

know whether any project with the assistance of Saudi Arabia is pending or in progress in Andhra Pradesh. If so, how much amount is allotted for this project?

MR. SPEAKER: If you have the statistics, you may give. Otherwise you can send it in writing.

SHRI RAMESHWAR THAKUR: I will send it in writing.

SHRI E. AHAMED: We have a new industrial policy enunciated by this Government. In spite of the fact that Saudi Arabia and the industrialists there, are ready to set up joint ventures in India, we have not made any headway in this respect. In my recent visit to Saudi Arabia, I have been told by some of the industrialists that they are ready for a tie-up in joint sector with IPCL under full arrangement. When the Saudi industrialists are prepared to utilise their finances with our technological know-how, why have the Government not taken any tangible or concrete steps in persuading the industrialists and government-owned companies in India to have more ties with buy back. bilateral arrangement in the joint sector industries?

SHRI RAMESHWAR THAKUR: I have said, the emphasis in the last meeting has been that they have not proposed any assistance from the Saudi funds with regard to our projects in the industrial sector. In fact they have specifically said that further assistance will be given only in the field of human resource and agriculture. But, the Government has an open policy and if any suitable proposal is offered, it will be considered on merit. The Government will welcome such proposals.

[*Translation*]

SHRI RAM LAKHAN SINGH YADAV: Will the hon. Minister be pleased to state whether the amount received from Saudi Arab for the projects to be under taken in different States, has been spent on any of such projects in Bihar till today. To my infor-

mation, no such amount has been spent in Bihar for any project, and as is being said that the amount to be received from Saudi Arab will be spent on these projects in future. How much amount of those funds will be given to Bihar because there had been a regular mistake in case of Bihar. Will the hon. Minister be please to pay his attention towards Bihar?

MR. SPEAKER: Would the assistance to be received from Saudi Arab be given to the projects of Bihar?

SHRI RAMESHWAR THAKUR: Mr. Speaker Sir, it depends on the State Government. I have clarified about the funds received from Saudi Arab and the areas for which it has been made available. If any project or scheme is received from the State Government, the Central Government would think over it and will present before Saudi Arab for its views and co-operation

[*English*]

Withdrawal of Incentives under small Savings Schemes.

*429. SHRIMATIMALINI BHATACHARYA: Will the Minister of FINANCE be pleased to state:

(a) whether some of the incentives so far allowed under the small savings schemes have been withdrawn recently by the Union Government and the Reserve Bank of India;

(b) whether these tend to make small savings schemes less attractive than the schemes of the schemes of the Unit Trust of India, Mutual Funds etc;

(c) whether the Union Government have considered the likely effect thereof on resource mobilisation by the State Governments; and

(d) whether the Union Government propose to restore the incentives given under small savings schemes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) to (d). A Statement is laid on the table of the House.

STATEMENT

(a) to (d). Government of India have not withdrawn any incentives which have been allowed so far to the various Savings Schemes, recently. There is, however, a drop in the collections during the current financial year which, in turn, has affected the share of States by way of loans against such collections.

In order to improve the collections, the interest rates have been revised upwards in respect of Post Office Time Deposit (1 year, 2 year, 3 year and 5 year), Post Office Recurring Deposit (5 years) and Kisan Vikas Patras. Tax concession under Section 80L of the Income Tax Act has also been extended to interest earned on National Savings Certificates (VIII Issue.)

Government have also constituted a high level Committee to go into the reasons for decline in net small savings collections in the current financial year and to suggest measures to arrest this decline.

SHRIMATI MALINI BHATACHARAYA: Sir, You will excuse me for saying so, but what has been laid on the Table of the House is not a statement but it is a master piece in evasion. Government in this statement has denied the withdrawal of incentives to small saving scheme. Of course, there has been no direct withdrawal but there has been a denial to the small saving scheme of benefits granted to commercial banks and mutual funds, Unit Trusts and such other things by way of higher rates of interest and tax concession. I will just give one illustration.

