequent on such a high tax incidence, in many cases, either the price of the finished products becomes non-competitive or else resort to inter-State purchases shift of industry outside the State takes place. Pending a detailed study of all the raw materials and component parts which are hit by the above difficulties, it is proposed to give immediate relief for the purchase of paper for the manufacture of note books, the purchase of plastics for the manufacture of plastic goods and the purchase of rubber sheets for the manufacture of chapals by levying only a concessional rate of 4% sales tax equivalent to the Central Sales tax for inter-state purchases. This measure will reduce the tax burden and improve the competitiveness of the benefited industries. To the extend, the measure reduces inter-State purchases and flight of the industry to outside States unnecessary, thereby increasing the volume of sales within the States, sales tax revenue will only be augmented as a result of these measures.

Concessions for Newspapers

60. A 15% customs duty on imported Newsprint has been levied in the Central Budget, at a time when the small and medium newspapers were pleading for sales tax and other reliefs. The customs duty will increase the cost of newsprint and add to the burden on the newspapers. In order to provide some relief to small and medium newspapers as defined by the Registrar of Newspapers, it is proposed to exempt them from sales tax liability within certain limits. On the annual purchase of newsprint by small and medium newspapers, they will be exempted from the levy of sales tax up to the first Rs. 1 lakh and Rs. 2 lakh respectively.

Sales Tax loans in lieu of exemption

61. The package of incentives already ordered by the State Government provide for all small scale Industrial units established after 1-4-1979, total exemption from the levy of Sales tax for a period of 5 years from the date of production. This concession is also available to industrial units set-up by Harijans

or women or those located in the Mini Industrial Estates which have not completed six years of production as on 1-4-1979 for the remaining portion of the 6 years period. There has been a spate of complaints that the competitive advantages granted to the new units along the above lines, are creating considerable difficulties to the older established units. It is therefore proposed to abolish the system of exemption from Sales Tax and to grant them instead, interest free loans equal to the Sales Tax assessed and collected for the preceding year. Such a system has the added advantage that the beneficiary units receive for working capital purposes interest free loans while at the same time the scope for malpractices and the competitive disadvantages of the older established units are eliminated. The State's resources are also benefited in so far as the Sales Tax yield in question is only postponed without interest instead of being totally waived.

Abolition of Employment Tax

62. Under the Kerala Tax on Employment Act, 1976, employment tax is leviable on half yearly incomes varying from Rs. 6 to Rs. 125 per half year depending on the prescribed ranges of income. On account of conceptual deficiencies and administrative difficulties the yield from this tax has been negligible. The Government consider that in terms of the actual yield, the cost of collection and attendant difficulties, the continuance of this tax is not worth the effort. It is therefore proposed to abolish the employment Tax and to waive the collection of arrears already accrued. The yield under this tax which is now proposed to be abolished was estimated at Rs. 31 lakh for 1981-82.

Sales Tax on Indian Made Foreign Liquor

63. On the first sale point within the State, Sales Tax is levied at 40% on Indian Made foreign liquor. It is proposed to raise the rate of Sales Tax on Indian Made foreign liquor from 40 to 50%. The additional yield from this measure is estimated at Rs. 2 crore.

Sales Tax on aviation fuel

64. Sales Tax not levied at present on the aviation turbine fuel purchased by Air India and Indian Airlines for use in International flights from Trivandrum. It is proposed to levy sales tax on aviation turbine fuel at 8%.

Sales Tax on Silk fabrics

65. While silk fabrics are liable to Sales Tax at 7% at the point of first sale, handloom silk fabrics are exempted at present. These fabrics are luxury items, catering to the affluent sections of the community. It is proposed to levy Sales tax at single point at 7% on handloom silk fabrics brought in for sale from

outside the State. The exemption will continue to be available for handloom silk fabrics produced within the State. The additional yield under this measure is estimated at Rs. One crore per year.

