

can also understand that...*(Interruptions)* tomorrow, I can transfer the Governor. It is not a big issue for me.

SHRI SRIBALLAV PANIGRAHI : So, please do it ...*(Interruptions)*

SHRI H.D. DEVE GOWDA : For God's sake, please do not bring politics...*(Interruptions)* Seeing the magnitude of the tragedy, I have the concern, I have the sympathy for the bereaved families. We are making all arrangements.

SHRI RAJESH PILOT : But our feelings are conveyed in a very humble way that the system has failed. Let us accept it and find out how it has happened ...*(Interruptions)*

SHRI SRIBALLAV PANIGRAHI : The Hon. Prime Minister need not misunderstand me. I am very clear about it...*(Interruptions)* Whenever there was a tragedy involving the death of 20, 30 or 50 people, there had been a judicial inquiry...*(Interruptions)* This has been the trend all over India.

Now 168 people have died. Do not compare it with any other tragedy. We do not agree with the BJP people. We do not want to politicise this issue. The State was under the President's Rule. The Governor is supposed to be the administrative head there. He was not available there. The Home Minister is silent about it. In view of this, we say in all fairness that there should be a judicial inquiry into the whole thing. We do not hold Shri Deve Gowda or Shri Indrajit Gupta personally responsible...*(Interruptions)* Why are they taking it that way?...*(Interruptions)*

15.00 hrs.

SHRI NIRMAL KANTI CHATTERJEE : You raise it at the time of discussion. Why are you demanding it now? ...*(Interruptions)*

MR. DEPUTY-SPEAKER : Please listen to the Home Minister.

*(Interruptions)*

SHRI SRIBALLAV PANIGRAHI : Why are you waiting for a demand to be made? In the past incidents, the Government had always held a judicial inquiry ...*(Interruptions)*

MR. DEPUTY-SPEAKER : Please listen to Shri Gupta.

THE MINISTER OF HOME AFFAIRS (SHRI INDRAJIT GUPTA) : I quite agree that the whole matter requires to be inquired into. But I do not agree that whenever some five or ten or twenty people die anywhere in the country, there is always a judicial inquiry. At least I cannot agree with him on this point. I think his memory is failing in...*(Interruptions)*

SHRI SRIBALLAV PANIGRAHI : You please check up your memory. How many times have you contradicted your own statements in the House? Do not say that my memory is failing. How many times have you contradicted yourself?...*(Interruptions)* He is saying that

my memory is failing. You have stated the things differently. You are such a senior person.

MR. DEPUTY-SPEAKER : Instead of saying personal things against each other, please listen to him.

SHRI INDRAJIT GUPTA : Was judicial inquiry held regarding the people who died in Ujjain and Haridwar?

SHRI DILEEP SINGH BHURIA : In the Ujjain incident, there was a judicial inquiry...*(Interruptions)*

SHRI INDRAJIT GUPTA : They do not want to listen. They are supposed to be junior Members and not senior Members. They just go on behaving like junior Members. It is not a question of whatever I like.

SHRI SONTOSH MOHAN DEV : Kindly put an end to it. The BAC will decide the form of discussion. Then you will get a chance to speak. If there is any misunderstanding between us, let us forget and forgive. Let us not stand in the way of people who have walked out. Kindly sit down and end the matter...*(Interruptions)*

SHRI INDRAJIT GUPTA : I am only replying to a point raised by the Member. My point is, there will definitely be an inquiry but it may not be a judicial inquiry.

SHRI SRIBALLAV PANIGRAHI : But I demand a judicial inquiry.

SHRI INDRAJIT GUPTA : The Government will decide about the kind of inquiry which will be held, its terms of references etc.

SHRI SONTOSH MOHAN DEV : We accept your point.

SHRI INDRAJIT GUPTA : He does not accept it. I am telling you that an inquiry will be held.

MR. DEPUTY-SPEAKER : Now, we shall take up further discussion on the General Budget. Mr. Nirmal Kanti Chatterjee was on his legs. He may continue now.

15.03 hrs.

## GENERAL BUDGET 1996-97 GENERAL DISCUSSION

*(Shri Chitta Basu in the Chair)*

*[English]*

SHRI NIRMAL KANTI CHATTERJEE (Dumdum) : Sir, I want to begin today by focussing our attention on what seems to be the Central weakness in the Budget proposals.

Sir, we all know that there is always a choice problem, as our hon. Speaker indicated, between short-run and long-run. There is a contradiction of conflict between 'immediately' and 'distance'. Therefore, this problem had to be answered. In economics, this choice problem is expressed as a choice between consumption and savings. I am surprised that despite a rigorous

mention in the Common Approach Programme, the Finance Minister only mentions that his parameter refers to enhancement of investment and does not mention savings at all. And yet, in the Common Approach Programme, something else has been stated.

This has grave consequences. When we talk of investment, we talk of domestic savings and also savings from abroad. It is perfectly possible to visualise a situation when in the economy at home there is no savings at all and yet there is investment because of the flow of foreign investments into the country. And that spells the doom for any economy. That is almost a symbol of being a colony.

Now, The fact is that in the budget proposals, the central failure is that it has not attempted to raise the level of savings to a much higher order and to make a draft of that savings for the Budget, which is usually known as the resource mobilisation. It is this Central defect in the Budget which has led to these kinds of difficulties. This is the kind of consequence. As you change the proportion; as you select priorities; change the earlier priorities, the proportion of investment in other areas certainly come down. But even in absolute sense, when that comes down, that becomes very serious for the economy. I will give you a singular fact to show as to what really has happened.

Sir, there is an emphasis in terms of expenditure allocation. There is an emphasis on employment; there is an emphasis on agriculture and as everybody knows, in the country side, the second biggest employment sector is that of the Handloom and *Khadi*, but could you imagine that it is precisely in these areas that not a single additional paisa has been allocated? We talk of industry. We say that it is the small scale sector which has given a fillip to the industrial sector, but let us see what is the projection in the expenditure budget. It is mentioned that allocation on Interest subsidy for *Khadi* and Village Industries for the year 1995-96 was Rs. 23 crore, the Revised Estimate was Rs. 23 crore and the allocation on this head in this year's Budget is also Rs. 23 crore. It is not only in the case of interest subsidy, the picture is the same in the case of investment also. The total Plan outlay for the Department of Small Scale Industry and the Agro and Rural Industries last year was Rs. 58 crore; the total Revised Estimate was Rs. 50 crore and I continues to the Rs. 50 crore. That means, in real terms the investment in *Khadi* and Village Industries as well as in the Handloom sector has come down. Why is it so? It is because you have failed. We were told that after, Independence for rapid development we have to arise our finances and tighten our boot straps. That is also the message of the common approach. The mood which says that we should be inspired by the aspirations of the struggle for Independence requires that we make such efforts at resources mobilisation that permits us to allocate much higher amounts in these areas so that employment generation would be possible. It is also a part of the

Common Minimum Programme of the United Front Government.

Sir, that is not the only consequence. In terms of expenditure also we have failed to provided as much as is necessary for the public sector enterprises. We have failed because we have refused or we have not tried to mobilise the resources, mobilise the rate of increase in the saving and mobilise a large chunk of those savings for the Government.

It is dangerous. It has grave consequences from another direction also. I do not know why he has stick on this point, forgetting to mention savings and only mentioning investment. It is a slip, I think. It could be that the shadow of the past five years' economic policy is still chasing him. The dependency is on foreign sector. Once again, we should harp back to the Independence struggle. If the cry, the dependence or the mind set only refer to 10 million dollar of fund, it only indicates that we are not striving to increase our domestic revenue to absorb this 10 million dollar. Everybody know it.

Sir, we are told that the saving rates are increased. That is the official statistic and everybody says, it is official and unscientific. Nobody accepts that figure. Even if we accept that figure, it is not more than what we achieved in 1990-91. The developing countries, which have a fast rate of growth, which are sometimes called tigers, have a saving rate of much more than 30 per cent. It ranges between 35-45 per cent. There is no effort in the Budget speech to handle this. The crux of the matter is in trying to raise the level of saving and thus making it possible to spend on each of the priorities that are mentioned in the Directive Principles of our Constitution.

There was a problem of unemployment. Instead where are we going? We are suggesting, unfortunately it has been mentioned in the Common Approach Programme also, to sell all the assets and spend it on education and medical health. There is a conflict between the short run and the long run and it is absolutely necessary that we try not to consume more but save. The entire policy direction of the past five years, which is continuing, is to depend on the foreign capital and to depend on consumerism generated by that foreign capital. Even a few days ago, we have seen that permissions have been given for foreign investment to manufacture toffees, chewing gums, apart from permitting them to bring the cards worth Rs.25 lakh. This is a path which the United Front Government did not visualise in its Common Approach programme. This has spoiled the initial statement. I reiterate, it is not a replacement of one set of rulers by another. It will mark the beginning of an alternative model. It is here precisely that the alternative model has failed to begin. Perhaps there was shortage of time or the worst is, perhaps the influence of past is inhibiting this new beginning.

I would like to draw your attention to some other things also. I do not deny that a tax has been imposed

on Zero-tax companies. But at the same time when there is a crunch, we suddenly decide that the surcharge on corporation duty should be reduced by half. We could have waited for some time. Suddenly we talk about the Tariff Commission and despite that we decide to reduce the level of custom duties and thus throw away some income, approximately Rs.900 for the Budget. It is in these manners that the failure to mobilise more resources has created all the problems.

Additionally, what has happened? Certain expenditure which could have been avoided, should have been avoided. But the past is so hunting that we are not permitted to avoid that. We are neglecting public sector, Khadi and Village industry and handlooms, the biggest employers in the countryside but we are providing for our misdeeds in the bank an amount of Rs. 900 crore. Whether it is Indian Bank or any other bank, thousand of crore of rupees are being wasted. There are defaulters. They are called on-performing asset. They are increasing over the years despite some efforts to decrease them. The compromises are arrived at and yet we insist that there has to be to capital adequacy. I raised it earlier also. Given the fact that these banks belong to the Government, why are we in a hurry to provide that eight per cent capital adequacy? We are insisting on the eight per cent capital adequacy in the banks because of our international requirement. We know the international requirement. They failed after the Second World War. They failed to protect the ruler and they devised this economic means to establish control via the World Bank and the IMF. We have repeatedly mentioned that this is the same imperialist mode of exploitation. It is astonishing. When you talk of Enron, the fast tract project, they have sought a counter guarantee from the Centre. They considered that to be adequate. Why can't this guarantee of Government should be more than the capital adequacy? Why eight per cent capital adequacy has to be provided for immediately from this year's Budget when there is a shortfall?

MR. CHAIRMAN : For how long do you propose to continue?

SHRI NIRMAL KANTI CHATTERJEE : I am on the fast track now. So, I will be coming to a close.

MR. CHAIRMAN : You may please note. The time allotted for your Party was 32 minutes. You have already exhausted it the other day. In addition to that you have taken 10 minutes more today. That means you have taken about 42 minutes.

SHRI NIRMAL KANTI CHATTERJEE : I agree with you, Sir.

I want the Finance Minister of correct me, the danger that is opening up and the consumerism that you are preaching so that the savings do not increase is indicative in another significant item. The rate of baggage import has been brought down from 80 per cent to 60 per cent. Can you imagine? Nevertheless, the estimates show that the revenue from the baggage

import has increased. These are the indicators that the drive continues to be, as of old, to emphasise consumption rather than saving. This is what you have learnt during the course of last 5 years.

In terms of devolution of expenditure of different sectors, is it not rather peculiar that we want to invest Rs.8100 crore for the Railways which carry 90 per cent of our people and goods and we propose to invest Rs. 4139 crore of Civil Aviation?

