

[Sh. Anoopchand Shah]

I urge upon the Government that looking towards the fast development of area in regard to Housing Complexes and Industrial Units, Government should provide a new railway station on suburban section of Western Railway between Goregaon and Jogeshwari, Bombay.

**(vi) Need to set up non-pollutant industries in Goa**

SHRISHANTARAM NAIK (Panaji): The economy of the new State of Goa is fast developing. However, due to the environment reasons, the Government of Goa is selective in the matter of choosing the type of industries to be set up. Since Goa has to discourage several proposals with respect to setting up of industries in order to protect the natural beauty of its sea-beaches, rivers, forests and other greenery, it has to pay a heavy price in terms of revenue and employment.

Industrial proposals of the type Goa desires to have are not forthcoming. Pollution prone industrial proposals are many but non-pollutant and that too with employment potential, are not many.

I, therefore, request the Government of India to establish a Public Sector Non-Pollutant Industrial Project preferably electronic one, in the State of Goa.

MR. DEPUTY SPEAKER: Now, the House shall take up Karnataka Budget.

SHRI SHANTARAM NAIK (Panji): I have got one small submission to make regarding the decision of the Indian Cricket Board imposing a ban on cricket players. In the morning we could not make it.

MR. DEPUTY-SPEAKER: O.K. They will take care of it. It has already been reported

*(Interruptions)*

MR. DEPUTY-SPEAKER: Nothing will go on record. I am not allowing it.

*(Interruptions)\**

MR. DEPUTY SPEAKER: Nothing will go on record.

*(Interruptions)\**

14.23 hrs.

KARNATAKA BUDGET, 1989-90—  
GENERAL DISCUSSION AND DEMANDS  
FOR GRANTS—KARNATAKA, 1989-90  
CONTD.

[English]

MR. DEPUTY SPEAKER: The House now shall take up further general discussion and voting on the Demands for Grants in respect of the Budget for the State of Karnataka for 1989-90.

Shri Ghorpade.

SHRI M Y GHORPADE (Raichur): Mr. Deputy Speaker, when I look at the budget which has been placed before the Parliament and also precarious conditions of the finances of Karnataka, my mind inevitably goes back to 1972 when the then newly elected Government, Congress Government had to inherit a legacy of as much as Rs. 71 crores of over-draft and Rs. 45 crores of deficit. I must say here that if it was not for the tremendous understanding and special assistance that the then Government of India under the leadership of Mrs. Indira Gandhi had gone to Karnataka we would not have been able to tide over the situation. But the experience also taught us to make a supreme effort in the next few years at resource mobilisation, at financial discipline and giving the right priority to irrigation, power and programmes which directly benefit the people below the poverty line. As one who was closely associated with that development as Finance Minister of Karnataka for six years, I really feel extremely sorry and sad to see that the State has come to this pass.

It is facing a very sharp financial crisis as reflected in the Budget.

Let us see what the papers placed before Parliament say. They clearly admit that the Budget for 1988-89 showed a revised deficit of Rs. 91 crores; but as if by miracle the year ends with Rs. 10 crores of deficit, by the simple device of not paying any bills for supplies and services rendered and by the simple device of impounding public deposits. It is easy for anybody to see that this burden of Rs. 90 crores has obviously spilled over to the current financial year causing a tremendous burden. The Budget that has been placed for the year 1989-90 shows a deficit of Rs. 176 crores. What I would like the Minister to notice particularly is that this Rs. 176 crores has a revenue deficit of Rs. 122 crores. This makes me very sad because Karnataka's position was such in the seventies in the Fifth Plan period that our per capita Plan expenditure was above the average for all the States; And today for the Seventh Plan, it has come very much below the average for all the States. Not only that: it has developed a substantial revenue deficit. Whatever that may be, this Rs. 176 crores is not all. Even after adding the Rs. 10 crores deficit of last year, it is not all; Next I was amazed to find that the pending bills were as much as Rs. 129 crores and the public deposit account as much as Rs. 159 crores in 1988-89. These two items come to Rs. 289 crores and in this increase during the year as compared to previous year, has been put at Rs. 93 crores. These Rs. 93 crores have to be added to the deficit also and this makes the deficit Rs. 280 crores. Because, when you think of a deficit it is the sense that if you do not cover it to that extent the Plan will be affected. That kind of deficit in this Budget is not Rs. 176 crores, but it Rs. 176 crores plus Rs. 10 crores plus Rs. 93 crores.

In my opinion even the level of pending bills and public deposits in 87-88 were high and will have to be reduced by at least 10 percent. So, if you add another Rs. 20 crores it means that the deficit for 1989-90 is as much as Rs. 300 crores.

It is a matter of some satisfaction that those who are advising the Governor today are people of some experience in Finance and they are aware that it should be possible for Karnataka to improve the position by Rs. 100 crores by collecting taxes better and by economies in non-Plan expenditure. By this, the deficit of Rs. 300 crores, let us say, will come down by Rs. 100 crores, as a result of their efforts. But still the hard fact remains that the deficit will remain at Rs. 200 crores. And, therefore, my submission is that unless the Central Government gives a special assistance of at least Rs. 200 crores, the Plan of Rs. 1040 crores cannot be fully implemented.

Now, it is extremely unfortunate that this Plan of Rs. 1040 crores itself is low and I was very surprised to see that the Seventh Plan of Karnataka is only Rs. 830 per capita as against the all India average of Rs. 1022 per capita. We are only 80 percent of the all India average. Under these conditions, I am sure that the Minister would be in a position to give an assurance that under no circumstances will the Plan size for this year of Rs. 1040 crores be allowed to go down. What I request is, one step more may be taken. This itself is not sufficient. The advisers to the Governor are aware that the plan of Rs. 1040 crores itself is under funded in crucial areas like power, irrigation, Bangalore water supply, subsidised foodgrains for poor, slum clearance, agriculture and education. And, therefore, even if this under-funding is marginally sought to be made up, then another Rs. 200 crores would be required. On this basis, I come to the conclusion that the special assistance the Karnataka State deserves at this juncture from the Centre is from Rs. 200 crores to Rs. 400 crores; Rs. 200 crores to protect the existing plan and another Rs. 200 crores to correct the gross under funding in important sectors.

Now let me briefly refer to some of the important sectors. After all, a budget is not just a financial instrument. It is a question of what is happening to development in the field. Take for instance, our Upper Krishna Project. This project is a most vital project for

Karnataka. At the same time this project can never be completed by the State Government on its own. And, therefore, central funding is absolutely necessary for projects of this type. I am happy to note that the Upper Krishna Phase II has been included in the externally aided project as from June, for which the Government deserves congratulations. I am also happy to note that the Karnataka Sericulture Project Phase II has been included as an externally aided project. At the same time, Sir, without Central assistance, this will not be possible. I am happy to say that when the Prime Minister had come to Bangalore, during a discussion, he did say that the Central Government was fully seized of the matter. of the problems in the way of stepping up irrigation effort in the country and everything possible will be done to step up this effort. I also wish to congratulate the Government of India, thank them on behalf of Karnataka, for a major decision of locating or having a super thermal power project of 2000 MWs with Russian assistance at Mangalore. However, if the Minister would indicate the timeframe for its completion, it would meet our situation more specifically.

