

Therefore, I request the Central Government to provide Rs. 12 crore assistance to Tamil Nadu for protecting the coastline

**(vi) Need for doubling of Railway line between Mangalore and Shornur**

SHRI MULLAPPALLY RAMCHANDRAN (CONNANORE) : Mangalore-Madras Railway line is one of oldest railway tracks in India. Tremendous progress has been recorded in the development of railways elsewhere in the country during the 45 years after Independence. However, no improvement whatsoever has been made on the track between Shornur and Mangalore on the Mangalore-Madras route.

This stagnation has added very much to the backwardness of Malabar area consisting of six major districts of Kerala. The people of Malabar are deeply agitated over this issue. Time and again, people's representatives as also several organizations representing trade and commerce, socio-cultural organizations, local bodies, students, etc. have represented the sentiments of the people of this area before the successive Governments for doubling of the line between Mangalore and Shornur.

Consequent on persistent protests and agitations, about two years ago, the Railway administration had allocated a paltry sum for this project. But to date this amount remains unutilised for this purpose. The people understandably fear that this year also the amount will be diverted to other areas and other projects.

The proposal of the Chairman, Konkan Railway Authority, came as a ray of hope to the people of Malabar. He has offered to double the line within a year, even without financial support from the Railway administration, if he is permitted to undertake the project. However, for reasons best known to them, the Railway authorities have not given clearance to this proposal.

I earnestly request the Hon. Minister of the Railways to intervene in this matter and direct the Konkan Railway Authority to take up the doubling of Mangalore-Shornur line. Then alone, Southern States will fully get the benefit from the Konkan project.

**(vii) Need to Start ICDS Projects in Earthquake Hit Satara and Sangli Districts of Maharashtra.**

SHRI PRITHVIRAJ CHAVAN (KARAD) : Sir, the Koyana and Warna regions of Western Maharashtra are facing repeated earthquakes. There was a major earthquake in this region in 1967. Another series of four major earthquakes shattered the area between August 1993 and February 1994 rendering over 10,000 people homeless. This has driven away potential investment in industries. This area being part of the Western Ghats, is hilly one. Although it receives substantial rainfall, due to lack of storage tanks, there is no water for irrigation. There is even shortage of drinking water in summer. As a result there is

no year round work in agriculture. People have to go to Bombay in search of manual work. The worst sufferers are children.

I, therefore, request that the ICDS project be taken up in the Patan, Jawali and Mahabaleswar tahsils of Satara district and Shirala tahsil of Sangli district in Maharashtra. Although these blocks do not meet the SC/ST population criteria or the number of people living below the poverty line criteria, I request the Government to sanction these projects as a special case considering the hardship faced by the people of these hilly regions on account of repeated earthquakes.

I request the Ministry of HUMAN RESOURCE DEVELOPMENT to start the ICDS project in the above four blocks as a special case at the earliest.

[English]

UNION DUTIES OF EXCISE (DISTRIBUTION)  
AMENDMENT BILL

AND

ADDITIONAL DUTIES OF EXCISE (GOODS OF  
SPECIAL IMPORTANCE)

AMENDMENT BILL – CONTD.

MR. DEPUTY-SPEAKER : Now Item Nos. 12 and 13 will be taken up together for discussion. The time allotted was two hours; and we have consumed one hour and fifty five minutes. Five minutes time is left out.

[Translation]

SHRI MOHAN SINGH (DEORIA) : Mr. Deputy Speaker, Sir, it pertains to the rights of States. Therefore, the time for discussion should be extended by two hours.

[English]

MR. DEPUTY SPEAKER : Well, let us confine to the time provided.

[Translation]

SHRI MOHAN SINGH : The Bill appears to be a small one but in the federal system of the country, the Central Government is not providing resources to the States. It is related with the States therefore, the time should be extended.

MINISTER OF STATE IN THE MINISTRY OF HUMAN RESOURCE DEVELOPMENT (DEPARTMENT OF YOUTH AND SPORTS) AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI MUKUL WASNIK) : Sir, I am prepared to accept what Mr. Mohan Singh has said. There are some other Members from our side also who would like to participate. But, keeping in view that there are many more Bills which we have to take up for consideration and the Business of the House, I think we should try to restrict as far as possible and at the same time to accommodate the hon. Members who want to speak.

MR. DEPUTY-SPEAKER : The Treasury Benches are very, very liberal indeed.