Is it consistent with this approach? What is more important for the country? Infrastructure is more important for the country. Long time back in the first years of Soviet planning, we were told that electricity plus Soviet Union would give us communism. So, electricity was the infrastructure. We all know that. But talking of infrastructure, I would like to know which one is more important for our economy unless you are blinded by the Shades of the past. We should have invested much more in the Railways. Even maintaining it at the same level for civil aviation would be quite all right. The condition prevalent now is much more resource mobilisation that what has been attempted in this Budget. This, Sir, according to me, is the crux of the problem. When you talk about the new approach, new model, here are areas where we do fail to take off.

I, now, come to some other aspects. I do not share the views of the BJP. It says that it is just a continuity. I am saying it is not a continuity. There is no beginning of a new model. Perhaps there is a beginning of a beginning in the Budget. It is yet to become a beginning of a new model. Why I say so? It is because, after all, certain things have been changed in this Budget.

Firstly, after so many years, there is a large discussion about plan expenditure and non-plan expenditure although there is a problem in dividing expenditure is terms of plan and non-plan. Plan expenditure has increased *pari passu* with non-plan expenditure. This is a new departure from the last few years. This is welcome. When we criticise the growth of non-plan expenditure, we have to remind ourselves that the subsidies granted to fertilizers are part of non-plan expenditure. Non-plan expenditure also contains elements which are developmental and which help the country to grow. But even then, Sir, the fact that the plan expenditure moves *pari passu* with non-plan expenditure is a positive point in the Budget.

Sir, I have already mentioned that there is another improvement in the Budget Appropriation in terms of education. For the first time I have mentioned yesterday that we have crossed two per cent limit, at least, for education.

There is another positive aspect also in terms of transfer of resources to the States. We are crying hoarse in the course of the last four or five years that why are you decreasing the share of the States. Once again we have arrived at a point when the transfer to the States has increased though not the same extent as is mentioned in the *Budget At a Glance* which is defective

to the extent that it does not take into account the repayment of debt by the States. It is an improvement of an earlier situation that is contained in the Budget which we want to underline.

Earlier, Sir, for quite some time, the size of the Central Plan and the State Plan was about fifty and fifty. This has been tilted in favour of the Centre. Once again, today, the Central Plan funds are a little more. The plan support for the State Plans has been increasing. One has grown. One is budgeted to grow at the rate of eleven per cent and the other, at the rate of thirteen per cent.

Sir, I have mentioned about public sector enterprise which really deserve much more than that.

I am coming back to another point. I have referred to the provisions for the banking. On the banking sector, there is a reference to the transparency in the common approach. In the common approach it has been mentioned that many secrecy provisions would be looked into. We were insisting that the secrecy clauses in the Banking Act should be given a go-by. We want to know in the House itself, who the defaulters are, which kind of compromises are being arrived at with them by the bank authorities and we also want additionally that those defaulters, as a group, should be prohibited from getting any loans or advances from the banking sector. The Finance Minister has not obliged us. He has come to the corporation. He has duly noticed that if the corporations do not pay back to their depositors, they will be debarred from raising further funds. Why does he not extend this to the banking sector? Will this proposed elimination of the secrecy clauses not add to transparency in our approach to problems of the economy?

Sir, I am about to conclude. There is a proposal and I have already indicated that I consider it to be a dangerous proposal. We are talking about disinvestment. Already it is seen that, and that characterizes us, one after another unit starting as a joint sector is handing over not only 61 per cent to the foreign investor but the foreign investor has decided that this unit would be subsidiary to his unit. The tactic is very simple. The multi-nationals, the real representatives of imperialist exploitation, have huge funds with them. They come with a very simple proposal that they want to enlarge the size of the unit and that they want to have much more investment in the unit than what is today. Therefore, a huge amount of capital must be infused. If the domestic partner, who is a small fry compared to them, cannot provide his share, it is taken over. One after another, enterprises about which we are talking pride in the past are being handed over or being gobbled up by these foreign investors.

It is this threat to our sovereignty and it is that which has led to that concluding reference. We are being chained to foreign capital because we are failing to mobilise our own resources. Already share markets are there and they are ceased to be ours. In the share

markets the prices go up and down not because of Indian investors but because of the FIIs. Already certain areas have been handed over to this foreign sector and I urge the hon. Finance Minister to dare to turn his back on these policies which have been pursued in the course of the last five years.

Therefore, I am concluding with this.

MR. CHAIRMAN : Your five minutes are over.

SHRI NIRMAL KANTI CHATTERJEE : It is very near. I want to sum up in this manner that despite the expectations generated by the common approach that a new set of rulers with a new beginning, with a beginning of a new model will be reflected in the Budget, that has not happened. However, as I submitted, a beginning of the beginning has been made. Certain allocations and certain priorities provided in the Budget are indicative of what may have happened. Had we succeeded in hitting the rich, had we succeeded in not lowering the customs duties, had we succeeded in mobilising much more than what we tried, we could have really taken a new path, a new model for the economy.

DR. DEBI PROSAD PAL (Calcutta North-West) : Mr. Chairman, Sir, I rise to support this present Budget with certain reservations. It is true, as the Finance Minister has in his opening speech observed that he has certain commitments - commitments to the Common Minimum Programme of the 13 Parties which have not joined together in forming this present Government. But when I look at the Common Minimum Programme, I find a complete acceptance of the economic reforms which the earlier Congress Government had introduced since July, 1991. It may be that some political Parties, one of which Mr. Chatterjee represents, in the last five years have been haunted by certain inhibitions. Dr. Joshi dubs this Budget as a cheap acceptance of the Congress policies which had been introduced since July 1991. There is nothing wrong in accepting a policy which has yielded significantly good results in the economy for the last five years. When the Finance Minister says that he has certain commitments to the Common Economic Programme, I can appreciate his anxiety because it is a Government where 13 political Parties have joined together with different political slogans, one Party deferring from another and then this Common Minimum Programme has been sorted out. It is gratifying to note that it has accepted the policy of liberalisation which was introduced by the earlier Congress Government when the economic crisis was loomed largest before the country in June 1991. The Common Minimum Economic programme had accepted the policy of tax reforms which had been introduced by the earlier Government since July 1991.

There thrust on the social sector services is nothing new. During the earlier Government when the crisis was tided over in the years of 1993-94, 1994-95 and 1995-96, the emphasis was made on the rural development and also on the poverty alleviation. The

rural sector was given much more emphasis when we had tided over the crisis. Now, what is wrong if the present Government has accepted it? We cannot start with a new plan when the country has developed as a result of this New Economic Policy. The hon. Finance Minister was, till the other day, a very important member of the earlier Government in the formulation of the new Economic Policy and he had also certainly made significant contributions.

Now, what is this policy which the Congress Government has initiated? It is known now to everybody that when in June, 1991, the earlier Congress Government came into power, the country was in the throes of an economic crisis. Inflation reached its high water-mark of 17 per cent; the industrial growth was 0.9 per cent and the foreign exchange reserve was not even sufficient to meet the requirement of a fortnight. Then the earlier Congress Government had taken over the administration and for the last five years the economic reforms which ushered in new industrial policy, the new trade policy, the reforms in the financial sector, and the reforms in the taxation policy has introduced certain significant achievements. We have been able to maintain the macro-economic stability and we have also been able to remove some of the structural distortions which had haunted the economy when the earlier Congress Government come into power.

15.36 hrs.

(Shri Nitish Kumar *in the Chair*)

As a result of these our industrial growth went as high as 12.4 per cent; our G.D.P. rose in the year 1995-96 to 6.7 per cent or even 7 per cent, which is much more than what the Eighth Plan had indicated. Our exports increased significantly to the extent of 20 per cent or 25 per cent in certain sectors. The capital goods export also increased considerably. Our foreign exchange reserve increased from two billion dollars to twenty billion dollars and although as a result of certain depreciation in the value of the Indian currency, in September, 1995, there was certain depletion, yet we have more than 17 billion dollars. Now, it is the broad Economic Survey which I was mentioning. In Poverty Alleviation Scheme also, our poverty level was reduced from 25 per cent to 19 per cent. Our expenditure on primary education, on health and sanitation, and on the rural development was significantly higher during the last three years.

Now, when I look at the present Budget, I see that undoubtedly the hon. Finance Minister has accepted these economic reforms and the basic postulates on which such reforms have been introduced. To that extent, the Budget is a continuation of the policy of reforms which has been introduced and implemented for the last five years. I congratulate the hon. Finance Minister that. Even though the 13 political parties, with so much of difference, having regard to different types of slogans that each political party professes he has been able to

at least steer clear of and pursue the policy of economic reforms which was generated, introduced and implemented by the earlier Congress Government.

But, when I look at the present Budget proposals, I am dissatisfied with the expenditure which the Finance Minister has earmarked for the different sectors of economic development. I am not giving the exact figures because if I give the figures it will take time, but one can easily appreciate that there is no difference at all in the significant aspects where Budget allocations have been made to different sectors. Secondly, the thrust of the Finance Minister, undoubtedly, is for the agricultural development. I certainly congratulate him because agriculture is the mainstay of our economy and agriculture requires financing. The rural finance is one of the essential requirements for developing agriculture and agro-based industries. Undoubtedly he has increased the capital structure of NABARD from Rs. 500 crore to Rs. 2,000 crore. All these are assurances of the Finance Minister that in the next five years, the full programme will be implemented. I undoubtedly admire his sense of optimism that the present Government wish that they will continue for five year, and I wish him well.

Now, in the present year, he has allocated Rs.500 crore only out of the Central Finance and Rs. 500 crore from the Reserve Bank of India. Now he has also focussed on agricultural rural development finance. The earlier Government, the Congress Government, had allocated Rs. 2,000 crore for the rural agricultural finance, out of which in the last year Rs. 1,975 crore had been allotted to nineteen States for completion of their different projects. Now he has increased it by Rs. 500 crore. Therefore, the initial start has been given by the earlier Government. It is good that he has tried to increase the quantum of the rural finance.

The other thing which he has also introduced for the development of agricultural finance is the establishment of certain local area banks, private banks, within the contiguous areas of two or three districts. This is, undoubtedly, an approach which deserves support and also congratulation for the Finance Minister. Undoubtedly this will help to mobilise and mop up rural finance within certain areas, which can be spent to cater to the needs and requirements of the local areas.

The Finance Minister has also tried to increase the quantum of the agricultural financing not only by expending the share capital of NABARD but also through the rural agricultural finance development scheme. This was also the scheme which was introduced by the earlier Government and I am glad that he has developed this scheme much more. In the area of rural finance, what is required is the financing of the poor artisans and the cultivators. Some start has been made by him by giving, for example, small cultivators and marginal farmers up to Rs. 30,000 and he has extended it to all the sections in the rural sector. This will certainly help the development of the agriculture. But the whole

difficulty is that this agricultural development depends not only upon the agricultural finance which, undoubtedly, is an important requirement, but also on the integration of the different schemes for the agricultural development.

I do not find any such initiative in the Budget excepting that some emphasis has been given for the development of agricultural finance which has been the policy of the earlier Congress Government also.

He has also focussed upon the development of small-scale industries which is undoubtedly a very important sector in our industrial and economic development. The progress of small-scale industries has been much higher than the industrial growth. When the industrial growth was six per cent, the small-scale industries' growth was eight per cent. When the industrial growth was eight per cent, the small-scale industries growth was more than ten per cent. It shows that the growth in small-scale industries has been much more and if given greater impetus, it can certainly not only be a foreign exchange earning mechanism but it can also change, to a great extent, the rural economy. For that, the Finance Minister has increased the capital of SIDBI so that greater finance can be infused into the small-scale industries. The earlier Government had also done the same thing. There is nothing new. Not only that the earlier Government had also given tax holiday in respect of investments of capital in small-scale industries, it provided tax holiday for five years under Section 80-IA of the Income Tax Act. I am glad that at least that the tax holiday has not been in any way curtailed by the Finance Minister although it has not been increased further.

