The motion was adopted.

[Translation]

SHRI BHAGWAN SHANKAR RAWAT : I introduce the Bill.

15.50 hrs.

[English]

LOTTERIES (PROHIBITION) BILL

SHRI VIJAY GOEL (Sadar-Delhi) : I beg to move for leave to introduce the Bill to prohibit institution. promotion, conduct and sale of lotteries and for matters connected therewith.

MR. SPEAKER : The question is :

> "That leave be granted to introduce the Bill to prohibit institution. promotion, conduct and sale of lotteries and for matters connected therewith."

The motion was adopted.

SHRI VIJAY GOEL : I introduce the Bill.

MR. SPEAKER : Dr. Pandey is absent. He has requested for deferment.

15.50 ½ hrs.

[Translation]

CONSTITUTION AMENDMENT BILL
(Insertion of New Article 371HA)

SHRI BACHI SINGH RAWAT 'BACHDA' (Almora) : I beg to move for leave to introduce a Bill further to amend the Constitution of India.

[English]

MR. SPEAKER : The question is :

> "That leave be granted to introduce a Bill further to amend the Constitution of India."

The motion was adopted.

[Translation]

SHRI BACHI SINGH RAWAT 'BACHDA' : I introduce the Bill.

[English]

MR. SPEAKER : The rest of the business on the Private Members' Bills will be taken up after the conclusion of the Finance Minister's reply. Finance Minister please.

15.51 hrs.

[English]

GENERAL BUDGET - 1996-97 - GENERAL DISCUSSION

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : Mr. Speaker, Sir, 46 days after the Budget was presented, I am glad that I have the opportunity to reply to the debate which has taken place over a period of three or four days. I must confess that a certain sense of urgency or a certain quality of passion that should attach to this debate was indeed missing. In a way, I think that is because the Budget did not effect or provoke too much opposition from any quarter.

I have a useful way to test whether we are on the right course or not. It is a very simple talisman. Whenever I have a doubt, I visit my constituency and if the people in my constituency appear generally happy, I return with the confidence that we are on the right course. I am sure, every Member does that if not always, at least on crucial occasions in his parliamenatry carrer or political life. I do not believe that any part of India is very different from any other part of India or that people of any part of India are very different from those of any other part of India. There are social and cultural differences but, by and large, I think the heart beat of India is one. Hearts of all Indians beat in the same manner. And I believe that this Budget, the first one of the UF Government, has been generally well-received by the people of India as a Budget which balances growth and social justice, balances courage and compassion and balances reform and restraint.

I am grateful to hon Members from all sides of the House who have given their very valuable suggestions on the Budget and made some extremely valuable points which, of course, have been of great benefit to me. I am also grateful particularly to Opposition Members who, despite their criticism, were broadly supportive of many measures that were announced in the Budget.

Sir, I wish to begin with a brief exposition of, what I believe, is the need for economic reforms. Five years after reforms commenced, it is good that there is still a very healthy and effective debate on reforms. But the debate must move from stage to stage. The debate cannot go back to first principles. The debate cannot go back to the sterile and deological controversies like, should India open up its economy; should trade become free or do we need foreign investment. These are issues which have been debated, on which I believe we have broadened the consensus. Why do I say that?

So long as the Congress Party was in power as a single Party Government., the authorship of reforms belonged to the Congress Party and it reached out to other parties seeking support. It succeeded in some measure. It failed in some respects. But, today we have a Government of 13 political parties. The fact that 13 political parties have come together to write a Common Minimum Programme is a measure of success not to be ridiculed, not to be laughed away. And if the Congress Party also thinks that the economic policies of this Government are pointed in the right direction, then I would be right in claiming that the earlier support is enlarged rather than diminished in the last five years. This enlarged area today embraces a Party like the CPI. It embraces regional parties like the DMK, TDP and the AGP. It embraces a Party like the CIP(M), in good measure if not in all aspects. And, I think that is a good sign for the management of India's economy. It is good for the management of the political economy as well.

Sir, there was some discussion in the House about growth and social justice. In fact there was a very interesting dialectical argument about growth with social justice and growth through social justice. I see no dichotomy. Social justice and addressing concerns of social justice is a function of the capacity of the Government to do that. It is also a function of public policy. I believe, all of us agree, that public policy in this country requires every Government to address concerns of social justice. So, that is beyond dispute. The only other question is, what is the capacity of the Government to address concerns of social justice. More growth will mean greater capacity. Less growth will mean a diminished capacity.

In the first three decades, after planning started, it was our intention to double our per capita income, as it was in 1951. What did we achieve? We achieved barely a fifty per cent growth. In the fifties, sixties and seventies, India's GDP grew by an average of 3.5 per cent. In the eighties, growth accelerated to 5.5 per cent. But we never crossed 5.5 per cent. For the first time in the nineties, we are able to say in the last three years, that we are growing at over 6 per cent and we can confidently aim at 7 per cent growth. You just ask yourself this question. What will India be if its economy grows between 7-8 per cent over the next 25 years? By the year 2025 India's per capita income would have increased by four times. But if India's economy grew only by five or 5.5 per cent, our per captia would have only doubled. The two per cent incremental growth, the difference between five and five-and-a-half on the one hand and seven and seven-and-a-half on the other will mean that our per capita will either double or will go up to four times

16.00 hrs.

There can be no argument against growth. More growth will mean more capacity to address the concerns of social justice. So, I think, we must - as a Parliament, in which the people of India repose faith - affirm our collective determination to promote growth and as a result higher growth increases our capacity to address concerns of social justice.

Sir, the essence of economic reforms, as I said, is to promote growth. But that can be done only by improving efficiency and productivity. There has been some debate in this House about savings rate. I will come to that a little later, but broadly speaking, household savings in this country are quite high. Despite the fact that people in this country are poor, private savings, household savings are quite high. It is the public sector which has dissaved. Why it has dissaved is another matter? But the fact is that the public sector has dissaved, as a result of which our savings hovered around 21 per cent. But even with 21 per cent savings, if we were more efficient, if for every rupee that is invested, we were able to extract a greater output, we would achieve much higher growth.

For example, a country like Korea has been able to extract much higher growth with about the same level of savings that we had for a long period in its history. There is, therefore, no gainsaying the fact that we must emphasise efficiency and productivity. There is no way in which we can grow at seven to eight per cent unless we become a more efficient and a more productive economy. I believe - this is what I wish to - and I can convince this House that efficiency and productivity will come only out of competition, out of openness, out of better technology.

There is enormous empirical evidence to show and this evidence can be gathered from the East and the West, from capitalist countries as well as the former Socialist countries, that the State when it enters into areas where it is not competent to either promote efficiency or manage well, it does very poorly. There are areas where the State alone can provide the leadership as well as the investment. Obvious areas are health and education. Some goods have to be promoted only by the State. Law and order, security, defence can only be the concerns of the State. There are some areas where the State must lead and the private sector will follow - public investment. But there are a number of areas where I think we would build a more efficient and a more productive economy, if we allow the private sector to take the lead with the State providing a supportive role, a policy making role and a regulatory role. That is why, you will find the CMP addresses all these and come up with a coherent programme, a programme which recognises growth, which recognises the concerns of social justice, which recognises the role of the State, which recognises the place for the private sector.

