

**SPEECH OF  
SHRI NARAYAN DATT TIWARI,  
MINISTER OF FINANCE AND COMMERCE,  
INTRODUCING THE BUDGET FOR THE YEAR 1988-89\***

**Highlights**

- *Setting up of National Agricultural Credit Relief Fund*
- *JALDHARA and KUTIRJYOTI Programmes to be Launched*
- *Setting up of Social Security Fund*
- *Setting up of National Scheduled Castes and Scheduled Tribes Finance and Development Corporation*
- *Establishment of Small Industries Development Bank of India*
- *Kisan Vikas Patra to be Launched*

Sir, I rise to present the Budget for the year 1988-89.

The Economic Survey for 1987-88 was placed before the House a few days ago and contains a detailed review of trends in the Indian economy over the past year. Economic performance and management during the year have been dominated by natural calamities of drought and floods. The drought this year has been one of the worst in this century, with 21 out of 35 meteorological sub-divisions receiving deficient or scanty rainfall during the monsoon months. In most of the Eastern States the problems was not too little but rather too much rainfall leading to devastating floods. What is worse, this year of drought and floods followed three successive years of poor monsoon.

Despite the very severe strains and distress, the economy had demonstrated, remarkable resilience. It had done so for two good reasons. First, sustained development and diversification of our economy, over the years, has created a capacity to withstand temporary shocks. Second, Government has responded with timely interventions across a wide front to contain the economic and social costs of the drought.

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\* *Lok Sabha Debate*, 29.2.1988, cc. 502-557.

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The buffer stock policy pursued by the Government enabled us to build large food stocks which stood at 23 million ton on 1 July 1987. With the help of these stocks, massive and sustained effort was launched to ensure adequate supply of foodgrains throughout the country, particularly in drought affected areas. Other important Government programmes to combat the drought included massive expansion of relief and employment generating works, strengthening of the public distribution system, special efforts to compensate for shortages of drinking water, fodder and power supply, action plans to grow contingency crops in the *Kharif* season and to boost rabi production, measures for livestock protection and large scale imports of essential commodities such as edible oils and pulses. These supply measures were buttressed by careful fiscal and monetary policies to make available adequate resources for relief expenditures without cutting back on the public investment programme.

Thanks to these sustained efforts the overall indicators of economic performance have been better than in any previous year of severe drought. Thus, despite the decline in agricultural production, GNP growth in 1987-88 is expected to be in the range of 1 to 2 per cent in contrast to a decline of 4.70 per cent in 1979-80. Available data show that industrial production in April-November 1987 rose by 10.2 per cent over the corresponding period of the previous year. In contrast, in the drought year 1979-80, there was an absolute decline of 1.70 per cent in industrial production. The overall rate of inflation in the current financial year, as measured by the Wholesale Price Index, stood at 9.8 per cent as on 6 February 1988 as compared with inflation in excess of 21 per cent recorded in 1979-80. Price movements in respect of essential commodities are being monitored closely at Central and State levels and I would like to thank State Governments for setting up control rooms at the district level also. We have to keep continuous vigil on the price front at all levels, so that inflation is kept under control.

The strains imposed by the drought and floods have highlighted some of the underlying strengths as well as problem areas of our economy. In the face of successive monsoon failures, our agriculture has demonstrated its basic strength. We are proud of our farmers. By their hard work and unflinching determination through the years, they produced enough to enable us to build substantial food stocks. This helped us to withstand the impact of the current drought without acute food scarcity and widespread economic dislocation.

Industrial production will show an increase of more than 8 per cent for four successive years since 1984-85. The infrastructure has performed well. Generation of thermal power has made up the deficiency in

generation of hydel power and overall there was a growth of 7.60 per cent in power generation in the first nine months of the current year. Productivity in the Railways has shown significant improvement, coal production has increased by 10.20 per cent in April-December, 1987. The improvement shown by the public sector in these areas is a matter of considerable satisfaction, and bears testimony to the successful implementation of policies initiated by this Government. Our workers have worked hard to make this possible, and the nation is grateful to them. Government attaches the highest importance to building a strong and vibrant public sector.

Exports have recorded strong growth over the last two years. After growing by over 15 per cent in 1986-87, exports rose by nearly 25 per cent in the first nine months of the current year as compared to the corresponding period of the previous year. Over the same period, the growth of imports was less than 14 per cent. The trade deficit has been declining over the past two years.

However, we must not be complacent. As we look ahead, we must move decisively to overcome some of the problems that have emerged on the economic scene. The four successive years of poor monsoons have caused considerable hardship in our rural areas, reduced agricultural out-put, and affected the momentum of growth. We, therefore, have to give a major thrust to agriculture in the remaining year of the Seventh Plan.

We have done well in agriculture. But tile drought and floods have highlighted certain areas which require our urgent attention. The Prime Minister has directed that an Action Plan should be formulated quickly by the Planning Commission, which would identify the areas where further measures can lead to early gains in production. In 1987-88, an additional allocation of Rs. 236 crore has been made for completion of irrigation projects in drought affected States. In the coming year, Plan outlays for Centre in respect of agriculture and irrigation are being increased by 40 per cent. If necessary, the Government will make re-allocations within the overall Plan outlay for 1988-89 and provide more resources for achieving agricultural targets.

We have seen rapid growth in industry, reflecting the success of Government policies in stimulating investment and production and promoting technological upgradation. We must ensure that this momentum is maintained. Costs and prices need to be reduced, Indian industry must be made more competitive. Sickness in industry has been a major problem. We have to take further steps to combat sickness. We must also upgrade skills, train workers and improve management. Industrial

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development must make the best use of our most abundant resource, namely, the skills of our people. Rapid growth of industry is essential for generating employment opportunities.

Small village and khadi industries have a special place in our economic development. These industries make use of locally available resources and are instrumental in creating job opportunities in smaller towns and rural areas where the bulk of our people live. Speaking in this House, thirty-five years ago, Pandit Jawahar Lal Nehru had told the nation, and I quote:

“I have no doubt that we cannot raise the people’s level of existence without the development of major industries in this country; in fact, I will go further and say that we cannot even remain a free country without them.... But we must always remember that the development of heavy industry does not by itself solve the problem of the millions in this country. We have to develop the village and cottage industry in a big way, at the same time making sure that in trying to develop industry, big and small, we do not forget the human factor.”

This overall approach continues to guide us.

Government has been taking several measures to increase revenue, improve tax compliance and enforce economic laws. These have yielded dividends and growth of revenue in the past three years has been quite satisfactory. The faster growth of expenditure has, however, exerted substantial pressures on the fiscal situation. We face unavoidable compulsions of higher expenditure, for example, on defence, development, social services relief programmes and food and fertilizer subsidies. As a nation, we must deal earnestly with the problem of mounting expenditure.

As anticipated, the balance of payments situation had been under strain because of several factors. These include higher imports of edible oil and pulses, increase in imports of crude oil and petroleum products, increasing protectionist tendencies abroad, and unfavourable climate for official development assistance. The environment for developing countries has also been badly affected by upheavals in the international economy, volatility of exchange rates, and slow growth of world trade. In order to reduce the impact of these unfavourable developments, we took vigorous measures to increase exports and reduce the growth of imports. These measures would need to be further strengthened.

India has followed a policy in debt management and has avoided problems of the kind faced by several other developing countries. We remain committed to ensuring long-term viability in our balance of payments.

The challenges before us are many and it is only through hard work, thrift and sacrifice that we can build a self-reliant strong and socialist economy. As a humble political worker, I am conscious that while we have made tremendous progress, there is a great deal that remains to be done to improve the condition of our people, particularly in rural areas.

Within the limitation imposed by our overall resource situation, I propose to take a number of steps to benefit farmers, promote small and village industries, provide relief to the poor, protect and create more jobs, and generate self-employment opportunities for our people. In addition to augmenting the anti-poverty programmes such as IRDP, NREP and RLEGP, Government has decided to initiate a number of measures to increase the flow of agricultural credit, strengthen the institutional framework, enhance social security to the weaker and vulnerable sections of the society, particularly Scheduled Castes and Scheduled Tribes, and promote better housing for the rural poor. While some of these programmes call for additional outlays, it is proposed to reorient and redirect several of the existing programmes and institutions to serve our social objectives better.

In working out the package of measures for agriculture, we have kept in view the guidelines given by the Prime Minister Rajiv Gandhi, when he addressed the *kisans* the other day.

“In the next two-three years we must give a strong thrust to agriculture. Special attention must be given to small and marginal farmers, landless labourers and village artisans. It shall also be our endeavour that our schemes for rural development benefit not only all the regions of the country but also all the sections of the society. This will strengthen and benefit the entire community and help us march forward.”

The financial condition of our farming community has been affected by the drought. A number of measures have already been taken such as rescheduling of loans, conversion of short-term loans into term loans and lowering of rate of interest in some cases. As an important step forward, I am happy to inform the House that today the Reserve Bank of India is issuing instructions to bring down the cost of agricultural credit. The rate of interest on crop loans up to Rs. 7,500 is being reduced by one-and-half per cent to two-and-half per cent. The interest rate will, henceforth, be reduced to 10 per cent for loans up to Rs. 7,500 from the prevailing levels of 11.5 per cent and 12.50 per cent. Similarly, for crop loans above Rs. 7,500 and up to Rs. 15,000, interest rate will be reduced to 11.50 per cent from 12.50 per cent to 14 per cent. This reduction in interest rates will benefit crores of agricultural borrowers from co-operative sector, Regional Rural Banks and commercial banks, and provide much needed relief to them.

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In order to increase the flow of credit at reduced cost, it has also been decided that the target for direct finance to agriculture by public sector banks should be raised to 17 per cent of their total outstanding advances by the end of 1988-89. Together with added efforts by regional rural banks and co-operative banks, the target for availability of direct credit by banks to agriculture will, thus, increase by over Rs. 3,000 crore in 1988-89.