But the more difficult situation arises in our industrial growth. If the industries cannot function properly, then the economic growth will not be accelerated. Now, in the case of industrial growth we had achieved a spectacular development under the earlier Congress Government, a growth of 12.4 per cent in the year 1995-96. The financing of Indian Industries is an important aspect which requires special attention of the Finance Minister. The Industrial growth can be achieved through mobilisation utilisation of savings, both internal and external.

I am not analysing the Finance Bill today because we will have discussion on the Finance Bill later. But the significant feature of this Bill is that when we require industrial finance, when we require the banks to provide capital to the industries, certain measures which have been adopted by the Finance Minister will hamper the growth of Indian industries. I am referring to the new measures which are adopted. One of the measures is the Minimum Alternative Tax which is called MAT. I found two or three days back, a statement by the Finance Minister that the Minimum Alternative Tax is going to stay in this country. When we are discussing the General Budget and the Finance Bill, I think the Finance Minister's statement shows that already a foregone conclusion

has been reached that the Minimum Alternative Tax is going to stay. What is the Minimum Alternative Tax? We are told that Zero tax companies are the companies whose income, after getting all the deductions under income Tax Act, become nil. They will have to pay tax on 30 per cent of their book profit.

They will have to pay tax on 30 per cent of the book profit. Why? If you give concessions, if you give deductions to the companies which are developing and which are investing their capital then you are taking away by one hand what you have given by the other. Take for example, the infrastructure industries. Section 80-I(A) gives relief, by way of tax holiday in respect of income from infrastructure industry. It is a capital based industry because crores of rupees are to be invested. Naturally for the first few years depreciation is to be provided and the income may be reduced to nil. But they have to pay tax on 30 per cent of their book profit and how book profit is ascertained? It is ascertained by taking the profit under the Companies Act and the Companies Act provides for lesser depreciation according to straight line method. So their book profit is much higher than what the Income Tax Act provides for. Now if this happens, many of the industries which are investing their large capital for the development of the country will put a halt to investment because there is no sense in investing the capital when the otherwise allowed tax relief is not available to them. What you give under Chapter VI-A of I.I. Act you take it away. You better reduce the concession. If you like you reduce the concession. When we are thinking of industrial growth we must have to consider this aspect. I am not discussing it in details today as that will be occasion later; when Finance Bill comes for discussion.

Sir, today in the Indian industry, about 30 per cent of the corporate capital comes from lease financing. These companies provide 30 per cent of the capital and this is very frequency in America, in Canada and other developed countries. Now, in the lease financing, a provision has been introduced for the first time, namely, that depreciation will be allowed only on the basis of written down value in the case of seller company. The idea is that sometimes the price shown at much higher figure than the fair market value. You can get hold of them by allowing depreciation only up to fair market value. But if this is done, the lease financing industry will be completely dislocated and I will ask the Finance Minister to have a re-look into the matter.

As regards industrial finances, our banks and nationalised banks are giving finances but at the same time the foreign institution are also supplying capital. Insurance companies also give long term finances. We expected that the Finance Minister should now address to the House what is the policy of the Government regarding the privatisation of insurance. The Malhotra Committee report came much earlier and it was at the stage of deliberations. So if the policy for privatisation of insurance sector is adopted then we will have much more finances for financing the long term investment in

our country. There is no suggestion as to what shall be the policy of the Government regarding the privatisation of insurance. All that the Finance Minister has said is that the LIC and the GIC will be strengthened. That is a very good suggestion. Undoubtedly these are the important insurance institutions and their strengthening will certainly develop the financial resources.

But we expected that some statement would be made on this aspect of privatisation of Insurance.

**THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) :** What is your view? What is your Party's view?

**DR. DEBI PROSAD PAL :** I will give you my view. About privatisation of Insurance, we have undoubtedly decided the Party's view. I will tell you later what my party's view is: But I want the Policy from the Finance Minister.

**SHRI P. CHIDAMBARAM :** I have said what my view is. I will be helped greatly if you tell me what view is or what your Party's view is.

**DR. DEBI PROSAD PAL :** My personal view is this. The policy regarding privatisation of Insurance sector is an important step to be gone into without affecting the strength of the General Insurance or the Life Insurance.

Regarding foreign investments in this country, Shri Chatterjee was making various comments. He was haunted by the inhibition of International Monetary Fund, World Bank and everything. That inhibition haunted him long back when we took loan from the International Monetary Funds in the year 1991-92. I hope that he is no longer haunted by that ghost. Now, more than 80 per cent of the foreign investments are in the core industries, namely, infrastructure industries and other industries. The foreign investments are in collaboration with the joint sector companies so that the ghost with which Shri Chatterjee is haunted, I hope, he will be relieved of this. 80 per cent of the foreign investments are mostly in the core sector industries and they are in the joint sector. Therefore, there is no question of why more foreign investments should not be brought into this country.

Look at China from where Shri Chatterjee takes his inspiration and his Party takes the inspiration. Look at any other developing country. In China, more than 10 times foreign investments than in India have come. I do not think that they have surrendered their economic sovereignty. Therefore, in a developing country foreign investments are always welcome and certainly it will help to accelerate the industrial growth.

For the purpose of internal savings, I congratulate the Finance Minister for at least one measure which he has introduced by giving relief in respect of capital gains. That was the view I have always taken. If capital gains are invested in certain specified investments, then, there will be less attempt to have underground transfers because then the people will be coming forward to have their transactions in full disclosure, in immovable

properties with disclosed money because they will know that if they invest in specified investments for a certain number of years, they will not have to pay any capital gains tax. That is a measure for which I congratulate the Finance Minister for introducing Section 54EA and Section 54EB. At the same time, he has put important safeguards regarding the period during which specified investments cannot be withdrawn and if it is done, capital gains tax will be levied. It is a measure, I hope, which will generate internal savings.

In the tax reforms sphere, the hon. Finance Minister has said that there was a general expectation that the exemption limit should be raised from Rs. 40,000 to Rs. 60,000. He has given two explanations for not raising the exemption limit. One is that if Rs.1000 less is there, the Government loses Rs.150 crore at that marginal level and he has said that 77.5 per cent of that tax earning goes to the States and, therefore, the States will be deprived of their resources. But I only put one question to the Finance Minister. If that dissuaded him from not raising the exemption limit from Rs. 40,000 to Rs. 60,000 which was long overdue, having regard to the inflationary trend in the country, what has prompted him to reduce the tax rate in the case of specified Hindu Undivided Family?

16.00 hrs.

Possibly, I do not know whether the attention of the Finance Minister has been drawn to it because there is no reference in the Budget speech about it. But when you look at the Finance Bill, you will find that for Rs. 1 lakh for a specified HUF, the earlier tax was of Rs. 24,600. But today having regard to the rate of taxes, if the income of a specified HUF is Rs.1 lakh, they have to pay only Rs.15,000. Therefore, more than Rs.9,600 has been slashed down in the case of specified HUF and the exemption limit in the case of specified HUF has been raised from Rs.18,000 to Rs.40,000. Now this is a matter which requires the special attention of the Finance Minister. When he could not raise the exemption limit for the common man from Rs. 40,000 to Rs. 60,000, how - although there is no reference in the Budget speech about the income of the specified HUF, specified HUF means one individual who earns more than Rs. 40,000 - then has the tax rate been reduced or slashed down considerably?

**SHRI P. CHIDAMBARAM :** It would have been quite simple to raise the exemption limit from Rs. 40,000 to Rs. 60,000. That would not have benefited only that tax slab. It would have benefited a very successful lawyer like Mr. Pal too. That is not my intention.

**DR. DEBI PROSAD PAL :** Rs. 60,000 would not be have benefited me.

**SHRI P. CHIDAMBARAM :** It would have because on the first Rs.60,000 you will also pay a lower rate. If I were a practicing lawyer, I would have also paid a lower rate. The idea was not to benefit those with higher incomes. The idea was only to benefit that slab of Rs.

40,000 to Rs.60,000 and that too the salaried employees. That is why, we have given you the same result through a different route. That is what my Budget speech say. Anyone today who earns a salary of Rs.5,000 a month or Rs.60,000 a year, does not pay any tax. You cannot say that that is a wrong statement. It is an absolutely correct statement. On the specified HUF, I think, it is irrational - think, you should have corrected it when you were in the Finance Ministry - because if there is an un-married daughter working in a bank or an un-married daughter who is working in a company and earning an income, that HUF should be saddled with a larger tax rate. It is gender unequal. It was unfair to the woman who wants to get employed. It will only force the parents to marry off their daughters at an early age.

DR. DEBI PROSAD PAL : Well, I do not share the view that the Finance Minister has pointed out. I can say, even earlier, the standard deduction was Rs.12,000. They have increased it only by Rs.3,000. Compared to the present inflationary trend, I do not think that is a substantial reduction.

Regarding the insurance, all that has been provided for the the present Budget is that if you pay Rs.250 per month for 30 years, then after 30 years you will get a pension of Rs. 3,000. I have asked many persons, not of the rank of the eminent status of the Finance Minister while he was in the legal profession, but the common and and everybody is saying, why should we pay that amount for 30 years and then hope that the Government will give response to this? There are only paper reliefs. How much will we get? Well, time alone will show, how much will be the effective measures? Therefore, that relief is more illusive.

With regard to the industrial growth, what is required is the revival of primary capital market. The capital market has been slashed down. If there is not primary capital market, then there is no scope for mobilising funds for industrial growth and for savings. No attempt has been made at least in the Budget speech as to how the Finance Minister is going to tackle the problem of revival of the capital market.

We had certain guidelines when the Controller of Capital Issue was administering for issuing the shares had a premium. Today, in the absence of any guidelines by SEBI, the companies are free to increase, to float their shares at any premium that they like, with the result that the capital market has been completely slashed down.

I would request the Finance Minister to have its expert opinion and make attempts, because if you cannot revive the capital market then whatever inducement you can give, for interval savings, the corporate saving will not revive. An industry cannot grow only by borrowing from the banks unless they can raise capital from the market. Now, this is a matter where, at least, the Finance Minister is his Budget

Speech should have made certain clarifications as to what is going to be done - to revive the capital market.

In the case Social Service Sector, Poverty Alleviation Schemes, it is undoubtedly a continuation of the policy of the earlier Government - the various poverty alleviation schemes which had been introduced by the earlier Government. Excepting reference to the Mid Day Meal Scheme, there is no reference, whether the Government is continuing with those policies or those measures or not. I shall be glad if the Finance Minister assures that those policies which had already been introduced by the earlier Government, are to continue. For example, the Social Assurance Scheme, the earlier Congress Government had introduced. In that scheme, in every village of 3,000 segments and 15 villages, seasonal employment would be given to two persons in every family in the rural areas, for 100 days because the employment in the rural sector is not all the year round. Whether this scheme is still being purposed or not, the Finance Minister will enlighten us.

For example, we have got Social Assurance Scheme, where apart from any policy of insurance, if any earning member in a rural area below the poverty line dies because of accident, Rs. 10,000 will be given by way of compensation. If there is a natural death of the earning member, Rs. 5,000 will be paid. I shall be happy if the Finance Minister assures that this policy is to be continued.