Today, I will not deal with the tax issues. There is an opportunity to deal with them on the 10th and 11th of September when we discuss the Finance Bill. Today, I wish to deal with the philosophy of this Government and the philosophy of the Budget.

The foremost challenge that we face is the fiscal challenge.

I have tried to understand it as a non-economist. I want to explain it as a non-economist to most of us who are non-

economists. What is this fiscal deficit? Is it sustainable? Fiscal deficit 'F' is simply the addition of the revenue deficit and the net capital expenditure. Up to the early 1980s, we did not have a revenue deficit. Today, we have a very large revenue deficit. As projected in the Budget, the revenue deficit of 1996-97 is Rs. 31,475 crore. Last year, according to the revised estimates, it was Rs. 33,331 crore. It means, revenue expenditure exceeds revenue income by a huge amount.

Then, we have capital expenditure. We have some small capital receipts. For example when we recover loans that is a capital receipt or some other receipts. But the capital expenditure is Rs. 42,840 crore. It means we run up a deficit which is made up of revenue deficit of Rs. 31,475 crore and, net of some recoveries of loans, we run up a deficit in the capital account of approximately Rs. 31,000 crore. This Rs. 31,475 crore and Rs. 31,000 crore together makes up the fiscal deficit which is around Rs. 62,266 crore. Deficits have to be financed. How are we financing these deficits? We are financing the deficits by borrowing in the market or by monetising which is the euphemistic way of saying we are printing money. How long can we do that? Is it sustainable at all? We are borrowing in the market. We have to borrow for repaying old loans. We have to borrow to finance current consumption as well as current capital investment. Now, please look at the ratio once again. 'F' equals to 'R' + 'C'. Time and again I have been told and Members said here, do not neglect capital investment. I agree. I do not wish to neglect capital investment. But where will I find the money for 'C'? Can I increase 'C' by raising 'F'? 'C' can go to the sky provided 'F' also goes to the sky. The only way 'C' can be enhanced is to control revenue deficit. Unless 'R' is controlled - 'F' equals 'R' + 'C' - 'C' will never be enhanced even at the same level of fiscal deficit. We have uncontrolled 'R'. The revenue expenditure, the revenue deficit keep rising year after year. We have tried this year to compress it by Rs. 2,000 crore. It will be my first commitment to the people of this country, and to Parliament to ensure that we do not spend beyond what is budgeted. Any one who allows uncontrolled spending is doing a disservice to this country. We are really spending at the cost of succeeding generations. I would like to increase capital investment. That can only be done by controlling revenue deficit which means by controlling revenue expenditure, I can keep the fiscal deficit to the manageable limits.

I was talking about financing. We are borrowing now. We are borrowing in the market. This year, we will borrow about Rs. 35,000 crore. How much of it, do we monetise? If we monetise too much, interest rates will be kept down but inflation will go up. If we monetise too little, inflation will go down, but interest rates will go up. We have to strike a balance. We have to control both interest rate and inflation. If the interest rate goes beyond control, production will suffer, if inflation goes beyond control, the poor will suffer, all the people will suffer. So we have to walk a fine line of managing both inflation and interest rate.

The first lesson that I have learnt is that we must stick to the fiscal deficit that has been projected in the Budget and on no account should we exceed the fiscal deficit. Compressing the fiscal deficit is not an easy task. From 8.5 per cent, we have brought it down, last year according to revised estimates, to 5.9 per cent. Actual show about 5.7 per cent. That is praiseworthy of the previous Government. But we must bring it down further. The CNP says to bring it down below four per cent. This year, it is of my intention, to keep fiscal deficit to five per cent and next year to compress it even further. If we are to do that without risking and without compromising on capital investment, the only way to do is to control revenue expenditure.

Sir, the interest payment today accounts for Rs. 60,000 crore. In fact, the primary deficit, the difference between the fiscal deficit and interest payment, is very low. It is Rs. 2,266 crore, the lowest in the last several years. That is the interest payment is high and the only way interest payment will come down is if we reduce borrowing over a period of time. It will not come down overnight. It will not come down in the short run because these are the debts which have been accumulated in the past. Please remember, we continue to be a net borrower in the market today.

In this background, what has this Budget done? Firstly, we have taken note of the fact that agriculture continues to be sluggish, particularly the agricultural crop production last year was only 0.9 per cent. That is a matter of concern. It should be a matter of concern for all of us.

Nevertheless, the signs are good. We have had a good monsoon. The reports that I have seen, show that this is perhaps the best monsoon after 1993-94, perhaps as good as 1993-94 monsoon and that agricultural crop production this year will recover substantially. I am happy to inform the House that as of early August, the annual rate of growth in commercial bank credit to the non-food commercial sectors remain higher than 20 per cent. This has been achieved without taking the annual rate of growth of money supply beyond 16 per cent. We are trying to keep money supply to 16 per cent this year and without breaching that ceiling non-food commercial sector has been provided with all the credit that it requires.

The capital base of NABARD is being increased by Rs. 500 crore. RIDF II will have Rs. 2,500 crore this year for agriculture. Rs. 900 crore have been provided for completing the major and last mile irrigation projects. SIDBI has taken a number of steps to provide credit to small industries. Rs. 200 crore have been given for restructuring and recapitalising regional rural banks. Therefore, we have taken care of the credit requirements of agriculture and industry.

In fact, I wish to share some figures of projection we have made about growth of credit flow to agriculture. Last year, the total credit flow to agriculture was Rs. 24,849 crore. This year, we expect it to be Rs. 31,473 crore. Similarly, NABARD refinance last year was Rs. 8,383 crore. This year we expect it to be Rs, 8,560 crore.

As regards the agency-wise credit flow to agriculture, cooperative banks will lend this year Rs. 13,440 crore for production, credit; RRBs will lend Rs. 1,080 crore; commercial

banks will lend Rs. 6,486 crore and the total is Rs. 21,006 crore, which is 24 per cent more than last year.

Medium and long term credit, which is provided by cooperative banks, RRBs and commercial banks will be Rs. 10,467 crore, which is a 31 per cent increase over last year. The total credit to agriculture will be Rs. 31,473 crore, as I have said, which is a 27 per cent increase over last year. So, we have taken care of the needs of agriculture as well as the needs of industry and the small scale industries.

16.16 hrs.

[MR. DEPUTY-SPEAKER *in the Chair*]

Next, Sir, is on the management of inflation. High inflation hurts all segments of the society, especially the very poor. In fact, I say this to many audiences that inflation is the curelest form of taxation. It taxes the rich and the poor alike. There are several ways to bring down inflation. First is by reducting fiscal deficit. We have done that. At least we have declared our intention to do that. And how far we stick to our resolve will be seen in the subsequent months. The growth of money supply is being kept below 16 per cent. The custom duties have been reduced across the board because reduction of customs duties have a price-restraining effect. Imports have a price-restraining effect. The weighted average of customs duties now in India is about 27 per cent. It is much higher than Asian standards and much higher than world's standards. But since our industry requires a level of protection, we have kept it approximately at 27 per cent. In fact, the two per cent additional customs duty which I have imposed across the board has been criticised as retrograde. But I need that money for infrastructure. We have not arbitrarily or hastily dismantled customs duty. We are doing it according to the Chelliah Committee recommendations, according to a plan. I have not increased the excise duties. In fact, I have cut the excise duties across the board and the excise duty of a number of commodities have been brought down to zero. So, there is no cost-push inflation.