Compounding of Entertainment Tax

66. In the light of the studies already made, Government are of the view that there is necessity and scopes for the simplification of the procedures relating to the assessment and collection of entertainment tax. With the above objective and to ensure a substantial augmentation of this major source of revenue for the Local bodies and to plug the loopholes. Government propose to legislate for the compounding of Entertainment tax as a percentage of the gross collection capacity in the theatres.

Waiver of purchase price due from Kudikidappukars

67. The Kudikidappukars who have received full proprietary rights over their homesteads under the Land reforms legislation are required under section 80A of the Land Reforms Act, to pay a purchase price in instalments. The Government feel that the Kudikidappukars belong to the weakest section of our society and that the benefits granted to them, should not in any way, be reduced through an insistence on any obligatory payment from them. It is therefore proposed that the entire amount due as purchase price from Kudikidappukars will be waived. Around 2.6 lakh of families will benefit under this measure.

Wiping out arrears of rent

68. Section 73 of the Land Reforms Act regulates the fixation of the arrears of rent, enforceable against tenants for the period prior to 1-5-1968. A large number of former tenants are subjected to this burden and Government have not yet been able to afford them full or permanent relief in the context, though the recovery of the amounts in question are being stayed from time to time. Similarly the liability to arrears of rent for the period between 1-5-1968 and 1-1-1970 (which is not subject to the regulation under S.73) also subsists. In respect of both these categories, a large number of cases are still pending before the Land Tribunals. As part of the bias consistently exercised in favour of the cultivating tenants it is felt that they should be granted relief against this last liability still hanging over them. It is therefore proposed to wipe out the liabilities relating to arrears of rent payable up to 1-1-1970 by all former tenants possessing, in the aggregate, not more than one hectare of land as on date. These liabilities for the payment of the legal entitlement of the former jenmies will be assumed by the Government.

Higher Allowance for Balawadi Teachers

69. Under the auspices of about 1000 Mahila Samajams, over 2000 Balawadi Teachers are engaged in the provision of pre-primary education in the State. In recognition of their services as well as needs, the annual grant to the Mahila Samajams will be doubled to enable the enhancement of the monthly allowance of the Balawadi Teachers from Rs. 50 to Rs. 100. An amount of Rs. 12 lakh is set apart for the purpose.

Higher Allowances for Scheduled Castes-Scheduled Tribes Students

70. The students from the Scheduled Castes and Tribes are now being granted at various educational levels, lump sum grant ranging up to Rs. 550 per year, monthly stipend ranging from Rs. 10 to Rs. 100, mess charges varying between Rs. 75 and Rs. 150 per month and pocket money of Rs.15 to Rs. 20 per month. In the light of the rising costs it is proposed to enhance the lump sum grant, monthly stipend, mess charges paid by Government and pocket money at all educational levels. While accommodating the existing differentials, the enhancements will vary from Rs. 5 to Rs. 25 in respect of the lump sum grant and from Rs. 5 per month to Rs. 15 per month for each of the monthly allowances. On the total average, the increase will be of the order of 15%. For this purpose a sum of Rs. 75 lakh is set apart.

Pensionary benefits

71. At present 33 years of service is required for the entitlement of full pension by Government employees who retire at the age of 55. Government are aware that a large number of employees do not receive the benefit in full. It is therefore proposed to reduce the qualifying service required for full pension from 33 to 30 years. This will be applicable to the employees retiring on or after 31-3-1981. The present practice is to grant a 5% increase in D.A. to pensioners with each 16 point increase in the twelve monthly average consumer price index. In future, Government propose to grant a 2½% increase with each 8 point increase so that the provision of relief is advanced prorate. The additional expenditure anticipated on this account is Rs. 25 lakh an year.

Pension for the disabled

72. At present those disabled persons who are covered by the Destitute Pension Scheme are getting a monthly pension of Rs. 55. In this International year of the disabled, Government propose to introduce a separate pension scheme for the disabled. From April 1981, disabled persons who do not have any means of support will be paid a monthly pension of Rs. 75. A provision of Rs. 25 lakh is set apart for this purpose.