We had introduced a scheme by which expectant mothers, three months before and three months after their delivery, will be given a sum of Rs. 300 per month. Is that scheme continuing or not?

Why I am saying so? If all those schemes would have been continued, then there was no need to mention the Mid Day Meal Scheme only. We had introduced, for example, a scheme under which, in every village, people above the age of 65 were entitled to have pension, although, it is not a very heavy amount for all the families. And in that way, more than 40 lakhs people would be benefited.

We had introduced the 'Indira Awas Yojna' for which seven lakhs houses had been constructed and the scheme was, in the earlier years, for 10 lakh houses. Whether this scheme is continuing or not, we shall be happy to have the assurance from the Finance Minister.

Now, about the Poverty Alleviation Scheme. The earlier Government had introduced this scheme. In the Planning Commission's budget more than 150 per cent has been earmarked for the rural schemes of development and also Poverty Alleviation. We had earmarked 80 per cent on the primary education, sanitation and health; more than 100 per cent for the housing schemes. Whether the Finance Minister also is continuing with that policy.

He has given some additional amount for the rural development.

16.10 hrs.

(Shrimati Geeta Mukherjee in the Chair)

With regard to financing the employment scheme, the earlier Government created during the 1991 crisis period, a maximum of three million employment. Then we had increased it to seven million per year. I do not know what is the scheme now to be adopted because in the Budget we do not find any reference as to how the employment situation is to be tackled because the main problem in our economy today is that the middle class people, the educated people and even the uneducated people are haunted by unemployment. So, the main point today is what are the measures which the Government has to adopt for removing unemployment. Undoubtedly industrial growth, agricultural growth can be of great assistance. But that will take time. It is not like Aladdin's Lamp. We cannot introduce them overnight. Policies both short term and long term have to be framed, which, if properly implemented, might yield result.

The Finance Minister, in the case of industrial development, has introduced a very important scheme namely Infrastructure Development Bank. It is a very good suggestion; I welcome it. But I want to tell him that the Industrial Reconstruction Bank of India, IRBI which already started long ago. They have certain infrastructure. Instead of starting a new Reconstruction Bank and as promised by the Government contributing Rs.500 crore, why not utilise the IRBI which has already been started as a Bank which is mainly operating for that purpose? Their capital already Rs.200 crore; you can give some more capital of another Rs.300 crore. In this way the Government may save the cost of setting of and introducing a new infrastructure bank. Whatever machinery is required, it will take at least a year or so to operate. So, I will ask the Finance Minister to rethink over the matter as to whether the IRBI can be developed into a bigger industrial infrastructure bank.

The main theme in our budgetary policy is that the Government should develop a fiscal discipline. That has been the policy which the earlier Finance Minister also had been pointing out. But unfortunately we could not achieve it completely. I do not think that this Finance Ministry also will be able to achieve it. Rather, he has failed because the total non-plan expenditure is higher than the earlier year. But the only assuring position is that he had promised a Commission for the purpose of finding out ways and means as to how to regulate this expenditure in the governmental sector. I do not know when the Commission will be giving its report. By the time the Commission given its report and it is sought to be implemented, I hope the United Front Government will be there to implement it. I certainly wish the Government a long tenure.

The Finance Minister has also developed and adopted a new device: the Disinvestment Commission regarding public sector undertakings. It is a very good suggestion. The earlier Government also was

contemplating to appoint a Disinvestment Commission. So I welcome this measure. But I want to point out one thing as to why there should be disinvestment only in the public sector undertakings. The Government has its own shares in various other industrial concerns which are very flourishing ones. If the Government disinvests in those areas also, it will get more funds and the Government can spend that funds in social sector services.

It is matter for the hon. Minister of Finance to consider.

I welcome the present Budget, as I have pointed out. Insofar as it adopts the basic reforms which have been introduced by the earlier Government, insofar as it has also followed the guidelines and pursued the policy introduced by the earlier Government, there is nothing wrong in it. It is not a question of - as Dr. Joshi as called it - a cheap adoption of the Congress policies. What is the harm? If something is good and is adopted, you should not criticize it. But at the same time, certain adjustments which have to be made, require to be considered. I have my reservations with regard to some of those adjustments, which I have already indicated.

With these words, I support the Budget insofar as it follows the basic postulates of the economic reforms introduced by the earlier Government. Where there are lapses or deviations which are not in the right direction I have my reservations with regard to them.

With these words, I congratulate the hon. Minister of Finance for undertaking a difficult task in a situation where he has tried to adjust the varied strands of interests.

SHRI V.V. RAGHAVAN (Trichur) : Respected Madam, the ruling United Front is composed of, as our hon. Minister of Finance has put it, 'political parties of different complexions and different ideologies' and the United Front Government is supported by the Party of Dr. Manmohan Singh. In such a combination, finance management is an uphill task. I wish the smart and charming Minister of Finance in this tight-rope walk as success. No doubt, he is an asset to the Deve Gowda Government. Even Dr. Murli Manohar Joshi, it seems, is disarmed when our Minister of Finance smiles.

The Hon. Minister of Finance is the main architect of the Common Minimum Programme of the United Front. The first point in the CMP deals with liberalisation with social justice and self-reliance, I repeat, liberalization with social justice and self-reliance. But I am sorry that the stress I find in the Budget is on liberalization and restructuring on the same path adopted by Dr. Manmohan Singh. On the import policy, the disinvestment policy, the resource mobilisation policy, the foreign investment policy - on all these issues - I am afraid that we are deviating from the direction of the CMP, that is, of social justice and self-reliance. I hope the hon. Minister of Finance knows where we differ and I hope he can adjust with the various opinions on these vital issues.

Sir, I was hearing with interest the speech made by our learned friend who has just now concluded. We are not against liberalisation. To justify the liberalisation policy of the last five years, the growth rate is focussed to us. It is quite true. There is growth in our economy. But the most important point is, is this wealth meaningfully distributed? A major chunk of the wealth is harvested by the corporate people and the multinational corporations. That is a fact pointed out by the many fact-finding committee. It is there from the days of Pandit Jawaharlal Nehru. Why is it happening? Could we not adopt a policy through which the wealth produced is justifiably distributed to the toiling masses and to the deserving masses? If we can do that, then only we can say that we are doing social justice. So, just by merely pointing out the growth rate. We cannot justify the dangerous path we have been following for the last five years. I need not remind our friends here. I respect Dr. Manmohan Singh very much. He is the tallest person amongst us. When he adopted the liberalisation policy, under his nose and in front of his watchful eyes, how these scams took place? How these Harshad Mehtas and Sukh Rams could loot our own money? Our own money was looted to the extent of thousands of crores of rupees from State Banks of India, the Housing Development Corporation and ONGC. How could we reason out? What is the story of Such Rams? The Finance Minister would be shocked to hear that the people around Sukh Ram say that we have got only ten per cent. The remaining ninety per cent is hidden somewhere. This thing is happening in spite of liberalisation policy's merits and achievements. The ninety crore people who have no political affiliations are angry about it. The loot is going on. Liberalisation means anybody can loot from anywhere. Dr. Manmohan Singh did not say a word about these scams and about this naked loot. So, in liberalisation, there are ample sources of danger. Those loopholes must be plugged. I do hope and expect that our energetic and youthful Finance Minister would do something on this score. But I am sorry to say that no hint or point was made about this in his Budget speech.

We hear more attractive slogans nowadays like globalisation of integration of the global economy. That is a very attractive slogan. I need not elaborate on it here. Integration of the global economy means, plundering the developing countries by the developed countries. I have no doubt about it. You may please see how the American President is treating the WTO. He is making his own laws for the domination of the developing countries, as if he is the king of the whole world. WTO is nothing to him, but to the developing countries, it is a great thing. I hold my head in shame when the WTO compelled us to amend our Patent Law. It is a very good law. During midnight, that Patent Law was amended by our President through an ordinance. It is for what? It is for plundering us and for exploiting us. So, the G-7 countries, the developed, capital countries are doing that. WTO means, how to exploit the developing countries. These dangers are there.

When we sound our anxiety - our great friend said something about it here - it comes out of patriotism. We love this soil, we love this country. We tried globalisation, but we must also know the fact that the developed countries or the neocolonialists are planning to plunder the Third World countries day and night.

Please excuse me when I go to the days of our independence struggle. They also claim that industrial revolution is advanced in England. That small country named England became great Britain because they plundered us and they plundered us like anything. Now, the neocolonialists, the foreign financial institutions, the WTO are now attempting to plunder us again. On that score, we must be guarded; and our self-interest must be protected.

About foreign investment, it is okay, but while we receive foreign investment on infrastructure and on other vital sectors, we must safeguard our own interest and that should not be affected by our self-reliance.

On the question of import policy, balance of payment position is not very safe. I gathered it from the Baggage and on other sources also. It can come to a dangerous point any time. That is the position now, when we chalk out our import policy, would we not be careful about that? There are obstacles put up by the developed countries for our export. Silly things are there and they are out against encouraging export items.

So, when we chalk out our import policy, we should be very much careful about what we have to import. Is it essential to import such items? That must be minutely examined. What is the necessity for importing consumer goods now? When we are helping the agriculturists, we can them. They are producing whatever we want. Mr. Finance Minister, what is the necessity for reducing the import tariff on rubber? I see no reason at all. As far as rubber is concerned, we are self-sufficient.

I come from Kerala. Kerala produces 95 per cent of our requirement. They have increased the production. They got a fair price for rubber. When you are reducing the import tariff and there is going to be the import of rubber in the market, the peasants will be hit.

Again, the most unfortunate State of Kerala and the most unfortunate people of Kerala are hit in so many ways by this Budget. Industrially, we are the most backward State. We have only some industries established by the Maharajas. The Maharaja of Travancore, Sir C.P. Ramaswamy Aiyar, was a *Diwan* there. Then, we got a major factory - Fertilizers & Chemicals Travancore Limited. And it is thriving now. You have proposed reduction in import tariff from 45 per cent to 30 per cent for caprolactum. It will collapse the factory...*(Interruptions)* The FACT was established by the Maharaja. We did not get any industry for the last 50 years in independent India...*(Interruptions)* So, after rubber, caprolactum is also going to flood the market.

I do not know how is it necessary to reduce tariff on edible oils. We are producing edible oils. We give incentive to our peasants.

I think, he will consider all these things in his reply. That is our appeal from the whole of Kerala. You are discriminating this State. But we have a hope in you. If the tariff on edible oils is reduced, the State of Kerala will be hit. Thirty lakh peasants are producing coconuts and coconut oil in Kerala. After rubber, coconut oil is our main agricultural production. If edible oil is imported at reduced tariff, 30 lakh coconut cultivators will be hit. So, that is not a minor thing but it is my major complaint. When we think of import, import policy and import tariff, we have to consider our self-reliance, our peasantry and our emerging industrialisation.

Now, Electronic things are flooding the market and our electronic industry is being closed. Uptron is closed and Keltron is on the verge of collapse. So, when we say self-reliance, when our educated youth is unemployed, should we not try to develop our own industry, should we not try to encourage our peasantry to produce what is necessary for us, instead of encouraging the multinational corporation as to sell their goods in this vast market? They are out for it. They are trying to exploit our market. They are out to plunder us as before. So, this neo-colonial onslaught by way of World Bank, IMF, WTO and others is adopted to plunder and exploit this country. That should be taken care of. So, liberalisation, globalisation and integration of the world economy are all attractive slogans and phraseology but there lies the danger. Think of our national interest. That is where we differ from Dr. Manmohan Singh. That is where we championed this CMP. The main thrust in the CMP is liberalisation with social justice and self-reliance. Social justice and self-reliance are two things to which we should put our head, our resources and our thoughts to build a new India. That is a vital sector of our economy.

