

[Sh. Aziz Qureshi]  
anti-Indian powers, has been trying to tarnish the image of India and create differences between India and its Arab and Muslim countries. History bears testimony that India, its people and Government have been the sincere friends of Arab and Muslim nations. Its relations particularly with the Kingdom of Saudi Arabia its rulers and people deserve special mention.

12.12 hrs.

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

Late Pt. Jawaharlal Nehru was extended a historic welcome and was described as 'Prophet of Peace' (Rasool-as-Salam) during his visit of Saudia Arabia. Similarly, our relations with Kuwait, Libya, Egypt and other countries have been very cordial. We have championed their just causes and have fought for them in the world forums.

Pakistan with a sinister motive has launched an ugly and unholy propaganda and publicity campaign to spoil this relationship between us. They are trying to create serious misunderstandings between us just to damage our image.

What is urgently required is the re-assurance from our side to the Arab and Muslim countries that we shall continue to champion and plead their genuine causes and fight their wars in the world forums.

The Ministry of External Affairs through its external publicity division must initiate immediate action to counter this Pakistani propoganda and nip it in the bud, to convince and re-assure our Arab and Muslim friends of our unequivocal support.

(vii) Demand for financial assistance to Tamil Nadu Government to meet the acute scarcity of drinking water in Madras City.

DR. A. KALANIDHI (Madras Central):  
The people of Tamil Nadu especially the

residents of Madras City are worst hit by water scarcity. The women folk have to trudge long distances to fetch water. In other places the people have to pay for water. The Veeranam Project has been discarded and this has resulted in acute scarcity of water in Madras City. The Krishna Water Scheme is also in doldrums and it would also cause much havoc in the normal life of the people of Madras City. It is high time that the Government of India should come forward to redress the grievance of people. It should allocate at least Rs. 30 crores to the State Government to enable them to sink borewells and purchase other equipments. The Centre should see that the Krishna Water Scheme is speeded up and take up the matter with Andhra Pradesh Government and Tamil Nadu Government.

12.14 hrs.

#### FINANCE BILL, 1987

[*English*]

MR. DEPUTY-SPEAKER : We shall now take up Item No.10 - Finance Bill. 15 hours have been allotted for all the three stages of the Finance Bill, 1987. If the House agrees, we may have 12 hours for general discussion, 2 hours for clause-by-clause consideration and 1 hour for Third Reading.

Now, the hon. Prime Minister may move.

12.15 hrs.

[MR. SPEAKER *in the Chair*]

THE PRIME MINISTER (SHRI RAJIV GANDHI): I beg to move:\*

"That the Bill to give effect to the financial proposals of the Central Government for the financial year, 1987-88, be taken into consideration".

\* Moved with the recommendation of the President.

The details of the proposals in the Finance Bill, have been spelt out in the Explanatory Memorandum, which has been circulated along with the Budget papers. The salient features of these proposals have been explained in my Budget Speech. I will not, therefore, take up the time of the House by covering the same ground again.

Hon. Members on both sides of the House have made valuable suggestions during the general debate. We have also received representations from various sections and comments from experts. In the light of these, I have decided to make certain amendments in the original Budget proposals.

In respect of direct taxes, I propose to make the following amendments:-

- (a) Apprehensions have been expressed that the proposed new section 194E of the Income-tax Act, which seeks to extend the area of tax deduction at source, may cause unnecessary harassment to large numbers of honest taxpayers who might have to seek refunds. After careful consideration of representations received, this proposal is being withdrawn.
- (b) The Finance Bill inserts a new section 115J in the Income-tax Act to levy a minimum tax on 'book profits' of certain companies. Representations have been received that in computing book profits for the purpose of determining the minimum tax, losses and unabsorbed depreciation pertaining to earlier years should be allowed to be set-off. Otherwise, new projects that have just begun to make profits after some years of losses, and sick companies that have just turned the corner, will become subject to minimum tax. There is merit in this

suggestion. Under section 205 of the Companies Act, 1956, past losses or unabsorbed depreciation, whichever is less, is allowed to be set off against the book profits of the current year for determining profits for the purpose of declaring dividends. It is proposed to allow the same adjustments in computation of book profits for purposes of the new provision for levy of minimum tax.

- (c) The Bill seeks to insert a new section 54H of the Income-tax Act providing for exemption of capital gains arising from the transfer of shares to any public sector company as specified by notification. This was only an enabling provision, but it has given rise to undue misgivings. It is proposed to delete this provision.
- (d) The Bill seeks to insert a new section 54G providing for exemption of capital gains on transfer of assets, in the case of approved schemes for shifting an industrial undertaking from urban areas. The exemption will be available in respect of long-term capital gains arising from the transfer of machinery, plant, building or land. Representations have been received that the underlying objective of re-location of industries is not fully achieved by this provision because of section 50 of the Income-tax Act. This section provides that capital gains arising on transfer of long-term capital assets in respect of which depreciation has been allowed, will be deemed to be short-term capital gains. To give effect to the original intention, it is proposed to amend this provision to secure that capital gains, whether short-term or long-term, will qualify for exemption.

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- (e) The Bill seeks to amend section 2 (22) (e) of the Income-tax Act to provide that loans or advances given by any closely-held company to its share-holders, or to any concern in which such share-holders have a substantial interest, shall be deemed to be dividend for the purposes of taxation. It has been pointed out that such a provision may be unduly severe in the case of persons having small shareholdings. It has also been pointed out that it should not apply retrospectively to cases where advances or loans have already been given by closely-held companies to shareholders before this Finance Bill is enacted. The proposal is now being modified so that it will apply only to cases where the shareholder holds 10% or more of the equity capital and to concerns in which such shareholders have substantial interest. Further, the new provisions shall be applicable only where the loans or advances are given after 31-5-1987.

The other amendments relating to direct taxes are purely of consequential or clarificatory nature and I would not like to take the time of the House in dealing with them.

The changes in respect of indirect taxes are as follows:-

- (1) In the Budget, I had announced excise reliefs and reduction in levy quota for new cement units manufacturing portland cements, which commenced production on or after 1-4-1986. I now propose to extend a measure of relief to cement units which commenced production between 1-1-1982 and 31-3-1986. These units will get excise relief of Rs. 20 per MT for portland cement. Their levy quota is also being reduced from 30% to 20%. Both these measures are for a period of 3 years. The excise concession will be available only to those units whose

aggregate production is not less than 30% of the licensed capacity, and which produce cement out of captively produced clinker. These excise duty benefits would be given to mini cement plants as well.

- (2) I had proposed certain changes in the exemption scheme for hand-processed cotton fabrics. The full exemption limit was increased from 36 lakh sq. mtrs. to 50 lakh sq. mtrs irrespective of the type of processes employed. I now propose to further liberalise the exemption scheme by raising the exemption limit to 75 lakh sq. mtrs. for screen printed fabrics. All hand processing units will be eligible for these exemptions irrespective of their turnover. The duty rate on clearances in excess of the exemption limit is also being reduced from 50% of the normal rate to 25%. In order to relieve small units from the rigours of excise formalities, exemption from central excise licensing control is being given to units whose clearances do not exceed 80% of the full exemption unit.
- (3) The customs duty exemption available to imported waste paper was withdrawn in the Budget, and a duty of 25% was imposed in its place. As a measure of relief to small paper mills, who are major users of such waste paper, I now propose to reduce the rate from 25% to 10%.
- (4) Excise duty on wool tops was removed and import duty on raw wool, wool waste and woollen rags was increased from 20% to 30%. To ensure availability of wool at reasonable prices to this export oriented industry, I am restoring the pre-budget rate of 20% on raw wool, wool waste and woollen rags. This rate is also being made applicable to synthetic rags.
- (5) Excise duty on wood products based on waste wood, such as particle

- board, insulation and fibre boards is being reduced from 20% to 10% ad valorem.
- (6) Import duty on non-electronic parts for computers required for the manufacture of 22 specified peripherals is being reduced from 75% to 45%.
- (7) Six new items are being added to the list of computer peripherals for which import of non-electronic parts is permitted, for maintenance purposes, at concessional rate of 75%.
- (8) A uniform rate of import duty of 75% is being imposed for raw materials and components required for the manufacture of the Public Telephone Exchange Net Work Project.
- (9) On certain items of consumer electronics, including VCRs, VCPs, combination sets of TVs with audio recorders, radio or clocks, specific rates of excise duties are being fixed. Some other minor changes are being also made in the import duty structure on raw materials and piece parts used by the electronic industry. Some procedural simplifications are also being carried out.
- (10) Excise duty of 15% was imposed in this year's Budget on spices sold in unit containers. It has been represented that this duty would adversely affect a large number of small units. I, therefore, propose to exempt packed spices fully from excise duty.
- (11) Excise duty for retread rubber and other retreading materials were revised in the Budget. It has been represented that the small scale sector has been adversely affected by this revision. I, therefore, propose to reduce the rates from Rs. 6 and Rs. 9 per kg. to Rs. 4 and Rs. 8 per kg. respectively.
- (12) In the Budget, import duty on general machinery was reduced to 85% and the rate on components of machinery to 70%. As a measure of support to the textile machinery and machine tools sectors, the duty on components for these items is being reduced from 70% to 60%.
- (13) To simplify classification and assessment of parts of machinery, appliances and equipments, a new tariff Heading No. 98.06 was proposed in the Customs Tariff in this year's Budget. Most of these parts are already exempt from countervailing duty. As a measure of further simplification in respect of such parts, which attract countervailing duty, a uniform rate of countervailing duty at the rate of 15% ad valorem is being proposed.
- (14) The extension of MODVAT scheme to more items and the procedural relaxation made in the Budget have been widely welcomed both in the House and outside. Some more further relaxations in this scheme have already been made. The facility of adjustment of MODVAT credit will now be allowed in all situations wherever the input duty is varied upwards. A manufacturer availing of MODVAT has also been made eligible to avail of the proforma credit scheme under Rule 56A in respect of inputs not covered under MODVAT.
- (15) The following other reliefs are also being proposed:
- (i) Excise duty on non-tinted toughened glass is being reduced from Rs. 25/- to Rs. 15/- per mm thickness per sq. mtr.
  - (ii) Excise duty on glues and adhesives based on plastics is being reduced from 40% to 25%.
  - (iii) On certain travel goods where MODVAT benefits are lower than

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estimated, excise duty is being reduced from 35% to 30 ad valorem.

The total impact of these and some other concessions and reliefs aggregate to Rs. 40 crores on the Customs side and Rs. 30 crores on Excise side. This will be made up by better collections during the course of the year. Notifications giving effect to the proposed changes, wherever necessary, would be issued and laid on the Table of the House in due course.

I request hon. Members to lend their support to the Finance Bill, with the modifications I have proposed. Sir, I move the Bill.

MR. SPEAKER: Motion moved:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1987-88, be taken into consideration".

Shri C. Madhav Reddi.

SHRI C. MADHAV REDDI. (Adilabad): Sir, a number of concessions and modifications had been announced just before the discussion on the Finance Bill is about to start. While I welcome some of the change announced by the Government, even though at the eleventh hour, I am sorry to state that we have no time to study them. I would have appreciated if these changes had been announced a few days earlier, as it was the practice in this House, so that we may study and understand the actual impact of these proposals and understand as to what is going to be the revenue loss because of these changes.

Sir, one of the changes which was proposed is with regard to ...*(Interruptions)* He said it is about Rs. 70 crores - Rs. 40+30 crores ..... *(Interruptions)*. I beg your pardon. Please tell me. I am not able to hear. I am prepared to yield...

SHRI G.L. DOGRA (Udhampur): This

way, they will collect Rs. 70 crores more....

*[Translation]*

SHRI C. MADHAV REDDI: Kindly let me speak. I have not yet made my point and you have started interrupting.

*[English]*

MR. SPEAKER: Order, order...

SHRI C. MADHAV REDDI: Now, Sir, one of the concessions announced with regard to Section 115(j) certainly is welcome. The deletion, withdrawal of Section 194 (e) is also welcome. But, Sir, Section 115(j) relating to taxing the Zero Tax Companies, I would like to know how many are those Zero Tax Companies after the abolition of the investment allowance. Investment allowance has already been abolished from 1st of April this year as had been announced in the last year's Budget. After that, except those companies which enjoy certain facilities such as the companies which started industries in the backward areas, because certain concessions are available to them and except those who are going to take advantage of this special deposit that they deposit it with the IDBI, certain funds which will be deducted from taxable income there will be very few companies which would be considered as zero tax companies. Now, when you withdraw the investment allowance, which was the right step, what you are going to do is to punish such companies with another provision. What does it mean? You are suggesting two prescriptions for the same patient.

*[Translation]*

Which will mean that both the disease and the patient will be finished.

*[English]*

I would rather suggest that either you have this investment allowance or you have the tax on the zero tax companies, the minimum tax.

With regard to the other concessions, I am not in a position to make any comments now; they certainly require a detailed scrutiny. I would, therefore, like to make certain general observations avoiding repetition of certain observations already made on the floor of this House at the time when the General Budget was being discussed. I am not going to say anything about the proposals with regard to deficit finance. Much has been said about it. But there are certain comments which I would like to make with regard to certain other proposals.

While replying to the debate on the General Budget, the hon. Prime Minister had said:

"We are giving a lot more to the States. We have not increased the customs duty. We could have played a dirty trick by balancing excise duties".

Sir, there are many dirty tricks played I may be permitted to say what are those tricks which have already been played. I will come to that later. Mr. Prime Minister, your observation is that you have been transferring the amounts to the States liberally though you have forgotten that the States have got statutory rights, Constitutional rights, to get shares from the revenue which you collect.

[*Translation*]

SHRI G.L. DOGRA: The transfer of revenues is to help the States.

SHRI C. MADHAV REDDI: Please sit down. I know that you do not want to listen because truth is always bitter.

SHRI G.L. DOGRA: No it is not bitter, but you never reveal the truth.

[*English*]

SHRI C. MADHAV REDDI: When you transfer funds to the States, there are two types of transfer. One is the transfer which is a statutory transfer, which goes out of the divisible pool, but in this you have no

choice because just as you are collecting taxes, we in the States are also collecting taxes in the States and you are sharing the taxes which we are collecting. The constitution has clearly laid down what are those taxes which the Centre has to collect and what are the taxes which the States have to collect. May be, their number is small, their area is limited, but they are collecting taxes in which the Centre is having a share. Now, when you are transferring funds from the divisible pool, I am at a loss to understand why you think that it is a favour. Why it is a favour. After all, it is a constitutional obligation which you are discharging as the States are discharging. Sir, I know it is because of better collections that the transfers to states had gone up; better collection is the duty of the Government, better collection was there in the past. I know Shri V.P. Singh's efforts what he has done and because of his efforts and raids, there was about 1500 crores extra collection and out of court settlements due to additional there was 4 to 5 hundred crores Government has received. That is welcome. And out of that, we got our quota, our share. But the point is while we get our share increasingly, we have been noticing that the States are getting less and less from the divisible pool and more and more from the other grants which are grants-in-aid or which are discretionary funds. Well, in the matter of discretionary funds, certainly we are at your mercy. We have to come to you with a begging bowl and we have asked for funds and you are in a position to dispense justice. I know that. Continuously from 1952, there had been a constant effort on the part of the Central Government to see that the divisible pool is reduced proportionately and there is an increase of transfers from the other discretionary funds. Sir, up to 1957 I was a Member of this House. From 1952 to 1957 the Income-Tax on companies was coming to the divisible pool. Now, Sir, where is this Corporate Tax? Are you giving anything out of that? In 1959 you changed and you had given a different definition, to the tax which is no longer called Income-Tax, which was re-named as the Corporate Tax. Since Corporate Tax is not to be shared, you said

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we don't give you anything. And Corporate Tax income has increased enormously because it is a buoyant tax. Because lot of companies are coming, industrial development is taking place and certainly more and more revenue is coming into the Corporate Tax. Even in the matter of collection expenditure, if you see, when you collect the Corporate Tax and Income-Tax, the same Department does it. There is no separate Department for it. But when you apportion the expenditure for collection, what are you doing? How are you apportioning? Would you kindly see one-seventh of the expenditure is charged to the Corporate Tax and six-seventh of the expenditure on the collection is charged to the Income-Tax? That is, the States are bearing the brunt of the expenditure which is growing day by day of the Income-Tax Department.

Now, this has been commented by the Finance Commission. I am not telling out of my imagination. This has been commented by the Finance Commission. Sir, apart from this, there are several recommendations of the Finance Commission, the Eighth Finance Commission which have not been accepted by the Central Government. You have appointed the Finance Commission, you never consulted the State Governments as to who is going to be in the Finance Commission? Who should head the Finance Commission? The entire choice was yours. Then, when the Finance Commission makes a recommendation the Central Government says, no, we don't accept this. How is it? There is a clear recommendation by the Finance Commission that when you increase the administered prices of commodities, you should not treat it as a revenue, it is better if you increase the excise duties in which States have a share instead of increasing administered prices. During the last three years, the administered prices of various commodities steel, petroleum and so on had been enormously increased. 15000 crores of income has been received by the centre under this. And what is the share you have given to us? No share. We don't have any share.