Free Electricity for Low Domestic Consumption

73. As a gesture to the low consumption categories, the State Government propose to give electricity free of charge to all domestic consumers, utilising for actual domestic purposes, up to only 10 units, of energy per month. The Government will compensate the Electricity Board's revenue loss in the context. The amount involved is estimated at Rs. 67 lakh.

Interest Subsidy for Small Industries

74. The Kerala Financial Corporation is the major financing agency for new entrepreneurship in the Small Industries sector. Yet, the K.F.C. is unable to offer financing facilities at attractive rates of interest on account of the high rate of refinance insisted upon by the Central Government and their lending Institutions and the low margin allowed to the K.F.C. Therefore, in order to stimulate further new growth in this sector through the provision of low interest bearing loans, the only method open is for the State Government to step in and enforce low rates of interest, by assuming the liabilities for the interest differential. It is therefore proposed to grant an interest subsidy of 2% on all loans up to Rs. 5 lakh granted by the K.F.C., for new ventures in the Small Industries Sector. This facility will be linked to prompt repayment in full and in time. As a result of the above measure the effective rate of interest for such entrepreneurs, will be brought down from 12.5% in the backward districts and 13.5% in other Districts, 10.5% and 11.5% respectively. For this purpose, an amount of Rs. 50 lakh is apart.

Reduced Rate of Interest on Agricultural Loans

75. The interest on short-term agricultural loans is subsidised by the State Government in order to make them available to agriculturists at 8%. As a further relief to Agriculturists, the element of subsidy will be increased by 2% so that the rate of interest payable by agriculturists need only be 6%. The benefit of this enhanced subsidy will be made available only to those who repay the loans in full and in time. An amount of Rs. 2.5 crore is set apart for this purpose.

Relief on Agricultural Loans

76. In my last Budget, interest payable up to 31-3-1980 by all agriculturists holding below 5 acres of land, in respect of all agricultural loans obtained from Government or Co-operative Societies prior to 1-4-1976 were waived and the Government have already compensated the lending agencies to an equal extent. It is felt that in the light of the increased prices of fertilisers and pesticides and the rising cost of agricultural operations, agriculturists should be granted

further relief. It is therefore proposed that in respect of all agriculturists holding less than 5 acres of land in the aggregate, 75% of the interest outstanding up to 1-4-1981, on short-term agricultural loans obtained from Government or Co-operative Societies before and up to 1-4-1978 will be waived, in all cases where the loans are repaid in full before 1-7-1981. The loss sustained by the Co-operative Societies on this account will be reimbursed by the Government in full. An amount of Rs. 3.5 crore is set apart for this purpose.

Extension of Kudikidappukars' Housing Scheme

77. The State Government have been implementing, on a pilot project basis, a housing scheme for the former Kudikidappukars who have obtained rights over their sites under the Land Reforms Legislation, in the Taluks of Quilon, Ambalappuzha and Shertallai. The scheme involves a Government grant of Rs. 500, the further loan requirements being made available on Government guarantee. On the basis of an assessment of the benefits granted and the response elicited in these three Taluks, Government will extend the scheme to more taluks. The Government grant will also be increased by 50% from Rs. 500 to Rs. 750. For the extension of the scheme and for the enhancement of the grant component an amount of Rs. 50 lakh is set apart.

Housing Scheme for Private College Teachers and non-teaching staff

78. In my last Budget speech I had announced a new scheme for the provision of housing facilities to the teachers of aided schools, which was extended later to cover the non teaching staff as well. A society has been registered for the purpose and institutional finance is being sought to supplement the funds made available by the State Government. During the coming year it is proposed to initiate a similar scheme for the benefit of the teachers and non-teaching staff of the Private Colleges. As margin money for eliciting institutional finance for a programme of Rs. 3 crore a sum of Rs. 25 lakh is being set apart.