SHRI SAT MAHAJAN (Kangra) : You do not like liberalisation; you do not like globalisation or privatisation. What do you like then?

SHRI V.V. RAGHAVAN : We like liberalisation; we like globalisation and privatisation. But the prime thing is our own interest. We should look at our own interest, safeguard that interest and then go to privatisation, liberalisation and globalisation. That is our policy. Self-reliance is a word which I derived from Mahatma Gandhi and Pandit Nehru.

DR. T. SUBBARAMI REDDY (Visakapatnam) : What is private interest?

SHRI V.V. RAGHAVAN : I did not say that. No, Mr. Reddy, I did not say private interest. I have no private interest at all...*(Interruptions)*

MR. CHAIRMAN : What is negative in self-reliance? Please tell me. Mr. Raghavan, you go on with your speech. He has made his point very clear.

SHRI M.P. VEERENDRA KUMAR (Calicut) : Self-reliance, privatisation and everything, within the national framework, is something commendable. If privatisation

is of Clinton type, I do not know why we should support it...*(Interruptions)*

SHRI V.V. RAGHAVAN : Madam, resource mobilisation is the most vital area which we have to ponder over.

How are we going to get it? You could have resource mobilisation when you are able to get hold of the big business houses and the rich people. I think, the Budget has remained silent on this aspect. Tax evasion is a criminal offence and this procedure has been adopted by the big business houses for years together. The generation of blackmoney is the main source of tax evasion. What are you going to do to get hold of them? Unless you get hold of the persons evading tax, you cannot have sufficient resources to fulfil these budgetary provisions. Adopting austerity measures is all right but you would get very small amount by adopting austerity measures. But if you could get hold of the persons evading taxes, then you could have enormous and ample funds and ample resources as well. When are you going to do that? All these Harshad Mehtas and Sukh Rams are thriving with blackmoney. You have put forward a very minimum proposal for those companies who evade tax that is the Minimum Alternate Tax or the MAT. We the Members in the Departmentally-related standing committee on Commerce were fed up with representations from various organisations about this.

SHRI P. CHIDAMBARAM : What was your final recommendation?

SHRI V.V. RAGHAVAN : We said that the Government may consider it. Dr. Manmohan Singh said that we would be fair. Dr. Manmohan Singh said that we, the Members would urge the Government to examine this and the recommendations of the Committee are not binding on the Government. Anybody can examine anything and you are a wise man.

SHRI P. CHIDAMBARAM : I would have been considerably happy if you had categorically rejected it. Now, you say that I should examine it then I should examine it now.

SHRI V.V. RAGHAVAN : Please examine and reject that is what we want. Myself, Shri Vyalar Ravi, Shri Mullapally Ramchandran and others from the United Front and the Congress unanimously told Dr. Manmohan Singh that we may not urge the Government to examine it, the Government may examine it. You are a wise man, you can examine it and reject it outright. That is my request. The MAT should be there. Some thousand and odd companies would be covered under it. Under some pretext of some re-investment somewhere, there companies are evading tax. So, this MAT should be there and from this the Government could mobilise some resources.

Mr. Finance Minister, could we not make an attempt to do something to tap this blackmoney? We must ponder over it. There is virtually a rival Government

running on blackmoney. Many social evils have cropped up and the very social fabric of the country has been threatened by it. It is the result of this enormous blackmoney. The persons with blackmoney are thriving like anything. So, when we talk of resource mobilisation, we must turn to those sources where are enormous money and resources. If you are for social justice then resource mobilisation should be there.

You have given so many exemptions and encouragements as well in the name of capital growth and capital investment. But by taking advantage of these things they are evading tax and the blackmoney thus generated is playing havoc in our society and in our day to day life.

So far as allocation of fund to various Ministries and Departments is concerned, I am in general agreement with my learned friend, the former Speaker of Lok Sabha, Shri Patil. He has put it very elaborately and very convincingly. I differ with him on one thing, that is the allocation of fund for the Defence Services. The Finance Minister has correctly said that money will not be a problem for the Defence Services. Shri Patil wanted more money to be allocated to them. I do not know why! Defence preparedness does not only mean Budgetary allocation but involve initiatives in various other sectors. That is where we lack. I think, our stress should be to protect our great nation and our borders. In the modern world, the modern Defence preparedness means something else which cannot be achieved by merely money. So, the Finance Minister is quite right in saying that the money will not be a problem. The Defence preparedness means taken some bold initiatives in several sectors. I need not elaborate them here.

I will now come to disinvestment. I do not know what will be the terms of reference for the commission for Disinvestment. I have a feeling that a number of factories, especially in the State of Kerala, are being closed. We have very little industrial development in Kerala. Most of the factories are closed down or termed as sick and referred to BIFR. Are we going to disinvest all these companies? There are public owned companies also. In my opinion, an attempt should be made to revive them. The infrastructure is already there. Building is there. Ample space is there. Almost all of them have up-to-date machinery. So, we must try to revive these factories and not retrench the workers. That should be our prime goal. We should not rush to disinvest them.

Finally, I would talk about the price line. To help the common people, we should think twice. I do not dispute about the price hike in petroleum or diesel. It may be necessary. But when we take one action the reaction is manyfold. Excuse me as I see things from the angle of my State. We are now very much burdened. We have to get everything from distant places. Whatever we produce we export it and earn foreign exchange.

We have to get things from Orissa, Andhra Pradesh and other States. The prices have shot up because the

transportation cost have risen. All these problems are not taken into consideration by the people in power at Delhi.

In regard to the PDS, it should be borne in mind that Kerala is in a peculiar situation. From the days of the British, from the days of Maharaja, we have a very rich public distribution system covering all people. Suddenly, the system is being changed. The special situation we are facing in Kerala should be taken into consideration. Kerala is the only State which has implemented statutory rationing throughout the State. That should be allowed to continue. Kindly examine reduction of tax on import items like rubber caprolactam and edible oil, and if possible newsprint. Our newsprint production companies are in a very bad shape. So many special situations are faced by us. I must repeat that nowadays, we the people of Kerala feel that we are the most unfortunate people because we happened to be on the southernmost part of this great land. At least the Finance Minister should consider...

SHRI P. CHIDAMBARAM : I am also from the southernmost part of India. In terms of human development Kerala ranks very high. In terms of literacy, in terms of the PDS, and in terms of other indices of human development, Kerala ranks very high. I am proud of Kerala. My learned friend also should be proud of Kerala.

SHRI SONTOSH MOHAN DEV (Silchar) : Kerala is very progressive State. That does not mean that you will give them the minimum amount of money. They are bringing the maximum for you from Dubai and other places. Do not give to West Bengal, but give to Kerala. They are a better State.

SHRI NIRMAL KANTI CHATTERJEE : They can give to Assam also, but that is not the point.

I think the Finance Minister is aware that all that he said started becoming a picture of the past. The Kerala Government had seminars indicating how they are arriving at the bottlenecks. In fact, the present tendency is that there is a decline in school enrolment. The Finance Minister should know that as he also comes from the South, I have seen reports, I do not know whether they have been checked. Even in the health system, because of lack of growth in the economy, they have started suffering and coming down from whatever they have achieved.

SHRI P. CHIDAMBARAM : Those facts are wrong. Kerala's growth rate in the last three years has been one of the highest in India. The fact is, school enrolment is declining because of the declining growth in population. The number of children has declined and that is why school enrolment is declining in absolute numbers. But there is no child in Kerala who do not go to school.

SHRI V.V. RAGHAVAN : That is exactly what my point is. We are being punished for what we have achieved in this infrastructure.

SHRI M.P. VEERENDRA KUMAR : In technical education system, Kerala is the most backward State in India. In literacy we are the first, but not in the other fields of education. We are very backward, probably Rajasthan is above us in this.

MR. CHAIRMAN : Hon. Members, we are debating the Budget of India.

SHRI V.V. RAGHAVAN : Madam, this is all connected with the Budget.

SHRI P. CHIDAMBARAM : If you do not have this discussion, the budget discussion will be very boring.

SHRI V.V. RAGHAVAN : Education is a part of the infrastructure. It is a vital point. All these are connected with the Budget.

It is a vital part. All these are connected with the Budget.

MR. CHAIRMAN : Such problems are also there in all the under-developed and far-flung places. That is why I am telling, you are not speaking only for Kerala but you are speaking for others also. That is what all of us should understand. It will be the same.

16.56 hrs.

(Mr. Deputy-Speaker in the Chair)

SHRI V.V. RAGHAVAN : Now, I need not remind the Finance Minister regarding CMP's thrust. On these four point viz., Import Policy, Disinvestment Policy, the Resource Mobilisation Policy and Foreign Investment Policy, some reconsideration is necessary.

SHRI O. BHARATHAN (Badagara) : Sir, the hon. Finance Minister has presented the Budget for the year 1996-97. I must, at the outset, say that this Budget, as far as the working class and the poor are concerned, is a great disappointment. The Budget is nothing but the 1991 Economic Policy of the Government. It is a continuation of the Economic Policy of the previous Government. There is no drastic change in this Budget. As I stated earlier, people expected a radical change in the Budget but there is no radical change in the Budget as such. This is the point which I would like to bring to the notice of the House.

Sir, before coming to the Budget proposals, I would like to refer to the circumstances under which the United Front Government came to power. The Government came to power at a very critical stage. But with quick and effective steps, the Government is trying to lessen the burden of the people. I do not want to elaborate the political scenario in which the United Front Government was formed with my Party supporting from outside.

A Common Minimum Programme has been formulated to take policy decisions for the United Front Government. This is the first time in the history of India that the reality of Indian State was taken note of. It must have been compelled due to the very format of the

United Front Government which is constituted by thirteen powerful national as well as regional Parties. The spirit of federalism was re-emphasised by the United Front, and my Party, the Communist Party of India (Marxist) takes the credit for the consistent stand we had in this respect.

To touch upon the Budget, I would say that a humble beginning has been made whereby the need to delegate financial power to the States finds a mention. The States must be empowered with more powers to function within its own parameters to make India a true federal nation. In this respect I would suggest that apart from the areas of foreign affairs, communication, defence and currency, the Central Government should delegate its powers to the States in other areas of development.

17.00 hrs.

When we talk of federalism, though it may not be relevant to the issue, I would like to firmly express my State's disappointment on the non-representation of Kerala in the Union Cabinet. A State with 29 Members including Members of Rajya Sabha and all of them whole heartedly supporting the Government do not find a berth in the Union Cabinet is something intriguing.

In this regard the statement of our hon. Prime Minister that he would represent Kerala in the Union Cabinet is a cruel joke, if not a mockery. Let me ask a simple question why does the hon. Prime Minister do not find it fit to represent States like Bihar, Karnataka and UP in the Central Ministry? There is no logic or ground whatsoever in the Prime Minister's statement. I wish and hope that the hon. Prime Minister would take necessary steps in this regard.

Let me come to the hard facts of the Budget. I do not want to play with figures, I would broadly touch upon the main points. I warmly welcome the proposals of the Minister to set up an Expenditure Commission to look into the expenditure side. The wasteful expenditure is paralysing the system. It is coupled with corruption and mismanagement. The amount which is wasted must be more than the amount spent on plan-implementation. And it is needless to say that the common man bears the brunt for this. The Commission should be appointed without much delay. I would humbly request the hon. Finance Minister that this Commission should not have the fate of other commissions and committees which are never able to function properly. The report of the proposed commission must be scrutinised and implemented without delay.