Regarding the Vijayanagar Steel Plant, the foundation stone of which was laid by the late Prime Minister Shrimati Indira Gandhi in 1971, for various reasons, mainly the slump in the international steel market and the inadequate demand for steel in the country itself, it has not progressed much. But the time has come to recognise that if new steel capacity is to be created now in the country, then the priority of the Vijayanagar Steel Plan must not be forgotten. It was not a political project. It was a project which was started or decided upon after a full-fledged technical assessment and it would be one of the best steel plants in the country. Here also I wish to express my thanks and satisfaction at what the Prime Minister had said when he had come to Karnataka that this is very much in his mind and everything is being done to see what best can be done to reactivate the Vijayanagar Steel Plan utilising the latest technology.

Sir, regarding Zilla Parishad, I am happy to note from the Budget for the year 1989-90 that as much as Rs. 265 crores or twenty-five percent of the State Plan is being transferred to the zilla Parishad. In addition, the Central scheme and centrally sponsored schemes, which they will have will be another Rs. 180 crores. Now, this is undoubtedly a good thing. But at the same time, I just wish to say that under the climate that is prevailing today in Karnataka, it is necessary for the administration to ensure that what they really decentralise is competence and not corruption which is very important for the Governor and his Advisers to ensure. I do hope that the Jawahar Rozgar Yojana will be made full use of by the Panchayati Raj institutions. There are 19 Zilla Parishads and 2536 Mandal Panchayats. Today in Karnataka they are nominating members to these bodies which is a negation of democracy. I do hope that such aberrations will be corrected in Karnataka and different parts of the country as a result of the Panchayati Raj Bill that has been put before Parliament. Since the bell has rung once, I shall run through my points, which deserve to be noticed at this juncture.

The potential for irrigation is 55 lakh hectares in Karnataka and what has been harnessed is only 30 lakh hectares. What has been provided for in this year's budget is Rs. 265 crores. It is my view that minor irrigation has not been taken adequate care of. Disilting of tanks which is of utmost importance, should be attended to better. So far as power is concerned which is also a vital sector, Rs. 274 crores have been provided in this Budget. In the last four years Rs. 647 crores have been spent. In other words, Rs. 921 crores have been or will be spent on power during the Seventh Plan as compared to the plan of Rs. 800 crores. This will add 540 MW to the power capacity. This is a very vital point because it must be realised that even after doing all this, at the beginning of the Eighth Plan the power shortfall in Karnataka will be as much as 500 Mw. And in the next ten years to increase power from the present level of 2000 MW to 5000 MW during the Eighth and Ninth Plans, a sum of Rs. 5000 crores would be required which is Rs.

500 per annum i.e. double the amount what you are providing now. Therefore, I feel that beginning should be made in this direction. It is in this context that I am particularly grateful to the Government of India for their decision to locate a 2000 MW power plant in Magalore.

In the agricultural and allied sectors, food production will reach 79 lakh tonnes by the end of 1989-90 which is a good thing. Oilseeds production will be 19 lakh tonnes as against the target of 14 lakh tonnes which is again a good thing. But it should be remembered that four-fifth of land in Karnataka is dependent on rain and therefore, rain-fed agriculture should be given far greater importance than what has been done in the past.

The have started Anand Pattern dairies numbering 921 in 1989-90. This is a programme which should be pushed with much greater vigour. We see much hope in the Prime Minister's statement that agriculture and industry will be treated alike. My request is that the Minister should spell out the full policy and operational implications of this statement.

My last point is on social security and welfare. Old age pension at the rate of Rs. 50/- per month is given to 5.4 lakh persons and to physically handicapped numbering 2.4 lakhs. I want to say that these are programmes which were started in the seventies but there were many other programmes which were stated but have not been given enough attention.

Since I have no time, I would just like to emphasise one programme which has failed to progress, that is, the Mid-day Meals Programme. In 1977-78, we had nineteen lakh children having midday meals in Karnataka—today I feel the number is perhaps less—and in that year we made a solemn commitment to the people of Karnataka that during the Sixth Plan and the Seventh Plan, all the school-going children below the poverty line in the Karnataka, will be covered by Mid-day Meals Programme, which meant giving mid-

day meals to fifty lakh children at Rs. 100 per child. This is a programme which was started in Karnataka but it has done much better in other States. I think it is our moral responsibility to set right the lacunae and to fulfil this programme according to the commitment made in the seventies.

I shall conclude by saying that if we look at these things and take some bold steps, then all is not lost. We can put Karnataka back on to its financial track and we can safeguard the tempo of development in Karnataka. This is something which Karnataka deserves because, after all, it is one State which was lauded for its financial management, for the manner in which it implemented the progressive programmes in seventies under the leadership of Shrimati Indira Gandhi and Mr. Devraj Urs. It pains me very much to say that the same State has come to this pass today.

I hope the hon. Minister will not treat the Budget document merely as a routine financial paper but will go into the full impact of what has happened in the last few years, and come out with some bold statement to set right the lacunae and to ensure the people of Karnataka the future that they deserve.

DR. V. VENKATESH (Kolar): Mr. Deputy Speaker, Sir... (*Interruptions*).

AN HON. MEMBER: Which party he belongs to, Sir?

MR. DEPUTY-SPEAKER: He belongs to Janata Dal.

DR. V. VENKATESH: Yes, I am from Janata Dal. Mr. Deputy Speaker, Sir, at this juncture I would like to bring to your notice with great pain that I entered this House with high hopes because I represent the backward district of Kolar. Not only I am representing that district, I am also representing the weaker section of that area. So, with high hopes I entered this House to at least raise certain important issues in this august House. Unfortunately, because of my colleagues with whom I worked for about four and a half

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years, I was not able to raise the issues and with agony and pain I say that I cannot go back to my constituency empty handed. My constituency is in a very backward district—I think you know it, Sir, because it is adjacent to your district. It is actually situated at a very far off place in Karnataka. It is at the border of Karnataka, it has also its border with Tamil Nadu and it has also its border with Andhra Pradesh. Such a neglected district has been represented in this Parliament by a number of Parliamentarians. I, being a resident of that district, was doing my medical practice there. So, I took up the responsibility of the people who voted for me in the last elections. The entire wave in the last elections was different but in Karnataka, particularly in my district, people reposed their faith in me and they voted for me so that I can do something for them. Now, with so much anguish and pain, I cannot go back to my constituency with empty hands. Therefore, I decided not to resign from the House. I will raise the voice of my constituents.