*(Interruptions)*

[*Translation*]

You reply to my arguments while speaking. If you merely want to interrupt me, I sit down. You speak and I will reply.

[*English*]

You are a knowledgeable man and you know it.

What I mean to say is that during the last three years Rs. 15000 crores of income have been received by us on various accounts because of the increase in the administered prices; but the States have got nothing. On the contrary, State projects had become costlier because you have increased the price of cement, the price of steel etc. Their budget has been upset because of this. Did you ever consult them at least before you increased the prices of these commodities? You never consulted them. There is a provision in the constitution for a council for consulting the States with the Centre. You never appointed such an inter State council and no consultation is there. There is only a National Development Council which meets every year where only formal speech making is done, but no discussion takes place.

Regarding the administered prices, it is only fair that you give atleast 40% of the income which you get out of this to the States. You are not going to do it. Not only this, the States are suffering because of many other measures which we are taking here ignoring the rights of the States.

The State Governments have been asking for the appointment of the Finance Commission early. The 8th Finance Commission was appointed in 1982, which means already five years have elapsed. Every five years, under the constitution, you have to appoint a Finance Commission. That Finance Commission will take one or two years to make the recommendations. Those recommendations will become effective after the Report is received by us. The 8th Finance Commission submitted its recommendations-because it submitted the

recommendations late, the recommendations of the 8th Finance Commission have become operable only for four years, not five years. The recommendations are effective for five years; but you said that even though the Finance Commission gave an interim report which was ignored, when the final report was submitted it was too late because already your proposals for budget making had been finalised. Then we lost one year and as a result of that, the States lost about Rs. 1500 crores, because they did not get anything out of that. As a result, the recommendations of the 8th Finance Commission have become effective only for four years, not five years. Statutorily we must have the advantage of having five years.

Where is the 9th Finance Commission? When are you going to appoint it? You are waiting for the Sarkaria Commission's report. I don't know whether that Commission's report is going to come and when it is going to come. We have been told that some States have not submitted their memoranda. Only two or three days ago the Punjab Government has submitted, I don't know about Haryana and about many other States. They have not submitted their memoranda and the Sarkaria Commission is waiting for each and every small State including the Union Territory to submit its memorandum before they are going to deliberate.

Is it justice? How are we going to wait for so long? The Commission should have submitted the Report and if it does not come, it is all right if they have any difficulties, because it is the sweet will and pleasure of the Commission. We can only appoint Commissions, we cannot dictate terms as to the term of office. They go on asking for extension. It is OK. But without waiting for the Sarkaria Commission, why have you not appointed the 9th Finance Commission? Because if you appoint now, it will take one and a half years and by 1999 at least, after four years the new Commission's recommendations will come into effect. Otherwise again the 9th Finance Commission's recommendations will be operable only for four years, not for five years. Is it not an aberration? Is it not a

distortion of the Constitution? Don't you think this is going to give lot of heart burn to the States? I am not going into several of these aspects between the Centre and the State Governments.

I would like to draw your attention to some of the financial jugglery which the present Government is pleased to indulge in with regard to the growth rates — economic growth rate, industrial growth rate and agriculture growth rate. Time and again we have been told that our growth rate is very satisfactory. Our exports are very satisfactory. Our balance of trade position is very good. There is saving of Rs. 1,000 crores in the Trade deficit. The industrial growth rate has registered an increase of 8 per cent. But on what basis! The Government is silent about the change in the index. How are you going to measure your growth rate? Without mentioning anything you have suddenly changed the yardstick. Okay. You are at liberty to change the yardstick. If you think your son is not growing fast and you are very much worried and you are measuring him every year and you feel your son is not growing at all and then one fine morning you change the yardstick and cut it by one inch and you get satisfaction that your son is growing at a good speed.

SHRI MURLI DEORA (Bombay South): That happened in Andhra Pradesh.

SHRI C. MADHAV REDDI: Andhra Pradesh has no right to change the indices.

SHRI P. KOLANDAIVELU (Gobichetti Palayam): They are not having the yardstick. They are having the meter-stick.

SHRI C. MADHAV REDDI: Still we call it yardstick idiomatically. We do not call it meter-stick.

The index of industrial production we revise every ten years because new industries come in with higher growth rate. There are certain categories of industries with lower growth rate and others with higher growth rate. You have to eliminate some and include others. But the point is last year and the year before the growth rate



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has been measured with a bigger yardstick and this year the growth rate is being measured with some other yardstick. The electronics industry, chemical industry, petro-chemical industries and several other industries with higher growth rate have to be included. My point is do not include only the high growth rate industries and eliminate the low growth rate industries to arrive at a higher growth rate this year.

You can revise your yardstick. I am not finding fault with the revision of the index. You have to revise it every ten years but when you measure your economy, you measure it correctly with one yardstick and not two yardsticks. Judging from that I feel the industrial growth rate this year, that is, in 1986-87 is only 6.2 per cent and not 8 per cent. It is certainly 8 per cent if you measure it with a new yardstick which has been recently revised. This is my dispute.

Same is the case with the exports. Well we are happy that there has been an increase in the exports but it is not to the extent we are being told. We are also happy that the imports have reduced. But then why is it? Is it just because of the decline in the oil prices? Remove this oil from the imports and then what is the picture? The picture is that our imports have increased by 26 per cent as against 17 per cent increased in the exports. Sir, where is the guarantee that this year's position will remain for the next year with regard to oil? The prices are already increasing. What would be the economy of the country once the prices go up again? You can't show then that our exports are increasing and our imports are decreasing. These are the facts which have to be brought before the House thoroughly so that we may appreciate the actual position. If there are indications that our economy is growing, then, Sir, certainly we will appreciate it. We are not here to criticise the Government for everything. I am here to appreciate the efforts of the Government in certain sectors which have given results. But, Sir, the truth has to be told. Truth like murder will always come out. It cannot be hidden.

Sir, this year's budget has been almost a no-tax budget. With the deduction of Rs. 70 crores relief announced today the tax revenue will go down further. Now I am very happy that at last the oil pool account is being brought into the tax net. This should have been done long ago. You were having a surplus oil pool account of Rs. 6 to 7 thousand crores and you were not able to spend it for exploration or for exploitation of oil in the country. Hitherto you were simply transferring the surpluses from the oil pool account to the general revenue.

THE MINISTER OF STATE OF THE MINISTRY OF PETROLEUM AND NATURAL GAS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BRAHMA DUTT): There is no surplus for exploration or exploitation of oil.

SHRI C. MADHAV REDDI: There is surplus in the oil pool which admitted. There is always dearth of capital according to Government, for development and we had been borrowing heavily. Recently, there was a report that the Oil India is borrowing funds from outside, etc., etc. Anyway that is not the point. The point that I was making is that you had surplus funds in the oil pool account which had not been properly utilised and which you are transferring to the Government as non-tax revenue. This amount was being transferred as non-tax revenue. Now you are bringing it into the tax net. But why don't you bring the entire surplus into the tax net? Why do you bring only about 40% Fifty per cent of it, almost about Rs.700-800 crores or so, is coming through the excise duty in which the states will have 40-50% share. Any way we are happy for that unless, of course I don't know some accounts are juggled and you say States have no right in that.

Sir, similarly the rest of the revenue to about Rs. 800 crores or so which will come because of the increase in the import duty on the crude oil which remains adjusted as import duty and in which we have no share at all.

SHRI BRAHMA DUTT: Royalty?

SHRI C. MADHAV REDDI: Royalty, of course, is included with pool. But this royalty we get on the indigenous crude, not on the imported crude. The import duty is being imposed on the imported crude which I am talking about.

Now, Sir, coming to the question of some of the measures for achieving savings so that they may be available for investment, I certainly welcome those proposals. The new National Savings Scheme is a very good scheme. I am happy to know that the States will have their share in that. But the states are losing in small savings. My complaint is that you are making certain deposits in the banks so attractive that the people are today preferring deposits in the banks instead of going to the small savings, to the post offices. If the same amount goes to the post offices, we get about two-thirds for the States, but if the same amount goes to the banks, we will get nothing out of it.

SHRI BRAHMA DUTT: You get for your projects.

SHRI C. MADHAV REDDI: We get for the projects when we ask for it and you take mercy on us; we have to beg. All right, but then when we want to go to the market, what is the attitude that you take. The other day you were answering a question which I put to you that the public sector companies were going to the market and borrowing funds for their development. We welcome this. I am not criticizing and I really feel that the private sector's criticism of this particular action is absolutely wrong. Because when we are raising funds by going to the market by way of debentures of other borrowings, we are not depriving the private sector and as my hon. friend, Shri Indrajit Gupta says, these bonds are being subscribed mostly by the banks and the financial institutes, not by the public.

SHRI RAJIV GANDHI: If I may just clarify that, they are being bought by the banks to be resold. The banks are not holding on to them. I have made that very

clear to the banks. They buy them and then they sell them to their customers.

SHRI C. MADHAV REDDI: I am very happy for the clarification. But I am not sure. That is not my point at all. I am supporting the Government that the Government is within its rights to go to the market and raise funds for the public sector. Of course, when the public sector is going to the market, you are not giving any guarantee for them. The public sector is taking the full responsibility for their borrowings. What you have done is that you have permitted then, you said: All right, there would not be any tax on the interest which will be accrued on this. With that the bonds have become attractive for the public. You are giving this concession while giving permission to the public sector units to borrow funds from the market. But why don't you extend the same facility to the state sector units? When the State sector came to you, you said: No, you have a ceiling within which you can borrow, not beyond that. The State Government is not borrowing, they are not interested in borrowing the ceiling applies to State Government not to the public sector units such as the State Electricity Boards, Road Transport Corporations and a host of other public sector units that the States have. Why do you make a distinction between a Central sector and a State sector unit? Why don't you permit the State Sector units also to go to the market with the same concessions, such as ten per cent rate of tax-free interest? If that is done, the States will be benefited. Why are you not permitting them?

SHRI MURLI DEORA: There is a ceiling for the public sector also.

SHRI C. MADHAV REDDI: There is a ceiling on everything that way; there is a ceiling even on how much you can borrow from the entire world. Today there was a question which was in my name, but I was not here to ask. Even for the external borrowings also you said, you could put a ceiling and so on. I am not talking of the general ceiling, but you have a ceiling for the state government. If the State Govern-

[Sh. C. Madhav Reddi]

ment wants to borrow from the market you have fixed a ceiling. But this specific ceiling does not apply and should not apply to State public sector unit if it directly wants to go to the market just as any private sector company either for shares or for debentures. They should be permitted just as the private sector units. The private sector complains today that they are being discriminated. That complaint applies more to us, more to the State sector. You are not permitting them to go to the public while the private sector units are free to go to the public.

You should reconsider this position and I urge upon the Government to see that no discrimination is shown to the State sector units. After all, you can always scrutinise the proposal and we choose; you can say the proposal is not right. If the State sector unit is coming for a loan for which there is no justification they do not have a worthwhile project I can understand but when they have a worthwhile project why don't you consider on the same lines on which you are considering the proposals from the public sector units, that is my contention.

13.00 hrs.

Sir, in the matter of overdrafts, the Hon. Prime Minister told us that the States are not observing financial discipline; they are going in for heavy overdrafts and you have converted the overdrafts into loans, and said that there should not be any further overdrafts. Sir, when the State Government is in need of funds and when they go to the Reserve Bank of India and draw more than deposits it is called overdraft. But when the Central Government borrows from the Reserve Bank of India against the treasury bill, it is deficit financing. Central Government has no financial discipline at all. There is no need for Mr. Brahma Dutt to observe any discipline. The entire discipline is to be observed only by the State Governments.

Now, Sir, what is the difference between the overdraft and the deficit financing? In

real terms there is none. But, today you say that within one week these overdrafts will have to be cleared. Which Government is in a position to clear? How can they clear it? Sir, the overdraft is necessary because the State Government do not get the revenues according to their plan in a very systematic manner consistently week after week. At times there is surplus, other times there is deficit in the collection of revenues and for a short period of month or two or three weeks they require overdraft facility. And when they protested, what the Central Government said is "All right, we will increase your ways and means advances". Now, Andhra Pradesh was having a ways and means limit of 60 crores. You have made 68 crores. How liberal! you have increased only 8 crores and said no overdraft and within one week you should clear it. How is it possible? Have you ever consulted them; have you ever tried to understand their position. You have this mistrust about the States that they are indulging financial indiscipline; that they do not observe any financial discipline at all and that is why we are here

[*Translation*]

You think that you can enforce discipline by force and you claim that this cannot be done by us you treat us as your subordinates and expect us to carry out your orders.

[*English*]

This type of attitude must change and you should understand their problem. Please see that the overdraft is permitted at least for month so that they may tide over the difficulties.

Sir, these are some of the observations which I would like to make and again I would like to submit that if these proposals and concessions, which have been announced the Prime Minister just now had they been announced earlier it would have given us an opportunity to make better comments, to make more comments and to make the deliberations more useful. Thank you Sir.

MR. SPEKAER: The House stands adjourned for Lunch to meet again at 2.05.

13.04 hrs.

*The Lok Sabha adjourned for Lunch till five minutes past Fourteen of the Clock.*

*The Lok Sabha re-assembled after lunch at ten minutes past Fourteen of the Clock.*

[MR. DEPUTY SPEAKER *in the Chair*]

FINANCE BILL - 1987 - *CONTD*

[Translation]

SHRI RAM SINGH YADAV (Alwar): Mr. Deputy Speaker, Sir, I rise to support the Finance Bill, 1987 presented in the House. To give a progressive look to our economy, our Prime Minister, the leader of the House and the Finance Minister, Shri Rajiv Gandhi has given a new direction to it. The long-term fiscal policy is in itself a new step and it has not only given a new direction to our economy, but also given the required boost and assured growth rate to it. The hon. Finance Minister has granted concessions to the tune of Rs.70 crores through this Finance Bill. This would particularly benefit the small entrepreneurs. His promise of simplifying the taxation system will also be fulfilled through this Bill. Whether it is corporate tax or direct tax, everyone will benefit from it.

The hon. Member who spoke prior to me dwelt on the Eighth Finance Commission and said that its report should have been implemented on the 1st April 1984, but in fact it was done a year later and consequently the benefits accruing to the States as on 1st April 1984 were received a year later. Besides, the states were also deprived of the grants they were to receive on the basis of the Eighth Finance Commission's Report. I think that either the hon. Member was not a Member of the Seventh Lok Sabha or he has not cared to go through the Report of the Eighth Finance

Commission. Had he even gone through the debates on the Report of Eighth Finance Commission he would not have said like this. I would like to mention here that when the Report of the Eighth Finance Commission was being discussed in the House, even hon. Members of Opposition, like Shri Somnath Chatterji of Bengal and Prof. Madhu Dandavate of Maharashtra, admitted that whatever Government had done in this regard was in the interest of the nation. According to you, if the Report was implemented on 1st April, 1984, the States would have received Rs. 1400 crores more. But I would like you to remember the circumstances. The Report of the Eighth Finance Commission was presented to the President on 30th April 1984, when the Budget had already been presented to the House. If the said report had been received by the Finance Minister prior to the presentation of the Budget, it would have enabled him to raise an additional Rs.1400 crores but if I recollect correctly the total deficit in that year's budget was Rs. 1500 crores and if this amount had been added the deficit would have shot up to Rs. 3000 crores.

SHRI C. MADHAV REDDI: I think you have not caught my point. My point is what has happened in the past should not be forgotten.

[English]

History is being repeated again.

[Translation]

The same thing would be repeated in the Ninth Finance Commission.

SHRI RAM SINGH YADAV: Because you raised this controversy, I would like to clarify that our Government and the then hon. Finance Minister had only three alternatives before them. One was to levy additional taxes through supplementary tax proposals. The 1984-85 budget had a deficit of Rs. 1500 crores and the taxes were already on the high side. Under those circumstances if we had given additional

[Sh. Ram Singh Yadav]

dose of taxes who would have accepted it? None would have accepted. Besides, if there had been any laxity the deficit would have risen from Rs. 1500 crores to Rs. 2900 crores. How could the nation bear it? Could the economist allow it? Could you accept it? The Eighth Finance Commission submitted its report to the President of India on 14th November 1983. At that time the Government of India made a payment of over Rs. 500 crores for the states having deficit till 31st March, 1982 like Bengal, Rajasthan, Andhra Pradesh and over above this amount, granted Rs. 600 crores to the States on the approval of Planning Commission to meet other exigencies. In this way the Centre granted about Rs. 1100 crores to the states in the first year of the Eighth Finance Commission. I would like to remind you that when it was discussed in the House many hon. Members of the opposition admitted that the steps taken by the Government in regard to the Eighth Finance Commission were praiseworthy, and they did not want to add anything more to it. Shri Madhu Dandavate had said:

[English]

"Four instance, Rs.494.83 crores as grants-in-aid to nine States that need aid very much. It was, of course, clarified, I must concede...."

He had conceded it on this point.

[Translation]

They praised the grant in aid of Rs. 494.83 crores to states-those which were drawing over-draft and the step up of Rs. 600 crores i.e. 10% plan in aid. This not only helped in increasing growth rate, but also in boosting the annual plan. In a way, this has also proved to be productive. The release of Rs. 600 crores by the Centre was essential for our progress and planned development. Sir, now I would like to quote from the speech of Shri Somnath Chatterjee.