The another aspect which is highly perturbing is the fact that no project is completed and commissioned in time. This is the most important reason for the cost of expenditure spiralling high. Instead of announcing projects left and right, the Government should make it sure that every project announced must be completed within the stipulated timeframe.

I would strongly oppose the decision of the Government to sell out the shares of PSUs. The Minister in his budget speech has announced that disinvestment to an amount of Rs. 5000 crore would be done in this current financial year. I am sorry to say that the legacy of the Manmohan's policy is closely hunting our present Finance Minister. Shri Manmohan Singh had the dubious distinction of selling the shares to mop up money to adjust the budget deficiency which in my view is totally unethical and unprincipled.

The founding fathers of our country had given much emphasis to the public sector and in fact, Pt. Nehru gave a sacred aura to this institution. The PSUs built on the sweat and blood of the common man cannot be dismantled by the whims and fancies of some individuals. The Government upholding the spirit of the CMP should try to rejuvenate the sick PSUs. The imperative should be professionalised and modernised PSUs which are now clouded and embroiled with mismanagement.

The thrust on agricultural sector in the Budget is a welcome step, but much has to be done. The two schemes declared in the insurance sector are welcome. But the Government should have made a direction to the agricultural sector in respect of insurance which is a practice in all the developing societies.

Now, Sir, every year crops worth thousands of crores perish due to natural calamities. The Limited Crop Insurance Programme is a non-starter. Only by envisaging a system whereby there is a sufficient insurance cover for the crops, the agricultural sector can be effectively modernised.

The Government has made a provision of Rs. 4000 crore for the implementation of the Fifth Pay Commission's Report. I would urge upon the Government to extend urgent relief to the Central Government employees. It is understood that the Commission's recommendation for a 12.5 per cent DA increase has been accepted by the Government. This may be implemented without any delay. At the same time, the sad plight of three lakhs and ten thousand extra-departmental employees in the P & T Department cannot be ignored. These employees are working for pittance. It is a long standing demand that their service conditions may be revised to give them proper security of life.

Let me now come to the Kerala angle of the Budget. Broadly speaking, the Budget has taken care of the concerns of my State, Kerala. The announcement in respect of developing Cochin Port as transshipment port is to be welcomed. At the same time, the decision to cover under the customs tariff the natural rubber and caprolactam will adversely affect the interest of the State. The Kerala economy is much dependant on rubber and other cash crops. Any inflow of natural rubber from abroad will plunge the price of rubber in the domestic market. Caprolactam is produced by FACT and any

dumping from abroad would adversely affect this prestigious public sector unit. The decision to increase the excise tariff on mini-cigarettes will boost the beedi industry in Kerala. My only suggestion is that this increase in tax is quite inadequate. I would also suggest that the tax on beedi should be revoked and it can be on tobacco as it was earlier. I had given a detailed memorandum to the hon. Finance Minister in this regard. Only a partial relief is given in this Budget.

With these suggestions, I would conclude my speech. I hope that the shortcomings would be rectified and the criticism would be taken in the true spirit.

I once again place my support to this Budget.

SHRI PRAMOTHES MUKHERJEE (Berhampore) (WB) : Thank you, Mr. Deputy Speaker, Sir, for the opportunity given to me to express our views on the General Budget for 1996-97. On behalf of my Party, RSP, I rise to support the Budget in general, subject to some of my reservations on it.

It appears to me that the hon. Finance Minister has made a very good attempt to present a balanced Budget as far as practicable in this existing socio-economic system. I appreciate the Budget. While drafting this Budget the Government had to face three important areas of challenges, namely, the fiscal challenge, the infrastructure challenge and employment and poverty alleviation challenge. Naturally the hon. Finance Minister had three major problems before him to tackle in this Budget, namely, to reduce the fiscal deficit, to enhance and to create a congenial atmosphere for inviting foreign investment, to check the inflation and to provide rapid industrialisation. I am happy that the hon. Finance Minister has devoted much labour, time and energy to fulfil his task in this Budget. With this objective in view, he was emphatically said that economic reform is a necessity and herein lie many questions and interrogations.

Sir, with your permission, I quote from the Budget speech of the hon. Finance Minister.

"Wisdom dictates we remain on the high growth curve. In order to do so, we need more reforms, not less."

This statement made by the hon. Finance Minister in his Budget speech has created a very wrong impression in the minds of the people. So, to continue economic reforms or to depend on economic reforms is nothing but the continuation of policy of economic reforms of the previous Government. This impression has been primarily created in the minds of the people of our country. But as far as I understand the Budget speech made by the hon. Finance Minister, I can say that the purpose of economic policy, of economic reforms of the previous Government in the name of globalisation and privatisation has meant for the high and affluent society and for the multinational corporations to roll over the Indian market and Indian economy. As far as

I understand the speech made by our hon. Finance Minister, I can say that the purpose of its policy of economic reforms is meant for the infrastructure building, for the core activity of human life and for the common man. Here lies the basic difference in attitude and approach in respect of policy of economic reforms. This is the salient features of the Budget and I appreciate the Budget. While appreciating the Budget, I beg to mention that a regular Budget is a direct product of the socio-economic system. It cannot be divorced from the existing socio-economic system. We are living in an age of sophisticated metropolitan capitalism. Capitalist mode of production and the capitalist *modus operandi* is the determining factor for drafting a regular Budget in this socio-economic system.

It is known to me as a student of social science that capitalism suffers from inner contradictions within itself. Significantly, the Indian capitalism also suffers from inner contradictions within itself. With the advancement of science and technology and with the advancement of metropolitan capitalism in India, the Indian capitalist are divided into two major segments; Industrial Bourgeoisie and the Agricultural Bourgeoisie. Today the growth of Agricultural Bourgeoisie in Indian economy is an admitted fact and, I think I am not wrong if I say that the cry of the Agricultural Bourgeoisie and the demand of the Agricultural Bourgeoisie, that is, the necessity of Agricultural Bourgeoisie in rural areas have been reflected in his Budget speech.

So far as the role of the NABARD is concerned, so far as the role of the RIDF is concerned, it can be ascertained that the rural financial institutions serve the purpose of the rural elites and the rural haves.

We welcome the proposal made by the hon. Finance Minister in his Budget speech for a doubling of flow of credit to agriculture and agro industries. We welcome the suggestions made by him for this purpose to increase the share capital of NABARD and to increase the fund of RIDF and to set up an accelerated Irrigation Benefit Fund. But we have a bitter experience. The facility of these rural financial institutions goes to the privileged class of the society.

It does not go to the hands of the actually needy poor people. It does go to the hands of the sharecroppers, workers or daily-wagers. The rural elite are the owners of the land in the rural area. They have the power tillers. They have the tractors. They have the capacity for investment. They have the capacity to put security deposit for taking advances from the bank or any financial institution. They control these facilities. They control these avenues for giving the facilities. The rural common men, the rural poor people, the rural agricultural workers cannot go through the curtain of bureaucracy of the banking system. They do not get any facility from all these rural banking institutions. But we are to accept all these views.

Are we to do so? Have we got no experience of nationalisation of banking system? The hon. Finance

Minister has also suggested for the setting up of a new private local area bank. We know it clearly as to what would be the role of these banks. These banks would have the jurisdiction of two or three adjoining district. But what is our experience about the regional rural banks? The regional rural banks, after the nationalisation of fourteen banks in India, were established with the same purpose of saving and investment in the local area. But what is the fate of the regional rural banks today? Their officers, their employees, their staff are becoming redundant today. I can remind here, with your kind permission, that all the regional rural banks' employees and staff have given a memorandum to the hon. Finance Minister which is left under his consideration. I would appeal to the Finance Minister that let us make first the rural banks economically viable today in the interest of the local area people, and then we can propose to suggest or set up a new private local area development bank.

We have also seen the other suggestions made in this Budget. They are infrastructure development and small-scale industries development. Definitely, they are good. Now comes the question of infrastructural development and small-scale industries. He is close to accept it. He has proposed the setting up of Infrastructural Development Finance Corporation - I.D.F.C. He has also given a booster to SIDBI and its participation in Venture Capital Fund. But the I.D.F.C., S.I.D.B.I., and Venture Capital Fund cannot be successfully utilised unless the land reforms in the area is complete. Unfortunately or incidentally land reforms is a State subject. But I would appeal to the hon. Finance Minister and to the hon. Prime Minister of our country and to the Government to take up the matter of land reforms in the Chief Ministers' meeting which is an essential matter if these proposed institutions are to function in a very right manner.

I read about a very brilliant term which is coined by our Finance Minister — 'Economic Federalism'. In my opinion it is the term coined by the West. I can say only this. I had the experience that there are centripetal forces in our country and there are also centrifugal forces in our country and often you find that there is serious contradiction between the centripetal forces and the centrifugal forces. The only solution is federalism and that is economic federalism. I highly appreciate this term coined by our hon. Finance Minister. Today the Chief Ministers of different States, the Governors of different States or the elected State Governments of different States in our country raise their hands towards the Central Government.

They appealed to the Central Government to give them more power, to give them more finance, to give them more executive power. That is their legitimate demand. That is the demand of regionalism. This demand of regionalism cannot be neglected. That should be honoured in our Constitution, that should be honoured in our Budget. This is the key word of our total economic federalism.

So, economic federalism, as has been coined by our Finance Minister, can solve the problem of contradiction as found between centripetal and centrifugal forces in our country. So, I would appeal through you, Sir, that many things can be said on this Budget. I will not take much of your time to conclude my speech. I will appeal in this fashion that I have said so many words and I have also heard so many valuable words on this Budget. But the words cannot judge the merit of the Budget, only the deed can judge the merit of the Budget. I would appeal to the hon. Finance Minister to act in this fashion.

Hundreds and thousands of toiling masses working in the factories or in the sick industries are looking forward to the mercy of this Parliament, to the mercy of the Finance Minister, to the mercy of this House. They are waiting for the Budget. What are we doing for them? Hundreds of workers are unfed and unpaid. All the doors are closed for them and they are thrown on the streets to die to starvation. This is the situation of the workers of the sick industries. What is the Finance Minister suggesting for them? He has already suggested that something would be done in the Winter Session. In the Winter Session, he has proposed to bring a comprehensive policy for the revival of sick industries. But these people cannot wait for the Winter Session. They demand something immediately from the mercy of this House and the mercy of the Central Government. I would appeal on behalf of these starving toiling people of the sick industries and public sector undertakings that please do something for them. Thunder comes and thunder goes. That is the rule of nature. A Government may come and a Government may go. That is the rule of history. But there is a rule of mankind that people will remember you for a long time. If you do something, if you come forward with the spirit of your coalition, then people will remember you for ever. I shall be happy if the hon. Finance Minister is really faithful to the unusual complex mandate of the people for providing a Government which is committed to secularism, which is committed to foster economic growth, which is committed to enhance social justice. Our Finance Minister is really faithful to these dictates, to this unusual complex mandate of the people given in the last Lok Sabha elections. I think he will remember it, he will consider it, he will give due attention to it and raise the budgetary allocation for the starving toiling masses of the sick industries and the public sector undertakings. Thank you.

**SHRI CHITTA BASU (Barasat) :** Sir, I rise to extend my support to this Budget presented by the hon. Finance Minister on behalf of the United Front subject to certain comments which I propose to make. The suggestion which I now propose to make is in the larger interest of the common masses of our country, in the larger interest of the sustained unity of the United Front and in opposition to the evil forces of communalism and fascism and also against the anti-people, pro-imperialist and

pro-landlord policies pursued by the Government of the earlier days.

Sir, I am firmly convinced that the the United Front which represents the entire spectrum of the Left, democratic and central forces of the country can alone deliver the goods for the common masses of this country in the stride towards prosperity, in the stride towards rapid industrialisation and in the stride towards removing the social, cultural and economic backwardness that we suffer from.