Before October, 1990, interest rate in three years fixed deposit in small savings was 10.5 per cent against 10 per cent in the commercial banks. Now it is 11 per cent against 13 or 14 per cent. Tax concession limits in small savings scheme are up to Rs.

7,000 whereas in other schemes the limit is something like Rs. 13,000.

I want to say that if there has been no direct withdrawal of incentives, it is definitely disincentive to the small savings scheme. The question that I want to put is this. How is it that when higher rates of interest and more tax concession were allowed to commercial banks, Mutual Funds, etc. no comparable fiscal benefit to retain their competitive edge was granted to small savings scheme? Of course,...

MR. SPEAKER: Let your question be not lost in long sentences and words.

SHRIMATI MALINI BHATACHARAYA: Sir, in the statement some minimum measures have been mentioned but what I want to ask is whether these tinkering are sufficient to restore the competitive edge of small savings scheme.

[Translation]

SHRI DALBIR SINGH: Sir, as far as the question of the hon. Member is concerned, it is not baseless since we have the authentic data. Specially, the aim of the small saving schemes is that whatever the collection is made in the concerned State, 75 per cent of that collection is given to that State and the State returns it to the Central Government within 25 years in easy instalments. As far as the UTI is concerned, during 1988-89 and 1990-91 an amount of Rs. 337 crores has been invested by the States in U.T.I. If you permit, I would like to inform the hon. Member that what were out gross and net collections from 1980-81 to March 1991. Our gross collection has been 99,946 crore and the net from Public Provident Fund has been 45,487 crore out of it the interest which we pay to the depositors is Rs. 17007 crore. The expenses on management is very high. It is Rs. 2,283 crore. We have given a loan amounting to Rs. 31,805 crore to the States from July 1981 to September 1991. (Interruptions) I am telling it to you that it does not have any baseless thing. Apart from it, I would like to state that the loan which we give to the State

Governments bears a very low rate of interest. Year wise data are available with me, I would like to tell those also to you. Whatever the difference is seen in these figure is due to the rate of interest being fixed every year on the amount given to the State through small scale schemes. *(Interruptions)*

SHRI SHRIKANTA JEENA: About U.T. I. ? ... *(Interruptions)*

SHRI DALBIR SINGH: The rate of interest on U.T.I. is on mutual basis. It depends upon the market and there is no guarantee for it. On National Savings Scheme the rate of Interest is 11 per cent. I would like to bring it to the notice of the hon. Member that there is a burden of Rs. 52476 crore on the Central Government, which it has to bear.

[English]

SHRIMATI MALINI BHATTACHARYA: Sir, the other question that I want to ask is this. This severe erosion in the Small Savings collection has affected the economy of the different States for which these Small Savings collections are a very important source of resource collection, next, in fact to commercial taxes, at least in West Bengal.

In West Bengal, I can say that, in the last year, this collection had risen to Rs. 1010 crore. Now, between April and September, 1991, within the whole of this country, the Small Savings collection had come to as much as 38 per cent. What is going to happen to the States?

MR. SPEAKER: Maliniji, you are capable of putting the question very briefly.

SHRIMATI MALINI BHATTACHARYA: Sir, the revision that has been suggested in the Post Office Time Deposit Scheme and the Post Office Recurring Deposit Scheme is suffice to make up for the losses of the States. When these measures

were taken, certainly, the Government had taken into account, the erosion in the economy of the States. Now, I want to know from the Government whether the State Governments were consulted or whether they have been taken into confidence when these decisions were taken? I also want to know whether since July, 1991, the Chief Minister and the Finance Minister of West Bengal have been constantly in correspondence with Finance Minister on this issue and if so, what has been the response of the Government in this regard?