[English]

"So far as the recommendations of the

Eighth Finance Commission are concerned-I do not want to question about West Bengal only-have you still got an open mind?"

He also concedes that the 8th Finance Commission has done justice to West Bengal. Now my friend is telling that the 8th Finance Commission has not done justice to the States.

[Translation]

Shri Madhav Reddi of the opposition said just now that attention has not been paid to the implications of the Eighth Finance Commission and the share to States.

Sir, I would like to mention here that even the World Bank Report has admitted that from the point of view of economic progress, high production, and long term fiscal policy, India stands first among the developing nations. Therefore, we should thank our leader Shri Rajiv Gandhi the builder of modern India-for having formulated an economic policy which is leading the country to progress.

Sir, eminent economists have said here that when you make an assessment of India's economic progress you have to compare it with international standards. The average Gross Domestic Product throughout the world in 1984-85 was 2.5 per cent whereas GDP in India was 5%. No body can deny this. Does this not reflect the economic progress in the country? You may criticise it, but I would like to quote from the latest annual report 1986 of World Bank wherein it has been mentioned about India that:

[English]

"In light of the targets of India's seventh five-year plan (1986-90), which calls for average annual real growth of 5 per cent, the pace of economic activity in fiscal 1985 was below the plan target: Growth in GDP was around 3.6 per cent; early estimates for fiscal 1986, however,

indicate a likely growth rate of about 5 per cent. Food-grain production in fiscal 1986, estimated at 150 million tons (an increase of around 2.5 percent over the previous year) was close to the record reached in fiscal 1984."

On page 100, it further read as follows:

"Last year's Annual Report noted that preliminary reviews of India's economic performance under the sixth five-year plan suggested that most plan targets had been achieved. The suggestion has been confirmed, and India's performance is a tribute to the quality of its economic management in adjusting to a variety of challenges while keeping external borrowing and inflationary pressures in check.

So, they have paid a tribute to the economic activities economic progress of our country. The World Bank has paid a tribute to India for their economic progress. My friend has not gone through this Report. Otherwise, he would not have criticised the economic Policies and the fiscal Policies which have been adopted by our Party, by our government, by our leader. Rather he should have thanked our leader that he has adopted long term fiscal policies. This is what is the opinion of the World Bank about the long-term fiscal Policies. On page 101, it reads as follows:

"Building on the experience of the previous plan, the seventh plan targets annual GDP growth at 5 per cent, places more emphasis on the efficient use of capital and other resources than on accelerated growth of investment, and underscores the importance of a high rate of export growth. However, this approach, which aims to provide the government with an opportunity to deal more effectively with the twin challenges of alleviating pervasive poverty and creating employment for a labour force expected to grow at 2.3 percent a year, depends critically on a continued and substantial net transfer of capital.

[*Translation*]

It is my submission to you that the World Bank has commended the economic policy of India vis-a-vis the other developing countries. It has commended the economic policies and objectives of India incorporated in the Seventh Plan.

The hon. Member has also said that there is a deficit of Rs. 5688 crores in the current budget. Today, U.S.A. and Japan are the richest countries. What is the position of their Budget in the World Bank Report? The impact of the deficit on GNP in U.S.A works out to be 2.4 per cent. In U.S.A. the G.N.P. rate at this stage is 4 per cent. In this way the affluent as well as developed countries have deficit Budget. The hard currency of Japan controls the entire world, but they are also having deficit budget. I want to quote the World Bank Report in respect of these two counts.

[*English*]

Chapter Two - The Economic Scene: A Global Perspective. On page 37, it reads as follows:

"The GDP of Japan increased by 5 percent, down from 5.8 percent in the previous year. Fiscal Policy continued to aim at a reduction in budget deficits, and monetary ease was limited by exchange-rate objectives. Japan's external sector provided a strong stimulus..."

This is about Japan. On page 36, they have mentioned about USA ... It reads as follows:

"The United States, the main agent of the recovery, was also the main contributor to this slow down, as its growth rate fall to 2.5 per cent

"...from 1984's twenty-year high of 7.2 per cent. Slower growth resulted both from a reduction in fiscal stimulus (as the increase in the budget deficit slowed down markedly) and a sharp deteriora-

[Sh. Ram Singh Yadav]

tion in the external balance, caused, in part, by the high level of the dollar. The current-account balance of the United States, which had gone from a surplus of \$1.9 billion in 1980 to a deficit of \$102 billion in 1984, went to a deficit of \$128 billion in 1985."

So, the American Budget is short by 128 billion Dollars in the year 1985! What do we have in Rs. 5688 crores of deficit in India the second largest country in the world?

[Translation]

I would like to submit to the hon. Minister of Finance that in this age, deficit Budget is a sign of development. Besides, if the internal borrowings and external borrowings are utilised in the commodity sector instead of the service sector this deficit Budget will lead the nation towards progress. There was a misgiving earlier that deficit budget will bring inflation, rising prices and weaken the economy. But it is no longer true in the present new age and thinking.

I would like to submit to the hon. Minister that if you mobilise resources for the priority sector like electricity, transport, communication and education and utilise the same on these sectors, it will boost and strengthen our economy. It will also be helpful to the country in its march forward. I would like to submit to the hon. Minister of Finance that he should be cautious in this sector. Alongwith it, there is also a warning for him that at the time of preparing the Seventh Five Year Plan, the Planning Commission had stated that during this five year period i.e. upto 1990, the deficit should not exceed Rs. 14,000 crores. The Planning Commission had mentioned it in its Report. In these two years, your total deficit works out to be Rs.12,800 crores and including the present year's Rs.5,688 crores, it will come to about Rs.18,000 crores. If this pace continues, the total deficit will be Rs.30,000 crores by the end of the Seventh Five Year Plan. You have to take care of it

and check it during the coming years. If the deficit goes on increasing at this pace, it may pose a great threat to our economy. Therefore, we should think and consider about it.

I want to thank the Prime Minister for setting up a Cabinet Committee which would find the ways and means to reduce the expenditure. In this regard the first thing we need is to see how to reduce the administrative expenditure. According to the norms furnished by the Administrative Reforms Committee and values fixed for administrative expenditure, it should be limited to 20 to 25 per cent. If the administrative expenditure of the Government of a nation exceeds their limits the Government of this respective should think seriously about it and take measures to curtail the administrative expenditure. There are a number of States whose administrative expenditure has increased. Apart from this the administrative expenditure of corporations like Electricity Boards, Transport Corporations and other Corporations is 35 to 40 per cent. If the administrative expenditure of any corporation increases, it would mean that these units, corporations, boards are not viable and some control must be exercised over them. The hon. Finance Minister has a long expenditure. He used to be the Finance Minister of Uttar Pradesh. Here also he has long experience of political life. He may formulate a law to impose a limit on the administrative expenditure of all corporations or boards. It should not exceed that limit. You may please think about it and take action after giving deep thought to it.

There are States which have been given more allocations by you either through the Planning Commission or through some other methods keeping their development in view. But they do not utilise the money for the purpose for which it was allocated. The reason for this being that they do not mobilise their own resources, or create their own sources of income. As such if these States do not utilise the allocations, why do you not divert this fund to other States? I do not want to take the name of any

State. But all of you know the States which are not able to utilise the funds allocated to them through Planning Commission and Annual Plan for development work. They do not raise the sources of their own income. Therefore, there is need to bring a law for this purpose or to impose other economic control over it.

The repayment of external debt is in itself very important. Just now Shri Madhav Reddi, who is a good economist, has demanded in connection with Centre State Relations, that the share of States in the financial resources should be raised. If you have a look at the present budget and budget of the previous year, you will find that 70 per cent of central revenue is being spent on three major heads-Defence, Subsidy and Repayment of loans and instalments. I would like to know if you want to reduce the defence expenditure. Will you not like to fulfil your liabilities, repay the instalments of external loans? *(Interruptions)* Please try to understand. It is not easy to comprehend it. It is a financial matter, Please listen. You will not comprehend it easily as it is a technical matter. You want to give share to the States from Central receipts. But 70 per cent of Centre's receipts go to three heads. You cannot deny the fact that the States do not get any benefit out of it. Is defence not necessary? Will you like to reduce the subsidy being given on food, fertilisers, anti-poverty programme and other such programmes? Will you like to stop those subsidies being given on clothes or other commodities? Besides, repayment of loans is also a must. Seventy per cent of centre's income is being spent on these items. And on top of it, it is not proper to say that the Central Government does not give more share to the States out of its receipts.

It has been stated by the Eighth Finance Commission that it is the centre which is required to give assistance at the time of any national calamity which the Centre is willing to undertake.

In the end, I would urge the hon. Minister of Finance to take steps to curtail

the administrative expenditure of the Centre and also the States. Besides, the expenditure should be more on the commodity sector than the services sector. You have to ensure this thing so that the production may increase. In addition to this, the most disturbing thing is decrease in exports and increase in the imports. You may also please see how to enhance foreign exchange reserves. I am of the view it will be possible only if our exports are increased.

With these words, I commend the Bill brought by the Hon. Prime Minister and I extend my full support to the Bill

**SHRI BANWARI LAL PUROHIT** (Nagpur): Mr. Deputy Speaker, Sir, I rise to express my thanks to the hon. Prime Minister for the Bill introduced by him. The hon. Members of the opposition hoped to create an atmosphere to show that this Government supports the big industrialists. I would like to cite an example in this context. There are 6 to 7 small paper mills in Vidarbha. These mill owners had come to plead against the increase in tax on the waste paper. They had pleaded that the proposed new taxes posed a threat to these new industries and their closure would render thousands of labourers jobless. Their representation was studied and they were granted relief. I hope that now these mills will run properly. In this way, our Prime Minister extended great help to those mini paper plants. Similarly, there were thousands of Spice packing industries in the small scale sector. These small entrepreneurs met the Prime Minister and submitted their grievances to him. The Prime Minister listened patiently to their grievances and granted them relief from the taxes. This way this Government wants to help the self-employed small entrepreneurs. This thing has been made clear.

Similarly, there were a number of appeals in regard to section 194 from the Chambers of Commerce from all over the country, who had demanded exemption. Their appeal was considered and they were given relief.



[Sh. Banwarilal Purohit]

Shri Madhav Reddi has criticised many things but all the points made by him have been replied to. (*Interruptions*) He has already admitted that he was not ready for today's discussion. Had he done his home work I think there would have been no need to give any clarification to him.

I would also like to give some suggestions about the concession granted in the Bill. You have given concession in all sectors but one sector has been left. Shri Brahma Dutt is sitting in the House and I would like to bring some points to his notice. The firm tax which was imposed on higher slab is further taxable also and in this way some people have been subjected to double taxation. You have fixed 50 per cent taxation rate for higher slab and if there are 6-7 partners in a firm and in case of higher slab, you will find that every individual will have to pay tax ranging from 60 to 65 per cent. Therefore, you should also pay attention to it. If you have given incentive to individuals, no individual should be deprived of its benefit. When you have provided protection to the big companies then what wrong have the firm tax payers committed that they have been forced to adopt other means.

Mr. Deputy Speaker, Sir, all the hon. Members would definitely agree with me on one point that after independence, there have been no shortages in our country in spite of the tremendous population growth. Today, the position of foodgrains is that we do not have enough godowns to store them. We could achieve it due to the good policy followed by our Government from the very beginning. This policy was formulated by Shri Jawahar Lal Nehru and later pursued by Shrimati Indira Gandhi and now our Prime Minister Shri Rajiv Gandhi is also following the same policy to take this country on the path of progress. I would like to make it very clear that if there is any hindrance in pursuing this policy, that should be removed and if any proposal to change this policy is received that should not be accepted.

Just now inflation was being discussed. In developing countries deficit budget is bound to be there which would result in inflation. But it is a sign of progress. Even eminent economists agree with this view and there is nothing to be afraid of it. I would like to draw your attention towards one important point. In our election manifesto it was stated that congress party would abolish octroi duty. Many times this issue has been discussed with Chief Minister. Some Chief Ministers have agreed to abolish it whereas some are not in favour of it. The Central Government should use its power to make up the loss through direct taxes or excise duty otherwise it will create hindrance in development works. We have promised to abolish octroi duty and sales tax, which we must fulfil. You have considerably reduced the taxation and in view thereof no quarter should be shown to tax evaders. The drive to unearth black money should be continued more vigorously. Whenever, there is any doubt raids should be conducted and it should be ensured that no offender is spared.

So far as the currency is concerned, we often experience acute shortage of small denomination notes i.e. Re. one and two rupee notes. Sometimes we also experience shortage of coins. Therefore, you should take steps to mint more coins and to print more currency notes. Perhaps you know as to how some people in Andhra Pradesh are misusing one rupee notes. It is a criminal offence.....

I have a photostat copy of one rupee note in which....(*Interruptions*)

SHRI V. TULSIRAM: He is saying a wrong thing. He should not say it. What is he saying.....(*Interruptions*)

SHRI BANWARI LAL PUROHIT: One rupee notes worth Rs. Two crores have been distributed. A photograph has been printed on these notes. You should stop the circulation of one rupee notes there.....

Photo is printed on it. One rupee note worth Rs. Two crores have been printed....(*Interruptions*)

Mr. Deputy Speaker, Sir, I would request

the Government to enquire into this matter. Photo is printed on one rupee note. All these people know about it because they were present there. You should conduct an enquiry into it to check such illegal things. It violates the constitution of India...  
(Interruptions)

[English]

MR. DEPUTY SPEAKER: You hand it over to the Minister. I do not want to take it... (Interruptions)

[Translation]

SHRI BANWARI LAL PUROHIT: I demand a probe into it with a full sense of responsibility. One rupee notes worth Rs. Two crores have been printed and ..... photo is printed on them. A thorough inquiry should be conducted into it because it is against the constitution of India. There-fore, an enquiry should be conducted into it and stringent punishment should be given to offenders. It is our demand and we want that under no circumstances such disrespect to our constitution and the sovereignty of our country would be tolerated. After conducting proper inquiry severe punishment as per the law should be given to the culprits. I say this with full sense of responsibility and Government should conduct an inquiry into it.

SHRI V. TULSIRAM: We do not deny, you can conduct an inquiry into it...  
(Interruptions)

SHRI BANWARI LAL PUROHIT: How can the Government of India tolerate it? Mr. Deputy Speaker, Sir, I have brought a photostat copy of the note. I am saying every word with full responsibility.

[English]

MR. DEPUTY SPEAKER: The Minister will look into it.

(Interruptions)

MR. DEPUTY SPEAKER: Is it in circulation?

[Translation]

SHRI BANWARI LAL PUROHIT: Notes worth Rs. Two crores have been circulated and notes worth Rs. Five crores have yet to be circulated.

SHRI. C. JANGA REDDY (Hanamkonda): Telugu Desam is ready to face inquiry.

[English]

SHRI MANOJ PANDEY (Betiah) It is a very serious matter.

[Translation]

SHRI BANWARI LAL PUROHIT: The Government of Andhra Pradesh is doing this.

[English]

MR. DEPUTY SPEAKER: Let the Minister go into it whether it is a fact or not. Let him find out. Before that we cannot do anything. We cannot say who is responsible, who is printing this note. We cannot say whether it is in circulation. Let the Minister find out. If at all anybody has printed, it is against the rule. It is a criminal thing.

(Interruptions)

MR. DEPUTY SPEAKER: That is why I have said so. The Minister will look into it.

(Interruptions)

DR. G. VIJAY RAMA RAO (Siddipet): It amounts to an enquiry.

SHRIMADHUSUDAN VAIRALE (Akola): Let there be a separate discussion on this.

MR. DEPUTY SPEAKER: Let him find out. You give a separate notice for this.

(Interruptions)

SHRI BRAHMA DUTT: Let them take up that matter. I will get enquiry conducted in the whole matter.

(Interruptions)

SHRI BRAJAMOHAN MOHANTY (Puri):  
A Parliamentary Committee should be  
constituted.

(Interruptions)

[Translation]

SHRI V. TULSIRAM: Instead of a Parli-  
amentary Committee, you may set a  
committee formed by the Prime Minister to  
enquire into this matter, we are not afraid of  
it..... (Interruptions).....

SHRI BANWARI LAL PUROHIT: Mr.  
Deputy Speaker, Sir, in the inquiry, if the  
Senior leaders and workers of Telugu Desam  
are found guilty, their Government in the  
State should be dismissed because it is a  
criminal offence..... (Interruptions)

SHRI C. JANGA REDDY: There is no  
need to dismiss the Government. If senior  
leaders are found guilty, criminal proceed-  
ings should be initiated against them. Do  
not dismiss the Government because it  
would be against the constitution. But  
criminal proceedings must be initiated  
against them. Under the law there is no  
provision to dismiss the Government.

[English]

MR. DEPUTY SPEAKER: I cannot allow  
it to go on record

(Interruptions)

[Translation]

SHRI BANWARI LAL PUROHIT: Mr.  
Deputy Speaker, Sir, What the Government  
of Andhra Pradesh is doing? How that  
Government if functioning? You cannot be  
fool the public in the name of God. An  
actor cannot become God. The way, the  
Government is working there.....