Finally, we want to manage the supply side. While reduction of customs duties, reduction of excise duties, keeping the fiscal deficit will help, eventually, I think, it is the supply side which will ensure that inflation is kept under control. In a country where population grows by two per cent and there are rising expectations, demands will always grow. You cannot control demand. It is aspiration which drives consumption and it is consumption which drives production. You cannot tell the people to postpone their aspirations to the next generation or the generation of their son and grandson. So, what we need is to ensure that the supply side is taken care of

We must increase production of agriculture, increase production of wage goods, increase production of white goods, durables and non-durables. If we can manage the supply side and see that there are no interruptions or bottlenecks, I think, we will be able to keep inflation down. It is now almost seven weeks since we raised the petroleum prices. Inflation has moved up only by about 1.2 per cent or 1.3 per cent. If inflation was a set of equations, we can play with it but inflation is a set of expectations. I would urge the hon. Members to take the message to their respective constituencies and I would tell the people of this country that there is no reason to fear that prices will go out of control.

We are keeping a tight lid on money supply; we are keeping a tight lid on expenditure; and we will keep a tight lid on fiscal deficit. We will manage the supply side; we will ensure that agricultural production and industrial production are not affected; goods will be available and there is no reason for people to believe that prices will go up or shortages will develop. If inflationary expectations are dampened, then inflation will be under control. We should do nothing and we should say nothing which will stoke inflationary expectations. There is no reason to believe in this year, a year of an excellent monsoon, that there will be any disruption of supply. I am confident, therefore, that we will be able to manage the inflation.

There is another area which requires careful management, that is, the balance of payment. Somehow, there is an impression that it has no impact upon what happens within the country. Unfortunately, it has.

Let us look at what has happened over the last two or three days. We plan to import a certain quantity of oil, we assume a certain price; and we assume that that price will remain at about 16.5 dollars per barrel. But if prices shoot up to 21 dollars a barrel, what happens to our oil import bill? What happens to our foreign exchange reserve? So, there is the external world which impacts upon India. In fact, it is a matter of some concern to me that import growth has slowed down in the first four months of this year to only about six per cent, but the oil import bill is rising by about forty per cent. We consume too much oil. I have urged upon my colleagues in the Ministry of Petroleum that we must find ways to conserve oil; we simply cannot consume so much of oil *(Interruptions)*

SHRI P.R. DASMUNSI (Howrah) : There are more cars and no roads. That is why, you ae struggling.

SHRI P. CHIDAMBARAM : The answer is not simple. The answer is not to say less number of cars and more roads will conserve oil. Anyone who reflects on it will agree. The answer really lies in investing in the petroleum sector, exploring for more oil; finding new oil reserves; and tapping those oil reserves. The answer does not lie in meddling here and meddling there. The answer lies only in the one traditional classic road; more investment, more risk taking, more enterprise, more exploration and more exploitation of oil reserves

Now, what has happened to our oil economy? We used to produce 50 per cent and we used to import 50 per cent. Now, since the consumption is rising at a much faster rate.

the production is not rising in the same rate, but the imports are rising at a higher rate. Our dependency on foreign oil is increasing. Therefore, the external economy impacts upon the Indian economy. The balance of payments, therefore, is very critical.

I wish to share some thoughts on the balances of payment and I wish to make one or two important announcements also. The external debts in March, 1995, was 99 billion; by September, 1995, it came down to 93.8 billion. It does not mean that we repaid 5.1 billion. We repaid one-third of that; the remaining two-thirds is the exchange rate change. But the management of our external debt has been very good. The stock of external debt as a ratio to G.D.P. has fallen from 41 per cent in March, 1992 to 29 per cent in September, 1995. That is the good record of managing the external debt.

Similarly, debt service ratio, because of robust growth in exports and other current receipts, declined from a high of 35 per cent in 1990-91 - the year of crisis - to 26 per cent in 1995-96.

That is also a sign of good management. In the current year 1996-97, we expect a deficit of the Current Account on the balance of payments to be around seven billion dollars or about two per cent of GDP. However, repayments on the capital account are likely to be unusually high this year - almost ten billion dollars because of the bunching of maturing obligations of past debt on account of external assistance. IMF loans, rupee debt to Russia and external commercial borrowings. It is unusually high becuase this year we have to repay $ 2.2 billion by way of redemption obligation on the India Development Bonds issued five years ago. To meet the nearly seventeen billion dollars of the Current Account deficit and capital repayments, without running down our foreign currency reserves from the level of seventeen billion dollars, we anticipate gross disbursements of external assistance and commercial borrowings to be in the order of nine billion dollars and another half a billion of net NRI inflows.

I wish to share a thought on foreign exchange reserves. Last year, we ran down our reserves by about three billion dollars and there are good reasons why it happened. I do not want to go into those reasons. This year we cannot afford to run down our reserves. In fact, we have built up our reserves. Since this Government took office, reserves have increased by almost a billion dollars - about $ 850 million. We cannot run down reserves below seventeen billion dollars because seventeen billion dollars will represent about 3 to 3-½ months of imports. So, we must maintain our reserves. We must provide here a more hospitable climate to both Foreign Direct Investment and Foreign Institutional Investment.

These were recognised when the CMP was drafted. The CMP was not drafted in a vacuum. The CMP was not drafted without reference to the economic realities of 1996-97. That is why the CMP says that we will invite foreign investment, we will create in this country a hospitable climate for foreign investment and we will aim at ten billion dollars FDI. If our outgoes this year will be $ 17 billion and if the inflows through external assistance, commercial borrowings and NRI will be about $ 9.5 billion, the remaining $ 7.5 billion must come through FDI, FII and GDR inflows.

I wish to take this opportunity to compliment and thank my colleague, the Minister of Industry for taking vigorous resolute steps to clear the entire backlog of FDI applications, for revamping the FIPB and for setting up the Foreign Investment Promotion Council, which, I believe, will meet in the next few days. We need more foreign capital. We need capital both in the form of direct investment as well as institutional investment.

Last year, we had a modest flow of FDI and a modest flow of FII. This year it is my hope and it is my aim to ensure that FDI increases by another one billion dollars - from two billion dollars to at least three billion dollars or 3.5 billion and FII also increases by another one billion dollars so that we will have this $ 7.5 billion. We expect to raise GDR inflows to about $ 1.5 billion. So, about three billion dollars of FDI, three billion dollars of FII and $ 1.5 billion of GDR will give us $ 7.5 billion, which is required to finance this year's external account. All this will not happen by itself. It will require active efforts on our part to maintain sound macroeconomic and sectoral policies and make special efforts to encourage the flow of foreign capital, both institutional and direct investment, into India.

Sir, I wish to take this opportunity to make a statement. We have decided to redeem in full the India Development Bonds. This is a sign of our strength. This is a sign of our confidence in our ability to manage the external economy. This is a sign of our confidence that we can maintain our reserves. There has been some speculation that we may seek to roll over these Bonds. I wish to put an end to that speculation. Our Balance of Payments is strong. We do not need to roll over. We will redeem the India Development Bonds in full this year.

Next, Sir, I turn to mobilisation of resources. There was a discussion in this House about savings. I alluded to it at the beginning of my speech. As I said, and I wish to say that again, that there is nothing wrong with India's private savings. Let me compare India's private savings with the savings of some other countries. India's private savings in 1994-95 was 22.7 per cent and it compares well with that of Indonesia which was 14 per cent - in the second half of the Eighties and it might have gone up a little in the Nineties - and that of Thailand which was 14.6 per cent and that of Malaysia which was 19.1 per cent and that of Japan which was 15.8 per cent.