Contributory Finance Fund

79. There are large numbers of local community needs which are not being met in full or which are being badly delayed either because the local people cannot finance these works by themselves or because the Government are unable to give sufficient attention to them on account of resource limitations or the cumbersome departmental procedures. The formulation of a system under which local efforts can be supplemented by Government assistance in a quick and direct manner is essential for the early satisfaction of these local needs. It is therefore proposed that if any voluntary local agency takes up works involving the creation of any

community asset, Government will directly assist the local agency to the extent of 50% of the cost, limited to Rs. 50,000 per work. This will be considered as Government's investments in local needs. All works of the above nature which are sanctioned by Government on the basis of approved estimate and Certification by the Collectors about local importance which do not fall within any of the other schemes of Government, will receive assistance under this proposal. For this purpose, a Contributory Finance Fund will be established and as an initial contribution to the Fund, a sum of Rs. one crore is being set apart.

New Dental College and Nursing College

80. There is only one Dental College in the State at Trivandrum with an annual capacity for only 40 students. The current ratio of dental surgeons to the population, is far below the accepted norms. So also the existing facilities for graduate courses in Nursing with only one College at Trivandrum with an annual intake of 25 students is considered inadequate in terms of the dearth of qualified personnel. It is therefore proposed to start a new Dental College and a Nursing College at Kozhikode and another Nursing College at Kottayam during the coming year. An amount of Rs. 75 lakh is set apart for the purpose.

Establishment and modernisation of markets

81. Most of the present local market centres in the Panchayats and Municipalities are still in a primitive state. These were originally evolved to serve much smaller communities and to handle only a narrow range of goods which did not require any modem facilities. Consequent on increases in population and more complex marketing practices covering a large range of perishable and other commodities it has become necessary to modernise these traditional markets and to establish new ones. Such marketing complexes must have adequate godown and warehousing arrangements, on the spot credit facilities, and mechanised modes of handling products. The establishment of such centres will be remunerative for the local bodies and are capable of attracting substantial institutional finance. These will also provide for direct contacts between the actual producers and the final consumers, eliminating intermediaries, and thereby providing for the producers all the advantages of a regulated market without the statutory restrictions. It is proposed to establish a chain of such marketing centres throughout the State. As seed money to start the implementation of the programme with Institutional finance to be elicited, a sum of Rs. 50 lakh is being set apart.

Measures for increasing the productivity of Marginal Farmers

82. As much as 87% of the 2.8 million holdings in the State are below one hectare in extent. These are the marginal farms which constitute the mainstay

of our agriculture. Therefore, the main thrust of our efforts in the agricultural sector must necessarily be on the increase in the productivity of our marginal farmers. In this context, it is proposed to undertake the following measures relating to credit facilities, soil conservation and the exploitation of ground water assets.

(a) *Improvement of credit facilities*

The cash credit book system under which each cultivator will have a credit book indicating his seasonal requirements, thereby eliminating the need for further enquiries or formalities at the time of drawal of credit, will be introduced throughout the State. The concessions relating to stamp duty and registration fees which are available in the co-operative sector, will be extended to the borrowings of agriculturists from commercial Banks also, in respect of loans up to Rs. 5,000. More centres in the State will be notified to enable equitable mortgages by deposit of title deeds.

(b) *Crash Programme for Soil Conservation*

Surveys already conducted indicate that around 50% of our land i.e. as much as 19 lakh hectares out of our total land area of 38.85 lakh hectares suffer from soil erosion. Among these, the situation in about 50000 hectares has become critical with valuable surface soil and a major portion of sub soil having been lost already. Conservation measures on these lands require immediate attention and it is proposed to complete soil conservation requirements in these lands as part of a comprehensive five year programme at the rate of 10000 hectares per year. At the current average cost of Rs. 5,500 per hectare the cost of conserving 50000 hectares will be Rs. 27.5 crore. Under existing schemes only 25% of the cost is covered by Government subsidy. Apart from the protection of land and increase in its productivity, the employment potential on the above programme will be around 50 lakh mandays per year for a programme of 10000 hectares per year. The State Government propose to undertake the first phase of completion of soil conservation measures in the worst affected 10000 Hectares during the coming year. In terms of the rising cost of conservation, the existing subsidy of 25% is considered inadequate. The existing departmental arrangements are insufficient to elicit external or institutional finance to the extent required to supplement Government's efforts. It is therefore proposed to raise the element of subsidy to 40% of the cost and to establish an autonomous soil conservation authority to elicit institutional finance and to undertake the massive programmes contemplated. An amount of Rs. one crore is set apart for the purpose.