MR. SPEAKER: She wants to know whether the State Government has been consulted.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Mr. Speaker, Sir, there have been problems in some States with regard to Small Savings. I have discussed this matter with the hon. Chief Minister of West Bengal and the Finance Minister. On a number of occasions remedial measures have been taken, interest rates have been adjusted. Eighty eight benefits have been given through. But I still admit that there is a problem and only day before yesterday, I have set up a Committee under the Member of the Planning Commission to report within three weeks, what more can be done to take care of this problem.

SHRI BASUDEB ACHARIA: What remedial measures have been taken?...

MR. SPEAKER: This is not going on record.

*(Interruptions)**

MR. SPEAKER: Mr. Chatterjee, you are disturbing all the time.

This is not good.

SHRI PAWAN KUMAR BANSAL: Mr.

Speaker, Sir, if my information is correct, the decline in collections cumulates to approximately Rs. 800 crores. This is partly due to the introduction of a scheme of deduction of tax at source. I would like to know from the hon. Minister specifically whether he would consider to scrap this scheme.

SHRI MANMOHAN SINGH: As far as tax deduction at source is concerned, it does not apply to most of the Small Savings Schemes except the National Savings Scheme has done quite well. The tax deduction at source on this will effect from 1st of October. Therefore, the inference is no correct.

[*Translation*]

SHRI RAM NARAIN BERAW: Mr. Speaker, Sir, the hon. Minister has told that the amount of savings through U.T.I. is given to the States. I would like to request the hon. Minister that the Rajasthan Government has asked them so many times not to stop it. Despite the severe drought situation in Rajasthan the amount of U.T.I. which we should have got, has been stopped. So, would the hon. Minister think over it. In view of the situation of the famine, Rajasthan should be provided with the amount of U.T.I. savings.

SHRI MANMOHAN SINGH: Sir, the investments by the Unit Trust were not a normal feature of the Small Savings. During the last two years, the Unit Trust had some surplus money. That was, therefore, invested in Small Savings. The Unit Trust does not have surplus money. And therefore this cannot be a normal pattern.

SHRI SANDIPAN BHAGWAN THORAT: Sir, I want to know from the hon. Minister as to what is the total quantum of incentive demanded by Maharashtra Government from the Centre and what is the total collection of the Small Savings during the last year from Maharashtra.

MR. SPEAKER: If you have the infor-

mation, give it. Otherwise, send it in writing.

[*Translation*]

SHRI DALBIR SINGH: Mr. Speaker, Sir, the highest collection under this scheme is that of Maharashtra. I would like to inform the hon. Member that the collection in September, 91 is 6272 lakh Rupees and its percentage has increased by 158.11.

[*English*]

SHRI SANAT KUMAR MANDAL: May I know Sir, whether it is a fact that with the withdrawal of Income Tax Exemption from the Savings invested in U.T.I., N.S.C. etc. has very badly affected the deposit under this scheme. If so, whether the Government will consider the restoration of the *status quo* as on 31st March 1991.

SHRI MANMOHAN SINGH: As I said, I have already appointed a Committee, which will report within three weeks. We will watch the situation and in the light of the recommendations of that Committee, we will take whatever action is necessary.

SHRI P.C. CHACKO: Sir, it is admitted in the answer given by the hon. Minister that the Small Savings have considerably declined. The deposit climate in the country is very much affected, whether the Government will review the recent decision of this deduction of tax at source?

SHRI MANMOHAN SINGH: As of now, there is no proposal under consideration.

DR. (SHRIMATI)K.S. SOUNDARAM: Sir, our Tamil Nadu Government has introduced prize scheme like offering flats, Maruti Car, etc. to attract investors particularly in Small Savings. Will the Government of India follow the example of Tamil Nadu Government in making the Small Savings Schemes more attractive. Does the Government have any other plan to make the Small Savings Scheme more attractive?

SHRI MANMOHAN SINGH: We have, for the time being, no more plans. We will watch the results of the progress of the scheme and also if the Committee, which I have set up, suggests that such measures are required, those will be considered.