Unfortunately, this ruling party has also neglected my district all these years. I have been raising the problems of my district now and then but, unfortunately, as I told you, for two and a half years I was not able to raise my voice. In the age-old Kolar goldfields, every month on an average about the ten persons are dying underground and I have not been able to raise their issues in this House. So, I think morally I am responsible to my people because my people have voted for me. Though my esteemed colleagues and the leaders of my party had canvassed for the entire Karnataka, only four persons had returned in the elections. So, out of them I am one. Actually the people of Kolar have faith in me and believe me so that I can do something good for those unfortunate people. Now, with great pain I may state that I have not rendered any service so that and at least in these coming six months I think I can do something for them. Therefore, I have decided not to resign and I want to do whatever is possible to the poor people of this part of my State, that is, Kolar District.

Sir, just now, I have mentioned that the Karnataka budget is a budget of money and performance. But I wanted to know the budget of intention here, particularly the budget of intention is also very important. A little while ago the hon. Member raised many points and said that the people of Karnataka are very silent. The States was so nice in 1970s under the leadership of Devraj Urs. It is true. I compliment him. Dr. Devraj Urs knows the pulse of Karnataka and he had toiled and did a lot of things. In the same manner, the Janata Party and subsequently the Janata Dal has done a lot for the weaker sections in the State. I would like to tell the House that they have done good things, a lot of things. For instance, they had already brought about Zila Parishad system in my State and now the Government of India is opening its eyes. Of course there are a lot of loopholes. When you start experimenting it, you come across the loopholes. But it is very successfully working and as far as these common programmes for the common men providing free cloth, providing free text-books to the weaker sections are concerned, all these programmes were very good programmes under the stewardship of Mr. Ramakrishna Hegde. Shri Bhommai has also done a lot for the common people. But unfortunately one thing is very clear here. Earlier the Karnataka State which was then called the Mysore State was working well and it was a prosperous period of Karnataka. But when integration took place during 1956, the neglected districts of Maharashtra were amalgamated with Karnataka. Not only that. The neglected districts of Andhra Pradesh have been amalgamated and the neglected districts of Tamil Nadu have also been amalgamated with Karnataka. The planners have not understood these things. These are the neglected districts included in the sense that the basic amenities like drinking water, roads, etc. were not provided. They were not provided in all these backward areas and they have been included with Karnataka State. Therefore, I would like to bring to notice of the hon. Minister that he should know that this is the State with all backward districts included in it. So, Sir, in order to bring it on par with other States, if you want to do away

with the regional imbalances, you should come out with a massive assistance. Otherwise, we will lag behind the main-stream of the country.

Sir, as far as the irrigation facilities are concerned, the hon. Member has said that it is very much neglected because of these districts being backward. For the name sake, it is a greater Karnataka but in the matter of implementing programmes it is very very backward. Therefore, Mr. Deputy-Speaker, Sir, I appeal to the hon. Minister through you, to keep in mind my request and bring the State on par with other States so that the Karnataka State can also joint the main-stream in the development of the nation. You should come out with massive assistance. This is the time to do as much as possible because all these years, first Congress ruled the State, then the Janata Party Government was in the State and then the Janata Dal Government was there. It is in your hands today. Please see to that. You come out with a massive assistance, special assistance to the weakest part of the country. Then only we will be on par with the main-stream of the country. Otherwise the regional imbalance will be there. I am warning that the regional imbalance will result in national integration. The founding fathers of our Constitution, the architects of our freedom have dreamt that this country should be under one sort of administration. Unfortunately, these things have been neglected. Therefore, I appealed to you once again about this.

There are deficiencies in maintaining the normal day-to-day affairs and all that. But I do not want to go into details. But this is the specific disease from which we are suffering in Karnataka. Therefore, I want to request the hon. Minister concerned to give us special assistance and special treatment to this weakest part of India.

During our Janata or Janata Dal regime, there were atrocities against Scheduled Castes not only in Karnataka, but the entire country. India has been suffering from this disease.

SHRI G. DEVARAYA NAIK (Kanara):  
You confine yourself of Karnataka only.

DR. V. VENKATESH: I am just comparing. Don't think that Karnataka is the only State having these atrocities. Actually, to tell you very frankly, the planners, both the Government of India and the State Governments in this country, have no knowledge of what is going on about the welfare of the weaker sections in this country. They have not understood the disease properly. Because I am a doctor, I am telling that without diagnosing the disease whatever you treat, it is nothing but a mere symptomatic treatment as we call it in our technical terminology. Our people have a peculiar disease. I am representing that community and I am representing that constituency. Therefore, I am stressing this and telling the hon. Minister that both the Government of India and the State Governments have ignored that. The Ruling Party and my Party have neglected, they have not understood what is exactly the problem of weaker sections and the Scheduled Castes. On the one side the Ruling Party is coming forward with all the poverty alleviation programmes. On the other side the State Governments, whether they are Congress ruled or Janata or Janata Dal ruled, they are only looking at the loopholes. When the Government of India gives assistance for poverty alleviation, the Opposition is trying to find out where they are going wrong. The Ruling Party is coming out to get the votes by giving the poverty alleviation programmes, the Opposition Parties are only looking to find out whether there are any lapses. That means, they will say 'corruption', whereas the Ruling Party will say 'poverty alleviation programme'. These are the two things that are going on in the country. It is very bad and pathetic for our country. Whom are we representing here? Actually, the weaker sections are suffering with social problems. Both the social and economic problems have to be tackled and so far no party has come out with any programmes. Therefore, I would like to bring to the notice of the hon. Minister and the Government of India that it is high time that they are seized with this problem. The Ruling Party or the

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Janata Party or the Janata Dal, nobody bothers about the weaker sections of the country. They have not understood the problem of those people. The maximum they say is, 'poverty alleviation', whereas the Opposition say 'corruption, corruption.' The Ruling Party will say only 'alleviation of poverty'. This has been the mismanagement in this country since Independence. It is high time that we act properly because this section constitutes the majority in India. They have been suffering from lack of basic amenities like housing etc. Education is not there. They have not been treated on par with other sections of the society. So, it is a great threat to national integration. It is high time all parties thought about this because this is a very serious matter. Otherwise, there will be a disaster in the country tomorrow. It should not be just election promises and election programmes. I congratulate the Prime Minister of India, who has come out, after 40 years of independence, to fill up the backlog vacancies. I do not know how long and how effectively they are going to implement the scheme. I have got my own doubts because elections are approaching. I do not know whether you are going to implement it or not.

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K. PANJA). Sir, I make it clear clear that we are going to implement it.

DR. V. VENKATESH: I want to know what are all the schemes you are going to formulate. I want to get convinced, because every party is going to tell all these things. I have got my own doubts about all these things. I will be grateful if the Minister concerned or the Government comes forward with this kind of programmes. Otherwise, this going to be a big problem for national integration also.