..... (Interruptions)

MR. DEPUTY-SPEAKER : Your view is totally accepted by the Treasury Benches.

..... (Interruption)

[Translation]

SHRI MOHAN SINGH (Deoria) : Mr. Deputy Speaker, Sir, every one should be given an opportunity to speak because it is an important matter. (interruptions). It depends on your capability as to how quickly you can dispose it off. [English]

MR. DEPUTY SPEAKER : Shri Prabhu Dayal, your suggestion will always be accepted. All right. I shall call Shri Ramesh Chennithala.

Shri Ramesh Chennithala

14.26 hours

SHRI RAMESH CHENNITHALA (KOTTAYAM) : I rise to support the two Bills which were introduced by the Minister of State for FINANCE. The first Bill is the Union Duties of Excise (Distribution) Amendment Bill and the second is the Additional Duties of Excise (Goods of Special importance) Amendment Bill.

The Indian Constitution empowers the Parliament to heavy excise duties. Article 272, Seventh Schedule also provides for a sharing of these duties with the States, if Parliament by law so provides on the basis of the recommendations of the Finance Commission.

The Finance Commission is also a child of the Constitution. The Tenth Finance Commission has submitted its report. I was of the view that that report of the Finance Commission should be discussed in Parliament. Unfortunately we will not find time to discuss it in Parliament. The Report of only the Eighth finance Commission was presented to this august House and discussed threadbare and the Members of Parliament could ventilate their views on the various issues pertaining to the States and the Centre. But unfortunately we could not get an opportunity to speak on the Report of the Tenth Finance Commission this august House.

The Ninth Finance Commission has recommended in its Second Report that 45 per cent of the annual net proceeds of the Union Duties of Excise including the Cess levied under the special Acts and earmarked for State purposes be paid to the States and distributed among the States as recommended by the Ninth Finance Commission. The Tenth Finance Commission also recommended that the share of the States in the Union Excise Duties may be increased to 47.5 per cent. The only increase is by 2.5 per cent the commission decided to keep apart 7.5 per cent out of the 47.5 per cent, to be distributed among the States assessed as deficient by the Commission.

How are we assessing? There are two main criteria adopted by the Finance Commission. One is the population

and the second is the backwardness of the State. In this regard, I wanted to pose a question as to how we are going to assess the backwardness of a State. That is the most important thing there are lot of controversies in Centre-State relationship. If the States are powerful, then only the Centre will be strong. So the States should be given more allocations and more financial freedom and looking into the financial crunch and the miserable position of the States, the Central Government should be more considerate in this regard.

On the other day, a lot of colleagues also raised this point about the assessment of the backwardness of a State. So, a method should be found in such a way that there is a realistic effort to assess the backwardness of a particular State. For example, States like Kerala, Orissa, Bihar and so many other States which are industrially undeveloped are very backward. So, these States should be taken care of. I do not know how these States could be taken care of. Forty per cent will be distributed among all the States and 7.5 per cent among the deficit States. So, 7.5 per cent is distributed as earlier mentioned, on the basis of the deficit.

In certain cases it is very evident that certain developed States are also projecting themselves as deficit States. This is causing a lot of problems to the other States which are really in deficit.

The second Bill consists of additional duties of excise on certain specially mentioned goods of mass consumption. In 1956, the National Development Council came to an agreement to levy additional duties of excise on sugar, tobacco, cotton fabrics, woollen fabrics and all man made fabrics by the Centre and the States refrained from exercising this power to levy sales tax on these commodities. This was the agreement reached in 1956 by the Centre and the States. By this agreement the Centre is levying and collecting excise duties on the goods of mass consumption and distributing them among the States in accordance with the principles laid down by the Finance Commission from time to time.

The Second Finance Commission which was the first to examine the matter, adopted a consensus figure alongwith the population. A lot of discussions had taken place on this point. The Ninth Finance Commission recommended that the share of the States should be corresponding to their share in the consumption of these commodities, But, unfortunately, the relevant and direct information of the State-wise consumption of these commodities was not available to the Commission, so, the Finance Commission laid upon the proxies like State Domestic Product and the population of the State etc. These two aspects were given weightage by the Ninth Finance Commission and they used 1991 census for this. But the Tenth Finance Commission had discussed this matter threadbare and commodities of mass consumption and population have been given substantial weightage in this formula. Apart from commodities, we are looking on one

aspect of the mass consumption of these commodities. The Tenth Finance Commission has categorically mentioned that the population should be given weightage in formulating the principle. As per the Tenth Finance Commission, 50 per cent weightage is to be given to population, 40 per cent to the average of the State product for the three latest years and 10 per cent weightage is to be given to the average collection of States' sales tax for the three years. The Tenth Finance Commission had taken 1991 census as the basis. As per the recommendations of the Finance Commission, the Government has come forward with these two Bills. Definitely, this is a welcome step.

