

## LOK SABHA DEBATES

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Friday, July 19, 1996/Asadha 28, 1918 (Saka)

(The Lok Sabha met at One Minute Past  
Eleven of the Clock)

[MR. DEPUTY SPEAKER in the Chair]

#### OBITUARY REFERENCES

[English]

MR. DEPUTY-SPEAKER : Honourable Members, I have to inform the House of the sad demise of one of our former colleagues Shri R. Jeevarathinam.

Shri R. Jeevarathinam was a member of the Eighth of Tenth Lok Sabhas representing Arakkonam parliamentary constituency of Tamil Nadu during 1984-96.

Earlier he had been a member of Tamil Nadu Legislative Assembly during 1962-67.

Shri Jeevarathinam actively participated in the freedom struggle. His endeavours in drawing the attention of the world community towards Indians valiant struggle for independence are noteworthy. He also suffered imprisonment for several years during "Quit India Movement".

A widely travelled person, Shri Jeevarathinam was a Member of the Parliamentary Delegation to Central Africa in 1986. He was an active social and political worker. He worked relentlessly for the welfare of the downtrodden sections of the society and spread of education. He was the Founder Chairman, Muthurangam Government Arts College, Vellore.

He made valuable contributions to the proceedings of the House and its several Parliamentary Committees.

Shri Jeevarathinam passed away at Vellore in Tamil Nadu on 28 June, 1996 at the age of 75 years.

We deeply mourn the loss of our distinguished friend and I am sure the House will join me in conveying our condolences to the bereaved family.

The House may now stand in silence for a short while as a mark of respect to the memory of the departed soul.

11.03 hrs.

*The Members then stood in silence  
for a short while.*

11.04 hrs.

#### ORAL ANSWERS TO QUESTIONS

[Translation]

#### Capital Investment for SSIs

\*141 PROF. PREM SINGH CHANDUMAJRA :  
SHRI NITISH KUMAR :

Will the Minister of INDUSTRY be pleased to state

(a) whether the Government are considering to increase present capital investment limit in small scale industries

(b) if so, the present limit and how much it is proposed to be increased.

(c) whether the Government propose to cut down the present list of items reserved for small scale industries, and

(d) if so, the details thereof and the reasons therefor?

[English]

THE MINISTER OF INDUSTRY (SHRI MURASOLI MARAN) : (a) and (b) : At present, the limit for investment in plant & machinery for a SSI unit is Rs. 60 lakhs. In case of ancillary industrial undertaking export oriented SSI unit, this limit is Rs. 75 lakhs. The increase of present capital investment limit is under consideration of Government.

(c) and (d) : At present, the number of items reserved for SSI sector is 836. Review of the list of items reserved for exclusive manufacturing in the SSI sector is a continuous process.

[Translation]

PROF. PREM SINGH CHANDUMAJRA : Mr. Deputy Speaker, Sir, small scale industries are very important for our country because ours is an over populated country. The limit for investment in these industries is the same as it was in 1990-91 and it has not been increased so far, whereas in the mean time devaluation of rupee has also taken place and there is greater load on account of global competition. According to the I.L.O. report, in other countries also, preference is being given to the small scale industries and even countries like the U.S.A. and Japan have begun giving preference to these industries.

All the countries of the OICD have given first preference to the small scale industries. The importance of these industries in our overpopulated country is more. Mahatma Gandhi laid stress on the promotion of

Small scale industries. However, the limit for investment has not yet increased. The Hon'ble Minister, in a seminar, had stated that this limit would be increased from Rs. 60 lakh to Rs. 3 crore. Before that, Shri M. Arunachalam, who was the Minister incharge of the Department of Small Scale Industries and is now the Minister of Urban Affairs and Employment had also made such a proposal but that proposal has not so far been implemented. What is the reason therefor?

I would like to know whether instructions have been given to the RBI regarding the excise duty exemption and the import of machinery and whether Government is prepared to reduce the rate of interest for loans?

[English]

SHRI MURASOLI MARAN : Sir, we are all aware of the importance of small scale sector and its contribution to the Indian economy. In fact it contributes 40 per cent of our industrial output, 50 per cent of our factory employment and 35 per cent to our exports. As I had said already, there is a plan to update the investment. The present ceiling is Rs. 60 lakh. There is a demand from several quarters that it should be increased to Rs. 3 crore.