(c) Ground water utilisation

It has been estimated that yield from cash crops and high value plantation crops can be increased by about Rs. 200 crore per year, within a period of 5 years, by the proper utilisation of our ground water resources. Our ground water assets have been assessed at 7500 million cubic meters of which only about 20% are utilised at present. Government therefore propose to concentrate on the extraction of ground water by open and filter point wells in the sandy coastal tracts, medium to deep tube wells in the coastal sedimentary formations and by shallow and deep bore wells in the valley portions of middle and eastern highland areas. The specific programme which will be implemented in a phased manner starting with the coming year will be as follows:—

(i) 500 bore wells, each irrigating on the average 15 hectares of cash crops;

(ii) 1000 tube wells with a depth range of 150 to 200 metres, each well irrigating 20 to 50 hectares of land;

(iii) 1000 filter point wells each irrigating about 5 hectares of cash crops; and

(iv) 1.5 lakh of open wells, each well irrigating up to 8 hectares of land.

The first year's programme during 1981-82 will be the construction of 200 bore wells, 100 tube wells, 200 filter point wells and 200 open wells. In order to ensure the above level of achievements and to elicit institutional finance to supplement State funding, it is proposed to establish an autonomous Ground Water Authority. For the initial funding of the authority, an amount of Rs. one crore is being set apart.

Welfare Fund for workers in the traditional Industries—Coir, Handloom, Cashew

83. In the absence of year-round employment and the difficulties faced by the Coir, Handloom and Cashew Industries, the workers in these traditional sectors are in a really difficult plight. In order to mitigate their sufferings, it is proposed to establish separate welfare funds for the Coir, Handlooms and Cashew workers. Amounts of Rs. One crore each, that is, a total amount of Rs. 3 crore is being set apart for these Welfare Funds.

84. As exhibited under 'Ways and Means' the detailed estimates before the House indicate that the year 1981-82 will close with a cash balance of

Rs. 12.12 crore. The net resultant position, taking into account the tax reforms, the new development schemes and welfare measures presented by me will be as follows:—

		(Rs. in crore)
Closing cash balance according to the Budget Estimates 1981-82	..	(+) 12.12
Net additional yield under Tax reforms	..	(+) 0.43
Additional commitments on new schemes and measures	..	(-) 21.05
Closing cash balance (year-end deficit)	..	(-) 8.50

85. It is proposed to cover the marginal deficit as estimated above during the coming financial year itself, through the enforcement of economies in administrative expenditure.

86. I have conceived of the Budget not merely as a financial statement, but also as an instrument of social and economic transformation in consonance with the needs and aspirations of our people. In spite of the requirements of its conventional form, I have endeavoured to introduce new dimensions to the Budget. The improvements required in specific sectors of our economy have been identified and provided for the budget. A number of schemes of a developmental nature specifically designed to stimulate productive activities and thereby an acceptable growth rate in our economy, as well as a variety of measures to protect the weakest sections of our community, to rehabilitate the socially handicapped, to safeguard the interests of the working class, and to sustain and improve the social and economic stature of the small farmers, the small traders, the small industrialists and the low income earners, have been built into the Budget. It is my hope that my proposals will receive the full endorsement of the House as an honest effort towards greater economic growth and social justice.

87. The Budget Estimates and the new proposals are now submitted for consideration and approval by the House. Since we do not have enough time for a grant by grant discussion before the end of the financial year, I also propose to present a Vote on Account and connected Demand for incurring expenditure during the first four months of the financial year 1981-82.