BUDGET SPEECH FOR 1958-59

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7th March, 1958

Sir,

I rise to present the Budget for 1958-59. It is essential, as indeed it is useful, when the Annual Budget is presented, to review the economic position of the State. Unfortunately, we do not possess the material or facts necessary for any comprehensive or competent survey. We have not realised the importance of such studies nor created the organisation necessary for them. In the circumstances, all that I shall attempt by way of preface to this Budget speech is to place before the House certain facts having a bearing on the economic situation of Kerala.

Agricultural production and price of agricultural products are the chief factors concerning the economic structure of Kerala. Needless to say, these two factors are inter-dependent. The value of the total production in agriculture during 1955-56 in Kerala, on the basis of the index of prices for June-July of that year, was Rs.180 crore. The total value of industrial production during the same year was merely Rs. 20 crores. On the same basis the value of agricultural production in 1956-57 was Rs. 202 crores. Increased production and rise in prices are the factors responsible for this increase. Of these, increase in production alone, it has been calculated, accounts for Rs. 5.5 crore. The table given below indicates the fluctuation in prices of our principal agricultural products during the 24 month period from January 1956 to January 1958.

Produce	*1956 Jan.*	*1956 Apr.*	*1956 July*	*1956 Oct.*	*1957 Jan.*	*1957 Apr.*	*1957 July*	*1957 Oct.*	*1958 Jan.*
Rice	100	113	138	138	124	130	129	124	132
Coconut oil	100	107	101	108	126	119	142	148	167
Pepper	100	99	86	85	70	70	72	69	59
Unhusked coconut	100	99	97	120	129	116	130	135	158
Arecanut	100	245	249	114	110	221	175	146	156
Tapioca	100	215	190	275	298	295	264	256	255
Tea	100	103	101	101	97	89	89	95	102
Ginger	100	126	102	79	55	48	42	36	32
Lemon Grass oil	100	102	72	80	72	63	61	56	53

The price of rice was generally on the increase. So far as Kerala is concerned this is harmful, for the reason that we have to import rice to a large extent. The prices of coconut, coconut oil, arecanut and tapioca etc. have registered a slight rise; the price of tea which was going down appears to be regaining. What has affected Kerala most seriously is the price of pepper, ginger and lemon grass oil. This year itself the price of ginger has fallen to one-fourth of the previous price, while the price of lemon grass oil has been reduced by half and that of pepper has fallen to 60% of the previous price. This fall in prices, which bears no comparison to the fluctuation in prices of other commodities, has seriously affected our agriculturists in the hill tract areas.

It is essential for economic stability in Kerala that the price of rice remains low and prices of the export commodities maintain an upward trend. According to the figures for 1955-56 the total value of our export commodities was Rs. 53.09 crore; of this no less than Rs. 47.86 crore was the prices fetched by commercial crops and their bye-products. These figures indicate the importance which our export produce wields in our economic structure. But the fact is that, unfortunately for us, price trends have not been favourable, except perhaps in the case of coconuts.

Another important factor which affected our State during the previous year in equal – or greater – measure as the price fall in agricultural commodities was the low price of coir. The following table of prices for the Anjengo variety of coir during the period from January 1957 to January 1958 speaks for itself:

1957 Jan.	1957 Feb.	1957 Mar.	1957 Apr.	1957 May	1957 June	1957 July	1957 Aug.	1957 Sep.	1957 Oct.	1957 Nov.	1957 Dec.	1958 Jan.
100.00	99.03	99.52	99.23	98.55	86.50	86.50	82.15	80.97	84.29	83.29	80.97	80.97

This fall in coir prices has had disastrous results so far as the lives of hundreds of thousands of workers inhabiting the coastal region are concerned. The coir workers are a class of labourers who, even under normal conditions, receive the lowest of famine wages. Today it is their pitiable plight that the alternative to sheer starvation is for them to work for unimaginably low wages. Government have had recourse to small scale relief measures such as road-laying and canal construction, but it is doubtful whether by such measures – or even by reorganising the coir industry itself – a solution could be found for this problem, which calls for a more fundamental approach.

If we take into account fluctuations in price and volume of trade in respect of three of our major export commodities, namely coir, cashew nut and pepper, it will be seen that 1957 was altogether a bad year for us. The figures given below would give a comparative picture of the exports of these three commodities from Cochin Port during the year 1956 and 1957.

Commodity	*Weight (Cwts.)*		*Price (in crores of rupees)*	
	1956	*1957*	*1956*	*1957*
Coir	13.12 lakh	12.13 lakh	9.24	6.44
Cashew nut	6.68 lakh	5.31 lakh	11.35	9.75
Pepper	2.13 lakh	2.73 lakh	3.52	3.07

Accounts for 1956-57

It was on the 1st November 1956 that the Kerala State came into being and the new State's Budget for the remaining five months of the financial year 1956-57, approved by the Governor, was ratified by Parliament as provided for in Section 77 of the States Reorganisation Act. The accounts for this five month period show that the Expenditure on Revenue Account was Rs. 11.29 crore and total Receipts Rs.12.96 crores, leaving a Revenue Surplus of Rs. 1.67 crore. Capital expenditure outside the Revenue Account amounted to Rs. 5.55 crore and the opening cash balance was Rs. 68.38 lakh. The year (1956-57) closed with a cash balance of Rs. 102.23 lakh.

Revised Estimates for 1957-58

The gross receipts of Rs. 30.23 crore originally anticipated for the current year will reduce itself to Rs. 29.68 crore under the Revised Estimates, i.e., the shortfall will be of the order of Rs. 55 lakh. I shall now summarise the reasons for this shortfall.

In the preliminary Budget, it was anticipated that besides the expected revenue of Rs. 180.60 lakh under Agricultural Income Tax, it would be possible to realise, through the extension of this tax to the Malabar area and the enhancement of the super tax rates, an additional revenue of Rs.161.85 lakh; but these expectations were not fulfilled. The super tax rates proposed at the time of introduction of the Budget were amended by the Select Committee and this resulted in a fall in revenue to the extent of Rs. 30 lakh. Though the levy of Agricultural Income Tax in Malabar commenced from October 1st, 1957, the assessment under this head is not yet complete. At the same time, the Agricultural Income Tax on Plantations levied under the Madras Act was abolished. The slump in the price of agricultural products like tea and pepper has also adversely affected receipts under this item. Consequently the Revised Estimates anticipate only a sum of Rs. 180 lakh under Agricultural Income Tax. Further a sum of Rs.16 lakh was expected out of the tax proposed to be levied this year on agricultural wealth. As a result of subsequent scrutiny, it was decided that this tax need not be imposed. The income anticipated from this source was thus not available.

A shortfall of Rs. 21 lakh is expected under the item, Revenue from Forests. The abolition of sales tax on mill cloth, sugar and tobacco effected from December 14, 1957, would occasion a shortfall of Rs. 16 lakh. A fall in receipts to the extent of Rs. 23 lakh is expected in the Education Department. One of the reasons for this is the reduction in income under text books caused by the decision not to change the old text books during the year. The net profit from the Transport Department will also not be as much as anticipated in the beginning. Expenditure has risen on account of increase in wages and other factors. Receipts have decreased in respect of the Community Projects and certain other schemes.

Certain items of revenue not taken into account in the Budget became available to set of, partially at least, the shortfalls mentioned above, the most important among them being the amount obtained on the basis of the award of the Finance Commission. Since the award came into force on April 1, 1957, we were able to obtain the benefit thereof during the current year itself. There has also been an increase in the royalty from the mineral sands of Chavara.

The anticipated expenditure of Rs.30.15 crores for the current year has been reduced to Rs. 29.88 crores under the Revised Estimates. Thus the decrease in expenditure is only Rs. 27 lakh. Though several unforeseen items of expenditure have arisen, it is expected that the Budget Year 1957-58 will close with a small revenue deficit of Rs. 19.69 lakh.