Recently a Committee of Secretaries was appointed by the Government which has agreed to this view. The Government is actively considering to enhance the limit.

[Translation]

PROF. PREM SINGH CHANDUMAJRA : I would like to know when it would be done because this proposal has come up before the house many times. Secondly, I would like to know whether tax exemption would be granted or not. Third point is a very important. I have heard that the government propose to allow foreign equities to intervene in our country. If it is true it would be very dangerous for our country. Our small scale industries would not be able to compete with them because their machinery and technology are better. Our government neither makes available the needed technology nor provides laboratories etc. for the staff nor makes the machinery tax free. If multinational companies are allowed to intervene. It would be very dangerous for our country. Is it a fact that foreign equities would be utilised in small scale industries?

[English]

SHRI MURASOLI MARAN : Sir, the hon. Member has asked a question as to how soon it will be implemented. I would say that we are awaiting Expert Committee Report which is headed by Dr. Abid Hussain. They are going to submit the Report by the end of October. After receiving the Report, we will take into consideration all the recommendations and along with that we will consider enhancement of this limit further.

The hon. Member has said that if multinationals are allowed to enter into the small scale sector, it will destroy

them. I totally agree with him. Our Common Minimum Programme says that entry of multinationals into the low priority areas will be discouraged through suitable fiscal and other measures. Sir, it will be taken care of.

Again there is a clear-cut saying that there are a number of domestic industries which are essentially home based or village based requiring low skills and employing a large number of people.

These industries will be given adequate protection and it will be ensured that foreign investment does not replace such industries. Sir, we will take adequate care.

[Translation]

SHRI NITISH KUMAR : Mr. Deputy Speaker, Sir reply to part 'C' and 'D' of the question, the Hon'ble Minister stated that :

[English]

"At present the number of items reserved for SSI sector is 836. The review of the list of items reserved for exclusive manufacturing in the SSI sector is a continuous process.

[Translation]

This reply is evasive because in the question it had been categorically asked :

[English]

"Whether the government propose to cut down the present list of items reserved for small scale industries; and if so, the details thereof and the reasons therefor?"

[Translation]

What is the view of the government in this regard. Whether Government proposes to cut down or expand the present list of items? The government should have come out with a reply in this regard. The committee on Public Undertakings has recommended that the SSIs should be protected and the reserved list should not be cut down. What is the reaction of the govt thereto? When you cut down the said list, then all the big companies, multinational corporations, foreign companies etc. would come in and it will be very difficult to compete with them. The Hon'ble Minister stated that in factory employment the share of SSI is 50 percent and that of the export is 35.15 per cent. In such circumstances, a clear-cut answer should be given. The question is specific and therefore its answer should also be specific.

One more clarification is needed as regards the reply given by the Hon'ble Minister. As for raising the limit, we all awaiting the recommendations of the expert committee appointed for this purpose. It's report is expected to be received by October. But, we would like to know whether it is proposed to increase the present limit of equity holding, which is 24 percent so as to allow back-door entry to the multinational companies.

foreign companies and big industries. What mechanism the government has devised to prevent it. Whether Government propose to increase their equity holding as well and allow them to make an entry in the present phase of liberalisation.

Referring to the Common Minimum Programme of the United Front Government the Hon'ble Minister said that the multinational companies would not be allowed to enter the low priority areas. We would like to know whether MNCs would be allowed to manufacture the 'bhujia' of Bikaner. MNCs are coming in a big way to manufacture 'Papad' soft drinks etc. The Hon'ble Minister has stated that farmers are being benefited to a great extent by the entry of Pepsi, Cola, whereas the fact is otherwise. Farmers are not being benefited in any way. As such, there is a controversy about the definition of low priority area as given by you. In such a situation, your claim is not believable. Therefore, please tell us categorically whether the level of equity holding is proposed to be increased or not. What is the reaction of the Government to the suggestion made by the Committee on Public Undertakings to the effect that the list of items reserved for SSIs, Should not be cut down?