In order to further reduce the cost of inputs, Government is asking the fertilizer companies, in both public and private sectors, to give a discount of 7.50 per cent over notified prices for coming *Kharif* and *Rabi* sowings. This will reduce the price of a bag of urea by around eight rupees and eighty paise. The companies should be able to absorb the cost of this discount through better inventory management. I am sure our enterprising farmers will take advantage of this discount and increase agricultural production.

Timely use of pesticides and weedicides has an important role in preventing crop damage and improving productivity on our farms. In order to lower their cost, I will be announcing later in my speech, reduction in import duties on selected pesticides/weedicides as well as intermediates. At the same time, selected pesticide items, considered important for agriculture, will be allowed to be imported freely by designated State and co-operative agencies. This will ensure that the existing manufactures do not indulge in monopolistic practices. This measure will help our farmers.

In consultation with the Reserve Bank of India, NABARD, the State Bank of India and the Commercial banks, I am happy to announce a new strategy on rural credit designed to serve every village of the country. The commercial banks and the Regional Rural banks together have over 40,000 branches in the rural and semi-urban areas of the country. The number of villages exceeds five lakh and seventy-six thousand. Under the proposed dispensation, each bank branch in the country will have a designated service area of about 15 to 25 villages, as required, in the neighbourhood of the branch. The branch will be primarily responsible for meeting the appropriate credit needs of its service area. This country-wide arrangement, supervised by the District Lead Bank Scheme already operational, and further supplemented by the rural cooperatives, will go a long way to serve the credit needs of the village community.

To help farmers affected by drought, we have given a number of reliefs and concessions by way of rescheduling of loans, postponement of all recoveries, and reduction in interest rates. It has been a long

standing demand of farmers and tile co-operative movement that a separate National Agricultural Credit Relief Fund should be established to provide relief on a systematic basis. I am happy to announce that it has now been decided to set up such a Fund. The corpus of the Fund will be provided by the Central and State Governments on an agreed basis. The criteria for releasing money from the Fund will be worked out by the Reserve Bank of India.

Before I turn to other matters, I would like to refer to a subject which has been close to all our hearts. I have a feeling that the co-operative credit system, which played such a pioneering role in the early years of our Independence, has not grown as fast as it could have. Co-operatives are the best instruments for reaching our farmers; they are also a symbol of self-reliance at the village level. I believe that we must now devote special attention to revitalizing the entire cooperative sector. I would invite the hon'ble members to give this matter their personal attention and also request them to send me suggestions regarding the role that the Reserve Bank of India, NABARD and the nationalized banking sector, should play in promoting the growth of the co-operative movement. I shall also be writing to State Governments, who have a major responsibility in this area.

The programme of rural electrification has enabled countrywide utilization of ground water for irrigation with the help of electric pump sets. However, some of the poorer farmers have often been unable to afford the one time cost of pump set installation. A special programme to be called JALDHARA will be launched to assist marginal farmers in drought prone areas. This scheme will provide them the benefits of pump-sets for irrigation on nominal rental/lease charges. It is proposed that during 1988-89 the benefits of this scheme in drought areas will be provided to about fifty thousand farming families.

To improve the quality of life of rural families below the poverty line, including Harijan and Adivasi families, I propose a massive programme to be called KUTIRJYOTI for extending single point light connections to households of their families. The programme will meet the one time cost to internal wiring and service connection charges. In 1988-89, five lakh households are proposed to be covered by this programme. The cost of both the JALDHARA and KUTIRJYOTI will be met through a combination of grants and loans to the State Electricity Boards by the Rural Electrification Corporation.

People living in hill areas have to bear the burden of higher transport costs in the supply of Kerosene and LPG. Today freight subsidy is given



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on Kerosene to North Eastern States and Jammu & Kashmir. It has now been decided to extend this concession to all hill areas. Similarly, it has been decided that LPG cylinders would be supplied to the customers in all hill areas at the same price as for the customers in the nearest point in the plains. This will also, to a large extent, help in conserving the forest resources used for purposes of light and fuel.

Sir, in his Budget speech last year, the Prime Minister emphasized the high priority of the housing sector and had announced the decision to set up a National Housing Bank with an initial capital of Rs. 100 crore. Necessary legislation has been passed and the Bank will become operational shortly.

Sir, in order to give a special thrust to rural housing, the Reserve Bank of India, along with some financial institutions, will make a special additional contribution of Rs. 100 crore to the National Housing Bank. This entire additional amount will be used for promotion of rural housing in several ways, including setting up of specialized rural housing savings and loan institutions, if necessary.

In this context, it is also proposed to extend the role of the Land Development Banks to cover the field of housing finance for farmers. These banks exist in most districts of the country, have strong apex bodies and deal directly with the rural population. They can also mobilize resources for housing finance. The State Governments will be requested to carry out necessary legislative measures to permit Land Development Banks to undertake housing finance.

A new programme of housing for small and marginal farmers with monthly income of up to Rs. 700 is being launched by Housing and Urban Development Corporation. Under this programme, HUDCO will provide assistance, upto specified amounts, at low rate of 7 per cent interest repayable in 22 years for building or improving a house. Assistance will also be given for improvement of old homes, for example, change of roof from thatch to tile.

A new scheme, called the 'Village Abadi Environmental Improvement Scheme' will be launched by HUDCO this year. Projects involving expenditure up to Rs. 2,000 per family in villages with population not exceeding 5,000, for improving rural abadi infrastructure like drainage, sanitation, etc., will be supported. The equity base of HUDCO will be suitably strengthened to help finance these programmes.

Commercial Banks have also been providing help for rural housing, both directly as well as through HUDCO. With their vast branch network



in rural areas, their role should be further enhanced. Hon'ble members will be happy to know that, it has been decided that commercial banks will increase their lending for the housing sector to an annual level of Rs. 300 crore by the end of the Seventh Plan.

There is great scope for using local low-cost materials in housing. Our scientists and engineers have also developed considerable expertise in low-cost housing technology. It has been decided to set up a national network of *Nirman* or *Nirmithi Kendras* which will provide easy access to low-cost housing materials and techniques. It is proposed to set up one Kendra in each district. In the coming year, 100 Kendras in 100 districts will be set up.

Landless labourers, artisans and other very poor families in rural areas face acute financial distress when their huts and belongings are destroyed by fire. I am glad to inform the House that it is proposed to launch a new scheme to provide fire insurance protection to them. The Government of India will bear the entire premium cost. The scheme will be implemented by the General Insurance Corporation of India and its four subsidiaries. The GIC will separately announce the details of the scheme.

I also propose to take a major new initiative for extending the system of social security to the weaker sections of our society. The Life Insurance Corporation of India, which has done so much to spread insurance culture throughout the length and breadth of our country, will be setting up a separate "Social Security Fund" with a corpus of Rs. 100 crore. Certain changes are being made in the Income tax payable by the Life Insurance Corporation of India to make this possible. The Fund will be used for financing life insurance schemes for weaker and vulnerable section of the population at subsidized rates. The House will agree with me that the creation of such a fund will provide a solid foundation for extending insurance cover to the toiling sections of our society, for example, landless labourers, handloom workers, rickshaw-pullers; divers, etc., who work on daily wages or whose employment is casual. In respect of these group insurance schemes, 50 per cent of the premium will be adjusted from the newly-created Social Security Fund, the balance 50 per cent of the premium being payable by the beneficiaries concerned.

Group insurance schemes will also be introduced for groups with regular incomes like primary school teachers, cooperative milk producers and workers in shops and commercial establishments. Schemes regarding group insurance will also be formulated for the benefit of artisans, tailors, barbers, masons, carpenters and other similar groups.

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While IADP extends benefits to the families of the poor, these families face hardship in the event of sudden death of the head of the family. To give greater security to the family, a group insurance scheme of the LIC is proposed to be introduced to cover around 3 to 4 million families under IADP assistance every year with effect from 1 April 1988. The insurance cover will be Rs. 3,000, with double benefit in case of accidental death.

I would now like to propose some measures specifically for the benefit of Scheduled Castes and Scheduled Tribes. Many State-level Scheduled Castes and Scheduled Tribes Finance/Development Corporations are doing a good job in looking after the special requirements of the Scheduled Castes and Scheduled Tribes. I now propose setting up a National Scheduled Castes and Scheduled Tribes Finance and Development Corporation. This Corporation will play a catalytic role in developing schemes for employment generation and financing pilot programmes which can then be taken by the State-level Corporation and other agencies active in this field. This Corporation will also work with nationalized banks and NABARD in improving the flow of financial assistance to the Scheduled Castes and Scheduled Tribes. The objective would be to innovate, experiment and promote rather than replicate the work of the existing agencies. I am making a provision of Rs. 50 crore in the next year's budget for this Corporation.

Hon'ble members will be happy to know that we propose to initiate a project for one million wells under the National Rural Employment Programme and Rural Landless Employment Guarantee Programme by raising the percentage of allocation of funds for the exclusive benefit of Scheduled Castes and Scheduled Tribes from 10 per cent to 20 per cent. It is fitting that in the year of Fortieth Anniversary of Independence, we initiate this massive programme of construction of wells which will benefit millions of small and marginal farmers belonging to Scheduled Castes and Scheduled Tribes.

I would now like to announce some measures for promotion of employment opportunities in the decentralized sector. The handloom sector provides employment to about 10 million weavers and others. This important sector has been affected by high prices of cotton and other yarns. I propose to increase the subsidy on Janata cloth from Rs. 2 per sq. metre to Rs. 2.75 per sq. metre. The impact of this relief will be Rs. 40 crore. Government also proposes to increase the target for Janata cloth or handloom from the present 500 million metres a year to 600 million metres in the coming year. Later in my speech, I shall be

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announcing a package of measures which will benefit the handloom sector by reducing the cost of certain types of yarns. At present, a standard rebate of 10 per cent is being provided for Khadi. I propose to extend this rebate to *Kambals* and *Kambalis*.