A lot of discussions were held earlier regarding the Centre State relationship. On the basis of the report of the Tenth Finance Commission these two Bills were introduced. I welcome the step taken by the Government. But something more should be done in this regard. I do not know whether this will solve the endless debate between the States and the Centre on what should be the purpose of the divisive pool. I think this will not serve any purpose. This debate will continue because certain very important measures were suggested by the Tenth Finance Commission, but the Central Government is not making any comment regarding certain very important points put forward by the Tenth Finance Commission.

The Present arrangement of certain percentage from the income tax and excise duties has failed to satisfy the States. The Centre has optional methods for collecting more taxes, methods of taxation which are not part of the pool. But States have no power to do that. Now, what is happening? In every State resource mobilisation is a big problem.

It is because every State Government has now reached a saturation point and they cannot curtail their welfare measures also. They are not in a position to tax more. Most of the States have reached a point of saturation. This aspect should be considered and it should not be taken very lightly by the Central Government. The grievances of the States should not be taken lightly.

The Tenth Finance Commission, in this report, has very well mentioned about the two-fold debt relief scheme. Everybody welcomed that. The States were happy. But the Centre is silent on this issue. It is a two fold debt relief scheme for all States. Secondly it is for a State under heavy burden of debts. Unfortunately the Centre is silent on this suggestion of the Tenth Finance Commission about five per cent debt relief for special category States like Orissa, Bihar, Uttar Pradesh where the debts are very high.

I want to know from the Hon. Minister what the stand of the Central Government is for putting corporation and service taxes and excise duties in the divisive pool of resources. In this case also there was a lot of discussion. Even the State Governments have represented this matter before the Finance Commission. I would like to know from the Hon. Minister about the Stand of the Central

Government regarding putting corporation and service tax and customs duties in the divisive pool.

Sir, I want to mention about my State, Kerla. The Tenth Finance Commission's recommendations regarding Kerala are totally worrying the State. The State will lose Rs. 25 crore during the first year of the fund devolution. Finally, after five years also, no positive gains will come for a revenue deficit State like Kerala. Kerala is such a State where we are taking a lot of social welfare measures even before other States have implemented or even taken up those schemes. Kerala is the State to have implemented all these schemes. But the position of the State Government is precarious. We are not in a position to collect more taxes or impose more taxes on the people. The State's financial machinery has reached such a stage that we cannot levy more taxes on the people. The state's financial machinery has reached such a stage that we cannot levy more taxes on the people of the State. The internal generation of resources in the State is very difficult and as I say we are not in a position to curtail or stop the welfare measures which were initiated by the earlier Government, So the Central Government should view a State like Kerala and give special consideration. Kerala is a backward State as far as industry is concerned. No industrial development is taking place. No major industries are coming to our State. The unemployment problem is at its peak. The problem of more educated unemployed persons is very serious and our State is facing this problem.

In the memorandum which was submitted to the Tenth Finance Commission it is mentioned that the percentage of the share due to the backward State should not be less than its population ratio. That was a suggestion made in the memorandum submitted by the Government to the Finance Commission. The most important thing is that the additional weightage to the backwardness along with the population ratio should be given. The backwardness and the population ratio should be taken into consideration for fixing the ratio. Even though the Finance Commission is sought to help economically weaker and backward States, Kerala has not received the share corresponding to its population ratio. The Finance Commission has recommended certain assistance to certain States which are backward in nature. But unfortunately in this category also my State, Kerala, is not there.

Sir, both the Ninth and the Tenth Finance Commissions have been unkind to the State of Kerala. Kerala is entitled to Rs. 7,722 crore on the basis of the Share of devolved funds which includes Rs. 219 crore for the famine relief expenditure and Rs. 204 crore for the local bodies. But it got only Rs. 52 crore under the head: 'Special problem'.