[English]

SHRI MURASOLI MARAN : Sir, I will take up the second question first. Even though there are demand to increase the equity participation of larger holdings from 24 per cent to some more percentage, it is not presently under the consideration of the Government. So I can assure the hon. Member that we are only considering it, we have not taken any decision. We will not take any decision which is injurious to the small scale and tiny sector. In fact, it is our firm opinion that the small scale sector along with the tiny sector not only should be promoted but should be protected.

Regarding reservation, it is for information that we started in 1967 with 47 items. Presently, there are 836 items reserved for small scale industries. But the fact is that among the 836 items, only 233 are produced according to the second All India Census taken by NIC on behalf of the Small Scale Industries Department. Not only that, 80 per cent of the units produce only 39 of the reserved items. Another factor is, 60 items in the reserved list account for 80 per cent of the production of reserved items.

Also there is a lower growth and lower capacity to recession in those reserved sectors. But at the same time, I take the point of view of the hon. Member. It is a very sensitive issue because presently the de-licensing of industrial sector has exposed the small scale sector to the challenges of large and medium sectors including multinationals. Further, the reduction in customs and excise duties has reduced the zone of protection to the SSI sectors. So we have to protect them. What we have done is, there is an Advisory Committee attached to the Ministry. It could not take a decision. So the Advisory

Committee has appointed a Sub-Committee with Shri Vijayaraghavan, Additional Secretary from Ministry of Commerce, as the Chairman to go into the problem of reservation. They are at it.

Secondly, there is the Abid Hussain Committee, an expert Committee on Small Enterprises. They are also going into the problems as part of the overall strategy to be adopted by the Government. And thirdly, there is a Study Group which is going into it. Its aim is to assess the strength and weakness of the small scale sector for rational support programmes including that of reservation. The Abid Hussain Committee is to give the Report by October 1996. Therefore, we will not take a hasty decision. We will wait for the Report. We will have a wide debate on this. Then only, will we go into that problem. Therefore, there need not be any fear that we will take away reservation. I assure the hon. Member.

SHRI NITISH KUMAR : What about *Bikaneri Bhujia*?

SHRI MURASOLI MARAN : Sir, the hon. Member has asked about *Bikaneri Bhujia*. I come from the land of *Idli and Dosa*. So I do not know about it.

DR. MURLI MANOHAR JOSHI : The *Idli and Dosa* will be sold soon by multinationals.

SHRI MURASOLI MARAN : That is right.

DR. MURLI MANOHAR JOSHI : Just wait for a few years. Just like *Bikaneri Bhujia*, there will be a multinational *Dosa* for Rs. 100/- a piece.

SHRI MURASOLI MARAN : Sir, I am told that *Bikaneri Bhujia* is not produced by Pepsi but it is being marketed by Pepsi. They are doing some value addition. They are putting it in an attractive packet and they are selling it. So no displacement of labour has taken place. This is the Report I am having... (Interruptions)

DR. MURLI MANOHAR JOSHI : I, as a Member of the Committee on the Trade Marks Bill, had visited Jaipur and other places in Rajasthan. Several people and the Members of the *Bhujia Manufacturers' Association* had come and said that their business was going down and therefore, consequently there would be a retrenchment of their labourers. About 50,000 people are involved in that. They are on the record of the Committee.

SHRI MURASOLI MARAN : Please supply me the information. I will go into it. My information is that the *Bikaneri Bhujia* packeted, wrapped up and supplied by the Pepsi Company is costlier, more expensive than that of the ordinary *Bikaneri Bhujia* available in the street corners.

DR. MURLI MANOHAR JOSHI : Marketing is there. You see, now once it is in the market, it comes on the TV and all other types of propaganda is carried out.

SHRI NITISH KUMAR : Once they capture the market, they will capture the production also.

SHRI MURASOLI MARAN : But they will have to pay a higher price that you should not forget. If people

are willing to pay a higher price ...*(Interruptions)* That is the basic thing ...*(Interruptions)*

SHRI NITISH KUMAR : They spend huge sums on advertisements.