It has been a long-standing demand of the tiny and small industries that there should be a separate apex bank for them. Hon'ble members will be happy to know that it has now been decided to establish a Small Industries Development Bank of India. The new bank will be a subsidiary of the Industrial Development Bank of India. The equity of the new bank will be Rs. 250 crore, and it will have its own separate Board of Directors, including representatives from the small-scale sector. The new Bank will also administer both the Small Industries Development Fund established in May 1986 and the National Equity Fund for providing equity support to projects in tiny and small-scale sector.

New small-scale units often experience problems and delays in securing working capital finance. In order to overcome this difficulty, it has been decided that requirements of working capital up to Rs. 2.50 lakh for new, tiny and small-scale units, whose project cost does not exceed Rs. 5 lakh, will be provided through a single window. Thus, both term loans and working capital will be made available by the same bank or institution. The details of this scheme will be announced by Industrial Development Bank of India shortly.

A healthy capital goods sector is a prerequisite for self-reliance. Last year, while presenting the Budget, the Prime Minister announced a package of measures to revitalize the machine building industries. Later in my speech, I shall be announcing certain measures which will carry this process further for revitalizing industries such as paper, cement and textiles. These measures will help to stimulate demand, lower costs and improve efficiency.

The Capital market is an important source for mobilization of savings for industry and Government has taken several steps to strengthen it. Last year, the Prime Minister announced the decision to set up a separate Board for the regulation and development of the Stock Exchanges. Necessary legislation in this regard is under preparation and the Board is expected to become operational soon. Measures have also been taken to set up Mutual Funds, lay down ground rules for orderly operations of the Stock Exchanges, improve their infrastructure, facilitate share transfers and enforce better discipline on companies entering the market. Later in my speech, I shall be announcing certain further measures which will help to boost investment in new industries and generate more employment and economic activity.

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We have one of the largest pools of scientific and technical manpower. Yet, many of our young and new entrepreneurs find it difficult to raise equity capital because of the risk involved. This problem can be solved by allowing Venture Capital Companies or Funds to invest in new companies in anticipation of future-capital gains. However, such companies at present are not eligible for the concessional treatment of capital gains available to non-corporate entities. In order to overcome this problem, it has been decided to formulate a scheme under which approved Venture Capital Companies/Funds will be enabled to invest in new companies and be eligible for the concessional treatment of capital gains available to non-corporate entities. Necessary legislative measures will be taken to bring this into effect.

At present, a tax concession is available for investment in the equity shares of new industrial undertakings. Small investors generally find it difficult to take advantage of these concessions because of absence of sufficient information about the prospects of new companies. It has been decided that concession now available for direct investment in equity shares of new industrial undertakings will also be available of investment in special units of mutual funds where the resources are earmarked for investment in new projects. This will help new companies to raise capital more easily.

I also propose to provide a separate exemption up to Rs. 3,000 for income from dividends under Section 80L of the Income-tax Act. This will be in addition to the existing concessions available for certain types of incomes, including dividends up to Rs. 7,000 and a further Rs. 3,000 for income from investments in Unit Trust of India and certain other specified investments which I am including in the Finance Bill.

Sharp fluctuations in international exchange rates have posed problems for exports as well as for Indian industry. In order to provide some protection to individual projects from exchange rate fluctuations, financial institutions will introduce a new scheme whereby promoters of such projects can have their foreign currency loans designated in rupees. The interest rate on such loans will be variable and will include an exchange premium. The details of the scheme will be announced by the Industrial Development Bank of India separately.

It has been the policy of this Government to encourage workers' participation in management in industry. It is only through interaction and involvement of workers in management that we can improve the overall performance, increase productivity, and prevent sickness. Government has already announced a scheme to facilitate such participation. I am happy to inform the House that complete exemption from Income tax will be

given in respect of all expenditure incurred by companies in connection with introducing schemes for workers participation. Government has also introduced a scheme whereby 5 per cent of the capital issues are reserved for employees. In order to facilitate purchase of shares by workers in their own companies, banks are being asked to provide loans liberally for this purpose. Reserve Bank of India will be issuing necessary instructions shortly.

Working journalists have contributed a lot to the country by their intellectual toil, and suggestions have been received that a Bill should be considered by the Parliament to provide a reasonable pension scheme for them, Government will be taking appropriate steps in this direction after consulting all concerned.

Government attaches considerable importance to strengthening economic and cultural ties with Indian nationals settled abroad. A number of facilities, including fiscal concessions, have been extended to Non-Resident Indians for facilitating investments. In response to representations received, Government have now decided to introduce a new scheme of Foreign Currency denominated Bonds/Deposit Certificates for Non-Resident Indians on a non-repatriable basis. The maturity period of these Bonds/Deposit Certificates will be 7 years and these will carry an interest rate higher than that applicable to the repatriable foreign currency non-Resident deposits. These Bonds/Deposits will be free from income tax, wealth tax and gift tax.

The fiscal regime for investments and deposits by Non-Resident Indians in our country has been made quite liberal. It is the Government's intention to maintain fiscal stability. No changes will be made in the tax treatment which might adversely affect investments already made by Non-Resident Indians.

The success of Non-Resident Indians in many fields of scientific, economic and cultural endeavour has been a matter of great satisfaction to us. We cherish our continued association with them.

I also propose to introduce certain measures for boosting small savings collections. I am particularly keen to mobilize untapped rural savings. A new scheme without tax concession, but with flexibility of encashment after two-and-half-years of deposit, is being introduced. The rate of interest will progressively increase for longer durations. The deposit will double in value after five-and-half-years. This instrument will attract new investments as it can be encashed as and when funds are needed. The instrument will be called *Kisan Vikas Patra*.

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Last year, a new savings scheme based on the net savings principle, was announced by the Prime Minister. Under this scheme, 50 per cent of deposits up to a maximum of Rs. 20,000 are eligible for deduction under Section 80CCA of Income-tax Act. However, in the year of withdrawal, 50 per cent of the amount withdrawn is added to the taxable income. The interest rate on deposits was 9 per cent. It has been decided to raise the interest rate to 11 per cent. The new rate will be applicable to existing deposits also with effect from 1 April of last year. Further, the rate of deduction at the time of deposit will be raised from 50 per cent to 100 per cent with corresponding increase in the amount subject to tax at the time of withdrawal. The amount eligible for deposit is also being increased to Rs. 30,000 per annum with effect from next financial year.

The doubling period for *Indira Vikas Patra* sold from 1 March 1988 will be reduced to five years.

It is also proposed to continue the sale of *Rahat Patra* beyond 29 February 1988. With the continuance of *Rahat Patra*, sale of Capital Investment Bonds is proposed to be discontinued from 1 April 1988.

Sir, I have taken this opportunity to announce certain measures for the welfare of the weaker and vulnerable sections of our society for generating greater employment opportunities, particularly in the rural areas and for strengthening our productive base. I am sure these measures will contribute to fulfilling the aspirations of people.

Let me now turn to the Revised Estimates for 1987-88 and Budget Estimates for 1988-89.

### **Revised Estimates 1987-88**

The Revised Estimates of total expenditure in the Budget for 1987-88 are placed at Rs. 66,161 crore against Rs. 62,942 crore in the Budget Estimates. As the gravity of the drought became clear, the first task of the Government was to ensure that sufficient resources were available with State Governments in order to start relief works and take other measures for alleviating the distress caused by the drought. Central teams were dispatched to States and decisions announced in record time in respect of ceilings of expenditure for States affected by drought and floods. Expenditure from the Central Budget on account of drought, floods and other natural calamities is now estimated at nearly Rs. 2,000 crore. This includes Centre's share of margin money, advance Plan assistance for drought, non-Plan assistance for floods and hailstorm, supply of subsidized foodgrains in drought affected areas, subsidized supply of seeds, provision of rigs for drinking water and assistance for Accelerated Rural Water Supply Programme.

There have been certain other inevitable increases in expenditure. The subsidy on indigenous fertilizers will go up by Rs. 300 crore. Food subsidy will also be Rs. 200 crore higher. I am sure hon'ble members will agree with me that, under the circumstances prevailing in the current year, the increases are fully justified. The liberalization of pensionary benefits of Government employees, particularly the Defence services personnel, is expected to add Rs. 374 crore to the pension bill in the current year. Financial reliefs granted to certain public sector enterprises are expected to cost additional Rs. 417 crore by way of subsidy, write off of loans, etc. Interest charges are likely to be Rs. 800 crore higher than the original Budget provision. Taking into account the other variations, the total non-Plan expenditure during the current year is estimated to be Rs. 1,971 crore higher than the original Budget provision of Rs. 39,265 crore.

Central assistance for State and Union Territories Plans is expected to be Rs. 1,127 crore, higher mainly due to larger advance Plan assistance to States affected by drought. Budgetary support for Central Plan is estimated to be Rs. 121 crore higher—this being the net effect of increases in sectors like agriculture, rural development, fertilizers, agricultural financial institutions, subsidy for setting up industries in backward areas, etc. offset by saving in certain other sectors.

Taking the Plan and non-Plan together, there is an increase of Rs. 3,219 crore. As a result of a series of measures undertaken by Government during the year, economy consciousness has been created and expenditure contained particularly in low-priority areas.

Gross Tax Revenue is estimated to yield Rs. 1,028 crore more than the Budget Estimates mainly under Income and Corporation taxes and Customs duties. The share of States in taxes will be higher by Rs. 392 crore. Non-tax Receipts will be higher by Rs. 2,201 crore. Of this, non-tax revenue receipts are expected to fetch Rs. 765 crore more and capital receipts Rs. 1,436 crore more, Rs. 700 crore of the increase in capital receipts will be from market loans.

Taking the variations in expenditure and receipts into account, the current year is expected to end with an overall deficit of Rs. 6,080 crore. Notwithstanding the severe strain the events of the year have cast on the Budget, this is close to the original estimate of Rs. 5,688 crore.

### **Budget Estimates for 1988-89**

The hon'ble members will agree that Budget Estimates for the year 1988-89 are being presented in a rather difficult environment. We have



to ensure that, despite pressures on the Budget, there is no cutback in public investments, as that would have an adverse effect on economic activity and employment. Accordingly, in framing the Budget for next year, highest priority has been given to maintaining the tempo of Plan investment.