Sir, Non-Plan revenue deficit grant has been allowed to 15 States. Kerala, with poor industrial and agricultural production figures has been bracketed with States like Maharashtra and Gujarat which are the industrial giants in our country. So, our State has been totally neglected and I think that more consideration should be given to the State

of Kerala which is very backward in respect of industrial and agricultural production. In recent years, in Kerala, we are witnessing a series of floods and other natural calamities which have virtually wiped out the infrastructure which had been meticulously built up during the last so many years. So, Kerala needs more financial assistance from the Centre. As I mentioned earlier, if the two aspects of population and backwardness are considered, Kerala should be given more assistance.

I do not want to take much time. But I want to stress one more point. There is a general belief that the Centre is always saying that it is giving more resources to the States, but it is not doing so. The States are not in a position to mop up enough resources to meet the urgent needs of the people. We are in a federal system and if the federal system is to be more effective, the States should be strengthened more and also the Centre should be strong. The regional imbalances, backwardness and so many other factors have to be taken into consideration when the resources are allocated to the States. I would like to know whether the Government is going to implement the suggestions of the Tenth Finance Commission and whether the Government is going to have an overall look on the distribution of resources to the States. I would also like to know whether the Government would be more considerate towards the industrially backward States where the people are suffering from unemployment and other problems.

Sir, in a way, these two Bills are definitely a welcome measure. I consider this measure as a beginning for sharing the resources with the States. But in future the Centre should have a sympathetic view towards the States which are very backward both on the industrial front as well as on other fronts.

SHRI HARI KISHORE SINGH (SHEOHAR) : Mr. Deputy Speaker, Sir, I rise to warn this Government that, in its scheme of things, there is a growing feeling in this country that the States are being neglected and the Centre is assuming more resources by controlling the finances of the country and through that it wants to control the States. It is an imperial legacy. The system of sharing the financial resources is a legacy of the past, the imperial legacy. At that time, the system of Government was highly centralised and both expenditure and income of the States were controlled by the Centre. This is what we had inherited. Now there is a growing grievance and agitations are going on all over the country demanding that more financial powers would be devolved on the States and the States should have ample resources to augment their income so that developmental works do not suffer.

Sir, no decentralised polity can function in a system which is being obtained in our country and therefore, this issue has been agitating the minds of the people right from the beginning. The Finance Commission periodically suggests certain ways and methods of sharing the resources between the States and the Centre.

But that is not adequate. I agree with our friend from Kerala, Shri Chennithala that the income of the country should be shared on the basis of population, unless this is done the States which are not fully developed will continue to suffer.

Sir, there is a growing apprehension after the introduction of the new industrial policy and the so-called globalisation of our economy and privatisation of our industries and other resources. Now, there is a feeling that the regional imbalance will grow because when we look at the pattern of development or the Memorandum of Understanding signed between the foreign firms and various State Governments, we find that the large areas of the country are being totally neglected. The North East States like Bihar, Uttar Pradesh, Orissa, Madhya Pradesh and others are totally neglected. There is hardly any inflow of capital in this area therefore, the already unbalanced economy of the region will be aggravated and social tension will grow. Therefore, Sir, I would plead with the Government that a more workable formula, a more reasonable formula and a more rational formula should be evolved so that proper devolution of financial powers and resources can be achieved at.

Sir, in this context, I would also recommend that there is a need for a fresh look at the corporation tax. Now there is no share of States in the corporate tax. When the Scheme of things was devised, there was not much income from corporation tax. But gradually this has increased and now there is need for amending Article 287 of the Constitution. The Sarkaria Commission had also recommended that this should be done. Actually, the Eighth Finance Commission itself had recommended that States should receive proper share in Corporation Tax and that the Constitution should be suitably amended for this purpose. This was followed up by the Sarkaria Commission and it has clearly stated that we recommend (page 274, vol. II)

"that by an appropriate amendment of the Constitution the net proceeds of the corporation tax may be made permissively sharable with the States if and as Parliament may by law so provide. This would have the advantage of enlarging the base of devolution so that in the revenues of the States there would be greater stability and predictability in future. Further, being a static resource the States would also benefit from its growth"

Sir, I recommend that this recommendation of the Sarkaria Commission should be considered seriously because we have seen how there is unrest in North-East, how there is unrest in Jammu and Kashmir. Apart from other problems, the problems of economic growth, unemployment and the problem arising out of regional imbalance have aggravated the secessionist tendency in that area. It is also there in North East and we hope that this would not spread in the country as a whole.