As far as filling up of backlog vacancies and recruitment is concerned, one point I would like to bring to the notice of the Government. There are so many people doing scavenging work in the country. Particularly

in the banking sector, they have been recruited on contract basis. When I was a member of the Social Welfare Committee of Parliament, I toured the entire country. Every bank in the banking sector has got part-time sweeper and part-time scavenger on sub-contract system. Is there any meaning? In this very Government, this system is existing. I want to know whether this Government is going to abolish the system of contract and sub-contract. It is nothing but a slavery and particularly 100 percent people belonging to the Scheduled Castes and the Scheduled Tribes are doing this menial job. So, I want to know whether this Government is going to regularise their jobs. They are not asking for a big job. This is a minimum need. I do not understand why this Government has not come forward with anything about this. As far as this backlog business is concerned, I want to bring to the notice of the Government, though you, Sir, that even at the promotional level, dereservation should not be done. They are doing it only at the recruitment level and they are also telling that basic qualification should be there. For instance, in a company, they will say he has not qualified and he has no training. First of all, he has no basic education. Then how can you expect 10 years of experience from him to become a manager? So, basic qualification should be taken and you should train him in whatever manner you want to use him. The SC people are like raw materials. So, you take the raw material how much amount you want and cook according to your taste. That should be the spirit of the backlog business. The Government is stating that they are going to implement it very seriously. Meanwhile, the concerned undertaking will say that they is no trained candidate available and so it has been keep unfilled. Therefore, dereservation should not be done even at the promotional level. Since ages, the SC and ST people are doing menial jobs like sweeping and scavenging on contract basis. So, the Government should fulfil their demands atleast while going to the people for votes. Then they will feel happy. This is a very important point. I have narrated sufficiently about my district of Kolar which is a backward district.

15.00 hrs.

Like Kolar district, there are number of other districts in the country. They have got their own specific problems. In order to bring these districts at par with other developed districts, the Government can go forward with a scheme where they can intensify their programmes. For that, they can have Backward Districts Development Authority or Drought-prone Districts Development Authority so that they can concentrate their attention on the problems of the backward districts. It is just like to common platform where every assistance can be given to these districts. There are a number of districts like Kolar district. This is the best way to give more intensive care to districts like Kolar. Let the Government come forward with such an authority. This is my suggestion. If the Government really wants to do something for this country, and wants to remove disparities among the districts, they can go for this kind of thing.

I would like to bring to your notice another thing. Backward districts like Kolar and Shimoga are periodically, ever year, suffering from peculiar diseases. At least, the Government of India now can come forward with a scheme to establish certain research centres and to extend medical facilities there. Monkey fever is prevailing in Shimoga district. It is a very peculiar disease and once this disease attacks a persons, he will die. If he recovers from this disease by chance, he will become disabled. Prevention is better than cure. Let the Government come forward to establish some research centres and see that they are given sufficient funds to tackle the disease. In my district, brain fever is there; Japan Encephalitis is there which is again killing a number of people every year. Only the backward districts have been suffering from certain special problems. Therefore, in order to tackle all these problems, the Government can go forward with separate body to monitor and do certain things, as I have already suggested, Drought-prone Area or Backward district Development authority so that they can really render minimum services to these people.

About housing problem, I need not mention particularly about my backward district but the problem is acute throughout my district. I am facing a lot of problems. The people who are living here are leading sub-human life. Just like animals, they are living. In each village, I have done a survey for myself. There are 300 villages which are coming under my constituency and each village requires at least 30 houses immediately, in my backward district. That is why, I am telling that you go for a Backward District Development Authority so that you can pump some money and it will not be misused for other purposes. Otherwise, if you give it to Karnataka State fund, the bigger man will take away a lion's share and the weaker man will suffer for ever. Therefore, I am insisting let the Government of India come forward with some specific Authority or scheme for the development of backward districts.

About the educational facilities, the hon. Member who has spoken just now said that the fund allotted is not sufficient and all that. But here instead of giving funds, misuse of funds and problems connected with it, it is better to do one thing. Karnataka has already established Mandal Parishads and this Government is going to bring it in some big measure in the entire nation. In Karnataka, we have done that experiment. As least, on an experimental basis, in a backward district like Kolar, you establish residential school for Scheduled Castes and Scheduled Tribes exclusively. Let it be an experiment. Government is spending a lot of funds both at the Central level and State level. At least, it is the time to introduce this because fortunately or unfortunately, Karnataka State budget is in Parliament today. At least, as a gesture, as a remembrance, as a historical thing, this Government can come forward with such a scheme. In Kolar district on an experimental basis—I am not telling only Kolar, there are other districts also—but on an experimental basis, you can establish a residential school exclusively for Scheduled Caste and Scheduled Tribe people. They are giving some scholarships and some books and some money for funds for school



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establishment. All funds are pilfered and corruption goes on.

This is all I wanted to bring to your kind notice. Another important thing in this country over which I feel very sorry and which I have already told you in the beginning itself is that any party, for that matter, including my party, is not bothered about Scheduled Castes. They are not bothered about any of the welfare measures. They are bothered about any of the welfare measures. They are bothered about only vote catching. Whether it is Janata party or Janata Dal or Communist party or any party, they are bothered only about vote catching. They do not know the disease. They have not diagnosed it.

At least the ruling party is going to election and telling all measures to the weaker section and all that. This is nothing but power grabbing game which is going on. That is my rich experience within the four and a half years. I came with great hope early to do something to the backward districts of Kolar. I do not mind resigning from Lok Sabha and getting out from here. Not only that. I will never come to politics at all.

These are the three burning issues of my district. One is about sinking Kolar mines. At least if you give 2% commission on it to my district, it will develop. Therefore, immediately an alternative industry should be established in KGF.

There is a narrow gauge line. During British time it has been laid down in Kolar. It is outdated one. Some people are running it like a puppet and doll. You should develop it into a broad gauge. I do not mind resigning today and getting out. I will never enter politics at all. My people forced me to do only these three minimum things. One is, alternative industry to KGF as branch conversion of 15 KM. (*Interruptions*) You may be laughing today. I cannot go to my people. I am not making any such speeches here. Therefore, what I say is that I am representing the weakest part of my State. It is situated in

between these three States, Karnataka border, Andhra Pradesh border and Tamil Nadu border. It is such a neglected place. They have sent me here with the highest hopes and because of this hallabaloo with great pain I have to go to my people with empty hands. This is once again the state of affairs. These Leftist forces in this country have been misdirected and misguided and right reactionaries and zamindari leaders and communalists, have all gathered. They only want both the sides, the power game, and neglecting the poor and the weakest of the weak in the society. Once again, through you, I am warning this Government that this is high time now that they should realise the welfare measures of the SC and ST people of this country. Otherwise, the nation is going to disastrous conditions.

15.09 hrs.

[SHRI VAKKOM PURUSHOTHAMAN *in the Chair*]

SHRI M. V. CHANDRASHEKARA MURTHY (Kanakapura): I rise to participate in the discussion on Karnataka Budget for the year, 1989-90.

Parliament had the occasion of discussing Karnataka Budget once in 1971 and now we are discussing for the second time.