The estimated amount of Rs. 852.41 lakh for Capital works would, under the Revised Estimates come to Rs. 748.17 lakh. Transactions under the item "Debt and Deposit Heads" would, it is hoped, result in a net incoming of Rs. 701.16 lakh. As a result of all these there will be a cash balance of Rs.35.33 lakh at the close of the current financial year.

Before concluding this portion I wish to place before the House certain facts about the recommendations of the Second Finance Commission and mention how those recommendations affect our finances.

Finance Commission

Under Article 280 of the Constitution, the President has to appoint, once in five years, a Finance Commission to determine the share due to the States from the Central Revenues and also to fix the grants payable to the States by the Centre in conformity with Article 275 of the Constitution. The last Finance Commission so appointed, with Shri K. Santhanam as Chairman submitted their recommendations in October 1957 and the Government of India accepted the recommendations in November 1957. As per these recommendations the total share due to the States from the Centre rose from Rs.93 crore to Rs. 140 crore. Kerala's share under these comes to Rs. 5.50 crore, out of which Rs. 3.75 crore comes as share from Central taxes and Rs. 1.75 crore as grant under Article 275(1) of the Constitution.

Income Tax and Union Excise Duty are the two Central taxes out of which we get a share. The entire amount realised from the new tax on railway fares levied in 1957-58 is to be divided among the States. Under the award of the first Finance Commission the States were given 55% of the income tax receipts. The division was as follows: 80% was on the basis of population of the State and 20% on the basis of the area of collection. The Santhanam Commission have modified this method. They have recommended that 60% of income tax receipts should be divided amongst the States and that the mode of division should be 90% on population basis and 10% on the basis of area of collections. Kerala thus gets 3.64% of 60% of income tax receipts which is the pool divisible among the States. These changes in the Divisible Pool and the mode of division are advantageous to States like Kerala.

Though there are numerous articles on which Union excise duty is levied, only those relating to matches, tobacco and vegetable products were divided among the States formerly, forty per cent of the Union excise duty on these three articles became the divisible pool under this head and the same was divided among the States on population basis. Following is the change effected by the Santhanam Commission. Sugar, tea, coffee, paper and vegetable non-essential oils were included in the list of articles excise duty on which had to be divided among the States; but, at the same time, the divisible pool was reduced to 25% from 40%. The ratio of division was to be 90% on the basis of population, the remaining 10% being set apart for adjustments. What Kerala receives from the divisible pool under this is 3.84%. Though the number of articles Union excise duty on which is to be divided among the States has been increased, it does not seem as though the modifications effected in the percentage and method of division have made this recommendation very advantageous to the States.

The grant that Kerala gets under Article 275(1) of the Constitution is Rs. 1.75 crore. When this grant is received annually, the amount which Travancore-Cochin State, a part of Kerala, used to get under the award of the first Finance Commission would cease to be available. The first Finance Commission had given Travancore-Cochin a grant of Rs. 45 lakh under Article 275(1) and an annually decreasing grant up to March 31, 1960 to make good the gap in revenue. Under Section 74 of the States Re-organisation Act, Kerala was eligible to get, every year for three years up to March 1960, an amount representing the difference between the amount promised as revenue gap grant and the States share from the Central Revenues. But the changes now effected in the division of Central revenues have rendered this difference negligible. So, we have virtually little to receive as revenue gap grant. The present grant of Rs. 1.75 crore is in lieu of the revenue gap grant and the aforesaid Rs. 45 lakh. I do not hold the view that Kerala has received the justice she deserves in this matter. Convention demands the acceptance of the award of the Finance Commission as the verdict of a high-level judicial body. It may not therefore be proper to comment on this matter. Further since the Central Government have accepted the Finance Commission's recommendations and implemented them no useful purpose will be served for the next five years by labouring on that point. However, it cannot but be regretted that the Commission was not able to appreciate fully the problems of a State which is burdened with so many complex problems.

The Central Government is to collect Estate Duty on property other than non-agricultural land, under Article 269 of the Constitution, and divide it among the States. This division should be preceded by relevant legislation by Parliament. Though this duty is being levied from 1953, it is also being divided, in the absence of the legislation referred to above, on the basis of the principle accepted for division of income tax. The Finance Commission was requested to submit their recommendations for the division of this duty. The Commission recommended:

(1) that out of the net proceeds of the duty in any financial year, a sum equal to one per cent be retained by the Union as proceeds attributable to Union Territories;

(2) the balance be apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year;

(3) the sum thus apportioned to immovable property be distributed among the States in proportion to the gross value of the immovable property located in each State.

On this basis Kerala would get 3.79%. Under this principle of division Kerala's share has risen from Rs. 8.44 lakh to Rs. 13.12 lakh.

The Commission have recommended that 1.81% of the new tax on railway fares should be given to Kerala.

Besides the above, the Finance Commission had also reported as to how the additional excise duty should be divided. Such duty is levied in the place of the sales tax levied by States on mill cloth, sugar and tobacco. I do not think it necessary to dilate on this point as I have placed the details before the House on a former occasion. The amount guaranteed under this item is Rs. 95 lakh per annum. If here is any surplus over the aggregate of the guaranteed amount for all the States, that surplus will also be divided in a definite proportion. Kerala would obtain 3.15% of the same. Considering that we were receiving before we would receive, as a result of the recommendations of the Finance Commission, on the average an additional Rs. 1.5 crore every year.

A word more before I conclude his topic. The question of taxes and grants alone were not the terms of reference of the latest Finance Commission Loans to the States from the Centre were also included in the terms of reference.

The recommendations of the Commission with regard to loans have not been accepted by the Centre. Were they accepted, Kerala would have had temporary relief every year to the tune of nearly one crore of rupees in the matter of repayment of loans. Unfortunately we have not received that benefit.

The following table shows the effect on the financial position of the State the recommendations of the Finance Commission has brought about:—

Taxes	*1957-58 Budget Estimates (Rs. in lakh)*	*Amount received under recommendations of the Finance Commission (Rs. in lakh)*	*Difference in lakh of Rupees*
Income Tax	226.79	274.10	47.31
Excise Duty	74.19	107.44	33.25
Estate Duty	8.44	13.12	4.68
Additional Excise Duty	..	33.66	33.66
Taxes on Railway fares	..	8.70	8.70
Grant as per Art. 275(1)	41.00	175.00	134.00
Revenue Gap Grant	43.21	..	– 43.21
Miscellaneous	35.00	..	– 35.00
			183.39

Estimates for 1958-59

It is anticipated that the receipts for 1958-59 will be Rs. 33.62 crore and the expenditure under revenue account will be Rs. 34.17 crore.

It is estimated that the State's share of the Union Excise duties, exclusive of the share of the additional excise duty on mill cloth, sugar and tobacco would be Rs. 113.28 lakh as against the current year's revised estimate of Rs. 107.44 lakh. The share under the additional excise duty under reference is estimated at Rs. 115.39 lakh. Our share in income tax will be Rs. 280.17 lakh i.e., Rs. 6.07 lakh more than that of the current year. An amount of Rs. 230 lakh is anticipated under Agricultural Income Tax. This is Rs. 50 lakh more than the revised estimates for 1957-58. The entire tax under this item can be expected to be collected since the assessment in

Malabar would be complete next year. An increase of Rs. 26.80 lakh is expected under Motor Vehicles Tax due to the increase in the rate of taxation.

An increase of Rs. 31.34 lakh is anticipated under Land Revenue. Part of this is expected to be realised from the assessment of lands unauthorisedly encroached upon by plantation owners in areas contiguous to cardamom estates.

Forest revenue is expected to yield Rs. 25.25 lakh more. A sum of Rs. 175 lakh under Article 275(1) of the Constitution and other Central grants to the extent of Rs. 440 lakh are also expected.

Five Year Plan

Two years of the Second Five Year Plan end by the close of this financial year. It has been already *sated* on the floor of the House that the progress of the Plan during these two years has not been satisfactory. However schemes are being implemented more speedily during the current year than during the preceding year. While the expenditure under this head up to the end of January 1957 in the fiscal year 1956-57 was Rs. 6.04 crore, the expenditure for the corresponding period during the financial year 1957-58 has been Rs. 7.43 crore. The Revised Estimate for the Plan for the current year is Rs. 14.84 crore. The Budget Estimate for 1958-59 is Rs.18.52 crore.