Now there are States who suffer from natural calamities



like flood. My State of Bihar is affected by flood from Nepal every year.

When there is a heavy rain in the Himalayas in Nepal, There is flood in North Bihar and it washes away not only the resources, by it affects the crops, it destroys the houses, roads and other infrastructural things. We have no control on it. Unless there is a cordial relationship between the two countries and certain positive measures are taken at the highest level between the two countries, the flood situation in North Bihar or Eastern U.P. cannot be controlled because the water comes from Nepal, from across the international border. Now, how would a poor State meet the expenditure, the losses suffered by the farmers, the repairs of the roads and other infrastructural things? Therefore, in order to help the people of this area and in order to safeguard their economic interests, there should be a positive arrangement, a definite arrangement, a substantial arrangement, a financial arrangement so that these States can meet the flood situation or drought situation as and when they arise.

In sixteen districts of Bihar, the problem of extremism has taken place; it is a continuous process; hundreds of people have died: they have been killed; there is social unrest and development is down at heels. Therefore, the Centre should make permanent continuous arrangements to share resources so that these States do not suffer.

Now, Sir, in regard to the regional imbalances or the under development of these areas, I would like to strike one word of caution, that is, whatever the industrially developed States like Maharashtra, Gujarat and other States may produce, the markets are in these areas; the markets are in U.P, the markets are in these underdeveloped areas. If the people of these areas are not enabled financially, economically, they may not be in a position to buy these things and there will be recession in the country. Therefore, in order to ensure a balanced growth of our economy, in order to ensure continuous peace in the countryside, I would recommend that 73 per cent of the resources from the Excise Duty Should be shared by the States and only 25 per cent should be kept at the Centre. I would also recommend that steps should be taken to amend Article 287 so that the States do receive a substantial share from the Corporation Tax as well.

With these words, I do support this Bill. It is a good beginning: it is a small beginning. I would expect the Government to take all aspects of the development of the country into consideration and be generous to the States. The States should not be at the receiving end. They should be considered as real partners, equal partners in the progress of the country.

PROF. SUSANTA CHAKRABORTY (HOWRAH) : Mr. Deputy Speaker, Sir, thank you for giving me this opportunity.

Sir, the two Bills – Union Duties of Excise (Distribution) Amendment Bill and Additional Duties of Excise (Goods of Special Importance) Amendment Bill-arise out of the

recommendations of the Tenth Finance Commission. Like the previous nine Finance Commissions, the Tenth Finance commission also looked into the problems and prospects of the federal finance which concerns the division of power between the Union and the State in respect of raising and disbursing of public funds: the provision for proceeds of certain taxes namely, Union Income Tax Central Excise etc., between the Union Government and the State Governments and grants to States in need of assistance. Besides this, there are other sources of finance like the discretionary transfers and transfers by the Planning Commission.

Now, Sir in the Tenth Finance Commission, the States share of Income Tax has come down from 80 per cent to 77.5 per cent. But the Finance Commission told that with the share of the Union Excise Duty going up from 45 per cent to 47.5 per cent, the States would be better off than before.

But the fact is that the decision to reduce the States share of Income tax will affect particularly States like West Bengal. Already the facts in this regard have been brought before the Central Ministry by the State Government of West Bengal.

Secondly, along with States, West Bengal's share of union excise revenue has been reduced from 45 to 40 per cent. West Bengal will also stop receiving plan deficit grant, a concept which was introduced by the Ninth Finance Commission. While West Bengal has been deprived, some other States will continue to receive the benefit.

Thirdly, about the benefit of additional excise duties, some States specially the States belonging to Eastern India will be deprived. But the percentage share of States like Arunachal Pradesh, Assam, Bihar, Himachal Pradesh, Manipur, Meghalaya and West Bengal will be reduced while the share of some of the States which are not in deficit, which are not weak, will increase. This is the discrimination which I oppose.

There are general complaints by the States that the Tenth Finance Commission devolutions to the States are not based on transparent criterion as it has adopted a gap filling approach. There is no holistic approach. Besides the Tenth Finance Commission recommendations lack horizontal and vertical balances.