SHRI V. TULSIRAM: What is it you are  
saying?

SHRI C. JANGA REDDY: What objec-  
tion have you if the people there consider

NTR as God. Shri Rajiv Gandhi and  
Shrimati Indira Gandhi are also considered  
Gods..... (Interruptions)..... If people of  
that State have given votes to N.T.R. by  
considering him Lord Ram or God, how  
does it harm you.....

(Interruptions)

[English]

MR. DEPUTY SPEAKER: Do not bring  
in such kind of remarks. I will not allow.

(Interruptions)

MR. DEPUTY SPEAKER: Do not bring  
in such kind of remarks.

[Translation]

SHRI BANWARI LAL PUROHIT  
(Nagpur): Mr. Deputy Speaker, Sir, this is  
the reason that a situation like this is  
being created. They print photographs on  
currency notes and distribute them among  
the people there. The workers of Telugu  
Desam Party and the State Government are  
involved in it. I want that an enquiry to  
this effect be conducted properly. You may  
please get it enquired into by the C.B.I. and  
make a thorough probe. The enquiry report  
should be placed before this House. It is  
disrespect to the country and the consti-  
tution which should not have happened  
under any circumstances, (Interruptions) As  
regards sales tax, there are many loopholes  
in Central Sales Tax due to which a lot of  
bungling is taking place in the Central  
Sales Tax. (Interruptions) I would like to  
draw the attention of the hon. Minister  
towards the Central Sales Tax. In the  
branches of the companies, the entire tax is  
being evaded in the name of consignment  
transfer. The Government does not receive  
tax on those consignments. You may  
please consider it. On the one hand you are  
giving concessions in taxes and on the  
other hand people are evading tax. In this  
way the Government do not realise any tax.  
In order to realise this tax properly, you  
should plug these loopholes.

In the end, I want to suggest that as far  
as the question or repayment of Rs.70

crores is concerned, you should enhance tax on liquor. If you enhance tax on liquor, nobody will raise any objection. It is also a public demand that tax on liquor be enhanced. This will help you in meeting the requirement of Rs. 70 crores. I would also suggest that the exemption limit of tax be raised to Rs. 25,000. Prices have risen and salaries have increased. If you do not give exemption up to Rs.25,000, it will cause hardship to people. This is a major demand of the public. It is my submission that you may please consider it.

I thank you once again for presenting such a fine Finance Bill.

[English]

DR. A. KALANIDHI (Madras Central): Mr. Deputy Speaker, Sir, at the outset, I express my thanks for having given me an opportunity to participate in the discussion on the Finance Bill. I am really happy to note that our young Finance Minister who happens to be the Prime Minister of this country, has accepted and appreciated some of the suggestions made not only by the Members of the Ruling Party but also by the Opposition Members. Though many of the suggestions were left out, few of them have been considered, probably it is customary for the Government to consider whatever suggestions or views which are suitable for them and they were accepted but those which are not suitable were ignored. I am really happy to say that my Party, the D.M.K. Party, always appreciated whatever is good done for the people of the country and whatever is done in the interest of the country and for the welfare of the people of this country. On that basis I welcome those measures.

Sir, the withdrawal of Sections 194 (E) and 155-J of the Income-tax act are really welcome measures. My previous speaker mentioned about the tax evaders should be punished if they are found guilty. There cannot be any second opinion about that.

Sir, raids are conducted by the Enforcement Directorate and there are news

items that Rs. 200 or Rs.300 crores worth of currencies and other documents were seized. But how much worth of money is returned to the parties is not mentioned in the news papers, nor they are brought to the notice of this House.

Sir, the excise duty on cement industry including the small plants is a welcome measure. The excise duty exemption is boon to the industry. The excise duty exemption on hand-processing cotton fabrics are also to be appreciated. Reduction on excise duty on wool and wool products of export orientation is also quite appreciable. But here I am worried about one thing. You are giving concessions on wood products and cement whereas the State Government have put additional duties on cement and wood products, as a result of which the building construction becomes costly and the whole activity comes to a standstill. So, you should pressurise the State Government also not to impose additional sales tax on the products which are given exemption by the Central Government. Then only the idea will gain momentum. Otherwise the purpose gets defeated. So, I request the Central Government to prevail upon the State Government to see that additional duties are not put on the cement, wood and wood products.

Unfortunately nothing has been mentioned about the viscos filaments and viscos staple fibres. The Prime Minister has given many concessions, but he has not mentioned about this. We have got one factory at Sirumgon named Southern Viscos Ltd. in Tamil Nadu, which faces lot of hardships due to the sudden increase in the excise duty. I only request you not to remove the excise duty in toto but to restore the *status quo* existing prior to the budget.

Textile machineries are given certain exemptions by the Prime Minister, but unfortunately nothing has been mentioned about the handloom industry. I only request the hon. Prime Minister to give a second thought to giving concessions to the handloom industry which really needs some helping hand from you.

[Dr. A. Kalamidhi]

The Prime Minister has mentioned about the excise duties on glues which are used in the plastic industry. But nothing has been mentioned about the glass industry. The excise duty on float glass is very much, as a result of which 600 small glass units in Tamil Nadu are suffering. So I request the Prime Minister who happens to be the Finance Minister also, to reduce excise duty on float glass.

About life-saving instruments, I mentioned during the general Budget debate also that while appreciating the exemption on life-saving instruments, similar exemption should be given for sophisticated diagnostic instruments because early diagnosis can only save a patient. So, I request the hon. Finance Minister to reconsider and try to bear in mind that some of the instruments essential for the diagnosis should also be given customs duty and excise duty exemption.

The previous speaker mentioned about the salaried circle. The salaried people are the honest tax-payers in the country, but their genuine grievances are not redressed by this Government. The hon. Prime Minister said that some of the suggestions which have the merit will be considered, but here this has been echoed all over India, but never taken care of by the Prime Minister. Hence I request the Prime Minister to raise the income-tax exemption limit from Rs.18000 to Rs.25000.

This morning my friend, Mr. Kolandaivelu belonging to AIADMK has mentioned during the Question Hour that only Rs.360 crores have been allotted this year by the Centre, whereas the Tamil Nadu Government has already spent Rs.751 crores last year. Hence I request the Government to allot more so that the State Government need not come with a begging bowl to the Centre. There should not be any partiality between a Congress (I) ruling State and a non-Congress (I) ruling State. In this connection, one example which I want to quote is, the Calcutta Metro was allotted Rs.70 crores whereas

the Madras Metro was allotted a paltry amount of Rs.4 crores only. While the Calcutta Metro surrendered last year Rs. 17 crores, the Madras Metro has completely utilised the amount and for want of funds they are retrenching the labourers. Hence I request the Finance Minister to allot more funds for Madras Metro so that the project can be implemented or completed in time.

About the ethnic problem prevailing in Sri Lanka, which is posing a danger to the security of the country, the time has now come to implement the Sethu Canal Project immediately so that the Southern States can be protected from the forthcoming danger from Sri Lanka.

Quite a huge amount is spent for cleaning the Ganges. I come from Madras city where we have Cooum river and Buckingham Canal which spoils the beauty of the city, but which can serve as inland water transport and avoid commuters' problems. Hence I request the Government of India or the Finance Minister to take up this project and make the inland water ready for transportation.

15.00 hrs.

There are many thermal plants which are requested by the State Government to be cleared as they are pending at the Central Government. I request the Finance Ministry as well as Industry Ministry that both the Ministries should join together and clear some of the projects so that enough number of thermal projects can be started. In the industrial sector we are far behind. I request the Minister to reconsider these projects so that Tamil Nadu once again can come to the industrial arena. Earlier, of course, it was No.2 State in respect of industry.

Finally, I would like to mention about the fact that lot of industrial licences have been kept pending. They should try to clear the pending licences for the Government of Tamil Nadu so that they can start industries in a better manner so that, we can also compete with States like Gujarat or Maharashtra.

Finally, before winding up my speech, I would like to mention about the drought that has affected the State of Tamil Nadu, particularly the districts of Rammad, Madurai, North Arcot, South Arcot and Madras City. The Madras City is in acute scarcity of water. In the morning also, I have mentioned it under rule 377. They should try to take some sort of steps. During the emergency, because of political motivation, Veeranam Project has been shelved down. I do not want to go into the details of this matter and politicise it. At the same time, the present Tamil Nadu Government has got a new project by name Telugu-Ganga Project and a huge amount has been spent by the Tamil Nadu Government. Nearly Rs.40 crores have been spent. Now, Andhra Pradesh wants a little more. But at the same time, the Union Irrigation Minister is not giving permission for the project to be implemented. So, the fight is going on between the Government of Tamil Nadu and the Government of Andhra Pradesh. So, the Centre should intervene immediately for looking after the welfare of the people of Madras City and come forward to clear the project immediately and also allot more funds to the Government of Tamil Nadu for the people of Madras City so that they can dig more keep bore wells and purchase more equipment and the people of Madras City need not go out of the city. There may be a situation coming up now to vacat Madras city. I would, therefore, request the hon. Finance Minister to allot more funds at least for Madras city, at least Rs.30 crores, to dig more deep bore wells and to get away from this water scarcity.

Thank you very much for having given me time.

SHRI HAROOBHAI MEHTA  
(Ahmedabad): Sir, at the outset, I congratulate the hon. Prime Minister on reaffirming the faith in the direction of economic development laid down by Pandit Jawaharlal Nehru and Indira Gandhiji. It was in the '70s that the late Prime Minister, Shrimati Indira Gandhi told the nation that imperatives of growth would

have to be reconciled with the requirement of social justice. This Budget and the Finance Bill which has been introduced to give effect to the budget proposals precisely want to achieve that. Growth with social justice is the aim that is sought to be achieved by the Budget and through this instrument of Finance Bill.

15.04 hrs.

[SHRI ZAINUL BASHER- *in the Chair*]

I may point out that it is this precise declaration of the Prime Minister, reiteration of the commitment to socialism, that has perhaps upgraded the position of India in the hit list of the greatest international terrorist State, which is known to all of us, as the great imperialist power. That is why, destabilisation efforts are now on a spurt in India. The great virtues of the Finance Bill are these, namely, they want to ensure the growth of capital goods industry and at the same time strengthen the anti-poverty measures. There is a thrust over the distribution of the benefits of growth and that is sought to be ensured by this Finance Bill. However, there is a lot which is required to be done. Our Constitution declares that our economic scheme should be so operated that it shall not result into concentration of control and ownership of means of production in a few hands. I understand the situation. At the moment, we have to work within the parameters of the compulsion of mixed economy. But nevertheless, an effort should be made to ensure compliance of the Directive Principles of our Constitution namely, that the economic system is not so operated which would result in concentration of wealth and of control and ownership of means of production. Without this, it will not be possible to achieve the goals of socialism.

I must point out one more thing. I want to alert the Prime Minister and the Minister of State for Finance who is present here that let not difficulty in recovery of taxes prove an Achilles heel of our finance. There are many problems of

[Sh. Haroobhai Mehta]

recovery. You must have estimated certain income on the strength of Finance Bill but you would be knowing that there are certain economic traitors functioning within India who are trying to sabotage the economic proposals. They evade the taxes contained in the financial proposals solemnly passed by the Parliament. They go to the court. They obtain stay by way of interim relief against recovery of revenue. The Minister of State for Finance is quite aware that about Rs.2,000 crores of indirect taxation revenue is bogged down in courts on account of interim orders of courts. In one of the judgments, Gujarat High Court has said that deficit financing is one of the worst forms of taxation and that has to be resorted to on account of interim relief given by the court and sometimes by the judgments given by the court with the result that it might help the vested interests. What is the position regarding indirect taxation? Take Excise and customs, particularly Excise. Manufacturers collect indirect taxes from the consumers. It being an indirect tax, they go to the court and obtain stay. The stay may be in force for five years. In the meanwhile, they are utilising the amount of crores of rupees of amount collected from the consumers by way of indirect taxation. Even if they ultimately lose in the court, by that time, they will have utilised the amount in their business. You have already amended Central Excise and Salt Act, 1944, and the Customs Act. You have established the Appellate Tribunal to decide Central Excise, Customs and Gold Control cases. However, you have not utilised the power given by the Constitution vide Article 323B which provides for the powers of Parliament to exclude the jurisdiction of the High Court and the Supreme Court in taxation matters except the jurisdiction under Article 32. Article 136, jurisdiction of the Supreme Court which provides for appeals with special leave, can be excluded. Similarly, High Court's jurisdiction under Articles 226 and 227 can be excluded. When you have already set up the tribunal, when the Constitution empowers the Parliament to

pass a law excluding jurisdiction of courts including the High Court and the Supreme Court, to that extent, why should we not utilise this provision, that is, not to allow tax matters being carried to the courts at the cost of public exchequer? This is one important point which the Government must seriously consider. Otherwise, the recovery will prove, as I apprehended, to be an Achilles heel. This is one more thing I want to point out in our economic programme.

I was very happy to listen to the Prime Minister announcing in the House that measures against tax evasion will be pursued and pursued vigorously. I am sure that tax evaders will be dealt with as if we are dealing with economic traitors and in that, even if somebody is a newspaper magnate, he will not be spared. I am surprised to listen to the fact that a newspaper owner, an industrialist, had retained Rs.3 crores of tax amount and obtained stay and utilised the amount for his business for several years. These are the things indulged in by the industrialists who try to utilise newspapers, to sermonise to the nation. They try to evade taxes and, therefore, they should be dealt with as economic offenders.

One concession was announced by the Prime Minister today. I have got certain apprehensions in that regard. It has been announced that the loans advanced to shareholders holding less than 10% of the shares will not be covered by the amendment proposed by Clause 3 of the Finance Bill in Section 2 of the Income-tax Act. Some questions arise from this. Take the example of Express Group and the share of Goenka therein.

Mr. Goenka, though he owns the Indian Express, does not have more than 10 shares of Rs.100 each. Only one thousand rupees worth of share is owned by Shri Goenka in the Indian Express. Now, he will also be able to take advantage of this concession. Therefore, atleast the Directors those who control the big companies even without holding 10 per cent of the shares, should also be covered under this net.

Otherwise, they will be able to take advantage of the concessions not meant for the higher ups or the vested interests.

One more thing I want to point out is this: Our nation suffers from inequality. It has a direct relationship with our national integration. We cannot achieve full national integration without removing the economic disparities. Unequal education, unequal employment and abundant poverty, will make our democracy, in my submission, a mockery. We have no choice in India but for designing and developing our economic structure in a manner so as to reduce the blackmoney and equalise opportunities and do away with the exploitation within a limited span of time. We have got three years more - I mean this Government - before we go to the election. We should ensure that we take all steps in the coming years so as to reduce disparities because economic disparity and regional imbalances are subtle detractors of national harmony. I know what happened in Ahmedabad and what happened in other places will be better known to the Members of Parliament concerned. Vested interests take advantage of the prevailing prejudices and beliefs - religious prejudices of course - and the resulting tensions, they take advantage then for economic gains. In one place they take advantage in acquiring the property - the immovable property - disposed of by the frightened and migrating people and at another place they try to take advantage of the trade unions and disturb the communal harmony. At another place, they try to arouse passion in order to win power - whether it is at the local level or at the State level.

One more evil which the Government has to eradicate by vigilantly pursuing is the eradication of blackmoney. One of the sources of generating blackmoney is the real estate. As has been estimated by the National Institute of Public Finance and Policy, the sale of 5202 houses in Delhi alone gave rise to black income ranging from Rs.119 crores to Rs.250 crores. In Bombay about 569 houses - minus flats - gave rise to the generation of about Rs.12.5 crores to Rs.36 crores of black

income. In Madras - otherwise known for a very distinguished culture - the sale of about 13550 houses resulted in the creation of blackmoney to the tune of Rs.678 crores. So, the real estate is one of the major sources of generation of blackmoney. I, therefore, congratulate the Government for taking a very important measure. That means the readiness. Under the statutory power to purchase the immovable property at the price mentioned in sale document. I know that the Supreme Court is coming in the way. There is some stay. We should vigorously pursue this measure so that the real estate, as a source of generation of blackmoney, is appropriately dealt with.

I now come to the textile problem. Textile mills and the Textile industry are suffering a lot on account of certain situations, reasons of which may not be quite clear to all of us. There are about 117 textile mills controlled by the State. 808 mills are run by private parties. 86 mills have been closed in India. In Ahmedabad alone about 23 mills have been either closed or under semi-closed condition. Six mills have been started, thanks to the Government of Gujarat by spending about Rs. 50 crores and the Prime Minister for giving clearance to the nationalisation of our textile mills in Ahmedabad. We have been able to resume employment opportunities in about six textile mills. Of course, it is also benefiting workers employed in other textile mills also. But there are some private textile mills which are being closed one after the other. More often than not, the management is responsible for the closure of these mills. But, nevertheless, it is a problem which the society is facing. About 50000 workers in Ahmedabad itself are unemployed with the result that we are suffering not only economically but also that the communal tensions and disharmony are aggravated on account of economic difficulties in Ahmedabad. I would request my good friend Shri Brahma Dutt and the government through him to kindly come to the rescue of the textile industry in Ahmedabad and other places in order to ensure resumption of its functioning and thereby ensuring the employment opportunities to the workers. This is the



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occasion where I cannot but express my deep sense of gratitude to the Government of India and especially to the Prime Minister for sanctioning and for according approval, from the environmental and ecological point of view, to the Narmada Project which is our lifeline.