RAO RAM SINGH: The hon. Minister has said that he has appointed a Committee of the Planning Commission to examine the matter. I would like to know what are the terms of reference of this Committee and whether the question of giving incentive for small saving schemes is a part of the terms of reference of his Committee.

SHRI MANMOHAN SINGH: The terms of reference of this Committee are precisely to review the trend in small saving collections and suggest in the light of experience any suggestion for improvement.

[*Translation*]

SHRI LAKSHMI NARAIN MANI TRIPATHI: Is it true that payment of maturity amount of short-term deposits is not being done properly in U.P. and whether amounts deposited with Unit Trust of India earns more interest than short term deposits? Will the rate of interest on short-term deposits be increased so that people are encouraged to deposit more in such schemes?

MR. SPEAKER: The hon. Member is asking if the rate of interest will be increased.

[*English*]

SHRI MANMOHAN SINGH: Sir, the mutual funds have promising rates of interest but these are not guaranteed rates of interest. There is a risk element in it whereas there is no risk element in the small saving schemes. Now, those who want to invest, I think, they have to weigh various considerations. I do not think the Government can undertake to match the rates of interest being offered in small saving schemes with the rates of interest being offered by mutual funds.

SHRI MAHASAMUDRAM GNANENDRA REDDY: Sir, I would like to know whether the Government is going to abolish 250 posts of District Saving Officers of the National Savings Organisation. The National Savings Organisation has mobilised so far Rs. 8650 crores during the last financial year. But this savings have come only from 10 per cent of the population. The remaining 90 per cent of the population has to be motivated for savings. I would like to know from the Minister how it is possible, if the posts of District Saving Officers are abolished?

SHRIMANMOHAN SINGH: I need some separate question. I do not have the information on that.

PROF. SUSANTA CHAKRABORTY: Sir, the question is related to the basic question of devolution of funds from the Centre to the States. It appears from the answer that there has been a decline in the collection of resources in the States. In view of the above, may I request, through you, the Finance Minister to let us know whether there has been a decline in the transfer of resources to States in real terms. And part-(b) of my question is what are the measures the Government proposes to take to meet the nonmandatory recommendations of the 9th Finance Commission?

SHRI MANMOHAN SINGH: We have no proposal as of now to provide additional assistance to any State to meet their non-plan requirement.

SHRI SHANKARRAO K. KALE: Sir, may I know the progress of small savings campaign and the result thereof in the current year comparing to last year?

[*Translation*]

SHRI DALBIR SINGH: I shall provide the figures to the hon. Member.

SHRI SATYNARAYAN JATIYA: Sir, savings deposit schemes are run by the Government. Whether these schemes help

the Central or State Government. Savings deposit schemes are for the increase of financial resources of the Government. Will the committee be directed to give short-term deposit holders facilities similar to those given to deposit holders under Central Schemes?

[*English*]

SHRI MANMOHAN SINGH: Sir, this Committee will go into all aspects of the small savings schemes. If the Committee makes any recommendation as to what needs to be done to make them more attractive, the Government will consider it.

MR. SPEAKER: This time Mr. Chatterjee will put a question.

SHRI NIRMAL KANTI CHATTERJEE: Sir, it is already said that no committee is necessary to appreciate that the monthly income scheme in the post offices gets quite a low return compared to other monthly income schemes. I would like to know whether the Government is considering that in order to strengthen collections in small savings schemes, the provident funds of GIC employees, LIC employees etc. which have been taken away from the small savings schemes and are being deposited in the Central deposit, will be returned to small savings schemes so that rupees one hundred to two hundred crores from each State are not taken away by the Centre.

SHRI MANMOHAN SINGH: Sir, this is not under consideration at the moment.

SHRIBIRSINGH MAHATO: Sir, in order to improve the collections, interest rates have been revised and income-tax concession has been extended. I would like to know whether the Minister has taken any other measures to arrest the decline in small savings and also what is the percentage of drop in the collections during the current financial year in comparison to the previous year.