Let me straighaway say that some of these figures are slightly outdated. Let me allow for another three or four per cent increase in their private savings. Even then, India's private savings at 22.7 per cent compares very well with the private savings of Indonesia, Thailand and Malaysia. Where we fall

behind is in the public savings. our public savings has never crossed two per cent. In 1994-95 it was 1.7 per cent and in one of these years it was even negative, whereas the public savings in Indonesia was 7.7 per cent in 1981-88 and in Thailand it was 8.6 per cent in the same period and 10.3 per cent in Malaysia and 5.1 per cent in Japan. The only way in which we can rise our savings is to ensure that our public sector - and that includes Government - does not dis-save and saves more. We must cut out all unproductive wasteful expenditure. We must get more out of every rupee that we spend; every rupee that we invest.

When I announced the package of austerity measures, when I required the public sector concerns to either pay a higher dividend as a proportion of their total payout or as a proportion of equity, there was some concern expressed. but what am I doing by insisting that they pay me a higher dividend? I am asking them to save more. I am asking them to become more efficient. And, believe me, this year they will return to the Government more by way of dividend than they did last year because they are now under pressure to perform at a higher level of efficiency.

Sir, this Budget aims to reduce revenue deficit to 2.5 per cent of the G.D.P. The Budget proposes to accomplish this not just by controlling the growth of expenditure but also by raising revenues. This Budget continues the strategy of tax reforms aimed at raising revenues through broadening the base of taxation and improving tax compliance through a combination of reasonable rates, simple tax laws and firm administration and enforcement.

In the last four weeks Members would have been pleased to note that both the Excise Department of the Government of India as well as the Income-tax Department have taken a number of steps on the enforcement side. I have not given them any specific instruction. All I have told them is that I believe in low tax rates, simple procedures but firm enforcement and better compliance. We are trying to make life difficult for anybody who evades tax. Everybody who is required to pay the tax must pay the tax, be it Income-tax; be it Excise duty; be it Customs duty. Tax evaders will be severely dealt with and they will be punished.

I have reduced customs duties. I have reduced excise duties. I have reduced income tax by five per cent for the first slab. I have halved the corporate surcharge. If all goes well with the support of the Prime Minister, we will continue on the path of reducing taxes and duties, but we will become firmer and more strict in enforcing the tax rate and ensuring compliance. Hon. Members may receive complaints that our people are inspecting, our people are asking for records. I would only urge the hon. Members to hear those complaints with one ear and let it out through the other ear, and not carry those complaints back to the Government of India because anyone who evades taxes must pay a penalty. Sir, as a result of these proposals and the underlying buyoancy, the ratio of gross tax revenues to GDP will rise this year to 10.5 per cent compared to 10.1 per cent in Revised Estimates last year. I have the fullest confidence in our Revenue Department and in our Excise and Customs Board and in the Direct Taxes Board that they will measure up to the expectations of the Government and will be able to collect the revenues that have been targetted for 1996-97.

Sir I also wish to take credit for what may appear to be arather dubious distinction that the tax effort this year has been the highest in the last 10 years. This Budget mobilises Rs. 2,692 crore which is the highest, I believe, in the last 10 years. And the fact that we have done it without creating a howl of protests means that we have done it in the manner in which a bee extracts honey from a flower and that is the way. I think, all taxes must be levied and collected. We have mobilised or we intend to mobilise an additional Rs. 2,700 crore. The closest we came was in 1991-92 when the Government raised Rs. 2,617 crore, but this year's mobilisation of Rs. 2,692 crore will be the highest.

Sir, there was some discussion about expenditure on social services and poverty alleviation. My friend, Shri Sontosh Mohan Dev had some figures, but everyone has his own figures. In fact, I have read a number of articles, essays, reports that we are doing less this year than last year. Factually, that is not correct. Let me say this. I began by saying, it is more growth, and more revenues which would give us greater capacity to spend on social services. In the last 5 years, the previous Government weathered the crisis, put India on a growth path and towards the end, towards the last two or three years allocated substantial amounts to social services.

I do not wish to take away any credit for those steps taken by the previous Government. What I wish to add is that the UF Government, given its renewed commitment to social justice, has improved upon the performance of the last couple of years. We have allocated more funds for social services. Now, I will demonstrate that presently.

Sir, let us compare 1996-97 Budget Estimates to 1995-96 Budget Estimates. The Central Plan allocation for social services has increased by 50 per cent, non-Plan allocation for these services has increased by 16 per cent and that is not a mean achievement. If you take the total of Plan and non-Plan allocation for social services as a per cent of total expenditure, this ratio has increased to an all time high of 7.3 per cent this year as compared to seven per cent in the revised estimate of last year and 6.2 per cent in the Budget Estimates of last year. One of the reasons is the economy is stronger. One of the reasons is the economy grew last year by seven per cent.

That is why, I readily give credit to the performance of last year that because the economy grew by seven per cent last year, this Government has been able to allocate 7.3 per cent of the total expenditure on social services this year. As a ratio of GDP, the allocation for Plan and Non-Plan expenditures in social services has risen to a record level of

1.19 per cent in 1996-97 compared to 0.97 per cent in 1995-96.

Therefore, Sir, any argument, any criticism that we have done less this year is, I say with great respect, factually incorrect. We have done more. We have been able to do more, we have had the capacity to do more because last year the GDP grew by seven per cent and please remember, these figures are only by allocations to the various departments and various services. I am not taking into account the very special plan which the Prime Minister and the Chief Ministers evolved jointly, the basic minimum services plan. I am not adding in this calculation the amount of Rs. 2,466 crore which we have provided for the basic minimum services. If I add that Rs. 2,466 crore, what we have done this year is the highest ever done and the highest that could have been done by any Government. This is enough affirmation of our commitment to social services.

SHRI SONTOSH MOHAN DEV (Silchar) : Mr. Chidambaram, I do not dispute your claim. But there are two or three things. You are quoting the Prime Minister. The Prime Minister has declared that in the balance 900 and odd blocks, the Employment Assurance Scheme will be covered in the next two years. At the instruction of the present Prime Minister, you have increased the amount given to an individual from Rs. 20,000/- to Rs. 22,000/- under Indira Awaas Yojana, whereas the allocation remains the same.

SHRI P. CHIDAMBARAM : That is not including Rs. 2,466 crore.

SHRI SONTOSH MOHAN DEV : You see our Report.

SHRI P. CHIDAMBARAM : I will see your Report.

SHRI SONTOSH MOHAN DEV : We are disputing your claim. Your intention is good, but as the Finance Minister try to keep up the word of your Prime Minister We will be happy.