Karnataka inherited a huge deficit and discharged liabilities which have been left behind by the Janata Party. Due to fiscal mismanagement and financial indiscipline, the State ran into bankruptcy. Ever since the State came under President's Rule, a number of corrective measures are being taken to tone up the administration and to improve the revenue collections, for which I compliment His Excellency the Governor and his Advisors. At the same time, during the Janata regime of six-and-a-half-years, the entire administration in the State was politicised from top to bottom. Even the postings and transfers were done at the wishes of the Janata legislatures and their party-men. I do not say that such things can be set right by *en masse* transfers. But I only suggest that the

State administration at least should try to nullify and neutralise the bad effect on the administration which was done under the Janata regime.

Sir, the Seventh Plan growth rate target was about 4.2. But our State is anticipated to achieve only 3.4. This shortfall in growth is due to various reasons. One main reason is due to severe drought for the three successive years and the other reasons are the fiscal mismanagement and the financial indiscipline which were practised for a period of six-and-a-half-years.

The State Plan outlay for the year 1989-90 has been fixed at Rs. 1040 crores and the high priorities are rightly given to irrigation, power sector and the expenditure on the Minimum Needs Programme. But the budgetary gap for the year 1989-90 is about Rs. 176 crores. Suppose, if we have odd the Opening Balance of Rs. 10 crores, it comes to about nearly Rs. 186 crores. Therefore, I request the hon. Finance Minister to consider giving as a minimum assistance of Rs. 200 crores to the State so that the tempo of the development in the State does not suffer a setback.

Sir, 16 development projects were identified and selected by the Government of India for which I compliment the hon. Prime Minister and the Government of India. Of these projects, the Upper Krishna Phase-II and the Karnataka Sericulture Phase-II are the two new projects which are taken up during the current year.

Sir, about irrigation, during the year 1989-90, the allocation for major and minor irrigation is about Rs. 155 crores under Plan head and Rs. 100 crores under Non-Plan head for the Cauvery Basin Projects. In this area, I would like to touch upon some of the problems of my constituency. There are two on-going irrigation projects in my constituency—one is the Manchanabele Project in Bangalore District and the another project is the Arkavathi project in Bangalore District. The Manchanabele Project was started long back in 1971 and it has not been completed

even after a lapse of 19 years. I urge upon the State Government to release substantial amount to complete this Project at the earliest. This Arkavathi Project is located in the most backward area of Bangalore district. The actual work on this Project was started long back in 1984 and the work has been totally stopped for one year. I am told that that is due to the dispute between the contractor and the department. Hence, I urge upon the State administration to resolve this dispute immediately and to release Rs. 3 crores to complete the First State of the Project which, in result, can irrigate about 22,000 acres of land. This would help the small and marginal farmers of that area.

Sericulture is one of the promising cottage industries in some districts of Southern Karnataka and especially the small and marginal farmers are engaged in this industry. We have the highest mulberry acreage in my constituency especially in kanakapura, Ramanagaram, Channapatna and Magadi and farmers from these places produce the best quality cocoons in the State. For example, even the cocoon market in Ramanagaram is one of the biggest cocoon markets in the Asian continent.

MR. CHAIRMAN: Only five minutes are allotted. Please conclude.

SHRI M.V. CHANDRASHEKARA MURTHY: I appeal to the State Government to set up a high technology silk bilature factory at Ramanagaram under the Karnataka Sericulture Phase-II Programme to produce the quality yarn so that we can compete in the international market.

I would like to touch on the power sector. I do not want to take much of your time. It was assured by the Government that 100 percent electrification of the villages would be achieved by the end of 1988-89. But, at the same time, I am sorry to say that thousands of farmers in Karnataka are waiting for power connection for their agricultural pump sets. Hence, I urge upon the State Government to take the energisation of agricultural pump sets on a war footing and help the farmers.

[Sh. M.V. Chandrashekara Murthy]

Another vital area is housing. This programme of rural housing consists of two components—one, distribution of sites to the landless families in rural areas and the second is the construction of houses to economically weaker sections. But during the Janata regime, both these programmes were diluted. I urge upon the State Government to take up these programmes in a more effective way and with more seriousness and help the rural poor.

You know, Bangalore city is one of the fastest growing cities in the Asian continent. Due to large scale influx and rapid increase in the population, we are facing acute shortage of drinking water. During the Seventh Plan period, even the per capita availability of water in Bangalore city has fallen from 75 litres to 57 litres—Therefore, I urge upon the State Government to complete the work on the Cauvery Water Supply Scheme Third Stage on a war footing.

Another important area is slum. In and around Bangalore City there are about 600 slums, out of which nearly 300 slums are recognised by the Government of Karnataka. They are living in a pathetic condition without drinking water and even without the minimum civic amenities. I urge upon the State Government to take immediate steps to improve their living conditions by providing drinking water and civic amenities.

The list of several pending projects consideration before the Government is here. One of the important demands from the people of Karnataka is the demand to set up the Vijayanagar Steel Plant. For this plant foundation stone was laid in 1971 by our beloved leader, the late Shrimati Indira Gandhi; but so far we have not seen anything in this behalf. The second one is the Mangalore Refinery. I am told that the detailed projects report is already pending in the Ministry. The demand for a railway zone for Karnataka is also there. Two more important projects are the circular railway for

Bangalore City and the upgradation of the Bangalore Airport as in international airport.

I appeal to the Government of India to consider the above proposals favourably in the interest of the all-round development and the progress of the State of Karnataka.

With these words, I support the Budget.

[*Translation*]

\*SHRI G. DEVARAYA NAIK (Uttar Kannada): Mr. Chairman, Sir, This is the first time we are discussing the Karnataka Budget after 1971. I support the Budget and say few words. The deficit shown in the budget is about Rs. 176 crores. There are various pending Bills and I feel that the deficit may go upto Rs. 350 crores.

The Janata Government was always busy in its own propaganda. The State's economy had been ruined. There was no money left for development work. "Revajitu" affair fetched huge money to the former Chief Minister of Karnataka. The land worth of two crores of rupees was sold at Rs. 75 lakhs only. The former Chief Minister's son-in-law purchased a house for only Rs. 16 lakhs. The actual cost of this House was more than Rs. 45 lakhs. These are all the losses to the State Exchequer.

Cheap propaganda was the main objective of the Janata Government. Books were distributed to school children. Clothes were distributed to some people. The idea behind these distribution work was propaganda, and nothing else.

The former Chief Minister, Shri S. Nijalingappa had stressed the importance of irrigation programmes in Karnataka. The Janata Government have completely ignored for irrigation. No money was left in the State treasury. The money was coming from the Centre but unfortunately this money was diverted by the Janata Government.

There is Naval project (Sea Bird Proj-

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\*Translation of the speech originally delivered in Kannada.

ect) in my Constituency. There the rehabilitation work has to be taken up at a great speed. Crores of rupees have been sanctioned by the Centre. The Centre should given top priority for the completion of this project.

An amount of about 34 crores of rupees was released in the year 1986-87, for industrial subsidy. This amount was utilised for paying the salary of government employees. Govt. have used the amount released other programmes like children welfare programmes, social welfare programmes etc. proper implementation was neglected by the Janata Government. The money sent by the Centre for these programmes was diverted by the government.