Fourthly, the needs of the States have been assessed unilaterally by the Central Government. Even the Parliament was not taken into consideration and the opinion of the States was not also sought and the case was not taken up in the meeting of the National Development Council. Even though the National Development Council comes out concerned with the suggestions and unanimous recommendations, that also is not reflected in the recommendations of the Finance Commission. That is the history of the Finance Commission, That is also the fact in regard to the 10th Finance Commission. The case of the backward States has not received due consideration.

As regards the form and content of the terms of reference, they are already set by the Central Government.

So far as the form is concerned, dictation of guidelines by the Centre in the terms of reference is against Clause (4) of Article 280 of the Constitution of India which states that:

"The Commission shall determine its own procedure".

But in this case, guidelines have become a directive. This pre-emptory directive based centralisation is then followed by a tendency on the part of the Government of India to centralise economic powers.

Then there has been a declaration of adoption of a normative approach in assessing the expenditure and receipts of the States. But declaration has not been followed up by any precise communication with the States as to what these norms should be. This is again set up by the Central Government unilaterally.

By all this I mean to say that this growing centralism is not going to benefit our country in any way and because of this growing centralism, there is a protest from the States and a sense of alienation is being developed. The Government should take care of these things. I would request the Hon. Minister to take care of it.

Further, there has been in the terms of reference an adoption of double standard. While, in assessing the expenditure of the Centre, the committed expenditure of the Centre and its liabilities have been taken care of while those of the States have been ignored

**15.00 Hrs.**

This sort of double standard should not continue. In this context, may I ask why there is delay by the Central Government to take necessary action to implement the Consignment Tax although a unanimous decision of the Chief Minister in this regard has been talked about nine years back followed by constitutional amendment and also safeguard considerations to protect the interests of the States not so industrially developed.

Yet another instance of lingering fiscal injustice to the State relates to the exclusion of Corporation Tax and such other Income Tax from the purview of the divisible pool of Income Tax. Again, in this case also, there is a unanimous recommendation of the NDC. Again, this Commission, like the previous ones, remains unjustifiably silent over the unfairness involved in the recent practice of the Central Government of raising additional revenue through administered price hikes while the States cannot.

**15.01 Hrs.**

[PROF. RITA VERMA in the Chair]

The Centre, of its own, through the administered price mechanism, can raise its revenue but the States are being deprived of that. This is to be seen in the background of the fact that certain fiscal burden, certain fiscal responsibility have been fixed upon the States. The States' responsibilities are growing, gradually expanding and again the taxes that are imposed by the States are not so much elastic. You cannot think of raising revenue from land because of the

composition of the land, because of the composition of the farmers in our country. So, the States cannot depend upon these things while on the one hand you deprive the States of their revenue, you concentrate power in your hands through the recommendations of the Finance Commission and you do not look to the needs of the State. It is in this background that I would like to give certain suggestions. Partly because of the existence of the Planning Commission and partly due to the practice of the Finance Commissions themselves, the scope of the Finance Commission gets restricted to merely assessing and covering the non-Plan revenue gap of each State. What I want is first, to enlarge the scope of the Finance Commission so that it can take into account both the capital and revenue Budget separately and together. This will, no doubt, require some delineation of the functions of and coordination between the Planning Commission and the Finance Commission. But this holistic approach is needed.

My second suggestion is the entire inter gross tax revenue of the Centre be constituted as divisible pool. Thirdly, we have to re-arrange the weightage of the different components of the criteria. For example, while the Finance Commissions estimate the total requirements of States on the basis of revenue gaps, the distribution of shared taxes among the States is not done on this basis. Thirdly, you have to provide more for maintaining regional balance. Fourthly, you have to compensate for price rise because the States are not responsible for this price rise. It is because of your economic policy that the prices of essential commodities are rising gradually. So, the States cannot cope with it. But there are demands for increase in Dearness Allowance; There are demands for increase in salaries and wages. So, the States should be compensated. Next, progressivity in the distributive formula is to be taken up. Implied in this is the idea that development profile can be so arranged that growth and reduction in the regional disparities can take place simultaneously.

With these words, I conclude.

[Translation]

SHRI KASHIRAM RANA (SURAT) : Mr. Chairman, Sir, I rise to express my views on the Amendment Bill, brought in the House to change the structure of the present excise duty and additional excise duty, keeping in view the recommendations of the 10th Finance Commission. Though these Bills are very simple but very important also because all the States have been demanding that for the development of the States. They need more financial resources and the Central Government should give more financial aid to them. Not only this, many States have been demanding for economic sovereignty also. The Government has done a good thing by bringing this Bill to implement the recommendations of the Finance Commission because the share of the States will go up to some extent and provision to this effect have been made in this Bill.