The Central Plan for 1988-89 has been fixed at Rs. 28,715 crore against the approved outlay of Rs. 24,622 crore in the current year, a step up of 16.60 per cent. Even compared to the revised Central Plan outlay of Rs. 25,701 crore, the next year's outlay represents a step up of 11.70 per cent. Central Plan for the next year will be financed to the extent of Rs. 16,000 crore from budgetary resources and Rs. 12,715 crore from Internal and Extra Budgetary Resources of public enterprises. With the proposed outlay for 1988-89, we would have achieved in four years more than 86 per cent of the Seventh Plan outlay in real terms.

In addition, Central Budget for the next year provides Rs. 9,714 crore for assistance for State and Union Territories Plans. The total Plan expenditure in the Budget for the next year is, thus, Rs. 25,714 crore compared to Rs. 24,925 crore in the Revised Estimates for the current year.

I am glad to inform the House that the total transfers from Centre to States in 1987-88, including their share in taxes, were Rs. 24,870 crore. In 1988-89 such transfers are estimated at Rs. 26,348 crore an increase of Rs. 1,478 crore.

Several States have represented that their liquidity position has been affected by the drought and have requested for some relaxation in the Ways and Means limits. The Hon'ble members will be happy to know that Reserve Bank of India is raising from tomorrow the Ways and Means limits by 40 per cent over the limits prevailing prior to October, 1986. These were stepped up by 30 per cent and 20 per cent for different periods of the year in October 1986.

As mentioned earlier, it has been decided to increase the outlays of the Departments of Agriculture and Cooperation and Water Resources by 40 per cent above the current year's outlay. I also propose to provide Rs. 671 crore for fertilizer projects in 1988-89. During the current year, four new fertilizer plants, two each in public and private sectors, are likely to go into production. Fertilizer production is expected to attain a level of 7.10 million ton this year, an increase of nearly 40 per cent over the output at the commencement of the Seventh Plan.

The major anti-poverty programmes, namely, Integrated Rural Development Programme (IRDP), National Rural Employment Programme

(NREP) and Rural Landless Employment Guarantee Programme (RLEGP) will continue to be the main instruments for generating employment and increasing the earning opportunities for those below the poverty-line. Thus, far about 254 lakh families have been assisted with a total investment of Rs. 8,413 crore under IRDP. Forty per cent of these beneficiaries belong to Scheduled Castes and Scheduled Tribes. Under NREP and RLEGP, 7,006 lakh man-days of employment were generated in 1986-87 which was substantially higher than the target of 5,115 lakh man-days. The target is likely to be exceeded this year also.

These programmes have proved highly successful in generating employment in our rural areas. Suggestions have been received for expansion of these programmes as well as for their reorganisation. The merger of some important programmes, like the National Rural Employment Programme, Accelerated Rural Water Supply Programme, Rural Landless Employment Guarantee Programme and Desert Development Programme, and various other anti poverty programmes has also been suggested so that available resources can be more effectively deployed to meet the twin objectives of employment and creation of assets to meet village needs. There is also need to provide flexibility at the operational level. In the light of these suggestions, it is proposed to undertake a thorough review of the employment programmes in the coming year to examine the possibility of having a comprehensive programme.

Rural water supply continues to receive high priority. The technology mission for drinking water in villages and related water management is being pursued vigorously. In 1988-89, I propose to provide Rs. 2,200 crore for the Department of Rural Development, inclusive of Rs. 430 crore for rural water supply and sanitation. As hon'ble members are aware, the outlay on water supply is in addition to the Minimum Needs Programme outlay in the State Sector.

Welfare programmes for the tribal people have to be based on respect and understanding of their culture and tradition, and appreciation of their social, psychological and economic problems. The main instrument for the development of tribal people and tribal areas is the Tribal sub-Plan. As the hon'ble members know, the Tribal sub-Plans are financed by the State Governments, Special Central Assistance, Centrally Sponsored Programmes and financial institutions. The Special Central Assistance for Tribal sub-Plan for 1988-89 is Rs. 185 crore. For Scheduled Castes, Special Component Plans are being formulated with the primary objective of providing occupational mobility and economic strength. In the current year, over 20 lakh Scheduled Caste families are likely to be benefited by these programmes. An amount of Rs. 180 crore has been provided as Special Central Additive to Special Component Plans for 1988-89.

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Our human resources are the most important resource of all. The quality of manpower developed today will be decisive in determining the pace and direction of economic and social progress in the future. In 1986, a new Education Policy was introduced after extensive discussion in Parliament and outside. In order to give a good start to the new Policy, last year, while presenting the Budget, the Prime Minister raised the allocation for education sharply to Rs. 800 crore from Rs. 352 crore in 1986-87. The actual expenditure is likely to be of the order of Rs. 700 crore. Next year's Plan makes an allocation of Rs. 800 crore. Together with the non-Plan provision, the total allocation for the Department of Education in 1988-89 will be Rs. 1,550 crore against the Revised Estimate of Rs. 1,185 crore for 1987-88.

Improvement in the health status of the population is an essential component of the human resource development. To achieve this, special emphasis is being laid on establishing primary health facilities, particularly in rural areas, launching control programmes for major communicable and non-communicable diseases, augmenting facilities for medical and paramedical education and training and providing family welfare, maternity and child health, immunization and related services. Under the National Leprosy Eradication Programme, multi-drug treatment has been extended to nearly 2.20 million cases out of the estimated 4 million cases. The Universal Immunization Programme is being extended to 120 districts, besides 182 districts already covered. Health Contingency Plans have been prepared for drought affected States. I propose an outlay of Rs. 228 crore for medical and public health programmes and Rs. 600 crore for family welfare programmes for 1988-89.

Government have initiated a number of measures to ameliorate the condition of working women. These include programmes for raising skills and economic development, supportive services for working women and shelter and rehabilitation for women in adverse circumstances. For children a nation-wide programme of Integrated Child Development Services has been in operation. An important objective of these ICDS Programmes is to reduce childhood mortality, morbidity and malnutrition. I am happy to inform the hon'ble members that 1,738 Integrated Child Development Services Projects have been sanctioned for the most backward rural areas, tribal areas and urban slums in the country. During the remaining period of the Seventh Five Year Plan we will be covering most of the tribal blocks with more than 30 per cent Scheduled Tribe population and also the slums in big cities. For the next year, I propose an outlay of Rs. 235 crore for the development. We are proud of our Youth. We are sure that our heritage and our country's future are safe in their strong hands. Adequate provision has been made for youth and sports activities in the coming year with an increase of 13 per cent over the current year.

Energy, Transport and Communications constitute the basic infrastructure of the economy. A total allocation of Rs. 16,588 crore is being provided for these sectors. This outlay represents an increase of about 25 per cent over the current year's level, and accounts for about 58 per cent of the total Plan outlay for 1988-89.

Electricity generation has been increasing at an annual rate of 9 to 10 per cent during the Seventh Plan. Though hydro-generation was adversely affected by drought this year, thermal generation registered an improvement of 16 per cent during the first nine months of the current year compared to the corresponding period of last year. The plant load factor of the thermal plants has improved further and is expected to touch 55 per cent, the highest in the last 10 years. I am providing for an outlay of Rs. 3,963 crore for the power sector, that is, an increase of over 32 per cent over the current year's outlay.

Coal is the primary and the most abundant source of conventional energy in our country. I am stepping up the provision for this sector by 30 per cent to a level of Rs. 1,733 crore for 1988-89. The production of coal during the current year is expected to reach 182 million ton as against the last year's level of 166 million ton.

As hon'ble members are aware, our Petroleum and Natural Gas sector has taken great strides during this decade. The rebound in international oil prices has underlined the urgency for finding and exploiting hydro-carbon resources. Significant discoveries during the year in Krishna-Godavari Off-shore Region and the Bhuvanagiri area of the Cauvery Basin constitute promising rewards to our heavy investments in oil exploration. The year also saw the completion of the first section from Hazira to Bijaipur of the HBJ Pipeline covering 642 kilometres. To maintain the tempo of exploration and production of crude oil and natural gas, I propose an outlay of Rs. 3,395 crore for the Petroleum sector.

In the field of communications, I must share with the House a sense of pride in the work of the Centre for Development of Telematics. By developing a state-of-art electronic switching system, C-DoT has demonstrated what we can achieve through proper organization and marshalling of our scientific talents. I am allocating Rs. 1,873 crore for 1988-89 for the Department of Telecommunications—an increase of 44 per cent over the outlay for the current year.

Government recognises the development of our scientific and technological capabilities as a necessary pre-requisite for the economic development of the nation. With this in view, I propose to increase the outlay of the Scientific Departments by about 20 per cent over the current

year's level. We can take justifiable pride in the many achievements of our scientists and technologists. While there have been many notable developments during the year, I would like to make a special mention of one of these. On August 26, 1987, the Prime Minister had informed the hon'ble members that India was the first applicant to be allotted a mine site in the Central Indian Ocean by the Preparatory Commission for the International Sea-bed Authority. This is significant step forward in development of our scientific potential. The mine site of 1,50,000 sq. kms. contains a rich deposit of polymetallic nodules.

Many other initiatives are envisaged in the different sectors of the economy. However, I do not propose to take the valuable time of the House with a detailed review of all the remaining Plan programmes. The full details are available in the Budget documents.

The allocation for Defence is Rs. 13,000 crore against Rs. 12,000 crore in the current year. Our armed forces, in the face of unwarranted provocations, have done a tremendous job of protecting our borders. Our Jawans are the nation's strength. We shall continue to provide them the requisite support in their efforts. Food and fertilizer subsidies are placed at Rs. 5,300 crore against Rs. 4,410 crore in the current year. Interest charges next year are estimated at Rs. 14,100 crore against Rs. 11,450 crore in the current year. The allocation for export promotion and market development is Rs. 1,091 crore. The other increases relate to grants payable to States for revision of pay scales of university and college teachers, grants and loans to foreign Governments, strengthening of police forces and payment of Rs. 100 crore to Oil Industry Development Board. A lump sum provision of Rs. 800 crore has been made to additional D.A. instalments that may become payable to Government employees next year. I would like to assure the hon'ble members that I have kept the non-Plan expenditure to the barest minimum. Non-Plan expenditure in 1988-89 will thus be Rs. 47,896 crore against Rs. 41,236 crore in the Revised Estimates for the current year.