SHRI P. CHIDAMBARAM : There need be no doubt that every Minister including the Finance Minister is obliged to honour and implement the word of the Prime Minister. Therefore, have no doubt on that score. The point is, the hon. Minister for Planning prompts me to say - and he is absolutely right, he is a distinguished economist and he is handling this - that you are not taking into account Rs. 2,466 crore. Most writers, most critics seem to forget that we are allocating Rs. 2,466 crore extra. This is additional to what has been allocated both for State Plan assistance and for Central Plan and what is this Rs. 2,466 crore going for? It is going for drinking water, primary education, primary health, rural road communication, Public Distribution System, housing and Mid-Day Meal Scheme. If you count the housing component and if some of that housing component goes to Indira Awaas Yojana, Rs. 250 crore goes to slum clearance, you will find that the allocation under every head will go higher than last year. I think you shoud wait for Rs. 2,466 crore to be allocated. In fact, it has been allocated to several States now and only two or three States remain. Once that allocation comes and if you then add what has been allocated under Rs. 2,466 crore to the heads of drinking water, slum clearance and housing, you will find that the allocation is much more.

If you look at the Central Plan Outlay for major schemes of social sector including rural development as per standard classification - I am not trying to juggle the classification - the total Central Plan expenditure on social sector as a proportion of Budget support for Central Plan has increased to a record level of 50 per cent in 1996-97 as compared to 47 per cent last year. Similarly, as a ration of the GDP, the total expenditure on these schemes has increased to a record level of 1.31 per cent of the GDP as compared to 1.25 per cent last year.

Therefore, Sir, we have done more and I am willing to share these figures with any hon. Member. If hon. Members feel that a note of this kind would be beneficial when they want to visit their constituency, I am willing to make copies of this note with these figures and circulate it to all the hon. Members in the next couple of days.

DR. T. SUBBARAMI REDDY (Visakhapatnam) : It will be helpful.

SHRI P. CHIDAMBARAM : I will do that.

After the fiscal challenge, the next challenge, as I said in the Budget Speech, is infrastructure. I think all of us recognise that India's infrastructure is straining its seams. Take ports as an example. Port performance is growing by about nine per cent a year. Last year, exports grew by 21 per cent and the imports grew by 29 per cent. Now it is a matter of high school arithmetic that if imports grow by 25 per cent and export grow by 20 per cent and ports grow only by nine per cent, something has to give somewhere which is what is happening today. Ships have to wait outside the harbour for nine days and ten days. The turn around time is ten days. You can repeat that for sector after sector. Take for example electricity. Now, look at the demand shortage, it is 20 per cent. Take for example our roads. We have only about 74,000 kilometres of what is called National Highway. But in many places it is only a Notional Highway. It is not a National Highway. It ought to be world class roads.

A gentleman from the Ford Motor Company who have set up a plant now in Maharashtra and who are setting up another plant in Tamil Nadu, told me that it takes five to nine days for a truck to go from Mumbai to a place in Tamil Nadu. If we need an efficient and cost effective system, and if it takes nine days for goods to move from Mumbai to Madras, how is it possible? It should take not more than two days if we have world class roads there. That is why we have identified the infrastructure challenge as the second challenge after the fiscal challenge.

I will run through very quickly just to refresh your memory. We have given Rs. 900 crore for completing major and last mile irrigation schemes. I am confident that the Deputy-Chairman of the Planning Commission and the Minister for Planning will announce the schemes by the last date of Parliament or immediately thereafter. We have given Rs. 2,500 crore to RIDF-II through the NABARD, Rs. 5,000 crore for the Infrastructure Development Finance Company which will be provided a capital of Rs. 1,000 crore this year, Rs. 200 crore to the national Highway Authority of India, a tax holiday for infrastructure projects is being extended to water supply, irrigation, sanitation and sewerage systems. income of funds for financing infrastructure projects is being exempted from Income Tax, and a special window of another Rs. 10,000 is being added to Section 88 of the Income Tax Act. Now, all this is what we provided by way of money and by way of policy support. But I am very concerned about the performance of the six infrastructure industries. These are electricity generation, coal, saleable steel, crude oil, refinery throughput and cement. Now cement is, by and large, in the private hands. But please remember the other five sectors are in the public sector. Now these sectors are under-performing the economy. That is bad. We must ask ourselves, there is no ideology here, if these sectors - electricity, coal, steel, crude oil and refinery under-performed the performance of the economy, how can we ever become a very strong nation the first class infrastructure? These sectors must over perform the economy. If the economy is growing by seven per cent and if the industry is growing by nine per cent or 10 per cent, these sectors must lead the way by over-performing the economy. Unfortunately, traditionally and historically, they have under-performed the economy. I have figures for April, May and June and there is a cause of some concern. Electricity generation in the first quarter of this year increased by only 2.1 per cent over the corresponding quarter last year. Crude oil, in fact, declined by 9.4 per cent. Coal has done well at 10.4 per cent. Steel is reasonably well at six per cent. Refinery throughput modestly at six per cent. Cement has done very well at 14 per cent.

But overall these six sectors have grown only by 4.6 per cent, while in the first quarter of last Budget, they grew by 11.8 per cent. If these sectors grow by four or five per cent, I am afraid, we will not achieve our targeted growth either in the industry or in the GDP. It is important that all players in these sectors - management, workers, trade unions, banks - must gird their loins to see their performance in these sectors improves. These are vital infrastructure sectors. They must lead the way rather than lag behind. One of the reasons why they are under performing - some of my friends should not find fault with me for making that statement - is that they are overregulated. It is absolutely necessary that we look at the regulations that hamper growth in these sectors and remove many of those regulations. It has nothing to do with the public sector and the private sector. Let it remain in the public sector or let it remain in the private sector; let both sectors function. But if they are overregulated sectors, we must find a way to remove some of these regulations. One of the reasons is overregulation, but there are other reasons also.

Sir, I wish to say a few words on the capital market. The capital market is a place where almost twenty million Indians have invested their hard-earned savings. The shareholding population of our country is growing rapidly as families seek new and productive outlets for increasing the value of their savings. The Indian companies and entrepreneurs are raising increasing amounts of money from the capital market to start new factories, to launch new business and expand the existing enterprises. The capital market goes up and down. While speculation is an unavoidable feature of any market, we must impart certain stability to our markets so that the interests of millions of small investors are protected. We have already empowered SEBI. I have reviewed what happended in the capital market in the year 1993-94 where a large number of poor quality issues vetted by poor quality merchant bankers came into the market, as a result of which, I believe, the small investor has virtually fled the market. I am determined to move against errant brokers, merchant bankers and dishonest promoters. Some action has already, been taken, but more can be done and will be done. In the past several weeks, I have been inundated with requests from various sections of society that I should do something to revive capital markets which have been going through a sluggish phase for quite some time. The state of the markets has to be constantly under review and watch. There are no one time or magic solutions. The Indian capital market suffers from a number of structural weaknesses which I intend to address systematically. But I am persuaded that there is an urgent need to perk up market sentiments since a good part of market behaviour is based on psychology and sentiment. In making the announcements that I will make now, my intention is to impart stability to the market and to woo the small investors back to the market. Sir, I am happy to announce the following measures.

1. Under Section 54 (E)(A) of the Income-tax Act, which is in the Finance Bill under consideration, capital gains exemption is to be given if the investment is made for three years in bonds or debentures notified by the CBDT. I propose to extend the coverage to include investment in all mutual funds.

2. Under Section 54 (E)(B) of the Income-Tax Act, which is also in the Finance Bill under consideration, capital gains are to be exempted from tax if the gains are invested in specified assets notified by the CBDT and retained for seven years. I intend to include debentures and units of all mutual funds in specified assets.

3. Under Section 80L of the Income-Tax Act, the exemption limit in respect of income by way of dividends and interest from certain specified investments in securities is Rs. 13,000.