SHRI MURASOLI MARAN : Anyhow, this is an issue. We will go into the problem. I will have some information from the hon. Members...*(Interruptions)*

SHRI NITISH KUMAR : Please protect us, Sir. Now we are compelled to eat costly 'Uncle Chips'. In this country, everybody knows it. Why are you evading? ...*(Interruptions)*

SHRI N. S. V. CHITTHAN : Hon. Deputy Speaker, Sir, from the Statement furnished by the hon. Minister, it is known that there are 836 number of items reserved for SSI units. Sir, I am sure that cycle tyres and tubes are not included in these reserved units. Bicycle is the poor man's vehicle. Each and every house has got a cycle. Now-a-days, after the general election, the symbol of cycle has become very popular in Tamil Nadu also. At present, the giant manufacturers of automobile tyres and tubes are making cycle tyres and tubes. As a result of this, the units making cycle tyres and tubes in small scale sector are becoming sick and is facing closure. May I know from the hon. Minister whether the manufacturing of cycle tyres and tubes may be reserved for small scale units?

SHRI MURASOLI MARAN : Sir, I have no idea whether cycle tyres and cycle tubes are in the reserved list or not. I think they are reserved. But the point is, the reservation came into effective only from 1967.

So, if the multinational companies or big companies are producing before 1967, there was no provision to ban them. Probably, they would have taken shelter under this provision. They will be manufacturing them. If any industry becomes sick, naturally proper recourse will be taken to treat the sickness.

*[Translation]*

SHRI SATYADEO SINGH : Mr. Deputy Speaker, Sir, the Hon. Minister referred to the ancillary units. These units are functioning alongside all the big units in our country. It has been the policy of the Government to develop ancillary units in a planned manner so that these may cater to the requirements of the big units. All these ancillary units are sponsored by those big units which cannot intrude into the field of ancillary units and thus, these big industries have found out a *via media*. By setting up ancillary units, these big units thus manufacture items included in the reserved list. Whether the Government is aware of it also if so, the steps it proposed to take in this behalf?

*[English]*

SHRI MURASOLI MARAN : Ancillaries are there not only for the large scale industries but also for the

public sector undertakings. At present, I do not have the information. I will supply all the information to the hon. Member.

SHRI SANDIPAN THORAT : Sir, the small-scale sector is a big employer and in this sector, so far as my knowledge goes, there is no reservation for the Scheduled Caste and Scheduled Tribe entrepreneurs. Though the industries are reserved, yet for the entrepreneurs they are not reserved.

May I know from the hon. Minister whether the reservation has been prescribed for the Scheduled Caste and Scheduled Tribe entrepreneurs in the small scale sector? An amount of Rs. 60 lakh has been prescribed for the project but what is the equity and term loan?

Secondly, so far as the Scheduled Caste and Scheduled Tribe entrepreneurs are concerned, he may clarify whether the equity participation will be financed by the Government or not.

SHRI MURASOLI MARAN : Sir, as far as the reservation for the *harijans* is concerned, I have no information. I will supply the hon. Member with all the information.

As far as equity is concerned, there is one National Equity Fund which is being implemented by the Government. It is for expansion, modernisation, technology upgradation and diversification. Now, they are providing 25 per cent of the project cost, subject to a minimum of Rs. 2.5 lakh. This has not picked up yet even though it is nine years old. We are doing it, but there is a lack of cooperation from the nationalised banks. We are making all efforts to make it more effective.

SHRI SURESH PRABHU : Sir, we have just heard the statement from the Minister of Industry that they are reviewing the policy of reservation and some items could be reduced in view of the fact that some of those items are not manufactured. As far as our ancient culture is concerned, so many of such items are manufactured in cottage sectors for more than hundred years. Is the Government contemplating to reserve such items only for village industries?

There are small scale industries working in the backward areas and are facing serious problems in the absence of a proper infrastructure. Is the Government contemplating to provide additional incentive to such areas, particularly backward areas, like the Konkan which are really suffering because there is not enough infrastructure? The previous Government had announced and even the Minister of Finance had made a statement in his Budget speech that he is going to end the *inspector raj* which is really causing serious problems for the small scale sector. The *inspector raj* is still prevailing. I want to know from the hon. Minister when is it going to end.

SHRI MURASOLI MARAN : The very idea of liberalisation is to do away with the *inspector raj* and permit and licence *raj*. It is going on.