7000 crores worth of Narmada Project work is restored and Gujarat will be able to solve the problem of not only irrigation but also drinking water, power supply to a great extent. I, therefore, express deep sense of gratitude on behalf of the Gujarat people to the Government and I am sure that this approach to the development of our State will continue. Those States who are not quite sympathetic to the Government of India's policies should also take a cue from this, namely, that Government of India is always ready to help the developmental efforts of the State provided it is appropriately worked out within the parameters of the Central Budget.

Sir, there are some problems where I would solicit the Government's further sympathetic approach. One is Entry Tax. One of my good friends referred to the abolition of Octroi. At least Gujarat has taken a step in abolishing Octroi. Undoubtedly, local authorities did have some apprehension in the matter of Octroi and its replacement by Entry Tax. But, the Government assured to the Corporations and Municipalities about the continuance of their financial resources. The Gujarat Government has proposed to the Central Government for approval of Entry Tax Bill so as to replace Octroi Bill. My friend Shri Brahma Dutt will listen to me. The Entry Tax Bill is awaiting for the administrative approval of the Central Government. The Chamber of Commerce and Industry have requested the Government, the Gujarat Chief Minister has also requested the Centre and I may also join in requesting the Central government to give at once the clearance to Entry Tax. If there are any legislative problems the same, can be sorted out. But let this matter be solved as early as possible.

Sir, we also want to make one grievance. That is, in the matter of price of gas. The price of gas supplied to Gujarat is much more compared to the price that is taken from the North-Eastern States. I understand that backward regions have got to be specially assisted in order to remove or take care of regional imbalances. But, nevertheless, Gujarat also is in a way of industrial progress and the rate of acceleration of industrial progress in Gujarat is better even than the rate of acceleration of industrial growth in the United Kingdom. Let Gujarat be helped by properly devising the price structure of gas for industrial fuels.

Similarly, there are some other problems of Gujarat which are pending. One thing I must point out before I conclude is that one particular clarification on account of revised investment pattern that is in the matter of the provident fund collection. Gujarat is suffering. We have submitted to the Government that in the revised investment pattern of PF etc., the small savings collection will be affected. The provision now is that 85% of the PF contribution is required to be invested in National Deposit Scheme introduced by the Government of India and 15% in Central and State Government securities. On account of that we will have to suffer a major dent in small savings. We are making humble efforts in mustering small savings. Why should Central Government not help us by trying to modify, by trying to restore the original investment pattern? With these words, Sir, I again support the Prime Minister's commending the Finance Bill to the Parliament. I am sure, that under the leadership of this Prime Minister, India will chalk out a very successful course of development.

SHRI G.L. DOGRA (Udhampur): Mr. chairman, Sir, I am grateful to you for giving me this opportunity. Sir, I congratulate the Prime Minister and Minister incharge of Taxation for making the announcement that was made this morning. Sir, there were various irritations in the tax proposals contained in the Finance Bill and people were really upset

about it. Excepting one thing which has been pointed out by the predecessor speaker that probably certain concessions may be misused by big barons. He would probably look into that aspect. But on the whole the announcements made are very good. They are not going to reduce the tax collection, they are going to enhance it and get more money.

It has been the experience both in the States and the Centre that if you have tax laws whose implementation is very soft which does not pinch the people very much and their working is smooth, you get more money. The rates should be reasonable and restrictions should be as little as possible. Harassment always leads to non-payment of tax, people avoid paying tax. If harassment is not there, people would like to pay tax and have white money rather than black money. That is one thing which should always be kept in mind and whatever relief was given this morning is in keeping with this principle. Therefore, I congratulate both the Prime Minister and the Minister in charge of taxation. This is a very nice step.

References were made to divisible pool and said that the Central Government is not very fair, is rather selfish and is not distributing money to the States. The gentleman who made this speech has probably forgotten the history of resources as were shown in the Constitution as to what are the Central sources of revenue and what are the States sources of revenue. They are divided and certain sources of revenue are kept in the joint pool. The whole Central pool is not divisible. There are only certain sources of revenue, the yield from which is divisible between the Centre and the States for which every five years a Finance Commission is appointed to see how they should be distributed, though the verdict of the Finance Commission is not binding in its character. In the history probably it was only last time that there were some variations made. Otherwise their recommendations are always accepted in toto.

Our Minister in charge of taxation was

in U.P. as Finance Minister and I had been doing the same Job in Jammu and Kashmir. We have the experience of Finance Commissions. The Finance Commission always favoured the States. They were the people like ex-Chief Ministers and I think previous to the last time Mr. Brahmananda Reddy was the Chairman of the Finance Commission. He was very very kind to the States including my State and we had to argue our case. The pool which is divisible by the Centre has to look after not only States which are progressing very much, which are spending and squandering money like anything by being charitable; but also the States which are backward, which are hilly, which have been cut off and which are vital part of this country. We should not forget that. It is the duty of the Centre to see that the economic backwardness, social backwardness and political backwardness of these States are removed.

From where have they to spend money? The Centre has to spend money. What should we prefer? When we come here, we have only our State in mind and say whatever our party has directed us to say and we carry on propaganda on those lines. Do we have the feeling that we are Indians and we owe our duties to those unfortunate areas which have been cut off, which remain in accessible whose people cannot reach us?

If none else, the Centre has to do that duty and Centre cannot forget that duty. Other things will come afterwards. Whenever there is a drought there is noise in the House. Whenever there are floods huge demands are made. That is not the duty of the Centre. Its primary duty is to see those places which are backward. It is giving money in natural calamities and those who get these resources have they ever mentioned that the Centre is going out of the way to help them. We try to look very nice and we do not mention this. So, you see the unpleasant duty that the Finance Minister at the Centre has to face. He has to look after those who are full of in gratitude. He has to feed a cow which instead of giving the milk only kicks. It is a very unpleasant duty and the beneficiaries keep on crying that you are misbehaving.

**SHRI C. MADHAV REDDI:** The milk is dry.

**SHRI G.L. DOGRA:** That has become the system of the day. People get money from here and spend like anything but when some people point it out people crying stopes start saying that you cannot touch the State Governments. You cannot disturb them. You cannot criticise them. If they are Congress governments then they are open to all criticism. We have to remove this sort of imbalance in our thinking if we want the country to progress as a whole.

I think everybody is equal and patriot. I do not question them that they deliberately do it. But we become so sentimental and involved in our own affairs that we forget that we are Indians and if we go on thinking in this way then we will not be able to generate peace in this country.

You know how we achieved the freedom of this country. Many of us were not young enough not to know it. After all most of us have participated in the freedom struggle. Most of us have played our part. May be today we belong to this party or that party. Some of us have also served in a different way like Mr. H.M. Patel. He was also serving this country. Everybody has played his patriotic role in this struggle and after this struggle what do we see. We see the imbalance in development. We find various movements and that too on our very delicate borders. You may go anywhere. In Bengal you have GNLFF movement where they say they are Nepali citizens. You have movements even in the Eastern States. There is a movement even in my State where people are raising their heads. They are raising different slogans. Why? How that is happening? Sir, Ladakh remains cut off from the rest of India for six months. Our armed forces are also living there. All of them remain cut off from the rest of the country for nearly six months. The other day we were discussing the radio station and its employees. The employees don't want to stay there on one pretext or the other. They stay very little then, they go from here. Whatever may be the hesitation, you have to prepare the

local people to take over those responsibilities and they have to work there. For six months, probably the radio station is the only source of information by which they remain connected with the rest of the world. Hours of broadcast are less. There are other places also, Sir, even in your State and the area which is represented by our Finance Minister. You see those hilly areas. What have they seen of free India? They are claiming that the areas are being developed. But actually the hilly areas are being ignored. Nobody is going there despite several announcements made by the Prime Minister. It is said that every girl will get education up to 12th class. But education presupposes a school, teachers, school building, etc. Then there should be a dispensary at least for school staff. Suppose if a girl from hilly areas of Finance Minister's Constituency asks him that she is not entitled to the benefit out of the announcement of the Prime Minister, then how will you give her free education? Somebody has to function. She has to be kept in Lucknow or at some other place where other girls are being educated. But this is not being done. For establishment of the school, they say, the resources are not there. Where are the resources? You say that the Centre has taken the resources. Resources have been given away by the various Commissions. They have been distributed. It is only the basic finance by which they can do something. I was astonished to see a speech of the Prime Minister where he says that deficit will not increase. Without increase of deficit there will be stagnation. If you don't do anything for creating infrastructure and productive projects by deficit financing, then you are not able to do anything new. If you borrow resources from outside, You will be indebted to the foreign banks, to the foreign nations. You cannot do anything else. Like Southern America, your position will be very very delicate. Therefore, these things have got to be thought about properly.

Sir, another thing I would like to say is about price level. Prices are soaring. Prices are fluctuating. Both the things are bad. I have been making this statement again and

again that prices in this country will always be determined by the prices of foodgrains. Every six months, the Government raises the prices of foodgrains. Even then the man who produces the foodgrains is weeping and the man who eats the foodgrains is also weeping. Mr. Brahma Duttji, you have to formulate a policy. You have to guarantee a decent profit to the producer. You have also to ensure the inputs at a fixed price. Whatever subsidy you give, you give on the inputs. Once you are able to stabilise the prices of the foodgrains, I assure you that you will be able to stabilise the prices in all the sectors. What does your labour and their families eat? They eat only foodgrains. Every six months you raise the prices of foodgrains. They go on rising. The price of everything goes on rising as the wages rise. The farmer says that my prices are much less compared to the prices of industrial goods.

The industrialists say that they cannot help it because the cost of labour is going up. This is a very intricate problem. This is not a problem faced in any other country. We try to follow the western pattern, the British or the American pattern with regard to our economy. Both these patterns are not suitable for us. Those people see things through books only, they do not use their brains. Our economists have not come from the people, they have not come from the families of rural areas, they have not come from the hilly areas, they have not come from that strata of the society, which matters and who should get the real benefit. They are not the sons of a small or marginal farmers, so that they could see and appreciate the problems in their true sense, and then think of solutions. That is not so. Therefore, you have to see those things in our own context. I think, the solution is not very difficult. Certainly a person who has come from the masses can think of its solution. You have come from a backward area, you have functionised in a State which is a big State. Therefore, you can appreciate these problems and I hope that as long as you are there, probably you may be able to find some way to come out of it some way to come out of it.

I must tell you that unless the prices are stabilized, there will not be peace in the country and unless there is uneven economic progress in various areas, among various strata of the society, particularly weaker sections remain discontented, there cannot be peace in the country. We are a democratic country and whatever may be your party, you have to keep in mind the betterment, the welfare of the poor man, of the common man. Anything which does not help the common man is not acceptable to the people in a democracy. Therefore, you must start thinking on those lines. This is how Panditji used to think and Shrimati Indira Gandhi used to think and today that is what you have to do.

It is true that we are after technology and we want to capture the international market, but you cannot do it by ignoring your own market, ignoring your own people. If you capture the international market, that may benefit you to some extent, but unless your own market is stabilized, your economy cannot be stabilized. I do not say that you do not look to the international market, but you must stabilize your own country, your own economy and your own market. Whichever may be the State, whichever party may be ruling any State, our economy is common, our life is common. We have to live together. If we do not live together, if one part sinks, other parts cannot survive. We have got to look to this. Getting debating points by one party over another party is not going to lead us anywhere.

So far as the administered prices are concerned, the question is whether we are running the industries, the produce of which we are selling at the administered prices efficiently or not, are earning real profit or not. They say that they are not running efficiently, most of them are running at a loss. These industries need money to improve their functioning. From where will they get that money? - You want to take away money from them when they themselves need it and are already suffering. What will they give you? How

[Sh. G.L. Dogra]

much money will they give ? Just 15,000 crores! They say that this is the amount that they get through the administered prices. The price is increased, but that does not necessarily mean that there is profit.

So far as the oil industry is concerned, it has its own problems. It has to spend a lot on oil exploration work and on new wells. Therefore, they need money for all that. Whatever, they save out of the sale of the oil is not their profit, they have to spend that on exploration work but we say that it is their profit. This is a misunderstanding.

Sir, the Sarkaria Commission will take its own time to finalise its report and we should not grudge it. But, at the same time, I think, Shri Brahma Dutt should see that Finance Commission is appointed in time and its report comes in time so that there may be no room for any grudge. And if Sarkaria Commission gives a different report, it will have to be processed in Parliament or in any other way. Therefore, the Finance Commission should not be linked up with the Sarkaria Commission. I do not think if a new method is adopted as far as the yardstick for measuring the growth rate is concerned, one should grudge it.

I do not want to take more time of the House as there are other matters to be discussed, but I should say that special attention should be paid to our border areas; by border areas I mean China, Pakistan and Bangla Desh. Sir, it is the machine of the modern type that counts and our Defence Minister quoted Pandit Nehru, who said, "Man behind the machine also counts, but more than that count the people who stay in those border areas". We have no sinister design against any country. We do not want to attack any country. But, at the time of an outside attack, we have to defend every inch of land and it is the civil population which has finally to resist the enemy. Will resist it only when they have a love for their home and hearth and when there is a

feeling that they should defend their motherland. So, there should be a good contact between the armed forces and civil population. Sir, it is the special duty of the Central Government to see that they are able to bring together the local administration, the armed forces and the civilians. At the same time they should also see that the development programmes meant for these border areas are implemented to the satisfaction of the people. All those beneficial things which the State and the Central Government are doing should be done in an adequate quantity in those border areas. Our border areas have been ignored since the time of the Britishers and they are still not adequately looked into after independence. Pandit Jawahar Lal Nehru was kind enough to develop Border Roads Organisation to serve the north-eastern areas of the country. They have done a lot, but whatever they have done is not adequate. My request to the Minister is that he should allocate more money for the development of border roads so that they may be able to link those border areas adequately with the rest of the nation.

Then alone their development also will be quick. Lenin once said that roads and electricity are the two things which determine the progress of the backward areas. Therefore, these two things should be carried to those who are living in the high hilly areas and in border areas. I hope that the Government will look into these things. I suggest that the Government should spend more on these three important aspects, i.e. infrastructure, productivity and social services. You should not grudge spending more money on these things even if it leads to some increase in deficit.

SHRI H.M. PATEL (Sabarkantha): Mr. Chairman Sir, I rise to participate in the discussion on the Finance Bill. At the outset I would like to make one or two general observations. I agree with the point that Shri Madhav Reddi made yesterday and I suggest that some change may be made in the practice that has obtained so far in regard to the Finance Bill.

The Finance Minister announced various modifications in his budget proposals. And it is expected that the debate should proceed immediately thereafter, leaving no time to appreciate and evaluate the effect of those changes on the main budget proposals. I feel that some time should have been made available between the announcement of these changes and the discussion or the debate that might follow on these proposals. This is a matter of some importance and I would submit that it may be given serious consideration. I think our Constitution contemplated formalisation of procedure in regard to these matters. We have never done it. We have followed certain conventions and gone on. But as you see, this morning the Prime Minister decided to make various changes in his proposals, as a result of consideration of various representations, discussions and so on. Those are valuable changes. Some were undoubtedly significant changes. But, those who wish to speak on these changes in the budget proposals do need some time to absorb them and come forth with some suggestions or comments about those changes.

The second point that I would like to mention is really of great importance. To my mind, it is of significant importance. How many Ministries' budgets and demands for grants were discussed in this House? And how many were not discussed? There were twenty Ministries whose budgets and demands for grants were not discussed. Indeed, even the Defence Ministry's budget involving an amount of Rs. 12,000 crores would have also been guillotined, had the matter not been raised and the Prime Minister as a special case found time for it. But still 20 Ministries were not discussed. Are they trivial Ministries of no consequence? What are these Ministries? One is Ministry of Commerce. I am sure, you will agree with me that this is an important Ministry. The Ministry of Communications, the Ministry of Industry and the Ministry of Finance itself, are some of the Ministries whose demands, for grants have not been discussed. In fact, the Ministry of Finance does require a discussion. We do

not have it. There are great many matters which need to be considered. But in fact, for years the Ministry of Finance has never been discussed. The other Ministries which have not been discussed include Environment and Forests, Health, Food and Civil Supplies, Family Welfare, Parliamentary Affairs, Personnel and Public Grievances and Pensions, Planning, Programme Implementation, Science and Technology and Steel and Mines. I think, some way must be found to see that all Ministries Demands for grants do get considered. It cannot however, be as things are. I quite understand that the House cannot find time for all these Ministries. But, the Committee method could be adopted or some other may be found. But whatever may be the method, I do submit that the Government should give serious thought to this matter, and see to it - I think the House of Commons had found and had made some attempt at this that these matters may be referred to certain Committees. For the moment I would urge that this matter does need serious consideration.