Coming to receipts, Gross Tax Revenue at existing rates of taxation is estimated at Rs. 41,985 crore. After payment of Rs. 10,682 crore to States and local bodies as their share of taxes, the net tax revenue to the Centre next year is estimated at Rs. 31,303 crore. Receipts from market loans are placed at Rs. 7,000 crore, that is, the same level as in the current year. External assistance, net of repayments, is placed at Rs. 3,734 crore, against Rs. 3,184 crore in the current year. Taking into account the variations in other receipts and expenditure, Budget deficit for the next year at existing rates of taxation is estimated at Rs. 8,120 crore.

I shall now turn to my revenue proposals. Every Budget has to raise some resources for financing expenditure, and I shall not be failing in my duty to do so. However, I do believe that it is equally, if not more, important to use fiscal policy for achieving our wider economic and social goals while, at the same time, providing relief where it is due. I am sure, the hon'ble members will find a strong link between the proposals that I am about to make, and some of the people-oriented initiatives that I have referred to in Part-A of my speech.

This House is aware of the fact that in view of the exigencies of the situation, in order to meet the formidable after-effects of the drought of 1987-88, Government took a decision to levy a surcharge of 5 per cent on income-tax for persons with taxable income above Rs. 50,000, a surcharge of 10 per cent on wealth tax for the assessment year 1988-89 and a 5 per cent surcharge by way of auxiliary duty of customs on imported goods, excluding essential commodities like fertilizers, power equipment, life-saving drugs and medical equipment, etc. This timely action helped the country and enabled the Central and State Governments to meet the requirements of a very difficult situation created by the drought. This surcharge did not touch essential commodities.

In view of the continuing pernicious effects of the drought and the natural calamities, I propose to continue with these surcharges for one more year. In addition, it is now proposed to levy a surcharge by way of Special Excise Duty at the rate of  $\frac{1}{20}$ th of the Basic Duty of Excise. The incidence of this surcharge will generally be small; for example, it will be only one quarter of one per cent *i.e.* 0.25 per cent, where the basic duty is 5 per cent *ad valorem* and one percentage point where the basic duty is 20 per cent.

Essential commodities and other priority items which are presently exempt from excise duty will continue to remain exempt. I am also exempting from this surcharge, certain other essential goods of common consumption, namely, sugar, matches, cotton fabrics, vanaspati, refined vegetable oil, tea, coffee and kerosene.

### **Direct Taxes**

Hon'ble members will recall that, in August 1986, a Discussion Paper on Direct Tax Laws was presented in Parliament. After further discussions and consultations among experts and the public, the Government had introduced the Direct Tax Laws (Amendment) Bill, 1987, which was passed during the last Session.

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Since then, many representations have been received from experts, concerned Associations, Chambers of Commerce and other tax-payers regarding some provisions in the Act. The following, *inter alia*, are the main points made in these representations:—

- (1) The proposed system of assessment of partnership firms is too harsh particularly on partnership firms with small income, as such firms, subject to certain deductions, will henceforth be taxed at the maximum marginal rate. Certain other clarifications have also been sought in regard to some other provisions relating to taxation of firms.
- (2) The levy of additional tax at a flat rate of 30 per cent would be very unfair in cases of genuine doubt regarding taxability of certain receipts and that the levy of additional tax should itself be appealable.
- (3) The provisions relating to charitable trusts, voluntary agencies and institutions carrying on scientific research, etc. may result in unintended hardship, particularly as regards the treatment of contributions to the corpus of such institutions.
- (4) The new Act provides for unfettered discretion regarding reopening of assessments merely on a change of opinion.

There are many positive features in the Act, which will help the tax-payers by simplifying the law. But there is also scope for reconsideration keeping in view the representations against some of its provisions. In a democracy, Government should always keep itself abreast of public opinion and be flexible enough to respond to reasonable suggestions. Government will bring a further amendment Bill in the Budget Session which will take care of genuine grievances. After the Bill is introduced, Government will be happy to consider any further suggestions that the hon'ble members may have to offer.

A reasonable degree of stability in the Direct Tax regime is desirable for inspiring confidence and encouraging savings and investment. I do not, therefore, propose any change in the rate structure for personal and corporate taxes.

There is, however, a case for reducing, to some extent, the brunt of the burden borne by the fixed income groups. I, therefore, propose to raise the rate of standard deduction from 30 per cent to 33.1/33 per cent of salary income and the ceiling from Rs. 10,000 to Rs. 12,000. This measure will benefit about a million tax-payers.



Hon'ble members will recall that Estate Duty was abolished from March 1985. This was done mainly because the Estate Duty law was complicated and led to procedural harassment to large numbers of tax-payers at a time of great distress with negligible gain in terms of revenue. However, there is a strong case on grounds of social justice for taxing the transfer of wealth through inheritance especially where the volume of wealth involved is large. This matter has been under consideration of Government for some time. Government have decided to levy a tax on the transfer of wealth which will be applicable to all, wealth tax assessees. The tax will be levied in respect of assets subject to wealth tax. The method for valuation of assets would be the same as for the wealth tax. It will also be administered by the wealth tax officer. The rate of the wealth transfer tax would be 5 times the applicable wealth tax rates. This new tax will avoid the rigidities and procedural delays which characterized the operation of the old Estate Duty Act. As I have mentioned, it will be applicable only to wealth tax assessees and will not affect ordinary tax-payers. Separate legislation in this regard will be introduced in this Session.

The thrust of my other proposals in regard to Direct Taxes is to strengthen incentives for export promotion and foreign exchange earnings, to encourage savings and to stimulate the capital market.

To encourage exports, I propose to enhance the existing tax concession under Section 80 HHC for export profits so as to exempt 100 per cent of export profits from income-tax. It is also proposed to extend the benefit to supporting manufacturers exporting through Trading or Export Houses. A five-year tax holiday presently available for units in Free Trade Zones is also being extended to 100 per cent Export Oriented Units. Replantation and rejuvenation subsidies for rubber, coffee and cardamom plantations are also proposed to be exempted from income-tax.

To promote long-term financing available for construction and purchase of houses, I propose to enhance the existing concession available under Section 80L in respect of Interest and dividend income received from companies providing such finance. At present, such Income is included under the general exemption limit of Rs. 7,000. It is proposed to make such income also eligible under the separate limit of Rs. 3,000 for Unit Trust of India under Section 80L.

As an anti-evasion measure, I propose to provide for assessment of income of persons engaged in certain trades, like liquor and forest contracts, at a reasonably fixed percentage of the amount payable by them while purchasing the goods. The tax will be collected at source.

I also propose to tax under the head "capital gains", income from transfer of a capital asset by a holding company to its wholly-owned subsidiary company or *vice versa*, in every case where the capital asset is taken over as stock-in-trade at the time of transfer.

Hon'ble members will recall that in Part-A of my speech, I have already referred to certain changes being made in the income-tax payable by LIC as well as certain fiscal measures to promote the equity market. There are certain other minor proposals regarding Direct Taxes in the Finance Bill.

The total effect of these proposals will be a revenue loss of Rs. 201 crore, which will be off-set by my proposal to continue with the levy of surcharge on income-tax and wealth-tax which will mean a gain of Rs. 270 crore. Thus, the net increase in revenue will be Rs. 69 crore.

### **Indirect Taxes**

Sir, I will move on to the proposals relating to indirect taxes. It has been my endeavour to see that the basic thrust provided in the field of indirect taxes in the Budget last year is carried forward. I have proposals for providing stimuli to cover agriculture and farming sectors, rural employment, exports, health and medical care, housing and construction activities, technology upgradation and selected industries such as cement, textiles, electronics, paper and plastics. There are also some important reliefs for the common man.

### **Agricultural and other Allied Sectors**

In Part-A of my speech, I have announced several measures for the benefit of the farmers, including reduction in interest rates and reduction in cost of inputs, such as fertilizers. I now propose a number of fiscal reliefs for promotion of agriculture and agro-based activities.

Monobloc pumpsets and submersible pumpsets are important for irrigation. I am exempting electric motors used in these pumpsets from excise duty.

To bring down the cost for farmers, I propose to fully exempt from excise duty a large number of pesticide intermediates. I am also proposing to reduce customs duty in respect of a number of pesticides and pesticide intermediates from the existing levels of 105 per cent and 147 per cent to 70 per cent and 60 per cent *ad valorem*. These measures will reduce the cost of indigenous production and the end-prices.

With a view to promoting modernization in the agricultural, horticultural, poultry and bee-keeping sectors, I am providing for full exemption from excise duty in respect of machinery for these sectors such as sprinkler systems, fodder mixers, germination appliances, egg candlers, etc.

Cold storages are of great importance for the marketing of agricultural produce. I propose to reduce the excise duty on parts and accessories going into the installation of cold storage plants from 40 per cent to 15 per cent *ad valorem*.

As the House is aware, the Government has taken up an ambitious programme of increasing milk production through genetic improvement of cattle and buffaloes. Certain critical equipments, hormones and drugs required for this programme are accordingly being exempted from customs duty in excess of 25 per cent *ad valorem*.

### **Food Processing and Packaging**

Growth of food processing and packaging industry can be of immense help in increasing the value-added of agricultural produce and raising incomes of farmers. In continuation of certain measures for growth of this industry, announced by the Prime Minister last year, it is proposed to further reduce the customs duty in respect of 34 specified items of food processing and packaging machinery from 55 per cent to 35 per cent *ad valorem*. I also propose to reduce the excise duty on preparations from vegetables, fruits, nuts or other parts of plants like jams, fruit juices, etc., from 10 per cent to 5 per cent *ad valorem*. Such preparations from vegetables and fruits like jams, jellies, fruit juices, sauces, ketchups and pickles, if manufactured in rural areas by registered co-operative societies, Khadi and Village Industries Commission and State Khadi and Village Industries Boards are proposed to be exempted from excise duty altogether.