Some Years ago, this limit was divided into two parts. I propose to revert to a two-part arrangement. I propose to raise the exemption limit to Rs. 15,000 but divide it into two parts of Rs. 12,000 and Rs. 3,000. Rs. 3,000 will be exclusively reserved for income from investments in shares and mutual

funds. The UTI should be happy. So will be the other mutual funds.

4. Individuals, Indian Companies and Foreign Companies pay capital gains at the rate of 20 per cent. Hon. Members will recall that in order to create a level-playing field, I made this a uniform rate in my Budget Speech. However, partnership firms escaped my attention. They alone are required to pay at the rate of 30 per cent. In order to remove the discrimination, I am reducing the capital gains of partnership firms from the existing 30 per cent to 20 per cent.

5. Some stock exchanges have set up investor protection funds. it is good to have such funds and we must encourage the growth of such funds. I, therefore, propose to exempt all such funds from income-tax provided the net income from such funds is ploughed back into the corpus. A suitable provision will be made in the Income-Tax Act in due course.

6. Hon. Members will be pleased to learn that the Reserve Bank of India is separately announcing an increase in the existing limit for bank advances to indivisuals against security of shares and debentures from Rs. 5 lakh to Rs. 10 lakh.

7. I would like to see a greater degree of corporatisation of the Indian broker community. It is in the national interest to have more corporates. Such corporate brokers will be subject to the discipline of the Company Law. We would also be able to enforce capital adequacy and other norms. I, therefore, intend to invite shortly leading stock-brokers, both individuals and firms, to a discussion to consider a scheme to facilitate the conversion of brokers into public limited companies. I look forward to a positive response and a fruitful dialogue.

8. I am convinced that we must have large institutions as major buyers in the stock-markets. Otherwise, the field will be open to FIIs. Until new institutional players emerge, the UTI and the LIC will have to share a big responsibility. These institutions are being strengthened and will be professionalised so as to make them effective and responsive participants in the equity market. I will ask the Boards of LIC and the UTI to take steps towards this goal.

9. In my Budget Speech, I had announced the increase in the limit of investment with each FII in a company from five per cent to ten per cent in respect of debt instruments. FIIs are allowed to invest up to 30 per cent of their total funds. There are several FIIs that manage or intend to manage dedicated debt funds. In order to attract more dedicated debt funds to the market, it has been decided to allow the FIIs to invest up to 100 per cent of their funds in debt instruments. Details will be announced by the SEBI in due course. With these, Sir, I hope that the stock-market will become a more attractive place to invite, to welcome the small investor.

Sir, there are only one or two points which I need to address. About the budgetary support to the PSUs, now the figures speak for themselves. About the budgetary support to PSUs, under the Plan head, last year, Rs. 6418 crore were provided. This year, the Budget proposes to provide Rs. 6870 crore. About Non-Plan loans, last year, Rs. 1184 crore were provided. This year, we are providing Rs. 1270 crore. About capitalisation of nationalised banks, last year, Rs. 851 crore were provided. This year, Rs. 909 crore are provided. The total, for last year, was Rs. 8,453 crore. This year, it is Rs. 9,049 crore.

17.00 hrs.

There is no reason to believe that budgetary support where necessary, where directed by the BIFR and where justified on economic considerations will not be provided. In fact, I will provide budgetary support provided that justification is strong and good. But we should not encourage PSUs to believe that they can become sick because the Finance Minister will provide budgetary support.

On Defence, again a concern has been expressed. I think, I made it very clear that finance will never be a constraint upon defence. That is one charge which stands above and beyond any partisan, ideological or philosophical consideration. We will never grudge what defence needs. But let us not - as one hon. Member from the CPM ranks rightly pointed out - assume that a good defence means more finance. A good defence is more than finance; a good defence is a sound foreign policy; a good defence is a good neighbour policy; a good defence is a good trade policy. We should build a good foreign policy, a good trade policy, a good neighbour policy and at the same time, we must provide all that our defence services require. I think, I said in my Budget speech that if the defence forces require more funds, more funds will be provided. i stand by that commitment. That is a commitment of the UF Government.

But let us look at the figures. The defence expenditure can be broken down into revenue and capital. In 1995-96 BE what was provided to defence was Rs. 25,500 crore. But by the time the year ended, the total defence expenditure increased to Rs. 26,878 crore. Last year between BE and RE, defence got an extra Rs. 1,378 crore, more than what they had budgeted for. This year, I have given them an additional amount, it has gone from Rs. 26,878 crore to Rs. 27,798 crore. While some hon. Members are looking at the increase from BE to RE, I submit that the right way to look at it - that is the way we have always looked at it - is from BE to BE because last year, defence did get Rs. 1,300 crore over the BE. And by the same token, if defence, during the course of this year, requires more funds, more funds will be provided. But I want you to look at the capital expenditure of defence. that I think, is the key. In 1995-96 BE, capital expenditure on defence was Rs. 7,354 crore. By the time we came to RE, it increased to Rs. 8,044 crore and this year, it is Rs. 8,944 crore, a solid Rs. 900 crore increase on capital expenditure which is one of the largest ones. Similarly, if you look at it in percentage terms, it is 21.6 per cent increase on capital expenditure as a percentage of GDP and the defence capital

expenditure remains at 0.7 per cent. It is a revenue expenditure which has been compressed. But if defence requires more money either on revenue or capital amount, it will be provided. Nobody need doubt our commitment to provide adequate funds for defence.

Lastly, I come to science and technology.... *(Interruptions)*

SHRI SONTOSH MOHAN DEV: I had given a memorandum about North-East.

SHRI P. CHIDAMBARAM: That was about tax matters. I will reply to that in the Finance Bill.

The budgeted revenue expenditure on science and technology in 1995-96 was Rs. 1,876 crore. In My Budget it is Rs. 2,124 crore. The budgeted capital expenditure on science and technology in the last Budget was Rs. 211 crore. in this budget, it is Rs. 236 crore, an increase of 12 per cent.

As a percentage of GDP, it continues to remain at the same level as of last year.

The innovation this year is that we have done three things. First of all, we have announced the constitution of a Technology Development Board which is a long pending demand. Secondly, from the Technology Development Fund, we have provided Rs. 30 crore whereas interim Budget only indicated Rs. 10 crore. The third innovation and the most important innovation is that I have said for every commercial rupee the CSIR, ICAR labs will raise, we will provide a matching rupee. Sir, there is some misunderstanding about what this commercial rupee is.

The Prime Minister took a meeting of the CSIR. A presentation was made by Dr. Mashelkar. All the distinguished scientists of India including the heads of all the labs were present. The presentation opened, much to my embarrassment, with a vote of thanks for the promise that every commercial rupee that they raise, will be matched by one more rupee from the Budget. Our scientists today are extremely confident and enthusiastic about the commercial rupee. In fact, they gave us figures about how much they have raised last year as a result of commercializing their science and technology in R & D.