Government have taken several administrative steps to eliminate delay in the implementation of the Plan. The main reason for delay is that administrative sanction for schemes is accorded for the work three or four months after the passing of the Budget. It will be possible for the Heads of Departments to complete the preliminaries in respect of the schemes for the new year, even before the Budget is passed. A new procedure to enable this has been formulated and necessary instructions have been issued. Similarly attempts are under way to detect and eliminate other causes for delay. It is hoped that there would be greater progress during the coming year.

A separate document showing the Plan programme for the year is being supplied along with the Budget. The annual Plans for the districts will also be made available soon.

The Planning Commission have now finalised the Kerala Plan combining the Plan outlays for Travancore-Cochin and Madras under the terms of the States Re-organisation Act. It is a Plan for Rs. 87 crore. In this outlay the State's share of the Centrally Sponsored Schemes alone is included. The share for the Khadi schemes is outside this. This amount of Rs. 87 crore does not include the amounts allotted for Central sector schemes such as flood control, inland water transport, urban water supply, local development works and ports and harbours.

I proceed to mention certain facts about the working of the various Departments during the last financial year.

Food Production

A multi-phased programme is necessary for stepping up food production. It is such a programme that Government have undertaken. I had given an indication of the many aspects of this programme in the Budget Speech last year. I shall now endeavour to restate them and attempt a review of the year's working under the various heads. The salient features of the programme are as follows:—

(1) Social reform measures to give the actual tiller of the soil the necessary incentive to step up agricultural production;

(2) Development of Irrigation facilities;

(3) Distribution of better strains of seed and good manure and popularisation of advanced methods of cultivation.

During the year, Government have brought forward several measures of legislation under the first category specified above. Though many of them have not yet become law, the fact that they have been introduced and the belief that they would become enactments at no distant date are helpful to give the peasant the necessary enthusiasm and freely to develop potentialities of production by community effort. Here, I refer to the Agrarian Relations Bill, the Indebtedness Relief Bill, the Jenmikarom Bill and the Money Lenders Bill. The fixation of minimum wages for agricultural labour and the Stay of Eviction Bill are not only a blessing for the hundreds of thousands of workers and small cultivators of this State but an incentive for them to till ever so hard in their fields and thereby increase production. Distribution of fallow land as another measure suggested by Government for increasing agricultural production and enhancing employment possibilities. It is true that this could not be implemented as expeditiously as expected; but since committees for distribution of land have already been constituted, it can be safely expected that land distribution would immediately be taken up and that at least some new areas will be brought under cultivation. Orders have been passed for 4000 acres of land being allotted for cultivation from the Koothali Estate. Government do not intend, when releasing for cultivation forest areas not essential for forest conservation to allot them to cultivators the entire land thus made available. It is proposed to utilise part of the area for rubber cultivation. Rubber now produced in India does not meet the entire Indian demand. Therefore there are possibilities for further rubber production. The Plantation Enquiry Committee is of the view that in Kerala at least 50000 more acres can be brought under rubber cultivation. Government have therefore decided that land unsuitable for other purposes but suitable for rubber cultivation should be converted into rubber plantations. A scheme for this purpose will be drawn up during the current financial year in consultation with the Rubber Board. As the scheme has not been formulated a token grant of Rs. one lakh is provided for in the current year's Budget.

During the current year Government paid special attention to irrigation. It is gratifying to record that it has been possible to start three major irrigation schemes during the year. Besides the schemes at Chalakudy, Vazhani, Mangalam, Walayar, Meenkara, Malampuzha, Bhoothathankettu and Neyyar started and continued during the First Five Year Plan and the first half of the Second Five Year Plan. Cheerakuzhi scheme, included in the Second Five Year Plan and proposed to be started in the first year thereof, was started this year. Kattampalli and Pothundy were taken up in addition to these. It is a matter of gratification that such a scheme could be started in North Malabar, an area which, under Madras, was prejudged as being unsuited for major irrigation schemes. The Pothundy Scheme was attempted to be included in the Second Five Year Plan of Travancore-Cochin. But the Planning Commission did not give its consent then. When the first Budget of Kerala was introduced here last year token provision for the three schemes Pothundy, Kanjirappuzha and Palakkuzhippuzha was made. Even then, it was decided that they should be got approved by the Planning Commission and included in the Second Five Year Plan. Though discussions with regard to all the three schemes were held with the Commission, Government accepted their advice that the Pothundy Scheme should be taken up being the cheapest and most feasible of the schemes, especially in the light of the economic limitations. These two schemes when completed will enable raising of double crops on 12000 acres of land, in addition to the advantages in respect of inland water communication and supply of good drinking water.

The Thanneermukkom Bund is the last stage of the Kuttanad Development Scheme started with the First Five Year Plan. In view of the apprehensions of the Cochin Harbour authorities that the construction of a Bund at Thanneermukkom would affect the Harbour, prolonged research and investigations had to be carried out at the Water Power Research Station, Poona. On completion of the investigations, the Central Water and Power Commission gave their consent this year for the construction of the Bund. This enabled the starting of the construction work for the Thanneermukkom Bund. The revised estimate for the scheme is now Rs. 150 lakh as against the original estimate of Rs. 50 lakh.

Besides the major schemes many medium and minor schemes have been started during the year. Of the medium irrigation schemes proposed for 1957-58, twenty have already been started. The remaining would be started even before the close of the year.

Government have decided to take over, repair and render useful to the people the many private irrigation schemes in the Chittoor area, capable of irrigating several thousands of acres, so long left useless, without proper attention and maintenance. Though Kerala has immense possibilities for lift irrigation, progress in this sphere has been slack for some time past. This entails great national loss, because lift irrigation is a system ideally suited to the topography of Kerala. I am happy to add that, thanks to the new scheme formulated by Government to take up lift irrigation on a co-operative basis, it has been rendered easy to resuscitate many schemes which had been given up and also to go in for new schemes. Twenty-seven such schemes have been implemented in 1957-58. Thirty-nine schemes are proposed to be taken up in 1958-59.

It is true that in the matter of minor irrigation there has not been as much progress as anticipated. The main reason for this is the defects in the agency undertaking this work and also in the relevant procedure. Whatever may be the reasons, these drawbacks are inexcusable. Government are taking steps to rectify them. Government have decided that irrigation schemes should be pushed on energetically during 1958-59. We would be able to counter and defeat food scarcity only if we are able to exploit to the maximum possible extent the irrigation potentialities of almost all the rivers in Kerala. With this end in view preliminary investigation of the following new schemes is provided for in the ensuing year's Budget:—

Valapattanampuzha,

Bharathappuzha,

Kuttiyadippuzha,

Kadalundi,

Pampa,

Kallada,

Vamanapuram.

It is clear that all these schemes could not be included in the Second Five Year Plan. Even so, steps have to be taken for their inclusion at least in the Third Five Year Plan.

The allotments made in the Budget for 1958-59 for medium and lift irrigation schemes are Rs.13.50 lakh and Rs.10 lakh respectively. An amount of Rs. 25 lakh is included under minor irrigation.

The steps taken by the Department of Agriculture for augmenting food production are the popularisation of improved seeds, distribution of manure and adoption of pest control measures. All these programmes were vigorously pursued during the year. The target under the Second Five Year Plan was to start eight seed multiplication centres in Kerala, one each in each District, for the production and distribution of improved strains of paddy. Three centres were started during the year. Due to disputes regarding the acquisition of site and other difficulties, it was not possible to go ahead with three other centres. It will be possible to start these three centres and another centre at Alleppey next year. The most comprehensive means for increasing rice production is the Japanese method of cultivation. The target under the Second Five Year Plan is to extend this method of cultivation to 13 lakh acres of land. As against this it has been extended so far to about 5 lakh acres. It has been decided to organise 500 demonstration plots next year to popularise the Japanese method of cultivation.