I also propose to reduce the excise duty on aluminium foil from 25 per cent to 15 per cent *ad valorem*. This will help in hygienic and scientific packaging of processed food, drugs, condiments. etc.

### **Rural Employment**

Off-farm self-employment provides a major route for enhancing income and earnings in the rural areas. Individually, a micro-entrepreneur with low staying power is vulnerable to adverse market forces. His success lies in co-operative ventures. Hence, I am providing for a special scheme for generation of self-employment in the rural areas. Under the proposed scheme, specified products, namely, radios, cassette players and recorders in combination with radios, tape recorders, voltage stabilizers, footwear of a value not exceeding Rs. 75 per pair and a few other items will be fully exempted from excise duty, if they are manufactured in rural areas by registered co-operative societies, including self-employed women's co-operatives or co-operative societies under the Scheme of Development

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of Women and Children in Rural Areas or the Khadi and Village Industries Commission or the State Khadi and Village Industries Boards.

As hon'ble members are aware, there are a large number of self-employed persons working as carpenters, fitters, electricians, plumbers, etc. To lend further strength to their toiling hands and with the twin objectives of increasing their productivity and earnings, I propose to reduce the excise duty in respect of some hand tools like files, screwdrivers, pliers, etc., from 20 per cent to 10 per cent *ad valorem*.

To promote better accounting and to relieve the traders, city-based shopkeepers, small businessmen, wholesalers and small factory owners from the drudgery of book-keeping at the end of the day, I propose to reduce excise duty from 20 per cent to 10 per cent on small electronic cash registers of assessable value of Rs. 10,000 or below.

### **Consumer Articles**

I am conscious of the fact that common consumers have been affected by some price increase. I am anxious to give them some relief within the constraints in which I am operating.

I propose to increase the upper value limit from Rs. 25,000 to Rs. 30,000 for the purpose of extending the concessional rate of excise duty of 15 per cent *ad valorem* in respect of a wide variety of commonly used toilet soaps. I am also proposing to fully exempt from excise duty laundry and carbolic soaps manufactured in rural areas by co-operatives and khadi and village industries sector. This should lead in a reduction of prices of a wide variety of commonly used toilet soaps.

So far, electric bulbs up to 60 watts have been exempted from excise duty. With a view to facilitating a brighter luminance in houses, streets, work places, etc., I propose to reduce the excise duty in respect of electric bulbs exceeding 60 watts from Rs. 1.50 per bulb to Re. 1.00 per bulb.

As a measure of providing a little more happiness and education among children, I propose to completely exempt from excise duty toys, like toy scooters, toy pedal cars, dolls, toy musical instruments, scale models, recreational models, etc. and inexpensive pencil sharpeners.

With a view to reducing domestic drudgery, I propose to fully exempt from excise duty certain domestic electrical appliances from frying pans to saucepans. I am also similarly exempting electric kettles, water-boilers, toasters and automatic irons. I am also totally exempting stainless steel utensils from excise duty.

As a further component of anti-smuggling measures and to cultivate a greater sense of time-consciousness and to instil a spirit of greater punctuality among the school-going children, college students, office-goers, the public generally and, if I may venture to say so, politicians like us also, I propose to reduce the excise duty on wall clocks and quartz clocks and parts thereof from 15 per cent to 5 per cent *ad valorem*. I shall be announcing some relief for indigenous watch industry later in my speech.

In respect of glassware, I propose to reduce the excise duty in respect of a number of items of tableware of common use like jugs, cups, plates, bowls, etc., manufactured by automatic process from 40 per cent to 25 per cent *ad valorem* and those manufactured by the semi-automatic or mouth-blown processes, to 20 per cent *ad valorem*.

I also propose to exempt from excise duty all children's films and all films selected for the Indian panorama section for International Film Festivals. There can be no better auspicious occasion than the Government's Annual Budget to exempt sindoor, kajal.

### **Health and Medicare**

Our goal is to provide cheap and efficient medicare to all our people. Towards achieving this objective, availability of essential drugs at lower prices has to be ensured. I, therefore, intend to align the excise tariff, as far as possible, with the new Drug (Prices Control) Order, 1987. I propose to provide total exemption from excise duties in respect of formulations and bulk drugs which are specified in Category I of the Drug (Prices Control) Order. Intermediates for these drugs will also be fully exempt from excise duty. The House would recall that the drugs specified in Category I are required for the National Health Programmes like T.B., Leprosy, Malaria, Filaria eradication programmes and programmes for the control of blindness and trachoma and prevention of dehydration.

A concessional excise duty of 10 per cent *ad valorem* is being prescribed for single ingredient formulations based on drugs specified in Category II of the Drug (Prices Control) Order. I also propose to continue the existing excise duty exemptions in respect of specified cardiac drugs and anti-TB, anti-malaria, anti-leprosy and anti-diabetic drugs. Two anti-cancer drugs and an important life-saving drug, are proposed to be added to the list of exempted drugs. However, I propose to withdraw the existing exemption from customs duty in respect of specified formulations for which adequate indigenous capacity has been built up. It is hoped that

these fiscal relief will encourage domestic production and help better availability of these vital drugs.

I propose to prescribe a nominal excise levy of 5 per cent on bulk drugs except those covered by Category I of Drugs (Prices Control) Order. This will enable the manufacturers to avail of MODVAT credit in respect of all dutiable inputs including drug intermediates. I also propose to reduce the import duty on 235 specified drug intermediates from 115 per cent to 90 per cent *ad valorem*.

In the related field of medical equipment, the procedure for customs duty-free import of hospital equipments, apparatus appliances including spare parts and accessories by Government and Government-controlled hospitals is being simplified. Similarly, the procedure for import of specified sophisticated medical equipment at a concessional duty of 40 per cent *ad valorem* is also being streamlined. In respect of such imports by Non-Resident Indians, financed out of their own foreign exchange resources, the duty will be even lower at 20 per cent. Import of such equipment when financed by Government to Government assistance will be exempt from customs duty.

I propose to extend the concessional duty to spare parts of such specified equipments also at 40 per cent *ad valorem*. The list of medical equipment attracting concessional customs duty at 40 per cent *ad valorem* is being enlarged by addition of 83 dental, ophthalmological, cardiological, gynaecological, general surgical and other medical equipments. Components of these equipments will also be charged duty at 40 per cent as against the existing levels ranging from 80 per cent to 130 per cent *ad valorem* in order to encourage domestic manufacture of these equipments.

I also propose to reduce the excise duty on these indigenously manufactured equipments from 15 per cent to 5 per cent *ad valorem*. The excise duty on X-ray films is also proposed to be reduced from 15 per cent to 5 per cent *ad valorem*. Excise duty on aluminium extrusions and square and round tubes used in the manufacture of artificial limbs is being exempted altogether.

I hope that our dedicated doctors throughout the country will now be able to modernize their hospitals and clinics a little faster and patients will get better care and treatment thereby.

## **Housing**

As I mentioned earlier, in order to encourage growth of housing it is necessary to reduce the cost of house building material. Hence, I propose

to provide a general reduction in excise duty on cement from Rs. 225 to Rs. 205 per ton. The existing differential in excise duty rates for certain categories of cement units will also continue. The levy ratios for certain categories of cement units are also being reduced.

In order to protect the environment and help divert demand from wood to metals, excise duty on doors, windows and their frames and thresholds for doors, made of aluminum is proposed to be reduced from 20 per cent to 15 per cent *ad valorem*. Similarly, excise duty on corrugated sheets of aluminium is being reduced from 25 per cent to 15 per cent *ad valorem*. I also propose to reduce the excise duty on steel doors, windows and their frames and thresholds for doors from 15 per cent to 5 per cent *ad valorem*.

It is time that we think innovatively and use unconventional materials for housing which would be cheap and functional. The excise duty on blocks, slabs, lintels, etc., constituting structural intermediates and components of pre-fabricated buildings is being reduced from 12 per cent to 5 per cent *ad valorem*. Similarly fly ash bricks will pay a lower duty of 5 per cent *ad valorem*, and Iympo, a cement substitute, will bear a zero rate of duty.

To reduce fire hazards, we should promote the use of fire-extinguishers. With this end in view, I propose to exempt fire-extinguishers from excise duty.

### **Exports**

To thrive in the highly competitive international market, our natural advantages and production efforts have to be supplemented by adequate fiscal and other measures. In this context, I propose to take some further measures to promote exports.

Concessional rates of customs duty have been provided in the past in respect of specified items of machinery for identified export thrust sectors. Eight more machines for the garments and hosiery sector, twenty-three machines for the leather industry, four more machines for the gem and jewellery industry and three more items of textiles machinery will now attract a concessional rate of 35 per cent *ad valorem*. Specified items of machinery for the tea, bicycle, silk and woollen industries are being provided with a concessional customs duty of 35 per cent *ad valorem*.

Ivory and ivory powder are being totally exempted from customs duty. This will help reduce poaching in our jungles as well as provide adequate raw material for ivory handicraft industry, which is export-oriented.



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The value-limit of duty-free import of commercial samples is being enhanced from Rs. 1,000 to Rs. 5,000 in a year, and for duty-free import of prototypes of engineering goods, from Rs. 1,000 to Rs. 10,000.

Full rebate of excise duty will be available for tea exported directly from factories. The procedure for claiming rebate of excise duty on export of unblended tea by merchant-exporters is being simplified. Green tea is being exempted from excise duty altogether.