**SHRI HAROOBHAI MEHTA:** Mr. Chairman, with profound respects to my senior colleague will he also kindly point out the role of the Opposition in demanding various discussions on non-issues and diverting the time of Parliament from this Budget discussion?

**SHRI H.M. PATEL:** I may leave it to my hon. Member to draw his own conclusions. He has not taken this suggestion in the spirit in which I have made it, It is not because of the fractious manner in which he suggests that the Opposition functions, that this problem arises from many different points of view. It must be assumed that the Opposition will also go into these things in a constructive manner. But there are all types of Members in the House consisting of 500 Members. There will be some who will approach the problems in a certain way and there are others who will approach them in a different way. I leave at that, Mr. Chairman.

Then, I would urge that the Finance

[Sh. H.M. Patel]

Minister might even, at this late stage gives serious consideration to this suggestion, which many Members from both sides of the House have made, that is, the exemption limit for Income Tax should be raised. It is justifiable. This suggestion is fully justifiable having regard to the extent to which there has been a general rise in the cost of living. It cannot be denied. No one can question that. The manner in which various instalments of Dearness Allowances have had to be paid; the way in which the Fourth Pay Commission has found it necessary to revise the salaries in a very significant manner all these indicate clearly how the prices have rise and how greatly it does affect the people. It seems to me that the Income Tax exemption limit should be raised and if the Income Tax Department feels that their revenue will go down, I suggest that they might run their whole organisation a little more efficiently. I would suggest that they should study the Audit Reports with care and the PAC Reports also with care.

I would show here, today, there is a PAC Report which has reported on this matter, as follows:

"Income Tax Act not being implemented effectively".

This is with reference to immovable property which the Department of Income Tax has seized and the PAC noted with concern that "the provisions of the Income Tax Act regarding attachment and sale of the immovable property of the defaulting assesseees for recovery of tax demands were not effectively invoked and implemented". For years, the immovable property that is seized remains just seized. No action is taken in regard to those properties.

I think, having regard to the thousands of attachments that have been made and then nothing further has been done about it, if only effective steps were taken in regard to them, I am quite sure the Income Tax Department would be able to raise far more money than they would considerably

lose as a result of raising the Income Tax exemption limit. This is a suggestion that I am putting forward for their serious consideration.

The long-term fiscal policy has been followed, and I would certainly say that the Finance Minister deserves to be congratulated on continuing that policy. But the long-term fiscal policy does not mean that it applies only to direct taxes. It was expected to cover indirect taxes and they are also of very great importance. The manner in which indirect taxes continued to be changed and modified is a matter of very great concern. At times it appears that changes are made quite arbitrarily. Changes are made, and the general public is not told the reasons why these changes are made. The changes made have a very serious effect, either on the individuals if they are concerned, or on the industries which may be concerned.

For instance, I know one case, viz. of marble and granite. The end-use of both is the same. Yet you would be interested to know that there is a duty imposed on one, and not on the other. The effect of such discriminatory attitude can easily be imagined. Why should it be done? Yet, on both these items the Customs duty is the same. What arguments have prevailed one does not know. It may be that the two items have been categorized in different ways for Excise and Customs purposes.

Whatever it may be, I give it as one small illustration. It seems to me that the Excise authorities should approach their task in a somewhat more considerate manner. In great many cases, interpretations differ from Collectorate to Collectorate. Sometimes they completely contradict each other. One accepts an interpretation and gives effect to it, which is very widely different from another Collectorate, which takes a different view. Why should it be so in the same country? The Central Board of Indirect Taxes should surely see to it that such differences are removed at the earliest possible moment. This is one very important example of the manner in which the Excise Department functions.

There was a reference made to the interests of the State Governments and those of the Centre. References are all the time being made as if the Centre can flourish and prosper, without the States. The States are as important for the effective functioning of the Centre, as the Centre's considerate management is necessary for the states. The two are part and parcel of the same total body. Today, we seem to be looking at the two, as if their interests are opposed to each other, and that there can be confrontation between them - whereas the fact is that the States cannot prosper if the Centre suffers; and equally, the Centre will certainly not prosper if the States are weak. Therefore, it is important for the Centre to consider sympathetically what troubles the States, just as the States should realize that the Centre cannot satisfy everybody. It also functions on a certain basis.

It is unfortunate that the Sarkaria Commission has taken such a long time to produce its report; and it is still not known when it will do so.

16.00 hrs.

[SHRI VAKKOM PURUSHOTHAMAN *in the Chair*]

But I hope that when it does it, it will help in removing this mutual suspicion of each other that exists at present.

In regard to the Finance Commission, which has yet to be appointed, the previous speaker made a surprising observation. He almost suggested that if the Chairman of Commission may be a former Chief Minister he may tend to favour the States; the suggestion probably was that they favour the States. I do not think that the distinguished persons who are appointed as chairman, function in that manner. The Constitution intended that these commissions should see to it that the changes that take place during a period of five years in the economic development of States, in the financial position of the Centre and of the States, if there are any anomalies, those anomalies are removed and the situation

stabilises, in so far as state governments are concerned a fair situation is developed I think, therefore, this commission plays a very very vital role a very important role and it should be appointed at the right time and its recommendations should be treated with utmost respect.

[*Translation*]

SHRI P. NAMGYAL (Ladakh): Mr. Chairman, Sir, while supporting the Finance Bill, 1987, I do not want to speak much on it. I shall raise only two or three points concerning my constituency. So far as the different taxation proposals included in the Bill are concerned, I am of the view that the concessions given by you in different fields and the light taxations imposed by you are in the country's interest.

First of all, I am thankful to the Hon. Prime Minister who extended the income tax exemption for Ladakh region up to 1988-89 last year. Now its limit expires in 1988. Through you I want to request the Hon. Prime Minister to let it continue further. This exemption was initially granted by you after 1962 Chinese invasion because the residents of that region had to suffer on account of the invasion. The second thing that I want to say is that agriculture is the mainstay of the economy of that area. 95 to 97 per cent of the population of that area depends on agriculture and they are able to grow only one crop in a year. As has been said by Shri Dogra just now, this area remains cut off from the rest of the country for 6 to 7 months during the year. Therefore, the trade there is carried out only in summer and the sale proceeds of the goods cannot be re-cycled, because goods cannot be transported from outside till the road is opened. I am, therefore, grateful to you that you are continuing this exemption.

I want to bring one more thing to the notice of the Hon. Minister. Every year, be one a Government Servant or a Contractor, one has to obtain order from the Income Tax authorities afresh in the months of March and April. When you granted this



[Sh. P. Namgyal]

exemption in 1981-82 for five years, you should have issued this order then and there so that there was no need to renew it every year. This is the reason that March and April being the last months of the financial year, the employees do not get their pay and the bills of the contractors are held up which results in harassment. You have issued orders for this year for the exemption given in 1988. I am grateful to you for this. This exemption should continue in future also.

Army Officers come there with two years' posting. This being a high altitude area, it is not considered a family station. As a result, they have to bear double expenditure. Therefore, it is my request that the officers who come on posting to Ladakh for two years may be exempted from income tax. Their number is not much, may be a few hundred. The benefit may not be much but at least, they will get some psychological relief. You have already heard about Siachin Glacier which is at a height of 18,000 feet. Their base camp starts from there. They put up with these hardships and face too many difficulties there. It will be a very big incentive for them. Then they will not think of french leave in order to leave the station. This thing needs to be considered. I would earnestly request you that you should consider it sympathetically.

As it is, I have nothing more to say. Finally, I want to say this much that there are no two opinions that the Finance Bill which has been brought in the House is a very good measure. It is in the interest of the nation and the public. I sincerely support it and congratulate the Hon. Minister of Finance and the Minister of State for Finance, who is present there. I also congratulate the Prime Minister who in his capacity as the Finance Minister prepared the current year's budget properly and presented it. All taxation proposals are very good and everywhere there has been a word of praise for it.

**SHRI GIRDHARI LAL VYAS:** Mr. Chairman, Sir, I rise to support the Finance Bill,

1987. Our country believes in progress. All citizens and States should get the benefit of development. What I mean to say is that the regional imbalance prevalent in the country must end. We must ensure that all the States make uniform progress. It is the objective of our budget as well as of our planning that the whole country may make uniform progress to eradicate poverty, to increase employment opportunities and to accelerate the pace of progress. We should also consider the problems prevalent in the various States. Through you I want to draw the attention of the House towards Rajasthan which is a very backward State. The government of India has set up many big projects in other parts of the country to bring about economic development of the country and had made huge investment in them. This State is far backward in this regard also. Even one per cent of the total investment has not been made in this State whereas in terms of area Rajasthan is the second largest State in India, but in terms of population, its place is a little below. Even then, keeping in view the overall development of the whole country, I would request the hon. Minister of Finance to increase the investment for the development of Rajasthan so that it may achieve economic development. If you consider from geographical point of view, half of the area in Rajasthan consists of desert, one third part comprises hill area and the plain area is negligible.

**THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B.K. GADHVI):** Rajasthan has also maximum gold in the country.

**SHRI GIRDHARI LAL VYAS:** Gold is available in big cities like Bombay, Calcutta, Delhi and Madras, it is not available in Rajasthan. It is a desert area. You should conduct raids on the premises of big capitalists in order to get gold. You should confiscate their money and also the property. We have no objection to this action. But give something more to the State so that the poor people of the State may make some progress. Drought is the

biggest obstacle on the path of our development, because Rajasthan is affected by drought every year.

The money sanctioned from here for drought does not meet our requirement. If you consider the amount allocated for this purpose this year, it is negligible. You released Rs. 40 crores and 3 Lakh tonnes of Wheat for the year ending March and now you have provided Rs. 12 crores to us. You know how dangerous the months of April, May, June and July are for Rajasthan. There is no food to eat. Famine relief work has not yet started. Due to this there is no employment for the people and no fodder for the cattle. The Government of Rajasthan has asked for Rs. 345 crores from you for the famine relief work. You provided only Rs. 12 crores and there is no intimation about the 5 lakh tonnes of free wheat demanded by the State. Therefore, in order to set this system right some concrete steps may be taken to provide relief to the people of Rajasthan so that they may march ahead with your help. This famine has broken our backbone. Therefore, you must take measures to ensure that Rajasthan also marches on the path of progress in tune with people of other States under the leadership of Shri Rajiv Gandhi.

Sir, drinking water problem is very acute in our area. There has been a steep fall in the water table and as a result 50 per cent of the hand pumps, which were repaired have gone dry. There is no drinking water at all. You did not provide any money for this purpose. The Hon. Minister, is himself aware of the condition of the people of Rajasthan as he is our neighbour.

[English]

SHRI B.K. GADHVI: Mr. Vyas, I do not want to intervene but I will inform you that Rajasthan is not able to spend even the money which is given to Rajasthan for drinking water purposes. The money given for that purpose is lying unutilised.

[Translation]

SHRI GIRDHARI LAL VYAS: There is a reason behind this also. Mr. Chairman, Sir, I know about the thing he says. He has laid down a condition that the State will have to meet 50 per cent of the expenditure. Now the State Government itself is facing resource constraint. You must apply a different criterion for our State in view of our backwardness. You should not apply the same yardstick for all the States of the country. You do not consider the difficulty of the States. You will have to provide money for drinking water for the people of Rajasthan. Shri Ram Niwas Mirdha, who is sitting behind you, can apprise you of the difficulties of drinking water in his area. You should provide water from the Indira Canal. The situation has come to such a stage that people will have to fetch water from a distance of 8 to 10 miles. I am making this submission to you so as to help such people. I hope you will take a sympathetic view and withdraw the condition of 50 per cent grant by the State and provide 100 per cent assistance from the Government of India. It is my first and foremost demand. In addition to this, my second demand is that in order to run this famine relief work and to save people from the havoc of the famine, you must provide jobs to people for three full months. Therefore, we require Rs. 345 crores for providing jobs to 50 lakh people for three months. But you have released only Rs. 12 crores in its place. The third thing is about the regional imbalance. I had told about this yesterday also. Zinc deposits to the tune of 50 lakh tonnes spreading over 6 kms are found in Bhilwara. The largest deposits of Zinc in the world are found in that area. You have not so far conducted any survey in this regard. It is my request to you that you may please set up a Zinc smelter plant at Rampur Agucha where this deposit was found. You have taken a decision to set up the Zinc plant at a distance of 150 kms from that place. I do not understand as to why you took this decision. Did you ever think of the expenditure that will be incurred to transport the raw material to such a long distance? That

[Sh. Girdharilal Vyas]

is why I want that the factory should be set up at the place where the raw material is available so that it becomes viable and does not run at a loss, just as other public sector factories are running. You have acquired thousands of acres of land of the people of our area. But you are setting up the factory at a distance of 150 kilometers. Then what benefit will accrue to those people whose land you have acquired. Neither will they get employment nor your factory will yield profit due to transportation of raw material. I have been drawing the attention of the Government in this regard for the last 7 years. The officials of your department and the hon. Minister do not pay attention to find a suitable site for the proposed factory of Government of India in the public sector so that it may become profitable. It may prove to be beneficial for us and our country. It will also save foreign exchange which is being spent to the tune of crores of rupees every year on this metal.

As regards setting up the factory at Chanderia, I want to know if water is available at that place. Water will be brought to that place by spending Rs. 30 crores on construction of a reservoir and laying of pipeline. Electricity will be supplied to that place by setting up a Power House of 65 M.W. capacity. Both these works can be taken up here with that money. This will save the money to be spent on transportation and your concern will become a profitable one. Why the Government of India, The Minister of Finance and the officers of the Finance Ministry do not pay attention towards this thing, who are otherwise quite vigilant to protect the interest of the country? Why are they wasting crores of rupees like that?

The hon. Minister of Textiles is present here in the House, I would like to bring to his notice that we are facing a great problem. In our area a cooperative has been formed by the cultivators for setting up a spinning mill and similar cooperatives have also been formed in Maharashtra and Rajasthan. Now you have stopped issuing

licences to these cooperatives on the plea that the number of handlooms is already quite high and now there is no need of cooperatives. In the handloom sector, the people do not get yarn and whatever yarn they get is very costly. Besides, you have stopped issuing licences as a result of which the textile mills are not being set up. Crores of rupees of cultivators are locked up in these cooperatives. Therefore, you must issue licences so that under the cooperative sector, spinning mills can be set up.

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI RAM NIWAS MIRDHA): Now, it is not necessary to issue a licence. In this regard the difficulty is that the financial institutions have decided that the capacity of spinning mills in our country is already on the high side and hence they should not be financed. The cooperatives which assist the M.T.C. have also taken the same decision.

SHRI GIRDHARI LAL VYAS: You are talking about over capacity but I am saying that these handlooms do not get yarn. They get it at a very high rate. You remove this restriction and ask the Financial Institutions to finance them. In certain cases the cooperatives have been registered and have acquired land also but they are not getting loans from the financial institutions. Therefore, you must take steps to ensure that the cultivators can form cooperatives and speed up the work of handloom.

Now we are also exporting yarn. Therefore, you should also try to export good yarn so that we can earn foreign exchange. In our area i.e. Shahpura two cooperative mills have been registered and similarly 8 to 10 societies in Maharashtra have also got their registration. It is, therefore, necessary to make arrangements to finance them.

Now I want to say particularly about custom duty and excise duty. It is the

biggest revenue earning department. Good officers are working in these departments and they should be rewarded. But instead of rewarding them, they are punished. There, people are working very honestly and have caught big economic offenders and have taken action against them. But instead of encouraging them, they are being discouraged. I want to cite here a case of Jodhpur. Excise duty was imposed on the manufacturers of iron sheets. The businessmen preferred appeal against it. The appellate authority referred their case back. The Assistant collector asked these businessmen to return money but even then they did not do so. The result was that the concerned officer was transferred from there for not showing favour to the businessmen.

It is surprising that a person who wants to benefit the Government has been transferred. Several such instances have come to our notice. Your department must identify the honest officers who want to benefit the Government. Such honest officers should be rewarded. There are also some officers in your department who have acquired vast properties through underhand means. You are of course conducting raids on big business houses but quite often they escape the dragnet. Stern action should be taken against the people who are found guilty. The officers who are serving the country and doing their duty honestly should be rewarded. In our area, an officer has unearthed unaccounted assets worth Rs. 30 lakhs whereas no other officer could detect so much unaccounted assets. Such honest officers should be rewarded.

During the olden days, the princes ruling the States had exploited the poor people and today also they are exploiting them in many areas. They have kept their valuables and assets in foreign countries. Cannot the hon. Finance Minister take action against them? Can their property not be confiscated? Not only this, they have also set up industries in our country as well as in foreign countries also. You should confiscate their wealth and deposit it with the Government of India so that it can be

utilised for development works and to uplift the poor. These capitalists and princes have not shed even a single drop of sweat to earn this money but have amassed huge properties while sitting at home. Therefore, these illegal properties should be confiscated.

You have imposed ceiling on poor villagers but in the cities people own large properties and you do not take action against them. I would like to know from the hon. Minister whether he has taken away even an inch of land in the cities under the land Ceiling Act. Today, they are selling their property in lakhs and crores of rupees and are enjoying and taking undue advantages of it. You must pay attention towards it. You must take measures to confiscate the illegal property of the rich people.