No less than 25000 tons of fertilisers including ammonium sulphate, super phosphate, urea, bone meal etc., have been distributed by Government during the current year through Government depots and other responsible agencies. Besides this, private agencies have also distributed large quantities of manure. Manure mixture alone amounting to about 6000 tons has been distributed by such companies. As against a total of 1000 tons of sulphates distributed in Malabar as a whole in 1956-57, nearly 2000 tons have been distributed in Palghat District alone during the current year. More manure has been used in Kuttanad as a result of issuing manure on credit basis.

It has been found that chemical fertilisers alone would not serve the purpose and that in order to achieve good results either green manure or compost has to be used along with fertilisers and steps in that direction have been taken. About 55000 lb. of green manure seeds and three lakh tons of cuttings have been distributed. It is proposed to popularise green manure on a wider scale before the next season.

A new scheme has been started this year to popularise compost production, according to which composting farms will be started in all municipalities and major panchayats. The scheme contemplates the payment of loan for the purchase of trucks and other implements. During the year under report an amount of Rs. one lakh has been issued as loan to the municipalities. For the next year Rs.3 lakh has been set apart for the purpose. Further, with a view to encourage the production of compost in all homes trained officers will be deputed to the Block areas.

There was widespread pest attack during the year on *punja*, *virippu* and *mundakan* crops. The attack was more widespread in the Palghat District and Kuttanad area than in other places. The Department tried its utmost to meet the situation utilising all the resources at its disposal. Spraying operations were carried out in about one lakh acres by the Department direct and in 25000 acres by private agencies. This is three times the extent of land sprayed during the previous year. The fact, however, remains that in spite of all the pest control activities, the insecticides ordinarily used are not fully effective against certain pests.

There is great possibility for increasing production if small scale cultivators are organised on co-operative basis to carry on cultivation. But at present only less than a dozen societies are engaged in such farming. Government propose to expand the programme. A scheme to organise at least one co-operative farming society in each Block will be prepared in consultation with the State Co-operative Bank.

Research centres for pepper, cardamom, ginger and a centre for evolving new varieties of gingelly have been newly started during the current year. Twelve new research schemes submitted to the Indian Council for Agricultural Research have been approved by them. These include research in respect of paddy, pineapple, bananas, orange and spices. The Tobacco Committee has approved a scheme for the development of tobacco cultivation. It should be possible to start all these schemes next year.

Five centres for the distribution of arecanut seedlings have already been started. Of the two 100 acre farms sanctioned by the Government of India, one has been started in Koothaly. The other farm will be started in the Kottayam District next year. The establishment of two research stations for arecanut is being delayed due to dispute regarding location.

It has been decided to start four research centres next year to find out the type of paddy seeds particularly suited for each locality. The scheme for the spraying of coconut trees has been extended to more taluks this year. Further the Plan provision for the purpose has been raised from Rs. 5 lakh to over Rs. 15 lakh.

Two veterinary hospitals and eight dispensaries have been newly started. Two stockmen stations have been upgraded into dispensaries. The artificial insemination centres in Kottayam and Panamcherry have been developed and another centre has been started in Kozhikode.

Industries

There has been progress in the preliminary steps in respect of the two spinning mills to be started in the public sector. Orders have been placed for the machinery for the mill at Trivandrum and tenders have been invited for construction of the mill. Work is expected to be started before the close of this financial year. It is regrettable that preliminary steps in respect of starting the mill at Cannanore are being delayed due to the unfortunate dispute that has arisen. Even though there had been statements regarding the possibility of sanctioning a third spinning mill in the public sector, the final decision of the Central Government is that it is not possible to sanction it.

On the recommendations of the Estimates Committee, Government have decided to start work in the hydrogenation factory at Kozhikode. The factory, which was constructed and fully equipped by the Madras Government at a cost of Rs.18 lakh, has been lying idle. An amount of Rs.6 lakh has been sanctioned for working the factory immediately. Government expect that, after the first two or three years, it will be possible to run the factory at a profit.

Government have also decided to start a cycle factory in the public sector. The Government of India had granted permission for the starting of four small units in Kerala for the manufacture of 20000 cycles a year. But the State Government decided that instead of starting four small units it would be better to have one large unit producing 20000 cycles a year. Accordingly it has been decided to register a private limited company the entire shares of which will be owned by Government. Application has been submitted to the Controller of Capital Issue for the necessary permission for the issue of capital. It will be possible to start the factory also very soon.

When the owners of motor boat service attempted to stop the services on the plea that the industry was not profitable the labour representatives came forward with a scheme to take over and run the service. The setting up of a corporation comprising representatives of employers and employees, Government taking shares for a few lakh of rupees to assist it, adjusting of the gratuity and other claims of the workers towards their shares, the taking over of serviceable boats by the corporation at reasonable prices–these are the features of the scheme. This has already been accepted by the employers and employees. A Special Officer has been appointed for the work of setting up the corporation. Since the service will continue it will enable 1700 workers, who would otherwise have been thrown out, to continue in employment.

The expansion of Travancore Rubber Works, Travancore-Cochin Chemicals, FACT, Titanium Products, United Electrical Industries and other concerns are progressing as provided for under the Second Five Year Plan. The development of the Titanium Factory was slightly handicapped by the delay in the import of machinery. The Travancore Electro-Chemical Industries, having capacity to produce 1000 tons of calcium carbide a year, has been lying idle during the last three years due to technical and financial reasons. The Planning Commission and the Industries Department of the Government of India have granted sanction for a scheme for the expansion of the factory to enable the production of 10000 tons a year. Of the Rs. 40 lakh required for the purpose, Government have agreed to give Rs. 15 lakh. Even now Government own shares worth Rs.2 lakh out of a total capital of Rs. 10 lakh.

In my Budget speech last year I had stated that on the basis of the offer of Government to help private industries by taking shares it was hoped it would be possible, during the current year, to start eight or ten new industries. It has to be stated that this expectation has not fructified. This is due to various reasons. There are many practical difficulties in this regard. A person with technical skill may not have capital, one with capital lakh technical skill and these two are not prepared to come together. Such is the situation often experienced. The same is the situation in regard to the rubber tyre factory and sand brick factory about which we have been hearing for long. It is long since the Government of India had issued licenses to two individuals to start these industries. But they could not, either individually or along with others, raise the necessary capital. In spite of the fact that Government had agreed to take shares to the extent of Rs.5 lakh in the sand brick concern, there has been no progress.

The importance of small scale industries in the solution of the unemployment problem in Kerala needs no special mention. Some 30 small scale industries units have already started functioning. Twenty-five industrial co-operative societies of which eight have started functioning. Loans totalling Rs. 7 lakh under the Small Scale Industries Scheme and Rs. 9 lakh under the State Aid to Industries Act have been issued during the current year.

The scheme for the establishment of industrial estates at the rate of one for every district has been progressing satisfactorily. A number of factories have been started in four of the estates. Mirrors, electrical switch-gear, automobile spare parts, textile equipments, chemicals, sprayers for agricultural purposes, cycle parts, insecticides and such other articles are being produced. The controlled credit scheme was brought into operation this year.

Coir Industry

At the beginning of my speech I have already dealt with the coir industry which is the main stay of the largest number of people in our State. The industry has had to face a slump this year. The fall in the export of coir would disproportionately affect the price of coir and this in turn would react in a larger measure, on the wages of coir workers. This is a peculiarity so far as the industry is concerned. If the price of coir goes up slightly the benefits go to those who own the husks, instead of the workers. Eventhough from the beginning of the First Five Year Plan up to now more than Rs.65 lakh have been spent for the re-organisation of the coir industry the workers have not been benefited thereby. If the coir workers are to be benefited the coir societies should become his. Such societies should be able to stock husks necessary for producing coir. The fact that the co-operative societies in the course of their working so far could enlist only 50000 members reveals the nature of the societies. A considerable number of the Thondu (coconut husk) Societies are in the hands of those interested in selling husks at higher prices. The workers are not adequately represented in such societies. Under these circumstances it does not appear possible for the Industry to prosper without a thorough rebuilding of the Coir-Thondu Societies.