We are also building up on what has been built up already.

There is an Integrated Infrastructural Development Scheme (IIDS) which is there to develop the infrastructure for small-scale industries. As I have said, we have no idea of scrapping the reservation at all. We are waiting for the report of Dr. Abid Hussain Committee and two other committees—one headed by an Additional Secretary in the Commerce Ministry, Shri Vijayraghavan, and the other by an officer of an Indian Institute in Ahmedabad. After getting these reports, we shall have a countrywide debate, we shall consult all the parties concerned and we shall also consult the small-scale sector as well as the tiny sector. It all depends on whether they increase the list or decrease the list. Let us wait for these expert committees' reports.

As regards the backward areas, I shall send all the information to the hon. Member

[Translation]

SHRI RAMENDRA KUMAR : Mr. Deputy Speaker, Sir, I thank you very much for paying attention to back-benchers. The SSI units are generally sick and suffer from lack of raw material, power and market. May I know from the Hon'ble Minister what policy Government proposes to lay down to improve the lot of these units in this respect?

[English]

SHRI MURASOLI MARAN : Sir, the small scale industries are well taken care of by various organisations. Their main problem is marketing. Among the States also, they have got their own small scale sector which is very much thriving and vibrant. So, they are taking care of it.

#### Fiscal Deficit

\*142 DR T SUBBARAMI REDDY : Will the Minister of FINANCE be pleased to state

(a) whether the Reserve Bank of India has expressed concern over the quality of fiscal adjustment and sustainability of the fiscal position of the Central Government,

(b) if so, whether it has also maintained that all the major indicators of deficit of the Central Government show deterioration for the year 1995-96.

(c) if so, the most disturbing aspects pointed out by the RBI in this connection; and

(d) the other concerns RBI has expressed over fiscal deficit and what steps Government propose to take in this regard?

THE MINISTER OF FINANCE AND MINISTER OF COMPANY AFFAIRS (SHRI P CHIDAMBARAM) : (a) to (d). A statement is laid on the Table of the House.

#### STATEMENT

The Reserve Bank of India in its Annual Report and the report on Currency and Finance, 1994-95 has stated that the fiscal corrections undertaken by the Central Government since July 1991 have achieved reasonable success in reducing the fiscal deficit and primary deficit. However, the RBI has expressed concern about the quality of fiscal adjustments and sustainability of fiscal position. For 1995-96, the RBI has referred mainly to the budget estimates.

One of the most disturbing aspects, according to the RBI, is the persistence of the large revenue deficit emanating from the growth in revenue expenditure, particularly interest payments coupled with relatively sluggish revenue performance. This has necessitated larger recourse to borrowings by the Government at higher interest rates resulting in increased pressure on interest payments.

It has been the policy of the Government to improve the fiscal balance through increase in revenue receipts and reduction in the expenditure. Revenue receipts which declined to 9.4 per cent of GDP in 1993-94 have since then shown an increasing trend, reaching 10.1 per cent of GDP in 1995-96 (RE). Total expenditure has declined from 19.7 per cent of GDP in 1990-91 to 16.7 per cent in 1995-96 (RE). Revenue expenditure has also declined from 13.7 per cent of GDP in 1990-91 to 13.1 per cent in 1995-96 (RE). The net result has been slow decline in revenue deficit from 3.5 per cent of GDP in 1990-91 to 3.1 per cent in 1995-96 (RE).

DR T SUBBARAMI REDDY : Sir, I fully agree that the Central Government, since July, 1991, have achieved a reasonable success in reducing the fiscal deficit and primary deficit. But I would like to bring to the notice of the hon. Finance Minister that in 1991, when the then Government had introduced liberalisation of the economy, the entire world became spellbound, this also stimulated and inspired various countries of the world to participate in building this great nation by investing in the massive industrialisation. This is very very appropriate also.

Everybody speaks about how to eradicate poverty and how to remove frustration from the minds of the youths who are suffering. Even after becoming graduates, there are no jobs for them. For this, the solution is only creation of more production through industrialisation and through new projects. But it is a matter of great distress that today our country's position is such that there is an unprecedented crunch of money, an unprecedented deficit of finances. No banks are having money, no financial institutions are having money