Sir, this Budget - I think the hon. Finance Minister will agree with me-reflects some uneasy and worrisome co-existence of continuity and change. I quite appreciate that the people of our country gave the mandate clearly for change in policies. Therefore, the overwhelming mandate being for the change, the Budget, had it been truly faithful to the mandate, would have brought in its wake a large number of changes in the policies. But Sir, with all humility, I want to point out to the hon. Finance Minister, who is one of the architects of the CMP, that the continuity is more pronounced than the change. The changes are there. I do not say that there are no changes. But changes are half-hearted, halting and full of doubts. Therefore, what the people would have been happy to know is that the changes are rapid, changes are with the perspective and changes are with the prospect of a better and happier life for the common masses of our country. The aspect of the continuity is more than the aspects of the change. This is not in fulfillment of the people's mandate that brought us to this great and august House. Sir, the Finance Minister has laid down the objectives of his Budget Speech. On this score I am happy to quote him :

"To remain steadfast on the course of economic reforms and liberalisation aimed at accelerating economic growth."

Sir, this means the worrisome continuity and this worries me. As many of my colleagues have already pointed out, what do they really mean by that economic reform for which they promised to remain steadfast. The economic reforms which were introduced in July, 1991 are nothing but the prescription of the World Bank. I am very sorry to use these words because I know that our Finance Minister is very touchy about it and many of our Members are also very touchy about this. That is the prescription made by the Fund and the Bank for liberalisation, globalisation and privatisation, and again in collaboration with the privatised units or privatised entities with the imperialists or the MNCs. If that is the course of reforms, then, with all humility, Mr. Finance Minister, I beg to differ from you. Faster economic growth cannot be viewed or cannot be discerned being isolated from the social, economic and political interest of the masses.

Mere growth is not desirable. It is not merely the development which is important. But the question that arises in my mind is: growth for whom? Prosperity for

whom? That is the question that needs to be answered. I am sorry to say that this Budget does not answer that question of today: development and prosperity for whom?

Having noted the negative aspect, I also give credit to or appreciate some significant and welcome features of the Budget proposals. I would be doing injustice to Shri Chidambaram if I do not praise it, if I do not take note of it and if I do not bring to the notice of the House the significant and positive aspects of the Budget. I will simply sum it up. I shall not explain because I am very much concerned about my brevity and also because of the paucity of time. The Budget proposals have got the following welcome features, namely: announcement to bring the Zero Tax companies under the taxnet; the threat of stringent measures against tax evasion; expression of allegiance to the CMP; reiteration of some of the major concerns such as the need for infrastructural development; worry over the decline in the pace of investment in the agricultural sector; urgency of providing some relief to the common people from the ravages of inflation; announcement regarding the transfer of most of the Centrally-sponsored schemes to the control of the State Governments; restructuring of the rural credit facilities by way of enhancing the capital base of the NABARD; review of the working of the BIFR; announcement about the Sick Industries Companies Act and lastly announcement about the increase in the budget allocation for Education. Broadly speaking, there are other significant and positive aspects of the Budget. But I felt that these items or these aspects are very vital and very significant. This ushers in a new thinking in the budget-making process. I quite appreciate the efforts of the hon. Finance Minister in bringing in a new outlook or ushering in the beginning of the new process of budget-making. Therefore, I appreciate this effort. I know that that will really help the other Finance Ministers in the years to come to pursue the policy of budget-making.

I again refer to certain shortfalls also. Having appreciated the positive aspects, I also want to bring to the notice of the hon. Finance Minister some of the shortfalls, in my view. Although the Government claims an improvement in the economy, yet the step up of the public investment effort is far from impressive. As for example, the budget visualises the revenue receipt to go up by 16.2 per cent in the current year. But the Plan Expenditure comprising the budget support to the Central Plan and the Central Assistance to the States and the Union Territories has risen only by 12.3 per cent - that too in an environment of inflation. If we take the inflation into account, this 12 per cent increase will not be 12 per cent increase in real terms having accepted the Government figure. It will be only six per cent enhancement. That is not very impressive, in my mind.

The Central Plan outlay has, however, increased by 16.7 per cent over the revised estimates. But it is

due more to the internal resources mobilization and not through the budgetary or higher budgetary allocation. That means, the Budget has not given proper emphasis for the plan expenditure or to the enhancement of the public investment.

Again, I want to bring to the notice of the hon. Finance Minister another negative aspect. The Central Plan outlay for rural development and social services is supposed to increase by 9.5 per cent which is not adequate as per the requirement. When I say all these things, you have to bear in mind the inflation at the rate of six per cent or seven per cent, as you may accept.

Having regard to the employment generation, the situation is not also very encouraging. Employment generation schemes comprise, namely, of the Jawahar Rozgar Yojana, the Employment Assurance Scheme, the Indira Awas Yojana. These are generally considered to be the employment generating avenues. What has been the allocation for it? Last year, in 1995-96, the allocation was Rs. 5,473.88 crore. Now it has not increased. The Budget Estimate for 1996-97 has been Rs. 5,460 crore which is less by Rs. 13 crore.

SHRI SONTOSH MOHAN DEV : But the cost per unit has been increased.

SHRI CHITTA BASU : That is why, it is less. I have got seven point objective of the Budget speech of the Finance Minister which I do not like to quote because that will also take away my time. Therefore, the Government is not practically starting up the public investment in the interests of the common masses, in the interests of increasing the volume of employment. As a matter of fact, I think, Shri Chidambaram will excuse me when I use a harsh word saying that he is abandoning his responsibility, the Government under him is abandoning the responsibility as a State. You have got a responsibility towards the people. You are not increasing your responsibility, you are not increasing your reach, you are shrinking your reach, you are abandoning your responsibility to the people as also to the State. Failure of the Government to allocate adequate funds for the infrastructure sector and social sector tantamounts to providing opportunities for the entry of the private sector in these areas. There are proposals in the Budget speech itself for the establishment of Infrastructure Development Finance Company. That shows that the Government is abandoning its responsibility of developing the infrastructure. You are inviting private companies, the private capital to undertake the job of the State. This is not a progressive approach. It is, Mr. Chidambaram will excuse me for this, a regressive approach. I know that you cannot accept this idea.

SHRI P. CHIDAMBARAM : There are two ways in which you can do this. I will not dispute your figures now. I will reply to it later on.

SHRI CHITTA BASU : Let me complete it now.

SHRI P. CHIDAMBARAM : I just want to make a point. I am not replying to your figures now. The figures are wrong. But that is all right. There are two ways in which you can make public investment. I support that. Yesterday I said this in answer to a question and I think, Shri Nirmal Chatterjee nodded in my favour. You must have public investment. You have to make huge public investment in infrastructure, in irrigation, in agriculture related activities, in roads and so on. In all this, a huge public investment has to be made.

There is no quarrel. Private investment can only come at the margin in these areas. It is public investment which must lead the way and I have done that in this Budget and I will explain when I reply.

What Shri Chitta Basu is suggesting is that I must tax the people and use tax revenue for public investment. That is one course. The other way is to create institutions under Government control which will raise revenues, which will leverage its capital and raise revenue; and use it for public investment.

Now, which is the better courses? That is the issue that you will have to address. If you tax people and use tax money for public investment, that is one course. Some of which has to come from that.

The other course which I am recommending and commending to this House for its consideration is, use your capital wisely, imaginatively, cleverly to raise more capital and invest. Both are public investment. I think, the second course is more efficient. It will have a better return. I am not abandoning the first course, but I think, you should not abandon the second course either.

SHRI CHITTA BASU : I am not going to abandon the second course but I think, this will reflect the attitude of the Government. Do you mean to say that the State has got no responsibility in providing amenities in the social sectors?

As a matter of fact, I will come to the basic question of the philosophy of the Budget - of this Budget also, later on.

SHRI SONTOSH MOHAN DEV : Raise your revenue.

SHRI CHITTA BASU : I will come to the very basic question of the Budget.

Therefore, one of my allegations is, you are not increasing the public investment and abandoning to a great extent your responsibility as a State.

SHRI P. CHIDAMBARAM : You are doing injustice to your own Government. This Budget has provided more for public investment than anyone of the last five Budgets.

SHRI CHITTA BASU : I shall be happy if you invest more...*(Interruptions)*

SHRI P. CHIDAMBARAM : That is a different matter but do not say, it is less. It is more than that of the last five Budgets.

SHRI CHITTA BASU : Mr. Deputy-Speaker, Sir, I would again point out certain negative aspects also. Let us examine the CMP and your Budget proposals. The CMP set its goal in the following words. In am quoting...*(Interruptions)*

SHRI SONTOSH MOHAN DEV : Sir, I would make a small request that Shri P. Namgyal is going to Leh in connection of Assembly Elections there, and if he can be accommodated after Shri Chitta Basu, it would be better.

If Shri Chitta Basu may please conclude his speech early, Shri Namgyal can also be accommodated after him.

MR. DEPUTY-SPEAKER : I was just thinking of that.

*(Interruptions)*

SHRI P. CHIDAMBARAM : Please leave 10 minutes for Shri Namgyalji. You must conclude so that he can get at least, 10 minutes to speak.

SHRI CHITTA BASU : I will bargain with you. I will finish within 10 minutes and after Shri Namgyal can start.

Sir, the CMP set its goal in the following words :

"The United Front will not be a replacement of one set of rules by another."

It goes further to say :

"It will mark the beginning of an alternative model of governance based on federalism, decentralization, accountability, equality, social justice, economic and political reforms, respect for human freedom and openness and transparency."

Sir, are you satisfied that all these aspects have been adequately reflected in your Budget provisions?

SHRI P. CHIDAMBARAM : Yes, Chitta Basuji, this is the first Budget. We have got five years.

Therefore at the outset, I extended my support not because I am satisfied with it, but because I feel this is the beginning of a new process, this is the beginning of a new outlook, this is the beginning of a new process of budget making and also having regard to the political compulsion that he is facing. To achieve this goal what is needed is a reversal of the economic policies so far pursued and that total reversal is absent. I do not accuse him for that. It is because of the compulsion of the situation. The Budget proposes to bring down the fiscal deficit to five per cent of GDP from 5.9 per cent in the Revised Estimate. But the CMP has stated the principles of fiscal management will however not be followed at the cost of development or investment. That spirit has also not been properly reflected in the Budget proposals. This has not been strictly adhered to according to me. The Government's capital expenditure for 1996-97 shows a decline from the year 1995. In the year 1995-96 it was 3.6 per cent of the GDP and in 1996-97 it

declined to 3.4 per cent. There are other examples also. Since I want to conclude within ten minutes, I do not like to further multiply the examples. But two examples are adequate enough, so that the Government can take note of them and can revise their proposals accordingly.

My last point is very simple. It is about the philosophy of Budget making. It seems to me that the entire approach of the Finance Minister is that there should be attempts to have growth with social justice. What is the linkage between growth and social justice? I do not know whether he will agree with me. There cannot be growth without social justice. The social justice part just cannot be delinked from the process of growth. As a matter of fact, I have got an editorial written not by any Leftist, but by *The Times of India*. While writing the editorial on the SDR Report of this year it says:

"What the SDR Report shows is that not only do the benefits of growth fail to trickle down, but that the lack of human development eventually becomes a constraining factor for growth itself."