With this object in view Government have evolved a new scheme to enable the actual worker to secure membership of the societies. At present, if a worker wants to become a member of the society, he has to pay Rs.10 in lump. Ninety per cent of the coir workers are unable to pay this amount and so they do not have membership of the societies. Instead of this, the new scheme provides for Rs.9 out of the capital of Rs.10 being advanced by Government and this will be recovered from the worker's wages in 18 instalments. The admission fee of four annas will be paid as grant from Government. The first one rupee out of the share capital should be paid by the worker in two instalments. When the new scheme is implemented, it is expected that workers, in lakh, would be able to secure membership of the societies.

It is not possible, without controlling the price of husks at a reasonable level, to enforce minimum rates of wages and Government have made considerable efforts in this direction. But it could not be done so far since according to the Coir Industries Act, the Government of India is also concerned with the control of prices and they do not realise its importance.

In the course of the last one year Government have approved several schemes for redressing the temporary depression in the Coir Industry. Government have evolved a scheme for direct purchase of coir whenever it was found that prices were going down in a particular area and an amount of Rs.10 lakh was allotted for the purpose. So far purchase for Rs. 4 lakh have been effected by Government.

Government are also trying out a scheme on an experimental basis for production being undertaken by the Societies direct. At present five societies at Kandassankadavu have come forward to work the scheme.

The provision for coir industry under the Second Five Year Plan was Rs. 54.49 lakh. The State Government have been repeatedly making representations regarding the inadequacy of the provision and a revised scheme for Rs. 246 lakh was submitted. I am happy to inform the House that as a result of such representations the Government of India, which had earlier agreed to raise the provision to Rs. 90 lakh, have now agreed to raise it further to Rs. 150 lakh. I am happy to express our gratitude to the Government of India for this gesture. Enquiries have been made, by deputing an expert from the Reserve Bank, as to what further steps can be taken to help the industry. The rate of interest on the loans taken by coir co-operative societies has been reduced from 4¾% to 2½%. The question of enforcing this with retrospective effect is under correspondence with the Government of India.

Handloom Industry

All the Cess Fund Schemes were in force during the year. Of the 121605 handlooms in the State, only 40,605 have been brought within the co-operative fold. Fifty-five new societies were registered during the year, bringing the total number of societies to 347. Four schemes for organising industrial co-operative societies have been finalised. What is further needed is only the approval of the All-India Handloom Board for the same. One society for working power looms has already been started. A sum of Rs. 19 lakh has been disbursed during the year to handloom societies towards rebate. Since the All-India Scheme relating to power looms is not suitable for the State, a revised pattern which will be suitable to the State has been sent for approval. Approval is pending.

Khadi and Village Industries

The development of khadi and village industries in the State has been brought under a Statutory Board with effect from the 1st August 1957. The Payyannur Khadi Centre had been started by the Madras Government. This is under Government control and not under the control of the Board. The Board has evolved detailed schemes for organising and developing khadi, palm gur, village oil, bee-keeping, tailoring, pottery, match box, soap, handloom, hand-made paper and other village industries.

Government would try to include in this scheme other important village industries in the State such as bamboo mat making, screw pine, rattan-work etc.

One Ambar Vidyalaya each has been started at Nemom and Trichur. It is proposed to start Ambar Parisramalayas in several places. Kissan charkas at subsidised rates are being distributed to spinners, Gramodyog Bhavans for the sale of village industries products and khadi have been started in Trivandrum and Ernakulam. A third one will be started shortly at Kozhikode.

Government wish to hand over the Payyannur Khadi Centre also to the Board.

N.E.S. and Community Projects

Eighteen N.E.S. Blocks were newly started in the year, eight on the 1st April and ten on the 1st October. Altogether there are at present 64 Blocks in Kerala, of which ten are Community Development Blocks and 13 Post-Intensive Blocks.

It has been decided to extend the N.E.S. Scheme throughout the State by the end of the Second Five Year Plan. But due to financial difficulties the Community Project Administration themselves have revised the programme so as to extend the time limit to 1963 instead of 1961. Thus the 142 Blocks in Kerala will also be completed only by 1963. In 1958-59 19 Blocks will be newly started, for which Rs.14 lakh has been provided in the Budget.

People are eager to have N.E.S. Blocks in their respective localities. At the same time there is strong opinion that the programmes of the Blocks are not sufficiently useful. The impression which prevails in the State is that this programme, which is hailed by the Prime Minister, Shri Jawaharlal Nehru, as a programme for changing the entire face of India, has been of no particular use so far as we are concerned except for creating a new battalion of officers to ride on the backs of the villagers. It has been pointed out from the very beginning that the pattern and activities of the Blocks have been modelled to suit the villages in North India and that just copying the same will not be advantageous to Kerala. This opinion has also been accepted generally in the resolutions adopted by the Seminars held at Alwaye in 1956 and at Palghat in 1957. Government consider that this view is fundamentally correct and have decided to revise the Block programmes to suit the particular conditions prevailing in the State. For this, Government are of the view that changes should be effected in the schematic budgets of the Blocks. Eventhough the Community Project Administration and, in particular, Shri S. K. Dey, Minister for Community Development, have repeatedly been saying that the schematic Budget is only a model one which can, without any objection, be revised to suit local conditions, no such change has been or is being made in any Block. Government have, therefore, decided to evolve a schematic Budget suitable for Kerala.

In the particular conditions prevailing in Kerala the proposal of Government is to reduce the allotments in the Block Budget for Social Education, Communications and such other programmes and enhance the provision for increasing agricultural and industrial production.

Food Department

With a view to making up the State's food deficit, the Government of India used to give us 25000 tons of rice every month till August 1957. But since August it has been reduced to 10000 tons. The State Government had therefore to purchase rice direct from Andhra Pradesh to enable uninterrupted distribution through fair price shops. Some paddy was also procured from within the State from Palghat district. It is estimated that a loss of about Rs. 33.42 lakh will have to be sustained on account of the distribution of rice and paddy, thus procured, through the fair price shops at the price of Rs.32 per bag. So far as the rice received from the Centre is concerned, the State Government have to bear the charges incidental to storage and measurement at the time of off take. Subsidy on this basis will have to be continued during the next year also. A sum of Rs.50 lakh has been provided in the Budget for this purpose. Government also propose to popularise other food grains such as wheat and to distribute tapioca free in famine areas.

Fisheries

The schemes included in the Five Year Plan for the development of fishery resources which form an important natural wealth of Kerala are registering progress. Fishermen are being given training in Cochin in modern methods of Fishing under the T.C.M. programme. Sixty persons have completed their training. Fishing boats are being built in the Indo-Norwegian Project to be given to those who are thus trained. During the year 21 boats have been completed. Those boats are given to the fishermen and the cost recovered from them in instalments. Having realised that if the entire fishing population of the coastal areas are to be saved, they should be organised on a co-operative basis, Government have prepared a scheme for the purpose. But it does not appear possible for the State Government by themselves to implement the scheme. It is such a costly scheme. Under the present conditions, Government are extending the utmost possible encouragement to the Fishermen Co-operative Societies. A sum of Rs. 2.99 lakh has been set apart for 1958-59 for helping the co-operative societies. Another sum of Rs. 2 lakh is provided for distributing salt at reduced prices.

Forest Department

Though the Bill for the taking over and management of private forests in Malabar has been passed, proceedings such as the framing of rules thereunder are not yet complete. But soon after the said Bill became law, many owners of private forests approached Government, expressing readiness to sell their forests. Government have constituted a Committee to tender advice on evaluating such forests offered for sale. No forest have, however, been purchased so far. I trust that at least some forests could be brought under State ownership during the ensuing year. For this, provision of Rs. 19.96 lakh has been made in the Budget.

A sum of Rs. 7.5 lakh has been included in the Budget for research in forest conservation and for rearing plantations of soft-wood.