The Andhra Pradesh Government has printed currency notes of one rupee denomination. On this note Government of India and the signature of Finance Secretary of the Government of India are printed. The photo of Shri Rama Rao has been printed on these notes. Has the Central Government permitted Government of Andhra Pradesh to carry on such illegal activities? Such notes have already been submitted to you in which the photo of Shri Rama Rao, the Chief Minister of Andhra Pradesh has been printed. I also have in my possession such notes. You can see the photo of Shri Rama Rao on it. The Government of India is also printed on it. It bears signature of the Finance Secretary in Hindi as well as in English. Government of India and Ashoka Chakra is also printed on it. Has the Government of Andhra Pradesh or Shri Rama Rao power to circulate such notes or has the Government of India empowered the Government of Rama Rao to circulate such notes? If not, the currency worth Rs. 2 crores which has been circulated should be confiscated and stern action should be taken against that Government. This Government should be dismissed immediately for such an illegal act. Such a Government has no right to remain in power. With these words I support this Bill.

**SHRI BALASAHEB VIKHE PATIL** (Kopergaon): Mr. Chairman, Sir, I rise to support the Finance Bill. I welcome the concession declared by the Prime Minister, this morning in excise duty on newsprint which is being imported from other countries. At the time of election we had promised to abolish sales tax and to effect such changes in the excise duty so that the State Governments need not levy sales tax. The blackmoney in our country is mostly generated due to sales tax. Every State Government is constantly increasing sales tax. We have been discussing ways and means to abolish sale tax for the last three years but Government could not take any effective step in this direction. We talk about socialism but it appears that by selling ten per cent share of refineries and other big industries to the big capitalists and multinationals we are going to give complete management in their hands. What would be the consequences of it? It will lead to mismanagement of funds and we will not be able to maintain its production and make proper utilisation of it. On the one hand we say that we do not have money but on the other hand we are also increasing the deficit. From the taxation proposal it is obvious that our indirect taxes are increasing. I had pointed it out last year also that so long as we do not bring about change in the structure of indirect taxes and direct taxes, we cannot succeed in our mission. In 1950-51 the direct taxes were of the order of Rs. 175 crores and indirect taxes, were Rs. 229 crores. But today our direct taxes have touched Rs. 4942 crores whereas indirect taxes have reached Rs. 20443 crores. It shows that we are gradually heading towards indirect taxes. With the increase of indirect taxes, the prices will also go on increasing. Besides, the indirect taxes also result in tax evasion and generation of black money. Our efforts should be to increase the direct taxes and to reduce indirect taxes so that the businessmen and companies who are busy in making black money may not do so. So long as we do not make changes in our tax structure, the drive against the black marketeers would be of no use.

Now a days, we are seeing that photos of smugglers are being published with our prominent national leaders, for example in Bombay the photo of Yusuf Patel with late Baba Saheb Amedkar has been published. When these smugglers get respect in the society what would be its consequences? Now-a-days smugglers move the courts also. It has also been mentioned in the report of your Ministry that they move the High Courts and the Supreme Court and get stay orders involving crores of rupees. The smugglers whose property is attached by the Government also move the courts. Therefore, there should be a law to prevent the smugglers from taking stay order. No court should have power to reject or admit the petition filed by a smuggler otherwise they will get encouragement.

Mr. Chairman, Sir, here we discuss stabilisation and speak against multinationals but I think so long as we do not check smuggling, the work of destabilisation of the country will go on increasing because these are the people who give money in the name of casteism and religion and create violence in the country. It has also been mentioned in your report as to how much gold you have seized but there is hardly a difference of Rs. 5 to 6 crores as compared to the gold seized in 1985-86. Besides 195 crores, you have also seized gold worth Rs. 205 crores recently. You have conducted so many raids but you could not seize any significant quantity of gold in these raids. We have to continue the raids more vigorously against smugglers, black marketeers, tax evaders and also under FERA. The poor people are being exploited and are dying due to starvation. Therefore, we want that they should be brought above the poverty line. Whenever any raid is conducted on any big business house, our press and others raise hue and cry against the raids and warn the people that if industrialists become hostile how the production of the country will increase, and if your growth-rate comes down, will we become self-reliant. It would not be proper to support or give legal assistance to those who are making money through dubious

means, keeping their money in foreign banks and engaged in illegal and immoral business. I want that no legal assistance should be given to them. Besides, what matters is not the number of raids but the amount of black money detected in these raids. There is no meaning of 10 thousand or 8 thousand raids. Raids should be conducted with correct informations so that it may create fear among the offenders. Till now they do not have fear of these raids because they consider them as sample of survey only. Therefore, I want that raids should be continued more vigorously.

Mr. Chairman, Sir, I would like to raise one more point. As per para 103 of the budget proposal, big paper Mills have been given concession under MODVAT upto Rs. 2500 whereas the bagasse based Paper Plants have been given concession upto Rs. 1300 and MODVAT credit is linked with excise duty. I think the small bagasse based paper mills are suffering a great loss. The big mills are still giving credit. Our efforts are to increase employment. We want that the mills which produce more than 75 per cent paper by using bagasse should be given hundred per cent concession in excise duty. But how will energy be conserved thereby?. Most of these mills are being set up under cooperative movement and it will continue in future also. The Government should, therefore, think about it.

Similarly, under para (120) and (123), P.V.C. and plastic have been given concession in custom duty but when we talk to the manufacturers, they say that they are going to increase the price of PVC pipe from 1st May. You have given relief in custom duty but USA and other countries who supply these things have raised its cost. As a result of it the relief we intended to give to our farmers and other consumers is not actually reaching them.

My friends from Kerala and Karnataka were saying that under para (135) on page 3, sub section 7 three per cent tax has been imposed on 'Idly' and 'Bada'. This is very strange thing. The interpretation is wrong.

The Government should pay attention towards it. If you want to levy taxes, it should be levied on big hotels. The cost of production in big hotels passes to the big industries. Therefore, the Government will have to pay attention towards it. So far as MODVAT is concerned, the Government will have to look into the bagasse based paper plant. You are proposing that big industries should make use of bagasse. The big industries are trying to manufacture newsprint. There is a paper plant in Tamilnadu. Sanction for setting up of paper plant in U.P, Bihar and Maharashtra has been issued. There is a proposal to establish paper plants at other places also. Seven to eight mini plants are functioning but these are likely to be closed down. So, I would like the Government to pay attention towards it and effect some changes. Unless this change is brought about, it will be difficult to run bagasse based paper plant.

The function of Central Finance Institute has been dwelt with in the report of LIC only and not in any other report. The LIC has purchased bonds of land Development Bank and because of it, it has made 9.7 per cent investment in the cooperative Sector. But not even one per cent investment has been made for industry in the cooperative sector in IFC and IDBI. The investment is 70% to 80% in the Private Sector. A little investment is made in the public undertakings of the joint sector or Government. Ours is predominantly an agricultural country and we want to establish agro industries but no incentive has been given in the Budget proposal for encouraging cooperative sector formed by farmers and workers.

We are proposing to deal with black marketers. We shall not ask from the people in remote areas and hill areas the source of the investment and will provide them all facilities and exemption in taxes. We shall also provide them with infrastructure. It is the farmers and the labourers who would benefit through the cooperative movement. If the Central Finance Institution provide more funds and if the government evolve a scheme or policy

[Sh. Balasaheb Vikhe Patil]

under which industries are opened in the villages, it will help in removing unemployment. Rural resources can be mobilised to open industries there. It will also help in easing the resource constraints in the country.

No allocation has been made in the Budget for the co-operative sector. It is surprising that last year a sum of Rs. 2586 crores was allocated to the private sector and the co-operative sector was allocated only Rs. 128 crores. From it you can see the discrimination. You want to encourage the co-operative sector for bringing socialism in the country but you are not paying attention towards it.

As regards the public sector, I support it. Public sector is very essential in the country. The private entrepreneurs take loan from the Government and invest it in setting up industries. We provide jobs to scheduled caste and scheduled tribes in the public sector but it is not so in the private sector. You should bring about changes in the legislation in this regard. Unless the private sector honours its obligation, they should not be provided any relief. Our policies should be such that another loan should be sanctioned for expansion or for setting up industries only when they have honoured 34 to 35 percent obligation. Other industries are answerable to the Lok Sabha or to the Assembly but the private sector is not answerable. We have brought forward the Finance Bill. What changes are we going to make in it? Some big industrial houses had made a representation and you have provided them relief by way of share transfer and more reliefs are proposed to be given. The real thing is that we will have to change the structure to bring about social changes. Unless the private sector and the big private houses help us, nothing will happen. So, it is essential to make changes in the legislation.

I would also like to say about the adverse trade balance. The agricultural produce should be exported. The Government should formulate schemes to increase agricultural produce. The State Bank of

India has formulated a scheme but it is not working properly. I can say that by promoting export of agricultural produce we can reduce the imbalance in the trade. We have given cash incentive to the steel industry, textile industry but no cash incentive has been proposed for agricultural industry so that as to benefit the farmers and the cooperatives of farmers and workers. In reply to my question three days back the Government had stated that big industrial houses and the corporate sector are making demands in the name of export that they be allotted 1 to 2 thousand acres of agricultural farms for exporting 100 percent agricultural produce. In this way they have submitted a scheme to the government intended to bypass land ceiling in the name of export and the government is considering it. This has been stated in the reply. It will not be proper to apply land ceiling in the case of farmers but to give exemption to the big industrial house in the name of export. This will create unrest in the country and the relations between the farmers and the government will be strained. What I would like to say is that our policy should be clearcut. The government is relenting in the case of big houses and attempt is being made to exploit the farmer and the poor. Therefore, I would like to say that the government should think over it.

In the end, I would like to say that it is essential to expand the Krishi Vigyan Kendras. The hon. Agricultural Minister had stated yesterday that they had no funds and the Finance Ministry did not allocate funds. If you want to encourage agriculture, it is essential to allocate funds for it. On the one hand the government says that they have no funds and on the other hand the Indian Tobacco Company and other companies have obtained stay order from the Supreme Court in order to claim Rs. 1000/- crores realised from the customers. On the one hand the government says that they have no funds for the development and on the other hand the big industrial houses move the High Courts and the Supreme Court and obtain stay orders instead of paying the outstanding amount to the tune of crores of rupees. The law should be

amended to ensure that they do not take undue advantage. The gap between the poor and the rich in increasing whereas we talk of socialism. This is not proper. If this state of affairs continues, there will be unrest in the country.

With these words I support the concessions in the tax proposals granted by the Prime Minister in the morning. The Government should take decision on the suggestions which I have submitted.

[English]

DR. DATTA SAMANT (Bombay South Central): Mr. Chairman, Sir, up to the end of 1986, there were 641 private sector units having more than Rs. one crore of share capital. The survey which has been given by the Government points out that the turnover went up by 19 percent, the assets went up by 8 per cent and the profits went up by one more percent, and the working of these units are good. But the employment potential has gone down by one percent. The second thing is that the borrowing went up by 66 per cent and all these private sector units are making business out of the public money and the Government money. Sir, I would like to point out one important thing. The exports went down by 30 per cent and the import has increased. All these things show that the private sector is doing quite very well in this country at the cost of Government money. Their employment potential is going down. Your exports are going down and the imports are increasing. With such working the Government is not knowing as to what is really happening in the private sector and its functioning. In spite of this, you went on encouraging them by allowing privatisation, by giving concessions, giving licences, giving them the power to transfer and finally allowing them to declare closure. Is it not the Congress Government which is controlling the economy of this country? Very few individuals and the private sector units are enjoying the benefits. Out of the 641 units, 550 units are big units. They are controlled by the Tatas, Singhanias and the Birlas. They are controlling the economy of

this country. I would like to put this fact before this House very honestly. For such employers and for such private sector units, today you have given all additional concessions. If you ask for the details, some units are shown in loss and some units are shown with profits. In order to avoid income tax, people like Goenkas, Modis are taking advantage of the 'sickness' in some of their units. The big business houses are increasing their domain by taking advantage of the concession of the tax benefits. Why have you given concessions? I am opposing them. You don't give them the concessions. I am saying categorically that I have got the details about more than 4000 units in this country. Have you got any control over them? They are sending you the balance sheets and accounts etc. These are all bogus accounts. You have no control as to how they operate. You do not know as to how they purchase and do business. You do not know as to how they manipulate. On the purchase of cotton, they are being sold with 15 per cent more margin. The textile mills while selling the cotton, show the bogus accounts. Everywhere it is to the extent of three or four per cent. These people are making money in crores. There is no control whatsoever over them. Once you give money to the party to start industry either in Bihar or UP, you do not know what the party is going to do with the nation's funds. And because there is unemployment, there is backwardness. All MPs and MLAs of the party went on begging here, come to my district, come to my taluka to start the factory, but you want this big house to come there and exploit the economy and exploit your district. Therefore, I oppose that all this income-tax concessions should not have been given. On the contrary, you institute the enquiry. There should be some control. The industry run by these big houses is not his Fundamental Right. You should have the control. This is a backward country with 70% uneducated. This is a backward country where 7 crores are unemployed. Therefore, running of these industries should be controlled and monitored to a certain extent by the Government.



[Dr. Datta Samant]

Sir, why not income-tax level for the workers which is Rs. 18000 he raised to Rs. 25000? About 25 Parliament Members from both sides have made this suggestion. This shows the interest of Government for the unemployed; how this Government is favouring the industries.

Sir, what is the National Income? As per the Seventh Plan the National Income is 2517. The National Income of this country, as per Seventh Plan is 7 rupees per day. For the family of five members, the National Income is 35 rupees per day and for 30 days, it is Rs. 1,050 I am giving the Government figure. How many families of this country are getting the average national income which has went up by 38.5%? Which families of this country are having more than 1000 rupees per month income? I think 80 to 90% are below this national income. For whom you are running this industry? The Birlas assets went up by 4000 per cent the Tatas went up by 3,700 per cent. But a man is getting one rupee and eight annas. You add everything, all the income of the country, add by 70 crores population and go on discussing it hypothetically. If by chance your national income goes up by 5.1%, the average 80 to 85% of this country are not getting this. That is the position of this economy. We are talking about income and productivity but you are not bothered whether this income is going up, I am not saying it should be equal, but it should be to the certain ground level of this country. The minimum wage of this country is below the poverty line. Even the minimum wage of 20 crore workers are covered but the Government has no simple way to implement this minimum wage which is balanced through the poverty line ratio and about 70 to 80% of the unorganised workers are getting. I am asking in this House for the last two to three months that in all your Economic Surveys and the Budget, are you giving the unemployment figures? During Seventh Plan the unemployment was about 4 to 5 crores and the target for 1985-86 given by this Government is about 80 to 90 lakhs per year. The target of the Seventh Plan is about 4 crores are going to be given

employment in this country. What is the target for 1985? What is the target for 1986? The Government has categorically refused to give this figure in the Budget speeches, in any of the Surveys. I am asking the Minister that I am seriously concerned about this. You give us how many people have got the job because of development of this country? I think with this modernisation and running towards 21st century, the proportion of getting the job, the Hon. Labour Minister has given me the figures that about 5.8 crores are unemployed. I think in Bombay alone they are about 3.80 lakhs. It is a horrible thing. The young element, the young boys who are given education, crores of this people are moving in the roads. There is no planning of this Government. I think it is a failure.

Sir, the sick industries in Bombay number about 151. In the country, 1 lakh 6 hundred big industries and about 1 lakh small industries are sick. It means about one crore workers are unemployed. You are giving statistical figures of strikes and lockouts. But this figure is increasing. As per Reserve Bank Survey 2% are responsible. It is the employer whom you have given money. They are making the unit sick and taking advantage of pollution. They are shifting somewhere because they are getting cheap labour and concessions also. Wherever they go whether they go to UP, Bihar Gujarat - the same Government is there. So they can very well close the industry in Bombay and go the Gujarat where everything will be cheap. They will be called upon by Ministers to give employment to the unemployed and again they will start giving wages from Rs. 10/- onwards and take all the infrastructural concession. That is how the big industry is exploiting. Therefore, Rs. 5000 crores Bank money is blocked. What is the Government doing about this? Is there any study and plan to know that after they take the loan they run the industry well or under loss?

Tata's mill in Nagpur is sick. Ten thousand workers have been thrown out. He has never compensated them. But his assets

went up by Rs. 3800 crores! His own mill is becoming sick and now the Government itself is nursing him by giving Rs. 20 crores. Where is your control?

If some employers have done fraud, I have said in this House not to give them further loans for their next ventures. But this Government is not prepared to accept it. They can do any number of mischiefs here but when they go somewhere else they get further loans. It is becoming a business. These big Houses are cheating and the Government is still looking after them. If these things go on, I am afraid, this is going to be a serious problem.

I strongly support the public sector in this country. Coal India's losses I think have gone up to Rs. 400 crores. It is surprising. Food factories are also losing very badly. They should be controlled and monitored by the Government. There is no other way. I think the private sector is controlling the public sector. They all have vested interests. The private sector is encouraged by bringing new technology and the public sector has to compete with them and also give reasonable salaries to its workers. Therefore, it is high time that the Government looked into all these problems.