Every time the Janata Government was presenting artificial budget. This was only for eye wash and they succeeded in duping the people. They had shown only one thousand rupees as expenditure where the actual expenditure was about ten lakhs. In this manner they always presented taken budgets. The Ministers laid hundreds foundation stones but not a single project has seen light of the day.

Congress (I) government served the down trodden for a long period, under the guidance of our late lamented leader, Indiraji. Under the leadership of late Devaraj Urs also very good programmes were undertaken for the upliftment of poor people. On the contrary the Janata Chief Minister was interested only in propaganda. The Govt. was spending only 4 to 5 crores of rupees for publicity but in his region, he has spent 25 to 30 crores for publicity. They ignored farmers completely.

The loss in the public undertaking upto 1983 was Rs. 163 crores and during Janata rule the total loss was Rs. 700 crores. I hope that the people of Karnataka would given him a befitting answer in the near future. One sugar factory worth Rs. 12.5 crores was sold at Rs. 2.5 crores. Gowribidonur Sugar factory which was worth Rs. 12 Crores was sold at Rs. 4.5 Cores. Kollegal Sugar factory was

also sold in a similar fashion at a cheaper rate. If they had stayed for some more time I am sure they would have sold the "Vidhana Soudha" constructed under the leadership of late Shri Hanumanthaiah.

Crores of rupees provided by the Centre have been misutilised. People know what has happened to these funds. My constituency Uttar Kannada comes under hilly areas and Sea shore. Natural beauty is abundant in my area. There is great scope for development works. In this budget only Rs. 1.4 crores has been provided for development of port. This is not all sufficient and I urge upon this Hon'ble Finance Minister to enhance this amount. This amount can be utilised for the development other ports also.

The centre has provided an amount of Rs. 23 crores for the rehabilitation programmes of the Sea Bird Project. This has to be utilise for helping the affected people. I hope the Governor would take proper measures in this regard.

I am happy about Dr. Venkatesh who spoke a few minutes ago. He represents the harijans of Kolar District. This young member did not yield to the so-called veteran leaders who fled away without facing the Parliament.

Our Congress (I) government implemented the land reform act in Karnataka. Houses were constructed and two lakhs acres of land distributed amount poor people. Unfortunately during Janata Rule not even 1000 acres of land was distributed. They put the State administration off the track.

I request the Hon'ble Finance Minister to provide about Rs. 300 crores as special assistance and put the state on the right track.

Sir, I thank you for giving me this opportunity to speak and with these words I conclude my speech.

[English]

SHRI ABDUL RASHID KABULI (Srinagar): Hon. Chairman, Sir, Karnataka State is the major exporter of raw silk. Kashmir purchases the maximum silk yarn from the Karnataka Government. Unfortunately, we have lagged behind in producing quality silk yarn. There are some middlemen in the trade who are importing raw silk yarn from Karnataka and then they distribute it to the industrialists. As a matter of fact, this has created difficulties because they are cheating the industrialists. There is some lacuna somewhere. Some officials in the Karnataka Government are exporting the yarn to Jammu and Kashmir and other States through their agents. They have monopolised the trade. They exploit the industrialists and make money. Therefore, some people, who are working as agents in Kashmir, are creating difficulties in the growth of the silk industry. Through your good offices, I would like the Governor to take care of this problem so that the Silk yarn does not go to the industry through the agents. Rather it should be distributed evenly to the deserving industrialists. The agents make undue profits in the trade.

Tipu Sultan and Haider Ali have been the great heroes of this country. But uptill now, we have not given any recognition to these great men of India. They sacrificed their lives and everything else for the nation. Only during Shri Hedge's time, the State Government had done some justice to these great heroes. I would request through you, Sir, that the Government should take note of the sacrifices made by them. This is the right time that the Governor takes a bold stand and gives due recognition to Tipu Sultan and Haider Ali.

The last point is about restoration of democracy. It is unfortunate that the State administration is being run by the Governor. But it is not going to solve any problem. Rather the Governor's Rule is going to create more and more problems. We should, therefore, try to restore democracy in Karnataka as early as possible. The people in that

State should themselves decide which party should form a Government there.

[Translation]

\*SHRI OSCAR FERNANDES (Udupi): Mr. Chairman, Sir, let me take this opportunity to congratulate the Government of India for recommending President's rule in the State of Karnataka. For the last six years the Janata Government was in power in Karnataka. Earlier, at the centre the Janata Government was in power and it had taken the country about 20 years backwards. Similarly the Janata Government in Karnataka had taken the progress of the State 10 years backwards.

Congress (I) Government was in power prior to Janata Government and it had rendered yeomanservice for the upliftment of Harijans, Girijans and other down-trodden people. The farmers and the industrial workers had always hoped fast progress during Congress (I) rule. The tiller was made the owner of the land. The dream of the father of the nation Mahatma Gandhi became a reality and 100% land reform act was implemented in my state. Seven lakhs of poor tillers got the ownership and several lakhs harijans, girijans and backward class people got the ownership of constructed houses. The progressive 20 point programme of our late lamented leader Indira Gandhi enabled several lakhs of down trodden people to get land. Houses were constructed for the slum dwellers in Bangalore city. Then came the Janata rule which cleared the slums using bulldozers. The poor people who were living in those slums for several decades were driven away and land was distributed to their own rich people. The people were disgusted at the Janata rule and they reflected their opinion in Zila Parishad elections. They were totally opposed to the policies of Janata Government.

The Janata government Chief Minister (First) was not an elected representative of the people. He was a selected representative on his party leaders. He said to people

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\*Translation of the speech originally delivered in Kannada.

that he had returned from Vanavasa to take care of them. All the money meant for the development works went to the pockets of his party men and other relatives. Each year the State exchequer was incurring a loss of more than Rs. 300 crores. The State had become bankrupt.

The second Chief Minister of Karnataka was not an exception to this. He utilised the contingency amount to give subsidy to his own people. In this regard I would request the Hon'ble Finance Minister to give a categorical answer during his reply.

Timkur is only one hour journey by bus from Bangalore. Several children lost their lives in that area due to diseases. No Minister of the Janata Government went to the rescue of those innocent children. There was severe drought in many parts of the State for three consequent years. Most of the people affected by drought, especially, the down trodden were in tears. Even then the Janata Government was silent spectator. The Government was shedding crocodile tears. At that juncture our Prime Minister Shri Rajiv Gandhi rushed immediately from Delhi to Bangalore. From Bangalore he visited various drought affected places and provided relief to the suffering people of Karnataka.

I do not want to go into the details as several Hon'ble members have already expressed about the situation prevailing in Karnataka. The Minority Corporation, Scheduled Castes and Scheduled Tribes Corporation have to be provided with more funds by the Centre for their efficient working. I heartily thank the Centre for sanctioning the Sea Bird Project. The Mangalore-Udupi railway line (which connects Bombay) has been given sympathetic consideration by the Railway Ministry.

The telecommunication industry is progressing very well in the State with the assistance of the Centre. Industrial Sector has achieved tremendous success and for this I must be grateful to Shri Jawahar Lal Nehru

who Centenary is being celebrated in the country this year.