Another important programme taken up under the aegis of the Forest Department is the starting of Cashew plantations. Some 4398 acres have been so far brought under cashew cultivation under the Second Five Year Plan. Some 1600 acres were planted in 1956-57 and 2798 acres in 1957-58. Government do not at all consider this to be satisfactory. It has been decided to implement this programme on a more extensive scale during the ensuing year.

Education

Kerala is a State spending about a third of its Budget on Education. It is gratifying that this has put us ahead of all the other States in the Indian Union, but we cannot rest content with that. We have also to ensure that the education imparted at such cost becomes really useful to the students. Government are therefore concentrating attention to effect the necessary reforms in the method and organisation of education. The foundation for a sound educational system is a contented group of teachers. It was in full realisation of this principle and with a view to creating such a teaching fraternity that the Education Bill was passed and the general revision of pay of teachers effected. The scales of pay of Rs. 40-120 for those with school final and secondary training qualifications and Rs. 80-165 for those with B.A. and B.T. qualifications have been fixed irrespective of the fact whether they work in Government or in aided schools. It is also proposed to enforce, throughout Kerala, the system of direct disbursement of pay to teachers of aided schools through the headmasters of such institutions. Government trust that these steps have gone a long way in removing the disabilities of teachers.

Convinced of the need for a reorganisation of the Education Department with a view to rendering it more efficient, Government have taken certain steps towards this end. The criticism that this reorganisation has resulted in increase of expenditure is baseless. The reorganisation is being carried out with the determination to effect at least some measure of economy.

During the current year, Government took over the schools run by the former Malabar District Board and the municipalities in the Malabar area; 1,434 schools have thus come under Government control. Sixty new high schools were started in Malabar during 1957-58. It is worth mentioning that it was in the comparatively undeveloped Malabar area that more schools were opened. Government wish to continue this policy. The policy is not to sanction starting of schools indiscriminately in all areas from where applications are received but to open schools only in areas in the greatest need of them. The survey of schools which has begun is being undertaken for implementing this policy.

A Government Arts College at Kasaragode, a Training College at Tellicherry and a College of Physical Education at Kozhikode were started during the year. Post-Graduate courses were started in Physics and Botany in the Maharaja's College, Ernakulam, and in English and Statistics in the Victoria College, Palghat. Pre-professional courses were started in Trivandrum, Ernakulam and Palghat. Next year post-graduate courses will be started in some more subjects.

The emphasis laid on technical education is an important feature of the reorientation of education. Government are making the best possible efforts for augmenting the facilities for technical education. Everything connected with technical education has been co-ordinated and brought under a Director of Technical Education and an Advisory Board.

Teaching facilities in the Engineering College, Trivandrum have been expanded to serve about 210 students as against the former strength of 100. Government have decided to start a second Government Engineering College at Trichur and preliminary steps are under way. The College will start functioning from the commencement of the next academic year.

There are at present under Government control a polytechnic each at Kalamassery and Kozhikode, a Technological Institute at Trichur and a Textile Technology Institute at Trivandrum. Besides these, another Central Polytechnic will be started next year. The Industrial School at Cannanore will be upgraded into a Polytechnic and the Textile Technology Institute at Trivandrum will be developed. In the private sector there are polytechnics at Alagappanagar and Quilon. Sanction has also been received for starting Private Polytechnics at Pandalam, Alleppey and Tripayar. Government desire to locate at least one polytechnic in every district and would do everything possible to achieve this target.

A sum of Rs.18 lakh has been included in the Budget for opening junior technical schools during the ensuing year. This is a new type of school so far not set up in this State. It is a type of institution which is very useful to enable those poor students, who cannot afford to study in an engineering college or a polytechnic to acquire some technical education along with the regular academic studies. One or two such schools will be started in each district during the ensuing year.

A few institutions of the Multi-purpose type will also be started during the ensuing year. For this purpose, a sum of Rs. 13.14 lakh has been provided in the Budget. It has also been decided to start higher secondary schools with agriculture as an optional subject.

Government are thus formulating, with deliberation, programmes to make education purposeful and useful in all phases.

Government have appointed a Committee of expert educationists to plan a new scheme in the field of primary education, shorn of the defects in the present basic education system, but, at the same time, embodying the essential values of basic education.

A sum of Rs.18 lakh has been provided for noon-day meals for school children. A new scheme for medical inspection of school children will come into force next year.

Co-operation

There are 3987 societies under the Co-operative Department with a total membership of nine lakh. The funds of the societies total Rs. 3.14 crore and their working capital is Rs. 9.49 crore. During the current co-operative year loans to the extent of Rs. 3.45 crore have been given through the Co-operative Movement.

Government are anxious to extend the maximum encouragement to the Co-operative Movement in all fields. I have already referred to the collective farming societies. Steps taken to increase membership in coir co-operatives have also been mentioned. In addition to these, plans have been formulated to organise labour co-operatives to take up public works and special societies for irrigation. As an experimental measure, Co-operatives throughout Trichur taluk and in one Range in each of the districts of Alleppey and Kottayam have been entrusted with the work of running toddy shops.

Harijan Welfare

A sum of Rs. 67 lakh was budgeted for Harijan Welfare in 1957-58. This provision has been raised to Rs.94 lakh in 1958-59. During the year, 2380 scheduled tribes students and 215000 scheduled caste students have been given educational concessions. A total amount of Rs.19 lakh was allotted for this purpose. All the concessions enjoyed by students of scheduled castes and backward communities in the Travancore-Cochin area have been extended to those in the Malabar area also.

The fact that in the matter of post-matriculation studies, it is the Government of Kerala which offer the maximum concessions to the scheduled castes and scheduled tribes, needs to be pointed out. Since the Government of India are granting full scholarship in respect of post-matriculation education, they have suggested that no separate provision for that purpose in the State Budget is necessary. But such scholarships alone may not be adequate here because apart from the scholarships, they are receiving from the State money grants towards hostel charges and purchase of books.

This year a sum of Rs.4 lakh was budgeted to provide houses for Harijans. Some 396 houses are being completed. Another 396 are proposed to be built. During the previous year, grants were made for thatching 5200 houses.

Special staff is at work in every district, acquiring house sites for scheduled castes. Nearly 400 families have been given house sites. Twelve new hostels for Harijans were opened during the current year in addition to those already existing. In all there are about 800 Harijan students in these hostels. It is also proposed to open three cosmopolitan hostels.

The Chingeri Scheme in Wayanad taluk and the colonisation schemes at Edamala, Champakkad and Parambikkulam for the uplift of the scheduled tribes have been started this year. These cost Rs. 2,29,000. The approval of the Central Government has been received for the Attappadi Valley scheme consisting Rs. 1.35 lakh. All these schemes will be vigilantly implemented during the ensuing year.

Colonisation of Housing

An amount of Rs. 9 lakh was set apart for low income group housing. Applications for 210 houses involving Rs. 9.87 lakh were received under this scheme and Rs.6 lakh has been granted as loans before the 1st January 1958. It is expected that the entire allotment will be used up. The Poor Housing Scheme has not been very successful. Certain co-operative societies at whose instance houses were put up, have relinquished them and the houses remain untenanted. The hundred houses built for the workers of the Sitaram Mills alone come under the Industrial Housing Scheme. Sanction has been given to build fifty more houses for them under this scheme.

The amount sanctioned for each house under the Settlement schemes has been raised from Rs. 275 to Rs. 576. The Association of Panchayats in the implementation of this scheme has resulted in encouraging progress this year.

A sum of Rs. 16.50 lakh has been budgeted under Low Income Group Housing and another sum of Rs.6 lakh is provided for the Settlement Scheme during the year 1958-59.

Medical

During the year, Government took over all the medical institutions that were functioning under the Malabar District Board. A sum of Rs. 2.22 lakh is set apart for 1958-59 for opening new dispensaries. Rs. 15.70 lakh for improvement of major hospitals and Rs. 3.60 lakh for establishing leper hospitals and clinics have been provided in the Budget. A sum of Rs. 5.32 lakh has been allotted to extend the benefits of the Employees State Insurance Scheme to the families of workers also. A provision of 3.15 lakh is made for the extensive popularisation of Family Planning Government propose to spend Rs. 64.28 lakh during the ensuing year for the control of malaria and filariasis.