[*Translation*]

SHRI DALBIR SINGH: Sir, the hon. Member's question pertains to the period upto September 1991. We can provide the details of the period after that if the need arises.

DR. P. R. GANGWAR: Sir, are there any incentives within the savings deposit schemes in U.P. to attract large investors... (*Interruptions*)

SHRI DALBIR SINGH: Sir, to encourage the public, the rate of interest on small savings schemes has been increased with effect from 1.10.91 it is 13% in Banks and 13.5% for time-deposits in post offices.

SHRIMATI SAROJ DUBE: Sir... (*Interruptions*) what the Government is doing to encourage deposit schemes for women on a regional basis. This scheme is incurring a loss. What is the Government doing to popularise this scheme?

SHRI DALBIR SINGH: Sir, it is not that we are giving no encouragement to schemes for women. All schemes are being encouraged.

[*English*]

MR. SPEAKER: Men and women are equal in your eyes.

SHRI DALBIR SINGH: Yes, Sir.

[*Translation*]

SHRI RAMPAL SINGH: Sir, a high-powered committee has been constituted for recommending improvements in the small deposit schemes. Have the officials of the Finance Department of the U.P. Government been made members of this Committee and the time by which the Report will be submitted?

SHRI DALBIR SINGH: Sir, Dr. Srirangarajan, Member of Planning Commission is

a member of this Committee. The report will be submitted in three weeks...*(Interruptions)*

SHRI KRISAN DUTT SULTANPURI: May I know from the hon. Minister the details regarding the number of agents appointed under the small deposit schemes and the amount of commission paid to them?

SHRI DALBIR SINGH: The State Government does the collection work. As I said earlier, 75% of the amount so collected is given to the States. The State Collectorates also do the collection work.

[English]

MR. SPEAKER: Shri V.S. Rao. You have always been asking so many questions. You should give chance to others also.

SHRI SOBHANADREESWARA RAO VADDE: I would like to know from the Government that in view of the two factual positions- the expenditure on behalf of the Government will be minimal in respect of collection of the small scale deposits through the post offices located in the rural areas and that the rural people can also take back the amounts they deposit with less expenditure - will the Government take the maximum differential rate of interest to the rural people to encourage more deposits through the post offices? I am sure this will give benefit to the rural people.

MR. SPEAKER: He is asking about the differential rate of interest to the people from rural areas.

[Translation]

SHRI DALBIR SINGH: From 1.10.91 a 13.5% rate of interest has been offered on small scale deposit schemes in post offices to attract the investors.

SHRI KALKA DAS: Small scale deposit schemes play an important role in the country's economy. Just now the hon. Minister said that the collection level of small scale deposit schemes is falling. I would like to

know the amount collected under this scheme over the last five years year-wise, and the steps being taken by the Government to make the scheme more attractive.

MR. SPEAKER: You can provide the relevant statistics.

SHRI DALBIR SINGH: I have the year-wise statistics as asked by the hon. Member. I shall give it to him with your permission.

MR. SPEAKER: You may do so.

German Investment in India

[English]

430. DR. C. SILVERA: Will the Minister of FINANCE be pleased to state:

(a) whether a delegation from Germany visited India recently;

(b) if so, the broad account of the issues discussed and the outcome thereof;

(c) whether an assurance of fresh investments by Germany in India has been received; and

(d) if so, the details hereof and further action taken in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) to (d). A Statement is laid on the Table of the House.

STATEMENT

A delegation led by the German Federal Minister for Economics visited India from 17.11.91 to 19.11.91 in connection with the IXth Session of the Indo-FRG Joint Commission on Industrial and Economic Cooperation. Issues pertaining to trade, investment and development cooperation assistance came up for discussion. India's need for enhanced flows of capital transfers and for