### **Capital Goods**

In the modern industrial world, obsolescence takes place at a fast rate. Unless one upgrades the technology continuously, one is apt to be left out in the race. Following Prime Minister's guideline given in last year's Budget speech, I had announced in August 1987, a technology upgradation scheme, under which fiscal relief was provided in respect of import of specified items of capital equipments required for manufacture of machinery covered by the scheme at 35 per cent *ad valorem*. To promote domestic production of such machinery, the customs duty on selected raw materials needed for their production is being reduced to 55 per cent from the existing level ranging from around 100 per cent to 180 per cent. These include specified insulation materials, copper conductors and special electrical steel sheets for power generation and electrical equipment and clad steel plates for manufacture of selected industrial machinery specified in the technology upgradation scheme. The customs duty on boiler and pressure vessel quality steel plates, turbine blade flats and stainless steel plates required for manufacture of machinery is also being reduced from 90 per cent to 55 per cent.

### **Scientific Equipment and Spares**

There have been persistent demands from the scientific community for further fiscal concessions in regard to consumables required for research and spares of imported equipment. Keeping in view the importance of scientific research, the existing duty concession schemes are being liberalized. The certification procedures, which have been acting as hurdles in the clearance of these goods, are being simplified.

Some specified scientific instruments and apparatus would bear excise duty of 5 per cent *ad valorem* instead of the current rate of 15 per cent.

### **Textiles**

The textile industry has a unique place in the industrial map of India. It provides jobs to millions of our people. It is a major exports earner,

and is directly linked to agriculture. Of late, the industry has suffered from widespread sickness and haphazard growth. Availability and prices of raw cotton and cotton yarn have been subject to considerable instability. Handloom weavers are suffering because of yarn prices. Powerlooms have their problems too. While production of synthetic yarn, which is used for blended fabrics preferred for their durability by the common man has expanded, prices of such yarn have been very high. Smuggling has been another problem which, despite Government's strong action has had some adverse effects on the economy.

In order to overcome these problems, in 1985, Government had announced a new Textile Policy. Its primary objective was to increase production of cloth of acceptable quality at reasonable prices. In line with this policy, a number of measures have already been taken by the Government. These have yielded results as reflected in the increase in production and availability of cloth. I now propose to provide some fiscal support to the endeavours of the Ministry of Textiles in reviving this industry so that, once again, it can regain its rightful place in our economy. My proposals, which follow are based on a comprehensive review of the duty structure relating to the various segments of the industry with a view to lowering prices, increasing the demand for fabrics and increasing the base of production.

In 1985, a scheme was evolved for making available duty-free polyester staple fibre to the handloom sector for manufacture of designated fabrics under a scheme approved by the Government. I now propose to reduce the excise duty on polyester filament yarn for manufacturing handloom fabrics under a scheme for supply management and distribution of fabrics, to be announced by the Ministry of Textiles. Similarly, viscose filament yarn will bear a concessional rate of 50 per cent of the existing duty, when the yarn is supplied to registered handloom cooperative societies or any approved organization for the development of handlooms.

I also propose to exempt handloom woollen fabrics processed by approved independent processors from excise duty. Raw wool imported by certain specified handloom agencies is being exempted from customs duty. The import duty on acetate filament yarn is being reduced from 60 per cent to 45 per cent.

In order to reduce prices of cotton yarn, it is proposed to reduce the excise duty on cotton yarn of counts not exceeding 35 by 10 per cent of the existing rates. The excise duty on cotton yarn above 35 counts is being reduced by 3 paise per count. This will mean a reduction of up to a maximum of 28.5 per cent, depending on the count of yarn. Hank yarn

for handloom is already fully exempt to provide further relief to handloom weavers, as I mentioned, the subsidy on Janta Cloth is being increased by 75 paise per square metre from Rs. 2 to Rs. 2.75.

Considering the fact that viscose staple fibre would help substituting for cotton, I propose to reduce the excise duty on viscose staple fibre cleared for blending with cotton from the existing level of Rs. 7 per kg. to Rs. 5 per kg. Simultaneously, I propose to increase the duty on viscose staple fibre used for other purposes to Rs. 8 per kg. to divert more VSF for cotton blending.

The National Textile Corporation is already manufacturing cheap fabrics under a special scheme, for which polyester staple fibre is being supplied free of excise duty. I propose to provide that polyester filament yarn will be available at a concessional duty rate of Rs. 10 per kg. to the National Textile Corporation for manufacturing fabrics under a duty credit scheme. The details will be announced separately.

In line with the Textile Policy in order to facilitate absorption of increased domestic production, I propose to reduce fiscal levies on man-made fibres and yarn. This would also help revitalise the powerloom sector which is facing problems of under-utilization of capacity and consequent problems of unemployment. The duty on polyester staple fibre is being reduced from Rs. 25 to Rs. 15 per kg. and on polyester filament yarn from Rs. 83.75 to Rs. 53.75 per kg. At the same time, in order to ensure greater availability and to put pressure on the domestic producers to pass on the reduction in excise duties fully to the consumers import duties on these items are also being reduced by about 25 percentage points.

The excise duty on nylon filament yarn is being reduced from Rs. 70 to Rs. 40 per kg. and that on acrylic fibre from Rs. 10 to Rs. 8 per kg. Customs duty on these items is also being suitably reduced.

It is also proposed to reduce the excise duty on nylon filament yarn for industrial purposes such as for manufacture of tyres for cycles and industrial filter fabrics, from Rs. 70 to Rs. 8.13 per kg. Nylon filament yarn of specified deniers used for fishing nets will pay an even lower concessional duty of Rs. 4.55 per kg.

I also propose to reduce the excise duty on certain specified textile machinery required for modernization of the mills from 15 per cent to 5 per cent *ad valorem*. The customs duty on certain specified machinery for the garment, hosiery and woollen industries is being reduced to 35 per cent, as indicated earlier.

Hon'ble members will agree that these comprehensive fiscal measures, supported by other measures taken by the Ministry of Textiles, should give a boost to the textile industry and help to protect jobs of lakhs of workers. These should also improve the working of the mills of the National Textile Corporation. I fully expect and shall insist upon the entire relief being passed on in the form of lower prices.

At this point, I would also like to ask manufacturers in all industries, where I have granted excise concessions, to pass on the excise relief to consumers in the form of lower prices. Administrative Ministries concerned are being requested to keep a close watch on the price behaviour of these commodities. I shall not hesitate to withdraw the concessions, wherever there is evidence of manufacturers taking undue advantage of these concessions.

### **Electronics**

We have been using the fiscal mechanism for some time to give a boost to the entire electronics sector. As a result of Government policy, substantial growth has taken place in this sector, giving employment to lakhs of young men and women. At present, concessional rates of customs duty of 60 per cent or 70 per cent *ad valorem* are available in respect of specified items of machinery for the electronics industry. These concessions have been reviewed. With a view to providing a stimulus and keeping in view the latest advances in technology, I propose to extend a uniform concessional duty of 60 per cent *ad valorem* in respect to 280 items of machinery for the electronics sector.

Customs duty on moulds, tools and dies required by the electronics industry is being reduced further from 60 per cent to 30 per cent *ad valorem*. The coverage of the graded structure of duties for raw materials, piece parts and components for the industry is being enlarged. Polycrystalline silicon will now bear a lower duty of 35 per cent instead of the existing 80 per cent.

Machinery and instruments required for the manufacture of Rural Automatic Exchanges based on indigenous technology will attract a lower rate of duty of 30 per cent. A uniform rate of 100 per cent is being provided in respect of a large number of equipments for telecommunication transmission, satellite communication, switching, data communication terminals, television transmission, studio and sound broadcasting. Non-electronic components of these equipments will bear a lower duty of 80 per cent. With a view to encouraging production of high-tech items like large-scale integrated circuits, micro-processors and other micro-electronics items, import of 22 items of machinery will be allowed at 15 per cent *ad valorem*.

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At present, computers, computer systems and peripherals attract varying rates of duty ranging from zero to 147.5 per cent. As a rationalisation measure, a uniform rate of duty of 80 per cent *ad valorem* plus countervailing duty is being provided in respect of all computers, computer systems, computer peripherals and spare parts thereof. Software will continue to attract the existing rates of customs duty at 60 per cent *ad valorem*. As an export incentive, accompanying computer software and start-up spares imported under the policy on computer software export, software development and training will be allowed at the rate applicable to the hardware. Computerized Numerically Controlled systems and their parts at present attract a customs duty of 80 per cent. This is being lowered to 55 per cent *ad valorem*. Excise duty on Computerized Numerically Controlled systems is being reduced to 5 per cent *ad valorem*.

Colour TV sets of screen size exceeding 36 cms and of assessable value exceeding Rs. 5,000 per set will now attract an excise duty of Rs. 2,000 instead of Rs. 1,750. However, such sets of value not exceeding Rs. 5,000 will continue to attract a duty of Rs. 1,500 per set as at present. Excise duty on audio magnetic tapes is being enhanced to Rs. 4 per square metre. Blank audio cassettes are being exempted from duty. Excise duty on computer software is being reduced from 25 per cent to 10 per cent *ad valorem*.

Certain other industries also require a boost for their further development. My proposals now cover a number of such industries.

### **Plastics**

The House would recall that the customs duties on various plastic materials, such as LDPE, HDPE, PVC and polypropylene were lowered in September 1987, in the wake of the steep hike in the international prices of these materials. International prices have since gone up even higher and there is need for further reduction in customs duties. I, therefore, propose to reduce the basic customs duty on LDPE from Rs. 3,000 to Rs. 2,000 per ton and on HDPE from 30 per cent to 20 per cent *ad valorem*.

The auxiliary duty of customs on PVC is proposed to be converted from *ad valorem* to specific, and in the case of suspension grade PVC is being reduced to Rs. 2,000 per ton to give a boost to the plastic industry and in the case of paste grade to Rs. 4,000 per ton. In the case of poly-propylene, auxiliary duty is being reduced from 45 per cent to 30 per cent *ad valorem*.