The total loss upto 1983 was about Rs. 150 crores but the same has suddenly gone upto Rs. 700 crores during the Janata Government rule. VISL has been taken over the Centre. This has given a great relief not only to the people of that area but to the whole State. Jawahar Rojgar Yojana is another land mark of the Government of India. This a boon to the poor farmers, Harijans, Girijans, and other backward classes.

Karnataka has about 250 Kms. of Sea Shore. Lakhs of fishermen along this area need help and encouragement from the Government of India. Hence I request the Hon'ble Minister to allocate more funds in budget for the welfare of these fishermen. These fishermen go for work in morning and they are not sure of returning home in the night. The Centre should come forward to provide them the maximum assistance. Minor harbours (JETTYS) have to be constructed and silting should be checked.

Mangalore Fishing harbour and Malpe Fishing harbour should come up at the earliest. The report of the Mangalore Oil Refinery is with the Centre. Some persons questioned our Prime Minister in this regard. The Prime Minister has told them that he would give sympathetic consideration to it. This would help our state to earn more revenue. The people of Karnataka are urging in one voice for the sanction of this oil Refinery. Sea wall has to be constructed to avoid sea erosion. More money has to be allocated for this purpose either through flood relief programme or beach programme or soil erosion programme.

The people of Karnataka have represented to our Prime Minister regarding Vijayanagar Steel Plant during his visit to Bellary. One and a half decade ago the foundation stone was laid and I hope the Centre would consider this project and sanction the same as early as possible. Lower Varahi Project should also be taken up immediately because it is the only irrigation project in that

[Sh. Oscar Fernandes]

area. It can provide sufficient sugarcane to the sugar factory and lakhs of farmers would be benefitted.

Sir, Karnataka is the state of milk and honey. I request the Hon'ble Minister to help the State generously and to keep the flow of milk and honey in the State permanently.

With these words Sir, I conclude my speech.

[English]

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K PANJA): Sir, I am grateful to the hon. Members who have expressed their points while participating in this debate. Sir, the State of Karnataka has a population of about 4 crores with an area of 1.92 lakh Sq. Km. The density of population is 194/Sq. KM. which is lower than the national average of 221/Sq. Km. 15 percent of the population is Scheduled Caste and 4.9 percent consists of Scheduled Tribes. The literacy percentage is 38.5 which is slightly more than the national average of 36.2. 80% of the area is rain-fed. With these statistics of the beautiful State of Karnataka, the Planning Commission in the year 1984 set itself to the formulation of the Seventh Plan. We find, the main objectives that were thought about Karnataka and which closely followed the main objective of the approach paper of the Seventh Plan for all over India were food, productivity, employment and poverty alleviation.

So far as Karnataka is concerned, when the Seventh Plan was presented in this House in June, 1985, four points were emphasised—(1) accelerating growth of the State's economy, (2) Alleviating poverty and other acute forms of deprivation, (3) re-enforcing the provisions of social goods and services and (4) reducing inequalities by providing economic opportunities for socially disadvantaged group and consolidating the ef-

forts of the past investment by emphasising productivity and efficiency.

The objectives that were sought for and written down in the Seventh Plan so far as the State of Karnataka is concerned are (1) direct poverty alleviation programmes, (2) provision of social goods and services through expanded Minimum Needs Programme which act as a catalyst for the development of human resources, (3) increased employment opportunities which will enlarge by strengthening the viability of villages and small industries as well as by making wage employment available on a wider scale within the rural economic and (4) increased productivity of land which will be attempted to be raised through an integrated package of programme for the development of dry land agriculture for a proven and viable technology has emerged.

With the above strategy, the main thrust—the major expansion thrust—was proposed for rural development programme, social and community services, agriculture and allied activities, transport and power.

This was the plan which was discussed with the then Janata Government. They came into power in 1983. This was formed with their consensus. It was agreed upon as to how much would be State's resources. It was agreed upon as to how much additional resource mobilisation will take place. In fact, the then Chief Minister along with his expert, came over and discussed with the Planning Commission. It transpired that from 1985 to 1990, an outlay of Rs. 3675 crores (revised) was approved for the Seventh Five Year Plan of the State. It was to be financed. State's own resources—excluding additional resource mobilisation was Rs. 1119.84 Crores. The additional resource mobilisation was Rs. 1581.43 crores. The total comes to Rs. 2701.27 crores. The net Central assistance agreed upon was Rs. 873.73 crores, aggregating the resources to Rs. 3575 crores. The average *per capita* outlay which was considered very deeply by the Planning Commission and the Government of India for Karnataka was Rs. 830 during the Sev-

venth Plan as against all India's Rs.1022. Therefore, Special attention was required. The original size of the Seventh Plan was Rs. 3500 crores. The State Government came for discussion and promised that the economy will flourish, they will tighten the administration, they will see that there is also additional resource mobilisation and the priority sectors will be decided so that monies are not squandered away or just thrown away but they will be used purposively for the benefit of the people.

16.00 hrs.

It appears that this additionality of Rs. 75 crores was sought to be found from the additional resource mobilization, taken care of by the efforts of the State Government during the 7th Plan period—of Rs. 1581.43 crores, which I have already said.

The picture becomes otherwise when the Government started functioning. It appears that from the very first year, there is a deep gap between the approved outlay agreed upon, and the actual expenditure. The level of approved outlays, together with actual expenditure incurred during the three years from the beginning of the 7th Plan is like this. During 1985-86 the approved outlay was Rs. 651 crores, but actual expenditure was Rs. 637.67 crores i.e. the State had a minus performance of Rs. 13.33 crores—during the very first year of the 7th Plan. During the second year 1986-87, the approved outlay was Rs. 765 crores; actual expenditure is Rs. 696.17 crores—the minus performance increased more than three times, and it became a minus performance of Rs. 68.33 crores. During the third year of the Plan, 1987-88, the approved outlay was Rs. 870 crores—pausing here for a moment, I say that inspite of the fact that during the first year, comparing, the approved outlay and the expenditure, there was minus performance; during the second year also there was minus performance—although, in such cases, Planning Commission insists that nothing should be increased, in view of the special condition of Karnataka i.e. its *per capita* income being below the all-India level,

it was increased. Government of India and the Planning Commission increased it, did not decrease it. In the third year, 1987-88, the approved outlay was further increased to Rs. 870 crores. The actual expenditure is Rs. 702.10 crores. It was the figure given at that time, and it is a minus performance of Rs. 167.90 crores. Therefore, during the first year there was a minus performance. The deterioration during the first, launching year of the 7th Plan, is Rs. 13.33 crores; during second year it was Rs. 68.83 crores, and during third year it was Rs. 167.90 crores.

Whether it is the Hedge Government or Bommai Government, the result is this: gradually there was a complete stagnation as far as the economy is concerned. In fact, I will presently show how it had in fact become an Augean stable when the President's rule was promulgated; and it needs Hercules to clean that stable. But when the people have reposed their confidence in the Government of India, and the people of Karnataka have supported President's rule, it is our duty to see that because of the bungling of the previous Government, the people there do not suffer.