It is also proposed to open in 1958-59 a Dental Wing in the Trivandrum Medical College and to start a post-graduate course in Public Health. The work relating to the Kozhikode Medical College is progressing rapidly and a sum of Rs. 25 lakh has been set apart for the ensuing year for this purpose. Five new Ayurvedic Hospitals and 22 dispensaries will be started next year. It is proposed to start a pharmacy for the manufacture of pure Ayurvedic Medicines for supply to Government Institutions and also for sale to the public. There is also a scheme for starting a Herbarium for the propagation of medicinal plants.

Water supply schemes in the important towns of Quilon, Kottayam, Ernakulam, Trichur and Palghat are progressing satisfactorily. The Ottappalam Water Supply Scheme and the installation of water-taps in Alwaye town will be taken up during the coming Budget year.

Provision to the extent of Rs. 10.54 lakh for rural sanitation and Rs. 121.78 lakh for all drinking water supply schemes has been made.

Labour Department

During the previous year, Government implemented as far as possible their policy of settling trade disputes by conciliation without resort to compulsory adjudication. The Industrial Relations Committees have been of immense help in resolving the disputes and problems arising in any industry within itself. The Department has paid attention in the matter of enforcing labour laws by strengthening the Factory Inspectorate and the Minimum Wages Inspectorate.

Minimum wages have been extended to several new industries including agricultural labour. Government wish to see long-term agreements arrived at between capital and labour which would facilitate industrial progress. Government are also happy to note that such agreements have been arrived at in one or two industries. The Industrial Relations Boards are pursuing their efforts to evolve certain general principles of agreements for industrial peace.

Employment and Training

Government have decided to set up Employment Exchanges in every district. Exchanges help registration by the unemployed and prevent the loss of opportunities for employment. At the commencement of the present year there were two industrial training centres in Kerala, affording training facilities for 264 persons. Both the centres were developed during the year, to afford facilities for 562 persons at Trivandrum and 400 persons at Trichur. A Centre for training 200 persons was opened at Cannanore.

Two hundred and forty-four youths got training in the first batch in the Work and Orientation Centre at Kalamassery. Some 250 persons have now joined the second batch.

Transport

The nationalised transport industry is a valuable service capable of being developed into an important source of revenue for our State. It deserves special attention from these two stand-points. The Transport Department started 30 new schedules during 1957-58. Eighty new schedules will be started in 1958-59. A nationalisation plan covering the next three years has been prepared by the Department and submitted to the Transport Advisory Board. The Board will publish the plan within one month after scrutiny. Under the plan routes notified will be taken over, one after the other.

But it is a difficult problem today to find the funds necessary for nationalisation of transport. The Centre had promised an aid of Rs. 86.70 lakh for development of transport under the Second Five Year Plan, but the offer was saddled with the condition that the transport industry should be brought under a Corporation. It was envisaged that the Railways, the State Government and the public could take shares in the Corporation. Government did not agree to the condition of a Corporation, because it was felt that the organisation of such a Corporation and the entrustment of the transport industry to that organisation would not be in the best interests of the State.

It then became certain that no aid would be available from the Centre. Further, development of transport has become an item outside the purview of the Five Year Plan. So our State is in the plight of being forced to raise from within itself the resources needed for development of transport. Government have, in these circumstances, decided that for some time to come the depreciation funds of the industry and the total net profits should be utilised solely for its development. The problem, however, will not be solved by this. Further avenues have to be explored for development of transport.

Public Works

Rs. 147.49 lakh for completing the roads and bridges now under construction and Rs. 12.65 lakh for new roads and bridges have been provided in the Budget. Provision has also been made for roads under the Village Road Development Scheme.

One hundred and sixty miles of road were taken up in 1957-58 for special surfacing. It is proposed to take up 250 miles in 1958-59. Eighty-four major bridges are to be completed under the Second Five Year Plan. Of these, five have been completed till now. Twenty-four bridges were under construction during 1957-58. Work has been begun on many others. Ten major bridges will be opened for traffic in 1958-59. Twenty out of the 94 minor bridges under the Second Five Year Plan have been completed. Work is in progress in respect of 22 bridges. Thirteen are expected to be completed in 1958-59.

A sum of Rs. 100.28 lakh to complete the work on buildings for the Various Departments and another sum of Rs.49.36 lakh for new buildings are included in the Budget. Work in respect of the civil stations at Trichur, Kottayam and Quilon is complete and offices have been moved to the new buildings. Work on Government buildings is in progress in Cannanore and Palghat. Work relating to the Medical College, Kozhikode, is progressing rapidly. Housing schemes for the Police and N.G.Os. are progressing. It is proposed to afford greater amenities to N.G.Os. at Devicolam. Munnar Town Development work will be started soon. The Mattancherry foreshore scheme also will be taken up urgently.

The concessions extended to the Work Establishment employees of the P.W.D. in Travancore-Cochin area will be immediately extended to their compeers in the Malabar area also. Even during this period certain modifications have been effected in the service conditions of the N.M.R. workers. It is proposed to do something more in this line.

Panchayats and Municipalities

In deference to the longstanding agitation of the Panchayat employees last year Government have sanctioned a pay revision. To aid the Panchayats to disburse the pay at these rates a sum of Rs.15 lakh has been set apart to be given to the Panchayats as Establishment Grant. A block grant of Rs.5 lakh and another sum of Rs.5 lakh for the maintenance of roads in the Panchayat area constructed with public contribution will also be given to them.

A sum of Rs. 7.5 lakh for town improvement schemes and Rs. 5 lakh for slum clearance are to be given as grant. There is a widespread demand that the aid from Government to Municipalities and Panchayats is inadequate and that such aid should be enhanced. But it is doubtful whether anything more can be done so long as the present administrative system continues and with the present resources of Government. Even as Local Self-Government Organisations are to be given ampler powers and wider financial resources they should be given more responsibilities, thereby lightening to that extent the responsibilities of Government. Otherwise both the parties will be evading the issue and blaming each other.

Besides this basic problem, numerous difference still exist between Local Self Government units in the Travancore-Cochin and Malabar areas in matters of finance, system of administration and Governmental control. Government have decided to eliminate these differences, unify the system of administration of all the local bodies in Kerala and also effect uniformity in the matter of fiscal aid to these organisations. A Special Officer will therefore be appointed to study and report on the financial position of these local bodies.

Economy

The unbearable expenditure of the administrative machinery and the difficulty of finding funds to implement the development schemes are becoming clearer every day. So it has become an imperative necessity for the success of the Five Year Plan to make the administrative machinery efficient by a merciless retrenchment of all unnecessary expenditure. This is one of the main aims of the Administrative Reforms Committee constituted by Government. Government hope to get valuable suggestions for a radical reform of the administrative machinery when the Committee finishes its labours. But without waiting for this it may be possible to effect savings by stopping patently unnecessary expenditure. The Secretary of the Administrative Reforms Committee is specially entrusted with this work. All schemes for new posts and new items of expenditure are being subjected to his and, through him, to a Cabinet

Sub-Committee's scrutiny. The instructions so far issued in respect of purchase of jeeps, T.A. of officers and use of stationery and telephones have considerably promoted economy. Many posts have been abolished and many have been left unfilled. This is only a beginning. Government are confident that much more has to be and can be done in this direction.

Pay Revision

In my Budget speech last year, I had referred to the question of revision of salaries of low-paid Government employees. I had, even then, made clear the Government's inability wholly to satisfy their demands, even though Government were extremely sympathetic to them. Later developments have only confirmed my views while they have not effected any considerable change in Government's financial capacity. The present Budget itself would bear witness to this fact. Yet I reaffirm, once again, that Government are willing and ready to do the maximum in the matter, within the limits of their capacity. It was on the basis of this policy that the emoluments of the village officers of Malabar, State Transport employees, contingency employees, primary school teachers, Panchayat employees, nurses and others were enhanced. These measures involve an annual average cost of Rs. 225 lakh. The question of revision of pay of all other categories of Government employees is being considered by a Committee, which would submit its report very soon. Government will examine the report and take speedy decisions on it. Even if it may not be possible wholly to fulfill the expectations of non-gazetted officers, it is hoped that they would realise the present condition of the State and the difficulties of Government and act accordingly.