I repeated the commitment in the presence of the Prime Minister and it is my privilege to make that commitment once again in Parliament that let our scientists spend as much as they want on pure science. Let them convert it into technology, into applied science. Let them interact with industry and agriculture; let them take a hundred patents which they are confident of taking. In fact, some Indian patents have now been registered in some very tough patent regimes - US, Europe, Japan. They are very confident of doing that. Only three days ago, you would have found a major Indian patent taken abroad. They say, they will raise a lot of money this year and a lot of money next year through the commercialization of science and technology. Every rupee that they raise, will be matched by an additional rupee from the Budget and you will find by the year end, science and technology would have got a much greater boost from this Government than at any time in the past. We are completely committed. In fact I read - again to my embarrassment - an article, I think, in the 'India Today' or 'Business Today' caption on science and technology and the budgetary provisions. The capition reads, "What the Doctor ordered". We are responding to a demand of the scientists. They want to commercialize their science, technology and research and they want us to match it, and we will match every rupee they raise, with another rupee apart from funds that will flow from the Technology Development Fund.

DR. ASIM BALA (Navadwip): The expenditure for most of the public sector undertakings and even the private sectors is very less. So, the Government should find some criteria, give some provisions for that. They should spend more for their R & D.

SHRI P. CHIDAMBARAM: Sir, I will conclude by saying that we have provided more because we have the capacity to provide more. If we continue to grow at seven to eight per cent, our capacity will increase. We can address concerns of helath and education with greater confidence and with more money. But I want to conclude by saying, by highlighting the major initiatives of this Government through this Budget. These are additionalities, these are initiatives which, I think, should be widely welcomed.

The first and foremost is the Rs. 2,466 crore that we are providing for basic minimum services. If we continue on this road for four to five years, if all our States spend efficiently, you will find that in all our villages at least the basic services are provided by the year 2,000.

SHRI SONTOSH MOHAN DEV: If they do not divert the money what shall you do? ...*(Interruptions)*

SHRI P. CHIDAMBARAM: The second major initiative is that we have not compromised either on food subsidy or fertilizer subsidy. On the contrary, we will enhance fertilizer subsidy by providing Rs. 2,266 crore to phosphatic fertilizers and potassic fertilizers which will restore the balance of nutrients to the soil. We have a major thrust on infrastructure, major thrust on large and last-mile irrigation projects. There is the thrust on social services and we have not compromised on our commitment to any of the schemes that have been nationally accepted.

We have not compromised on our commitment to any of the schemes that have been nationally accepted over the years since the times of Indira Gandhi, since the days of Rajiv Gandhi, throughout the period of the last Government. Whatever schemes have gained national acceptance, we have not withdrawn any schemes, we have not denied them money. In fact, every single scheme has been provided money. We

are not looking upon previous governments as governments hostile to us or as governments whose commitements we need not keep. Indira Awas Yojana, Prime Minister's Rozgar Yojna, Jawahar Rozgar Yojna, Nehru Rozgar Yojna, Rural Development; all these are schemes which the nation has accepted over the past fifteen years. We are not looking at it in a partisan manner. We believe we must have a continuity. Successive governments must continue what the nation has accepted, what the poor of India have accepted as instruments for their benefits. So, we have not compromised any of that.

We have taken some initiatives as any new Government must. We have taken some new steps as any new combination of parties forming a Government must. So, I believe, that is why the people of India have generally welcomed and accepted this Budget. While I am grateful for the broad support extended to the Budget, I would request hon. Members to continue to give me their guidance, to continue to give me their support. I will respond on the tax matters while I discuss the Finance Bill...*(Interruptions)*

MR. DEPUTY-SPEAKER: Please listen to me first.

SHRI M.P. VIRENDRA KUMAR (Calicut): Nothing has been said about the economy of Kerala.

SHRI XAVIER ARAKAL (Ernakulam): While replying to the Finance Bill we hope you will answer on our point about import duty.

MR. DEPUTY-SPEAKER: I will allow you, why do you not listen to me? Hon. Members. Private Members' Business is there today.

[Translation]

We have already made enough encroachment on time. I will allow, but debate will not go on like this.

[English]

SHRI SHIVRAJ V. PATIL (Latur): We are very glad to hear one good speech. There is a question which is nagging my mind and I would like to put it to the Finance Minister, not to find fault, but to get an explanation and some sort of enlightenment. He has said that in his speech he would speak about the policies of the Government. While doing that he said that this Government would like to have growth with social justice. We accept that his is a good principle. But there is a missing link and I would like to be englightened on that missing link. Growth we need, we want, we welcome. Social justice we need, we want, we welcome. But are we not going to pay attention to the economic justice? Have we forgotten that there is something called economic justice also? If economic justice is of some meaning and importance to us, what is it we are trying to do to achieve economic justice? Or is the social justice covering the economic justice also? If the producer produces and he does not get the price and the consumer purchases and he has to pay through his nose, is there an economic justice? If a custard apple is sold for fifty paise in the field and in Delhi if it is sold for Rs. 20, is there an economic justice? If the industrialisation is not taking place in an equitable manner in all parts of the country, are we paying attention to economic justice? If we are not, if this link is missing, should we pay more attention to it or not?

I would just like to be enlightened. These are not easy questions and yet an attempt should be made, a philosophy should be there and a policy should be there to do economic justice. We cannot forget economic justice and if we forget economic justice many people in the country will suffer.

SHRI XAVIER ARAKAL: Thank you, Mr. Deputy-Speaker.

The hon. Minister of Finance was conspicuously silent on the question of import duty and its imapct...*(Interruptions)*

SHRI P. CHIDAMBARAM: I said that I would deal with it along with the Finance Bill.

SHRI XAVIER ARAKAL: I know that you said so. We were patiently listening to you..

SHRI P. CHIDAMBARAM: I was not conspicuously silent. I was conspicuously eloquent in saying that I would deal with it when I deal with the Finance Bill.

SHRI XAVIER ARAKAL: It is quite true. Let it come. That is why I said, 'let me point out that point which was not highlighted in the speech of the Minister of Finance'. How is it going to affect our indigenous industry? How is it going to affect the Treasury as such? For example, let us take the reduction of import duty on copralactum products. How is it going to affect our indigenous industry's production? We would like to know the policy of the Government on that point. That is what I wanted to know and not all the details of the Finance Bill. I know that the Finance Bill is coming up. Kindly enlighten us on this.

MR. DEPUTY-SPEAKER: We can discuss all these things on Monday also.

DR. T. SUBBARAMI REDDY: I want to remind the hon. Minister of Finance about one aspect. He said that the Ford company takes six months to send a car from Bombay to Tamil Nadu. In the Budget he was silent about the concentrated priority to be given to develop the road transport system, though they have provided Rs. 800 crore. Ultimately, how are they going to achieve the best road system in India so that the transport problem is solved.

[Translation]

SHRI KALLAPPA AWADE (Ichalkaranji): Mr. Deputy Speaker Sir, A statement on MODVAT was madeon the 3rd. Some concessions have been announced for cotton cloth and

other cloth. The hon. Minister has announced that on the duty paid in respect of cotton cloth, credit will be issued to the extent of 50 per cent while in case of other cloth, the rate will be 70 per cent. Thus, it is 50 per cent for cotton cloth and 70 per cent for other cloth.

Many people are running processing units in different States. My submission is that the proposed 50 per cent charge in respect of cotton cloth processed by these units should be raised to 70 or 80 per cent. I welcome that you have made it 70 per cent for other cloth. My request is that for the cotton cloth also it should be the same. A number of processing units in various states have closed down because of this differential. There has been a sharp reaction to this. I urge that the entitlement for cotton cloth should be equal to that of other cloth, namely, 70 per cent and necessary budgetary alterations may be made accordingly.