It appears at the annual Plan discussions—let us discuss this now—that in regard to funding during 1988-89 or 1989-90, there was an estimated gap of Rs. 127.38 crores in the State's own resources. This took into account the loan of Rs. 1.22 crores from Power Finance Corporation provided to the State—after the finalization of the annual Plan. If adjustment is made for this, on a comparable basis the gap works out to Rs. 128.60 crores.

How did this deterioration take place—of Rs. 128.60 crores? It is mainly attributable to two factors: firstly, the estimate of balance from currency revenue—there is a deterioration of minus Rs. 89.81 crores. Secondly, the nett shortfall in buoyancy of the economy—included in the aggregate ARM—additional resource mobilization target—of 1988-89, is minus Rs. 38.79 crores.



[Sh. A.K. Panja]

16.05 hrs.

[SHRI SHARAD DIGHE *in the Chair*]

The total comes to Rs. 128.60 crores—deterioration or minus performance. The State had opened that year with a negative cash balance of Rs. 17.24 crores. This, along with deterioration of Rs. 128.60 crores in that year transaction, partly upset by Rs. 0.50 crores under Central assistance, resulted in the overall deterioration of the State economy of Rs. 145.34 crores; this was the condition of the economy. Quite a lot of shouts are made, a publicity has been made that the Centre is not giving anything. Out of the normal central assistance of Rs. 767.70 crores during the 7th Plan, the State Government had already availed of Rs. 700.51 crores, that is Rs. 154.19 crores plus Rs. 163.71 crores plus Rs. 178.87 crores plus Rs. 203.74 crores aggregating to Rs. 700.51 crores during the the first four years of the Plan. The proposed assistance for 1989-90 as placed before the Planning Commission was Rs. 214.95 crores. So far as the reasons are concerned, we find that the first one appears to me that, from where the State resources are to be taken in, the excise is one of the main sources of revenue (State Excise): It appears, after the President's Rule was promulgated, that it had come to the notice of the Government that during the last few years, a large scale evasion of excise duty on liquor has been taking place in Karnataka. The estimate range upto Rs. 100 crores annually. It appears that the manufacturers have been deliberately allowed to make huge profits out of the non-duty paid liquor commonly called "Seconds". These profits escape tax both at the State as well as at the Central levels. Raids conducted after the introduction of President's Rule and searches and seizures, have confirmed the existence of this widespread phenomenon. They have revealed large magnitude of evasion of sales tax, excise duty and consequently income tax; they have thrown light on the extent of a wide network of political and other corruption, this organ-

ised evasion has spread over a few years. The Government has, therefore, decided to enforce utmost vigil and introduce necessary measures to tackle this problem effectively. Arrangements are being made for a Government Company to take over the Distributorship of liquor from the factory for the entire State. Draft Notifications under the relevant statute have already been issued. It is expected that, with the implementation of this measure and strict vigil, a sizeable additional income will accrue to the State and the network of political corruption organised during the last few years in the State, will be broken, because of secrecy at the initial stage of inquiry, I did not divulge further details. The schemes for canalising wholesale trade of liquor through Government agencies have been formulated. At present, manufacture, distribution and sale of liquor other than arrack and toddy in Karnataka is being done by four different categories of licence-holders.

Firstly, there are licensed distilleries including breweries and wineries manufacturing liquor in Karnataka which are entitled to sell liquor to any distributor licence holder or and wholesale licence holder within Karnataka, as well as to export liquor outside Karnataka.

The second category consists of the distributor licence holder who can sell through any wholesaler the products of any distillery established within or outside the State of Karnataka. At present, there are nine such licensed distributors in the State of which six are exclusively importing liquor from distilleries in other States and three deal with beer produced within the State.

Thirdly, there is wholesale licensee who can purchase his liquor only from a licensed distillery located within Karnataka and or from a licensed distributor.

There are 323 wholesale licensees now functioning in the State.

Fourthly, there are over 3100 retailers who hold a CL2 licence which enables them

to purchase liquor stocks only from the wholesale licensee and sell only to a retail consumer.

The need for canalising was looked into by the present Government, under the Governor. If there is a need for canalising the wholesale trade, the reason is that in the year 1987-88 the revenue derived in the form of excise duty from the distilleries in Karnataka was of the order of Rs. 14 crores per year.

In the excise year 1988-89, the excise duty realised from these distilleries went upto Rs. 20 crores. For the current excise year 1989-90, the said target has been raised to Rs. 36 crores and in order to achieve the same, sub-targets have been allocated for each distillery and brewery keeping in view their (a) past performance; (b) installed and potential capacities; (c) demand for liquor within and outside Karnataka; and (d) other relevant parameters.

Therefore, it is estimated that there is still a large volume of the IML trade which is escaping and will continue to evade excise duty so long as the entire manufacture and sale of such liquor continues in the private hands. In order to directly inhibited the sale of this non-duty paid liquor which is commonly called "seconds" and divert the undue profits being made thereon into the coffers of the State, it would be necessary to canalise the wholesale trade of liquor through Government agencies. The present assessment is that the volume of "seconds" trade in Karnataka would be roughly twice that of the duty paid IML. On this assumption, it is expected that about Rs. 40 crores of the "seconds" trade will be brought within the tax net as a result of this structural and policy change.

The proposed changes are to amend the rules for firstly to provide for manufacture of liquors in Karnataka, namely the distilleries, breweries, wineries to sell liquor only to a Government agency holding a distributor licence, (CL II) and not directly to any other distributor licensee/wholesale licensee within

Karnataka or to export outside the State, as they are permitted to do now. Secondly it is proposed to provide for such distributor licence to be issued to any single Government agency either for the whole State or any part thereof and to enable the said distributor or distributors to deal in the products of all distilleries/breweries/wineries within the State as well as to import liquor from outside the State for the purposes of distribution and sale. The said distributor licence will also permit the sale of liquor outside the State.

Thirdly it is proposed to provide for the wholesale licensees to procure liquor only from the sole distributors.

Fourthly, it is proposed to provide for exception in the case of manufacturers of liquor in Karnataka who may sell their products directly to Defence units as they are bound by Military contracts. For practical reasons also, breweries may be permitted to directly supply bulk beer to the licensee under the Karnataka Excise (Retail vend of Beer) Rules, 1969, as bulk beer has to consumed within 36 to 40 hours from the time of manufacture.

There are not only for revenue collection, but for the protection of the people so that there may not be illicit breweries which sometimes results in death, maim, disfigure, disable human beings in case of such consumption... (*Interruptions*)

MR. CHAIRMAN: How long will you take?

SHRI A.K. PANJA: I will take another fifteen minutes or so.

MR. CHAIRMAN: Let the Minister of State for External Affairs Shri K. Natwar Singh make a *suo motu* statement regarding International Conference on Cambodia. After that, you can continue.

SHRI K. NATWAR SINGH.

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