Small Savings Scheme

The importance of the Small Savings Scheme in the matter of raising funds for the Five Year Plan is increasing. It is the policy of the Government of India to discourage States from raising loans in the open market and to induce them to strengthen the Small Savings Scheme. Accordingly in 1957-58 this State did not raise the public loan of Rs. 225 lakh as had been decided. Instead, we concentrated on Small Savings. An intensive campaign was organised for two weeks in each district. Although public meetings and publicity campaigns have been conducted on a comprehensive scale, the full results have not been realised in the form of money. The collections so far are of the order of Rs. 95 lakh. If the general public, realising the importance of this scheme, were to offer their wholehearted co-operation, there would certainly be much better results in 1958-59. The target for the ensuing year is Rs. 1.5 crore.

State Trading Corporation

In my last Budget speech I had made mention of the formation of a State Trading Corporation. It was decided to organise for this purpose a limited company with an authorised capital of Rs. 100 lakh and paid up capital of Rs. 10 lakh, the entire shares being held by Government and the Memorandum and Articles of Association of the Company were prepared and sent to the Controller of Capital Issues. The Corporation will be set up soon after the receipt of permission for the issue of capital.

WAYS AND MEANS

The budget estimates now presented to the House show a revenue deficit of Rs.54.83 lakh. Funds have also to be found for the capital expenditure of Rs. 788.73 lakh. Thus, for these two items together resources to the extent of Rs. 842.56 lakh have to be raised. Against this, there is an opening balance of Rs. 35.53 lakh and a net accretion of Rs. 806.51 lakh under debt heads. The surplus under the Debt Heads includes a sum of Rs. 300 lakh proposed to be borrowed from the open market next year, a sum of Rs. 100 lakh being the State's share of the proceeds of the Small Saving Scheme and a sum of Rs. 220 lakh proposed to be realised by the scale of securities. It is expected that there will be no need to increase the net overdraft liability to the Reserve Bank of India for the State Bank of India in the coming year and no net credit has therefore been taken under floating debt. The ways and means position according to the financial statement presented to the House can be summarised as follows:—

	(Rs. in lakhs)
Opening balance	(+) 35.53
Revenue Deficit	(–) 54.83
Capital Expenditure	(–) 788.73
Net accretions under Debt Heads	(+) 807.51
Closing balance	(–) 0.52

After the budget estimates were finalised information has been received that the quantum of Central assistance towards the payment of special dearness allowance will be raised. This will entitle the State Government to an additional grant of Rs. 22.06 lakh from the Centre. Taking this into account the revenue deficit will come down to Rs. 32.77 lakh. Correspondingly the closing cash balance will stand at the higher figure of Rs. 21.54 lakh.

Taxation

One problem which should receive serious attention is the need to wipe out the revenue deficit. It is common knowledge that mounting over-all deficits in the budgets of the States constitute a threat to the economic stability of the country. Such continuing deficits will lead to an inflationary spiral, with consequent rise in prices. Government are conscious of this danger. Therefore, when they faced a similar situation while presenting the budget for the current year, they took courage to bring forward proposals for additional taxation to the extent of Rs. 232 lakh. It will be remembered that this Government took this bold step when most of the other States were presenting deficit budgets. These new taxes are being absorbed into the system without manifesting any deleterious symptoms. This year, again we are faced with a revenue deficit. Though the deficit is small, we cannot feel complacent. I hope the House will agree with me that we should face this problem of keeping down the deficit with courage and determination. The only means open to the Government to bridge the gulf between the revenue and expenditure is to call upon the public to make some more sacrifices by contributing a little more to the public exchequer in the shape of taxes. In drawing up the proposals for additional taxation, care has been taken to see that such additional tax does not fall heavily on any section of the society. It is hoped that the public will bear the burden cheerfully, as they are aware that their contributions are being spent on Schemes which are beneficial to the community at large. I am confident that in the larger interest of the community, the House will give its unstinted support to the proposals for additional taxation which I shall describe presently.

1. *Tax om Urban Immovable Property*

The rate of land tax is now uniform throughout the State and it is levied at the low rate of Rs.2 per acre. Considering the high value of lands situated in urban areas, it will be acknowledged that this rate is extremely low. The Taxation Enquiry Commission has pointed out that urban lands can certainly bear a higher rate of taxation. It is therefore proposed to increase the rate of tax on urban immovable property. The rate will vary according to the importance of the area and exemptions will be provided to small resident-house owners. It is expected that this measure will yield about Rs.4.8 lakh per annum.

2. *Tax on Forward Market Transactions*

Forward transactions of substantial value are taking place in commercial centres like Cochin and Alleppey, particularly in coconut oil and pepper. The Bombay Government have imposed a stamp duty on forward transactions in several commodities and are deriving substantial revenue from that source. Government propose to impose a stamp duty on forward transactions in pepper and coconut oil which have been controlled under the Forward Contract (Regulation) Act, 1952. To start with this measure is expected to yield a revenue of Rs. 0.5 lakh per annum.

3. *Sales Tax on Timber*

At present there is a multi-point sales tax on timber. It is felt that it would be administratively more efficient to have a single point tax on timber and to switch on the tax to the purchase point at 8%. This measure is expected to yield an additional revenue of Rs. 15 lakh per annum.

4. *Surcharge on Passenger Fares in the State Transport Department*

The rates of fares charged by the State Transport Department are very much lower than the fares charged by private operators. The State Transport Department charges only 6 paise per mile while private operators are allowed to charge a maximum of 7½ paise per mile which most of them are charging at present, at the same time the amenities which the State Transport Department provides to passengers are far superior to those provided by private operators. It is felt that the Government could justifiably impose a small surcharge of 10% on transport fares. The proceeds can be utilised for creating a fund for the development of Transport. The increase will not apply to City Services. An additional revenue of Rs.19.75 lakh is expected from this measure.

5. *Electricity Duty*

Different rates of electricity duty are now prevalent in the Malabar and Travancore-Cochin areas. It is proposed to unify the rate and fix the rate in decimal coinage at a higher level than at present. This is expected to yield Rs. 2.5 lakh per annum.

At present only licensees are liable to pay the electricity duty. It is felt that bulk consumers (other than licensees) who are taking supply at 11 k.V. and above can also be brought under this levy. This measure will yield an additional revenue of Rs. 4.23 lakh per annum.

6. *Sales Tax on Oil*

Sales tax on diesel oil is now collected at the rate of 8 naye paise per rupee. Recently, the Madras Government have raised the rate of tax on diesel oil. It is felt that the rate now in force in this State can be raised to 20 naye paise in the rupee.

This measure is expected to yield an additional revenue of Rs.15 lakh per annum.

7. *Unification of Stamp Duty and Court Fees*

It has been decided to unify the rates of stamp duty and court fees prevalent in the Malabar and Travancore-Cochin areas. The unification of the rates of stamp duty will yield an additional revenue of Rs. 2 lakh and that of court fees Rs. 3 lakh per annum.

Thus the introduction of the new taxes described above and the unification of some existing taxes will yield an additional revenue of Rs. 66.78 lakh. These measures will convert the deficit of Rs. 32.77 lakh mentioned earlier into a surplus of Rs. 34.01 lakh. But it has to be pointed out that these estimates do not include provision for the action that has to be taken on the basis of the report of the Pay Revision Committee, as it is not possible at present to calculate the additional expenditure involved. Without taking this liability into account, the year will close with a cash balance of Rs. 88.32 lakh.

Before concluding I wish to express my thanks to the officers of the Finance Department who have worked and have taken great pains for the preparation of this Budget.