### **Automotive Sector**

In the automotive sector, I propose to extend the concessional rate of 55 per cent customs duty in respect of parts for certain additional components to be manufactured by auto ancillaries for supply to fuel-efficient motor vehicles. Parts of specified as well as additional components of fuel-efficient two-wheelers and light commercial vehicles will now attract a lower rate of custom duty of 40 per cent *ad valorem* as against the current rate of customs duty of 55 per cent *ad valorem* in respect of components required for the manufacture of fuel-efficient cars up to 1000 cc under phased manufacturing programme is proposed to be made available for a further period from 1 March 1988 to 31 March 1990. Fuel-efficient motor cars of engine capacity exceeding 1000 cc manufactured under approved phased manufacturing programme will, however, now attract excise duty at the rate of 30 per cent *ad valorem* instead of the existing 25 per cent.

I propose to reduce the excise duty from Rs. 1,000 to Rs. 500 per body in respect of bodies of such three-wheeler autorickshaws, which are used by the general public in major cities.

### **Vegetable Oils**

In order to cut down on imports of vegetable oils, the Government had taken fiscal measures in the previous years so as to encourage domestic production of edible oils. These measures have had encouraging results. As a follow-up of the measures taken in the last two years, I propose to provide total exemption from excise duty in respect of refined safflower oil. Rebate for the use of solvent-extracted cotton seed oil in the manufacture of *vanaspati* is being increased from Rs. 3,250 to Rs. 4,000 per ton. Rebate for the use of indigenous palm oil in the manufacture of *vanaspati* is also being made available at the rate of Rs. 3,250 per ton. Solvent-extracted sunflower and safflower oils will, henceforth, qualify for rebate at the rate of Rs. 3,250 per ton, if used in the manufacture of *vanaspati*. I am also proposing an increase in the rate of rebate from Rs. 320 to Rs. 640 per ton for the use of rice bran oil in the manufacture of soaps.

### **Paper and Paper Board**

I propose to reduce the excise duty on paper and paper board manufactured by small paper mills by Rs. 100 per ton in each of the existing slabs. Paper and paper board manufactured by mills using

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agricultural residues like cereal straw, bagasse, grasses and jute waste, etc., already attract a lower rate of excise duty of 10 per cent *ad valorem* plus Rs. 800 per ton. I propose to reduce this duty further by Rs. 300 per ton. Concession of 50 per cent of the excise duty available to certain new paper mills up to 31 March 1988 is being continued till 31 March 1990.

Specified items of machinery for manufacture of newsprint are being provided with a concessional rate of customs duty of 25 per cent *ad valorem*.

I also propose to provide for import of machinery for binding and multi-colour sheet-fed off-set printing machine by registered newspaper establishments at concessional rates of customs duty.

### **Rolling Bearing Industry**

In respect of 21 items of machinery for the rolling bearing industry, a concessional duty of customs at 35 per cent *ad valorem* is being provided.

### **Watches**

With a view to giving a further boost to domestic watch industry, I intend to reduce customs duty from 55 per cent to 35 per cent *ad valorem* in respect of certain horological machinery and testing instruments. The list of horological raw materials attracting concessional customs duty of 25 per cent *ad valorem* is being enlarged. In addition, my detailed proposals provide for a sound package for certain specified parts.

### **Glass and Glassware**

I propose to restore the concessional rate of excise duty of 30 per cent *ad valorem* in respect of glass and glassware manufactured by the semi-automatic sector.

### **Energy Conservation**

In our industrial processes, many of us have remained rather unresponsive to the need for energy conservation and energy recycling. The concept of energy conservation is still in its infancy in the country and we have to provide some incentive in that direction. Accordingly, 15 specified energy-saving equipments are being exempted from customs duty in excess of 40 per cent *ad valorem*.



## Hotels

To promote tourism in the country, certain additional equipments required by hotels are being extended a concessional rate of customs duty of 90 per cent.

## Rationalisation Measures

My proposals on the indirect taxes include certain rationalisation measures:

- (a) Industry has found the MODVAT system beneficial. The procedural problems faced in the initial stages have, by and large, been sorted out. I propose to rationalize rates of excise duty in respect of a few commodities, including paints based on synthetic polymers, trailers, furniture, phthalic anhydride and coated textiles as a part of MODVAT corrections.
- (b) The scheme of excise duty concessions applicable to small scale industry relating to air-conditioning and refrigerating appliances and parts thereof is being slightly modified to enable full utilization of the MODVAT credit.
- (c) I propose to align the excise tariff relating to ferrous and non-ferrous metals and articles thereof with the corresponding chapters of the Harmonized System which would help reduce classification disputes. Tariff rates of excise duty in respect of items relating to iron and steel and copper are being revised. The effective rates of excise duty would by and large be maintained. A uniform rate of excise duty of Rs. 550 per ton is being prescribed in respect of unmachined forgings and forged products of steel. The basic customs duty on ships, vessels and other floating structures imported for breaking up is being reduced from Rs. 1,035 to Rs. 750 per Light Displacement Tonnage.
- (d) Certain proposals for rationalizing and rounding off of rates of excise duty in respect of petroleum products are being made. These proposals have no significant revenue implications.
- (e) The scheme of excise duty concession to manufacturers of tread rubber in the small-scale sector is being revised as an anti-evasion measure.
- (f) As an anti-evasion measure, I am also proposing to enhance the basic customs duty in respect of certain compound alcoholic preparations of a kind used for the manufacture of beverages to Rs. 80 per litre or 270 per cent whichever is higher.

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- (g) There have been some reports regarding under-invoicing in respect of imports of galvanized steel sheets, tin plates and cold rolled steel sheets. In order to deal with this problem, the basic customs duty in respect of these goods is being converted from *ad valorem*-cum-specific rates into specific rates.
  - (h) Specific rates of excise duty in respect of air-conditioners upto 7.5 ton capacity are being revised. Specific rates are also being prescribed in respect of air-conditioners exceeding 7.5 ton but not exceeding 15 tons.
  - (i) As an anti-evasion measure, excise duty on paste grade PVC is proposed to be increased from 40 per cent to 60 per cent *ad valorem*. The duty paid on the resin would be available as MODVAT credit. Effective rates of duty on coated textiles are being suitably revised.
  - (j) In order to provide protection to the indigenous industry, I am proposing to enhance the basic customs duty in respect of Sodium Formaldehyde Sulphoxylate from 70 per cent to 110 per cent and Sodium Ferrocyanide from 70 per cent to 100 per cent and iron powder from 40 per cent to 70 per cent. The basic customs duty in respect of palm nuts and kernels is also proposed to be raised from 60 per cent to 200 per cent *ad valorem*.

**Legislative changes and other changes of minor significance:** Apart from the above proposals, certain amendments have also been proposed in the Finance Bill effecting changes in the excise and customs tariffs. These amendments are basically enabling provisions without any major revenue significance. Besides, there are a few minor proposals for continuing, amending or rescinding existing notifications including one for giving retrospective effect to an amending notification. To save the precious time of the House, I do not wish to dwell on them. I am also providing for amendment of some of the provisions of the Customs Act, 1962, details of which are in the Finance Bill. A few amendments to the Central Sales Tax Act, 1956, are also proposed, so as to align the definitions of certain goods of special importance with reference to the Central Excise Tariff Act, 1985.

Copies of notifications giving effect to the changes in the customs and excise duties effective from 1 March 1988 will be laid on the Table of the House in due course.

**Anti-smuggling drive:** Our anti-smuggling efforts yielded a seizure of Rs. 250 crore of contraband goods in 1987 which is the highest ever.

I have instructed the concerned authorities to relentlessly continue the drive against smuggling, tax-evasion and black-money. I also seek the active cooperation of the State Governments, as it is with their assistance that we can succeed in this task. I hope and trust that the State Governments will also mount active steps against hoarding, black-marketing, smuggling and sale of smuggled goods.

**Revenue effect:** Details of all the pluses and minuses in respect of individual items covered in my proposals are in the Explanatory Memorandum to the Finance Bill. In the aggregate, my proposals in respect of Customs and Central Excise duties outlined above are likely to yield additional revenue of Rs. 515.75 crore from Customs duties and Rs. 749.17 crore from Excise duties. The concessions and reliefs aggregate to Rs. 209.44 crore on the custom side and Rs. 509.79 crore on the Excise side. The net additional revenue from Customs duties would, thus, be Rs. 306.31 crore and that from Excise duties Rs. 239.38 crore. In Excise duties, the Centre's share would be Rs. 117.23 crore and that of States', Rs. 122.15 crore. Out of the total net additional yield of Rs. 545.59 crore, the Centre's share would be Rs. 423.54 crore and that of the States, Rs. 122.15 crore.

Taking into account the additional yield from the modifications proposed in direct and indirect taxes and the revision announced a few days ago in postal tariffs, the year end deficit for the next year is estimated at Rs. 7,484 crore. Government reiterates its determination to closely monitor expenditure, maximize collection of revenues and contain the budgetary deficit.

Mr. Speaker, Sir, in framing the Budget proposals, my guiding principle has been the need to boost agriculture, help the poor and generate more employment, investment and growth. India's achievements since Independence are the result of the untiring efforts of all our people. Every section of our people has contributed to build the country's economy. No single section or region or group can claim exclusive credit for it. The nation's Parliament as the supreme forum of our democracy has also made an invaluable contribution. In all humility, may I take this opportunity to request through you, Sir, all the hon'ble members of Parliament, to make this year's debate on the Budget a participatory and constructive endeavour to evolve a nationally accepted strategy to achieve our goals.

Let us be proud of what all of us together have been able to do and if there are any inadequacies or deficiencies, let us overcome them collectively. Let us all join in the exciting task of India's economic development and do so by making it a common fraternal partnership of

the entire Indian people. As our Prime Minister Shri Rajiv Gandhi said a couple of months ago:

“Our socialism is our own. It is not a foreign transplant. It is not cast in someone else’s ideological mould. It is rooted in our own history, our culture, our realities; Gandhiji enjoined us to work for the *Daridra Narayan*, to wipe every tear from every eye. This constitutes the moral imperative of our socialism.”

This is also the message that this Budget seeks to convey. Sir, I now commend this Budget to the House.

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