[English]

PROF. P.J. KURIEN (Mavelikara): The Minister of Finance has addressed most of the concerns and he has mentioned about infrastructure specially. He has certainly given adequate importance to that. I would like to know what his plans are to cover the disparity in the development of infrastructure between the various States? I want to know this because investment will not come in to the States unless there is development infrastructure. One of the reasons why investment is concentrated in only some States is that infrastructure development is not there in all States. If you just give a general push, again, those States which are better developed in infrastructure would be developed more and those which are backward would be lagging behind. I would like to know whether he has got some plans to bridge this gap in development of infrastructure between various States so that we have what is called 'economic justice'.

Secondly, I congratulate the hon. Minister for his emphasis on science and technology, especially for the encouragement that he would like to give the scientists for the very commercial rupee they make. Well, I would like him to kindly note that whatever research and development takes place in this country is confined to the Governmental agencies.

The private sector does not spend anything at all. If at all they spend anything, it is only a fraction of their income. In most of the developing countries and also in the developed countries, the private sector spends a lot on Research & Development. There should be some effort to encourage the private sector to spend more on Research & Development. This is needed for national development, especially in this period of competition. I would like to know whether you have got some plans for this.

DR. ARUN KUMAR SARMA (Lakhimpur): Mr. Deputy-Speaker, Sir, I must congratulate the hon. Minister of Finance for his statement on the basic philosophy and the basic principles on which the present Budget proposals were formulated. But there was one lacuna in his statement and that was, he did not mention as to how the Ministry of Finance is going to deal with the regional imbalances. I agree with the former Speaker when he said that some areas are already developed and some areas remain backward since long.

Now, if this present Budget is applied as a whole, definitely the backward areas would remain backward. There were some incentives like the zero tax benefit, transport subsidy etc., for the development of industries in certain backward areas. But this Budget has withdrawn all those benefits which were there earlier. We do not notice any proposal in the present Budget to give more incentives to the backward areas to enable them to come at a par with the developed areas.

Some of the schemes which are envisaged to give social justice to the backward areas cannot be implemented because of lack of infrastructure, geological situation and due to other problems like flood. Unless and until there are some special programmes for these areas, these areas cannot develop and especially the North-Eastern States cannot come on par with the other parts of the country... *(Interruptions)*

[Translation]

MR. DEPUTY-SPEAKER: No, No. This will turn it into a debate.

SHRI S.P. JAISWAL (Varanasi): I want to draw the attention of the Finance Minister to the aspect of economic Justice also, along with social justice. You must look into that aspect too. The economic situation in Uttar Pradesh is very serious. Allocations made for rural development there should have some relation to the population of the State and the number of people living below the poverty line. The Finance Minister should see whether justice has been done on this score. Allocations for veterinary hospitals, health centres, junior schools, wells, unemployment eradication etc. are made on the basis of population, and it must be examined whether this criteria has been followed in the case of Uttar Pradesh.

MR. DEPUTY-SPEAKER: Please do not make a speech, only ask your question. Otherwise, it will become a debate.

SHRI S.P. JAISWAL: There should be economic justice also. The large size of the State should not work to its disadvantage. It should be allocated more money as compared to the other States. The situation prevailing there at present reflects neither social justice nor economic justice. Therefore, I want that greater attention be paid to the State and request the Finance Minister to reply to my point.

MR. DEPUTY-SPEAKER: The Finance Minister may please reply. The debate is becoming lengthy.

[English]

Do you want to reply to them? ....

(Interruptions)

SHRI P. CHIDAMBARAM: No. I will reply to them when I reply on the Finance Bill. ...*(Interruptions)* Sir, I wish to make the announcement regarding Andaman & Nicobar Islands and Lakshadweep.

[Translation]

MR.DEPUTY-SPEAKER: The reply has come without your speaking.

[English]

SHRI P. CHIDAMBARAM: I was waiting for him to come. He was not present here and therefore, I did not announce at that time. When I saw him coming, I thought I would announce it. Sir, there have been complaints that even in the Plan schemes, we were not allowing the local administration to either create a post or to fill a post.

The reason why there is a distinction between Andaman & Nicobar Islands and Lakshadweep on the one hand and Pondicherry on the other is that Pondicherry has its own Consolidated Fund; and there is some technical rule which stands in the way. But nevertheless, I am happy to announce this We will now - while approving the Plan scheme, even in that approval - grant approval for post to be created so that they need not come to us again for the creation of the post

I am also happy to announce that we will delegate to the Administrator in the first instance, the power to create and fill posts in Groups C and D. ...*(Interruptions)*

SHRI MANORANJAN BHAKTA (Andaman and Nicobar Islands): What about Groups A and B?...*(Interruptions)*

SHRI P. CHIDAMBARAM: I will examine that later. That is all that I can do now. ...*(Interruptions)*

[Translation]

SHRI BRIJ BHUSHAN TIWARI (Dumariaganj): About M.P. Local Area Development, you had said that you will increase the amount by Rs. 2 crores. What have you done about it? *(Interruptions)*

[English]

SHRI P. CHIDAMBARAM : That matter has been left to the hon. Speaker and we will abide by the hon. Speaker's decision, after consulting them.

17.28 hrs.

COMPULSORY EDUCATION BILL

[English]

MR. DEPUTY-SPEAKER: Now we will take up item no. 46 of the Private Members' Legislative Business.

Shri Sukdeo Paswan ... Not Present

Shri Nawal Kishore Rai

[Translation]

SHRI NAWAL KISHORE RAI (Sitamarhi): Mr. Deputy Speaker, Sir, I thank you for the opportunity given to me to speak on this Private Member's Bill. I want to congratulate the hon. Member Shri Subbarami Reddi for bringing such a salutary legislative measure before the House. The Bill seeks to provide compulsory education. The data given in the report of the sample survey shows that 52 per cent people in our country are literate. However, this 52 per cent is only the literacy figure; I believe that the number of those who can be called educated is only 18 per cent of the literate 52 per cent, only 18 per cent have been able to become educated and there is regional disparity in the expenditure incurred on education. The hon Minister of Human Resource Development is present in the House. I want to draw the attention of the Government to the fact that while per capita expenditure on education in Uttar Pradesh, Bihar and Madhya Pradesh ranges between Rs. 96 and 113, in Karnataka and Kerala it is between Rs. 160 and 184 this regional imbalance should be bridged. So long as we do not raise per capita expenditure on education in the most backward states of the North namely, Uttar Pradesh, Madhya Pradesh ad Bihar - which are educationally the most backward in relation to their area and population - we cannot make education available uniformly to all.

Sir, the Government have been talking of universal education and has fixed the objective of literacy for all by the year 2000. No doubt, the number of primary schools in the country has gone up from 2.29 lakhs in 1950-51 to 5.73 lakhs today, but the Government should also look into their condition. An objective survey would reveal that more than half the schools are without land or building and do not have even the facility of black-boards. On the other hand, the private educational institutions impart education with chairs arranged on carpets due to which their educational expenses are high. The number of such aristocratic educational institutions is increasing. The children of poor people cannot go to these institutions. That is the reason for introducing this Bill. It is necessary to make primary education uniform throughout the country. I welcome the Government's decision to give first priority to primary education among its basic minimum programmes. The hon. Minister had convened a conference of the State's education ministers with the purpose of introducing uniform education throughout the country where