I will not take much time and briefly say a few words about textile mills. The textile policy which was announced by this Government in 1985 is a mere failure. I am seriously concerned about it. It is a boon for the textile mill owners and for the capitalists. But the textile workers and the cotton growers are literally dying and they are going to suffer in this country. When I raised this issue in the Parliament, the Hon. Prime Minister told me that he will have a composite policy. I am sorry to say that the composite textile policy is not by Rajiv Gandhi; but it is given by the Bombay textile mill owners and approved by the Secretary. It is accepted that textiles mills are not doing well. Then what, have you given them for the last two years Rs. 131 crores concession for the import of polyester fibre when I raised this Issue, I

was told that cotton will be cheap. But the cotton rate went up by 5% to 6%. Even the consumer are not benefited by that. You are giving Rs. 750 crores textile assistance for three years from August 1986. So far they have taken Rs. 200 crores and they are modernising the mills. One new machine is replacing 24 workers and in Bombay fifty to sixty thousand workers have been removed. For modernisation loans are given even at the rate of 6% to the textile owners who have cheated the economy. The textile owners all over the country have cheated the banks of about Rs. 1500 crore. Out of that the biggest share is taken by the big textile mill owners and you are again giving them concessions! They are removing the workers and they are getting all the benefits.

In Bombay they have adopted a twin strategy either to take your concession, modernise the mill and throw away the workers; or if it is too old, they think that by selling the land they get more money and so they say that this is very old and they will sell it. Surprisingly even the Government is forcing them and the Central Government is telling them sell the land. Your Textile Minister went there three times to tell them to sell the land. Therefore they know your will and I think they are not even going to pay the electricity bill.

Cotton growers have given statistics about the export of cotton garments as Rs. 900 crores. I have got textile garment factories in my unit. If a cotton shirt is stitched at Rs. 30/-, Rs. 21/- is for making the cloth, Rs. 2/- is for the cotton grower and Rs. 3/- is for the person who stitches it. But the same shirt of Rs. 30/- is sold at Rs. 80/- or Rs.90/-. Who is benefited because of this export? The cotton grower who is suffering is getting only Rs. 2/-. You are not allowing him even to export the cotton. You are giving concessions to import the polyester fibres. Textile owners are not getting cheap rate cotton because you are keeping it though there is 95 lakh bales. About 50 lakh cotton growers are suffering. You are not allowing them even

[Dr. Datta Samant]

to export. The textile mill owners are telling them we will not purchase the cotton. You keep it with the Corporation. Whenever we need it we will take it from the Corporation. Now the Government is planning to give to the mill owners Rs. 2000 crores World Bank Loan. Today in the budget you have given 10 per cent concession by way of exemption of import duty on the textile machinery. Therefore, the whole economy and the textile policy is a sheer failure. The workers are suffering. The farmers are suffering. The benefits of all these concessions go to the mill owners.

17.00 hrs.

Today I read the speech of Mr. Thackersey from Bombay. He is still saying that they are suffering and want more concessions in the excise duty on cotton. They are literally cheating and fooling you and without knowing the thing you go on giving them concessions. The workers at large are suffering. Therefore the whole economy and the Budget of this Government is always supporting the same big houses of this country. You do not know after taking the money how they are going to be have. Unemployment is increasing in the country. 80 to 90 per cent people are below the national income. So I totally oppose such type of free economy and if Government keeps on adopting this type of economy in this country then the things are not going to improve.

[Translation]

SHRI K. D. SULTANPURI (Simla): Mr Chairman, Sir, I am very grateful to you for giving me an opportunity to speak. Our Hon. Prime Minister has expressed his view in regard to the relief provided to the people under section 194-E and 115-J. I would like to add that in Himachal Pradesh or in the hill area, people will get our opportunity to export wool because sheep breeding for wool is one of the avocations there. I congratulate the Hon. Prime Minister and the Finance Minister for taking such a commendable decision which

can benefit the farmers. It is also proposed to abolish the duty on the spices which are used by the common man. This is a good step. Duty on the sumptuous meals will be withdrawn. For this we are grateful to the Government. A number, of Hon. Members have expressed their views on the reasons of the deteriorating economy and who are responsible for this sad state of affairs. We should bear in mind that the big capitalists have harmed the economy of the country. No efforts have been made to improve the economic condition of the people whether they belong to the hill areas, plains or cities.

I would suggest that a National Tribunal should be set up to realise the arrears of tax amounting to crores of rupees within a time bound programme so that the economic condition of the country could be improved. The Hon. Prime Minister wants to improve the economic condition of the people. It has been said that a large number of industries are lying sick. Those sick industries should be given assistance so that they could become viable. The fact is that the Industrialists do not want to run these industries. It should be looked into. Not only the licences of such industrialists should be cancelled but they should also be taken over. Such industries should be made viable within a time limit. These industries can become viable only when there is a feeling among the industrialists that they have to work for the betterment of the country.

Potatoes and apples are cultivated in Himachal Pradesh on a large Scale. Besides, there are a number of other avocations which can be taken up by the farmers to improve their economic conditions provided they pay proper attention towards it. Himachal Pradesh is in the forefront in the cultivation of potatoes and apples. There are other things also which are grown there. There is need to exort apple juice so that our farmers may be able to get a fair price and in this way they may be able to improve their economic condition. The plants for extracting juice from the apples are located in areas near the border whether

in Kashmir or Tehri-Garhwal or Himachal Pradesh. The farmer has to pay freight charges of the truck. The poor farmer with small produce is not in a position to take his produce there. I would suggest that a factory should be set up at his very place so that he may be able to improve his condition and in this way help the country in strengthening its economy. In our region, Leh, Kinnaur, Lahaul-Spiti are dry areas for which a programme for plantation may be drawn up.

You may see the records maintained by the erstwhile princely States. These records show that there were a large number of trees and a lot of grass in the area during the British period. But now there is not a single tree in the area spreading over a thousand Kilometres. It was turned into a desert. The Government should take concrete steps in this regard.

17.05 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

There was a discussion here on border roads. I am of the view that it would be more appropriate if more fund are provided for border roads. Hon. Minister of State Shri Brahma Datt also belongs to hills. Funds are being released on piece-meal basis for the construction of the national highway from Paonta Saheb near Dehradun to Kinnaur in Himachal Pradesh. I urge the Central Government that if this road is constructed in time, it will reduce the distance to Delhi and difficulties faced while transporting goods to that place will also be removed. I support the Finance Bill and also would like to make some submission about the Railways. There has been a lot of development in Railways in the country. But can you please tell what distance in Kilometres has been covered by the railways in the hill areas. You may please pay special attention towards laying railway lines in hill areas. If provision for adequate funds has not been made therefor, then please provide money for constructing roads. The State Governments were under discussion in this House. It was

stated that they do not get equal share and an equal opportunity of development. But I know that while allocating funds to different State Governments, no discrimination is made by the Central Government. All the States are treated equally and means of development provided to them. It is the policy of our Government that the country should develop uniformly and no State should lag behind in the matter of development. This is the reason that we are making all round development and we are becoming self-reliant in every field. If any obstacle is put in the course of development, we must first make introspection as to what one is doing, what is one's duty towards the nation and where the country will go under such a situation. We should always have an aim before us that we have to take this country ahead and develop it. Until and unless this feeling is aroused in everybody, we cannot make uniform development and our country will not be strong. The Government of our party is taking very good steps for the development of the country and schemes are being prepared in this regard.

Some of our hon. Members indulge in irrelevant talk here. Do they really want this country to develop? Now-a-days it has become a practice in the country to gather a few prominent members of a community and form their own Government. They want to formulate economic policies in their own way. I am not opposed to the Governments of various parties in the States. But it is very necessary to have a strong Government at the Centre. If any of the State Government wants to formulate the economic policies in its own way, then let it confine those policies to the State itself. The Central Government allocates funds to all for uniform development. If currency notes are printed in the name of the Chief Minister in any State and they are circulated, it will be a bane for the country and nobody who is patriot will tolerate it. I vehemently demand that the hon. Minister of Finance should conduct an enquiry into it and if it is a fact that this malpractice is being taken recourse to, then these people have no right to be in Government of any

[Sh. K.D. Sultanpuri]

State. Some hon. Members were laughing here over this incident but it is a matter of shame for us. I do not believe that such a thing could have taken place in any State. But we should take the situation to be serious if any such thing has happened. Somebody said here that currency notes worth Rs. 2 crores were printed and they were circulated in their own State. These have been sent to other States through some of their own men. You should take stern measures to check such malpractice.

In our area, wooden boxes are being made for packing apples for being transported to other places in the country. It is my submission that you may please find some alternative for the wooden boxes in order to check tree-felling. More and more subsidy be given for this work and it may be made duty free. Thousand cubic metres of wood goes waste in making wooden boxes. Therefore, you should encourage its alternative by giving concession and subsidy. This will ensure maintenance of the beauty of our hill areas. People from plains come to hills with a view to see age old trees and enjoy the beauty of nature. The Government should take suitable steps to check the exploitation of the forests.

A discussion about farmers came up here. The farmer does not get suitable profit for his produce. If he produces bananas and sells in the village, he gets only some paise for it. But the same banana will fetch one or two rupees if it goes to some small hotel and it will cost Rs. 10/- if it is sent to a five star hotel. On the other hand, the farmer who produces it gets only 10 paise. In this way the condition of the farmer is pitiable. The Government should take concrete steps in improving the condition of the people engaged in farming in our area.

There is much laxity in the field of education in our area. Of course, our Government has prepared very good scheme for the expansion of education. But they have not been implemented properly. Our Government has prepared schemes for

opening Navodaya School at various places. But do we really reach the villages through them. The D.E.O. and other big officers of the Education Department see as to which village is nearer to market. They cover the same village and take it granted that all villages have been covered. If a school is opened at that place, it will be taken as granted that the entire village has been covered. The children belonging to far flung areas will be deprived of this facility. Therefore, I would emphatically say that wherever these schools are opened, children of poor people should be given admission in them. M.L.A.s and M.P.s should also be made the members of the Committee which would select children for admission in these schools. They should be present at the time of interview and may know that the children of their locality have got admission. If we make any request to the Minister for any work, he tries to avoid it and we follow him wherever he goes. Finally the work remains undone. He says that it will be done but it is not done. We write letters to him in reply to which he says that he is examining it and he goes on examining it. By this time our 5 year term expires and the work is not done. I say this to draw your attention towards it. When they are removed from there, they come and sit with us. They should keep this thing in their mind that we are also their brothers. Now-a-days, a workshop is being held. We reach there in the morning and participated in the programme. In this connection I would like to say that our hon. Prime Minister is seized of all these things. He works round the clock. It is my submission to you to carry out your job in such a manner that democracy remains intact and all of us maintain good health and the work of the country goes on properly.

Mr. Deputy Speaker, Sir, the officers of the Banks grant loans of crores of rupees to big houses who run big industries and trucks. But you give only Rs. 5,000 or Rs. 6,000 to poor people. We should put those people in jails who have taken huge loans but do not want to repay them. In spite of this if they do not refund the loans, their

property should be confiscated and utilised in the country's developmental work. They are indulging in irregularities. Also, there are a lot of people to speak on their behalf. But there is none to speak on behalf of the poor people. These big people want to weaken the nation. These people will never be faithful to the nation.

Sir, this country has been making progress under the leadership of Pandit Ji, Indira Ji, Mahatma Gandhi and Shri Rajiv Gandhi and it is still treading on the path of progress.

I support the Finance Bill and I am fully confident that the points I have raised in this connection will be considered. Members of our Parliament are fully prepared to strengthen the nation. With these words I conclude.

\*SHRI R. JEEVARATHINAM (Arakkonam): Hon. Deputy Speaker, Sir, I would like to express my views in support of the Finance Bill, 1987.

I request that a permanent Drought and Flood Relief Corporation may be set up. This would help to rush financial and other assistance to flood and drought affected areas without delay.

Sir, I would cite an example how delay occurs at present in providing relief to drought affected areas. A central team has been sent to drought affected areas in Tamil Nadu. The team has not so far submitted its report to the Central Government. The Tamil Nadu Government has requested the team to provide Rs. 4.48 crore as relief to Madras city affected by drought and facing acute drinking water problem. The assistance was not provided. The team will process their findings and will, thereafter, submit a report by which it will add to the miseries of the masses. I therefore, request a separate authority for providing relief to victims of such natural calamities must be constituted. Then only we can avoid delay in providing assistance. The hon. Minister may explore

the possibilities of setting up a Central Drought and Flood Relief Corporation.

Demands for grants of many Ministries have been passed in this House. However, the demands for grants of the Ministry of Finance could not be discussed in detail. Therefore, I would like to take this opportunity to speak a few words about that Ministry.

Ministry of Finance is the apex Ministry controlling the finances of the country. Employees of nationalised banks are not following the rules and regulations framed by the banks. Even the Deputy Governor of the Reserve Bank has recently admitted that many of the friends in banks could be attributed to the inefficiency and negligence of the bank officials. Nearly Rs. 8 crores were lost due to dacoities and robberies in Banks over the last three years. Frauds on banks over the same period amount to Rs. 169 crores. So far no proper guidelines have been laid down in banks in regard to location of counters, strong rooms, safety-vaults and in regard to other security systems to avert robberies. Hon. Finance Minister may, therefore, formulate healthy guidelines in this matter to safeguard public money.

I feel there exist radical errors in the fixation of consumer and wholesale price indices. As far as the wholesale price index is concerned, the inflation during 1986-87 has increased to 5.1%. The inflation rate in 1985-86 was 3.8%. The prices of food and food products have increased by 6.8%. In such circumstances, the statement of the Govt. that the consumer and wholesale price indices have registered a fall is wholly untenable. The hon. Minister must take steps to control the steep rise in prices.

Apart from the Central Government the States also levy taxes to net revenue to meet expenditure on five-year plans. However, I find, with horror, a steep increase in the non-plan expenditure. I, therefore, request an expenditure

\* The speech was originally delivered in Tamil.

[Sh. R. Jeevarathinam]

commission may be constituted to advise the Govt. to control the expenditure on non-plan programmes.

Sir, I would like to attribute the rise in prices of commodities to the levy of excise duties on these commodities. Further, sales tax is also levied by State and Central Govts. on these commodities after the levy of excise duty. This Finance Bill also provides for increase of excise duty on many products.

At this juncture, I would like to submit that the cost of production depends upon the capacity utilisation. If installed capacity is utilised at lower level, say 30%, the cost of production will be more and add excise duty to this, it will shoot the market price of the commodity. I, therefore, request the Hon. Minister to bring forward amendments to the relevant taxation laws.

The levy of sales tax varies from State to State. For example, the sales tax in Karnataka is 22 per cent in total, in Maharashtra it is 13 per cent in Andhra it is 13 per cent. However in Tamil Nadu it is only 8 per cent. I request the Govt. to consider the suggestion of having a uniform sales tax all over India. When our Hon. Vice President Shri R. Venkataraman was the Finance Minister here, he sought the opinion of all State Government regarding having a uniform excise duty all over India. Certain States agreed to the proposal and certain others rejected it. I request that the Govt. should constitute a Commission to consider the feasibility of having a uniform excise duty all over India.

As far as the match-box industry is concerned, there are certain units which are in cottage industry and certain others are in mechanised sector, with higher capital outlay. Excise duty is levied according to the cost of production of match-boxes. The cost of production of match-boxes in cottage industry differs from that of match-boxes manufactured in mechanised sector. However, market price of all match-boxes is 25 P. each. There is therefore, the anomaly of having a uniform market price but varying rates of duty on the same products. This does not benefit producers. This only benefits the sellers. I, therefore,

request that the Government must come out with a rational tax structure benefitting the consumers, the producers and the Government but not the middleman at any cost.

Sir, only 24% of the population reside in urban areas. However, 80% of the power generated is consumed in urban areas. Conventional sources of energy like firewood, cowdung and other farmwastes serve 74% of the energy needs of the rural masses. Govt. must programme for the scientific and egalitarian use of conventional and non-conventional sources of energy in India.

Before I conclude, I am bound to outline the importance given to the development of human resources in India under our youthful leader Shri Rajiv Gandhi. Manpower is superior to all other forms of power on earth. Nearly 60% of the river waters are wasted into sea. We must utilise the man power in projects aimed at diverting all west-flowing river in South towards east for irrigation purposes. We must also inter-link Mahanadi, Godavari, Krishna, Pennaru, Palaru and cauvery rivers for fruitful utilisation of river waters.

Our Hon. Prime Minister as Finance Minister announced some major concessions to industry this morning. Concessions on imports and exports and on excise duties have been announced which amount to Rs. 70 crores. I welcome these concessions.

With this I conclude.

17.25 Hrs.

STATEMENT RE DECISION BY THE  
GOVERNMENT OF SWEDEN TO ASK THE  
NATIONAL AUDIT BOARD TO MAKE  
AN AUDITING REVIEW OF CERTAIN  
TRANSACTIONS BY BOFORS

[English]

MR. DEPUTY SPEAKER: Sir, you seek the permission of the House.