Social Justice is not merely a conception of weak. It is irretrievably connected with the growth itself. If you can provide greater and greater amount of social justice your growth rate will be faster and faster. Your idea is that the faster growth and social justice are merely a derivative of it. But my point is, you cannot have a faster growth if you cannot ensure social justice. This editorial says further :

"Thus, 89 countries are today worse off economically than they were a decade or more ago. No less than 70 developing countries mostly in Africa, Latin America and CIS have regressed to 1970. Not all these are basket cases nor a part of the civil war."

But what I say is that India could have attained faster growth if a greater degree of social justice had been ensured. Unless greater social justice is ensured, there cannot be faster growth.

Social justice can be ushered in by the philosophy which says that there should be greater access for the people to the productive assets. Unless you make the productive assets accessible to the common man, unless you allow the land to be owned by the peasants, unless you ensure ownership or participation of the labour in the process of production, unless all the productive assets are accessible to those who labour and toil, growth can never be faster and growth cannot be for social justice. I think, this is the poverty of thought, the poverty of understanding which is replete in the Budget proposals.

I hope that the hon. Minister of Finance, who is enlightened, who is sophisticated, who understands the basis urges of the people, would take note of this and if possible make suitable corrections so that the CMP

ever remains a guiding and inspiring source and the people of this country can march along the path of prosperity and growth.

[Translation]

SHRI P. NAMGYAL (Ladakh) : Mr. Deputy Speaker, Sir, I rise to take part in the discussion on the General Budget and would like to express my views thereon. I support the Budget presented by the Finance Minister for 1996-97 and want to congratulate him for promoting further the liberalisation policy of the previous Government. He has adopted this policy in a beautiful manner and has removed whatever deficiencies it had.

There is no doubt that he has presented a good Budget but I had some complaints also. The Government announced hike in prices of petrol and diesel before the presentation of Budget. This hike may not have affected the plains people so much but the people living in hill areas which are not connected with railway network and which depend on road transport have been unjusticed greatly because the supply of daily consumer items is transported by petrol and diesel propelled vehicles. The Government have hiked the diesel prices by 15 percent but the transporters have raised transportation charges from 30 to 40 percent. Similarly the petrol propelled vehicles like taxis, tourist vehicles have raised their fares by 50 to 80 percent which in my opinion is a great injustice to the hill people. The entire hill region, entire Himalayan region has been affected. He must think of some remedial measures, he must give some grant or assistance to affect this price rise. He should identify those areas where mainly petrol and diesel vehicles are used for transportation.

I would like to give an example. A truck used to charge a freight of Rs. 11,000 for loading 60 quintal goods for transportation from Jammu and Leh which was increased to Rs. 14,000 and now it has been hiked to Rs. 18,000. He is aware that our region remains closed for traffic for seven months in a year and the transportation charges are increased when the roads leading to this region are closed. Last year the freight of one truck went upto Rs. 29,000. The roads leading to Ladakh region of Jammu and Kashmir are still closed. This affects our stock position and the prices will be affected adversely. The prices of all essential commodities will go up.

I am grateful to the hon'ble Prime Minister for sanctioning a special Plan assistance of Rs. 392 crore for Jammu and Kashmir a part of which has been earmarked for infrastructural development of railway and road transport. We have a scheme for construction of a new railway line from Kazi-gond to Baramula. We have also an alternative Mughal road route for which a sum of Rs. 50 crore has been provided. This will have a good impact upto the Kashmir Valley but it will not give any special benefit to our region but whatever has been

given I welcome it. He has recently paid a visit to Ladakh region and sanctioned a grant of Rs. 16 crore which is mainly meant for water supply schemes.

I have one complaint also. He knows that our Congress Government sanctioned last year a Ladakh Autonomous Hill Development Council. Elections for this are being held. In this connection I had made a request to the hon'ble Prime Minister to extend an assistance of Rs. 50 crore for providing building infrastructure and communication facilities for the newly constituted council but he sanctioned only a sum of Rs. 16 crore. I don't know how he was briefed because in my opinion he could not perhaps understand our requirement. The Leh and Kargil two districts are in my Parliamentary Constituency and one has Autonomous Council but other has no such Council. We had demanded a sum of Rs. 50 crore for the development of infrastructure but he sanctioned Rs. 16 crore only which is to be divided between Leh and Kargil on 50-50 basis. During the regime of Farruq Sahib and Shiekh Sahib this tradition of 50-50 was in vogue and perhaps the same line has been followed by the Prime Minister. This has created some resentment between these two districts and it is continuing. 18.00 hrs.

You have given us a Council and we want more funds should be made available for the development of the infrastructure in Leh. My Parliamentary Constituency is spread over an area of 65000 sq km. of which only 14,000 sq km is in Kargil district and the rest of 51,000 sq km is in Leh.

The Planning Commission does not give any consideration to the area while framing various plan schemes but I want the schemes should be area-based and not population - based because the Plan is too the development of the area and not for the development of population, although we have more population in Leh. I want more funds be made available for the development of the area because the population based development goes against our National Family Welfare Programme. So population based funding is not correct.

MR. DEPUTY SPEAKER : Namgyal ji, how much more time you would like to take because it is going to be 6 o'clock now and if you want to speak for sometime more than I will have to seek the approval of the House.

SHRI P. NAMGYAL : Sir, I would like to speak for 15 minutes more.

MR. DEPUTY SPEAKER : No, it is too much. You may speak for 5 minutes more.

SHRI MANORANJAN BHAKTA : Mr. Deputy Speaker, Sir, you can give him as much time as he needs to make his speech and thereafter you can adjourn the House.

MR. DEPUTY SPEAKER : No, I will have to take the pleasure of the House.

SHRI P. NAMGYAL : Mr. Deputy Speaker, Sir, please give me ten minutes more because I want to go to my

Constituency today itself after completing my speech. I, therefore want to complete my speech today itself.

MR. DEPUTY SPEAKER : You can speak for 5 minutes more.

SHRI P. NAMGYAL : Sir, I will not be able to make my speech in 5 minutes. Kindly give me 10 minutes more.

MR. DEPUTY SPEAKER : All right I extend the House for 10 minutes with the leave of the hon'ble Members. You please complete your speech in 10 minutes.

SHRI P. NAMGYAL : Sir, we had demanded special one-time-grant of Rs. 50 crore for Ladakh Autonomous Council and he can give whatever he considers appropriate. I am not rigid and will not insist of Rs. 50 crore. He can give us whatever is possible. We are prepared to accept even Rs. 40 crore but I will request the hon'ble Finance Minister to arrange for the grant in whatever manner he deems fit. I know the hon'ble Finance Minister can spare this much amount for us.

My second point is about road communication. The Janskar division of Kargil district remains cut off for of 9 months in a year. Not only from Other parts of the world but from Ladakh and Kargil themselves because of heavy snowfall. The Department of Economic Affairs had recommended a Rs. 60 crore proposal to the Government of Japan under Buddhist area programme which is covered under Japanese Economic Assistance under O.F.C. This proposal envisages construction of roads but we have been given to understand that Japan Government has not taken any decision in this regard so far. I request the hon'ble Finance Minister to send a second request to the Japanese Government on behalf of Government of India. Sir, if this road is sanctioned and constructed we will have an all weather road and our area which remains cut off for 9 months at present will remain open through the year.

Sir, similarly we have Varila road which is a strategic road and we had made a proposal for its construction by Border Roads Organisation. He knows that Pakistanis are preparing to occupy Siachin and this Varila road is very important for connecting the Siachin area. This road has to be constructed afresh by the Border Roads Organisation. I will request that this should be given a serious thought.

Mr. Deputy Speaker, Sir, I would now like to submit about income-tax. Shri Chidambaram ji is aware that Ladakh area was exempted from income tax liability from 1982 to 1988-89 and this exemption is extended after every 5 years. In 1989 the Janata Dal Government was in power and this scheme was dropped perhaps, because of their ignorance. Since then, it has become a continuous source of harassment because the local populace do not have the status of income-tax payee. He knows that their economic condition was not good

in 1989 and 98 percent population of this area has been granted the status of scheduled tribes. On the one hand, they have been declared as scheduled tribes, on the other income-tax has been imposed on them, which is a great injustice. I would request Chidambaram ji to consider giving exemption from income-tax to this area which has 98 percent scheduled tribe population on the analogy of grant of exemption to the tribal population of North-East area.

I have already mentioned that Ladakh remains cut off for 7 months in a year and because of this all of us, whether it is businessmen or other professional, we have to accumulate stocks for the whole year. The funds are blocked irrespective of the consideration of profit or loss, we cannot re-invest these funds till the road communication is opened next year. So, even the businessman does not have appreciable income. We have a handful of Government employees there and the provisions of income tax are being applied to them. I consider it as injustice because the present living cost there is 400 times more than that prevails in Jammu and Delhi. The remote areas have been equated with Mumbai, Delhi, Calcutta or other big cities in matter of income-tax. So, this has to be re-examined because my area has little source of income.

Sir, no income tax is paid in Kashmir valley although provisions of Income-tax are applicable to it. Not tax has been paid since 1982. In 1982 during the regime of Faruq Abdullah a team of income-tax officers have gone there to conduct raids but those officers were thrashed badly. Two air-buses full of staff were despatched to the valley and the staff was beaten badly. Some got there legs broken, some hands broken and the women staff got their teeth broken. They were thrashed so badly that the income staff now does not dare to go to that area. If he has the power he can realise the income tax dues from those people. We are poor, we are gentle, we are hill people and he is forcing us to pay income-tax. No body dares to go to Srinagar. I would urge him not to this injustice to our area.

As far as Defence aspect is concerned, Ladakh is very important strategically. Ladakhis have fought three wars with Pakistan, by rubbing their shoulders with the brave Indian defence forces. It was Ladakhis only who fought Chinese forces during Chinese aggression of 1962. The Chinese had started attacking Rudok. I cannot forget the resistance given by Major Shaitan Singh belonging to the 9th Kumaon regiment of the Indian Army. The Chinese started attack from their Chief headquarters which was 100 km away from Rudok but

unfortunately we had no second line of Indian defence as a result our forces had to retreat.

We have the Ladakh Scouts' Unit in Ladakh region which is a small unit of Indian Army. I would plead that this unit should be recognised as a regular regiment. This unit is deployed right from the Siachin height to Pakistani border, Chinese border and it is a fit combating force to fight at higher altitude. Our regular forces will feel relieved if this scouts unit is given the status of the regiment and its strength is augmented. This will be in the interest of our country. I, therefore, demand that this scouts unit of Ladakh should be accorded the status of a regiment.

Now, I come to telecom services. As I had requested earlier, there is disruption in Telecom services in our area although there should be no occasion for this disruption. My Constituency has an area of 1 Lakh square kilometer including the area illegally occupied by China which is about 35,000 sq km. We have 65,000 sq km. area with us and it is bigger by 10,000 sq km. compared to the similar constituency of Himachal Pradesh. So he can imagine what sort of communication system we need. We have 3 sub divisions in our area. A proposed for setting up an earth-station was mooted but nothing is being done. This station should be set up without further delay because communications are very essential there. Many times natural calamities visit us, heavy snowfall affects us but we do not have any source of communication. We have a place named Janskar, a reference of which I have made earlier which remains closed for 9 months. Nubra remains closed for 6 months and Jhankhal, though, does not remain closed for so many days but is located in most remote areas on China border. There are the three-four places where earth-stations and arrangements to communication system are very essential.

While concluding, I thank the hon'ble Deputy Speaker and would request hon'ble Shri Chidambaram ji to consider the points raised by me and I support the Budget presented by him.

[English]

MR. DEPUTY-SPEAKER : The House stands adjourned to meet at 11 A.M. on Thursday, the 29th August, 1996.

18.11 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Thursday, August 29, 1996/Bhadra 7, 1918 (Saka).*