As just now my friend has said that many major points have been mentioned in the report of the Finance Commission, I will not be able to mention all those points in such a short time but if all those points are discussed in the

House then it will not only be in the interest of the Central Government but it will definitely be proved good for the progress and development of the nation. I hope that the Government will think in this direction. The Finance Commission has fixed some norms for the share to be given to the States, whether these are based on the population or on the backwardness of the State. Besides it we will have to think in a different manner to give more share to the States. The reason is that the revenue collected as excise duty or additional excise duty have to be utilised for the welfare of the nation. Gradually economic centralisation is taking place. The States are not able to implement their development schemes properly because of the present tax structure. It directly affect the trade and industries of the States. The Central Government imposes excise duty or additional excise duty on those resources from where the State Government can amass money by exploiting the resources for its development. Therefore, my submission is that the share given to the States is not sufficient and efforts should be made to increase it otherwise the States will ask for economic Sovereignty. Therefore, it will be better if keeping in view the backwardness of the States, their share is increased sufficiently.

Besides it, I would like to submit that the way we collect the resources in the Centre, through excise duty or through other means, it seems many a times that by levelling excise duty, we do not nearly do injustice with the States but also ruin the industries and employment there. We do not bother whether the business or industry will flourish with it or not.

I belong to Gujarat. I have expressed my concerns several time to the Government over the way the additional excise duty and excise duty are recovered. It adversely affects the business and sometimes leads to the closure of factories. In this way, the Central Government imposes heavy additional excise duty on the small cottage and home industries to generate its resources.

I would like to submit one more thing that a concession was given in excise duty in the budget. This concession was given on the yarn and it was said by the Government that the benefits of this concession must reach the weavers but it has not been passed on to them till date. Later on also the Government warned that if the benefits of concession are not passed on to the weavers, it would be withdrawn, or revoked but till now it has not been revoked. This concession has benefited big spinners only the Government has not been able to do anything for the benefit of the smaller weavers.

Madam, on one hand we talk about giving resources to the States and on the other hand we impose additional excise duty on small and village industries. When much hue and cry was raised, the Government issued a fresh notification in this regard but that also could not benefit the small weavers. Only the big spinners got the benefit of it. Today the States are demanding economic sovereignty. If

concession in excise duty will be given to the big industries then it will lead to regional imbalance and in future it will create some other complicated problems.

Madam, when I am saying so, being a Gujarati, I would like to say something about my State also. It is there in the mind of the Government that Gujarat and Maharashtra are giant industrial States, but I would like to submit that only 1/5th part of Gujarat is developed and rest is undeveloped area. Therefore, the Government should not keep this thing in mind that these being the developed States, should not be given their due share. It should not be done and the backward population should also be kept in mind.

Madam, my submission is that whenever we setup Finance Commission and fix the terms and references, we should make it clear on which industries the excise duty is to be imposed. It is not good to recover money through modvat or through any other means from the small industries. We must recover taxes according to the capacity of a particular industry. It is good that through this Bill, the States are likely to get more shares. We appreciate it but in addition to it I would like to submit that more money should be given to the States. We will have to ponder over the way we recover the excise duty so that it may not put any additional burden on the States and take away the economic resources of the States. The Government should ponder over seriously on whatever has happened in this regard till date.

Madam, my submission is that stern action should be taken if the budget concessions do not reach the persons from whom it was given. With these words, I conclude.

SHRI DEVENDRA PRASAD YADAV (JHANJIHARPUR):  
Mr. Chairman, Sir, I rise to oppose the Union Duties of Excise (Distribution) Amendment Bill and the Additional Duties of Excise (Goods of special importance) Amendment Bill, 1995 brought before the House because the Tenth Finance Commission vide its recommendations have recognised the internal resources of the states as the basis. The allocation will be made on the basis of additional duty imposed on internal resources by the Central Government after abolishing the state sales tax on sugar, tobacco, woollen fabrics, man-made fabrics etc. under the Act of 1957. The backward states and the people living below the poverty line will suffer a lot on account to the allocation fixed by the Centre under this Bill. It is being fixed on the basis of internal resources rather than on the basis of need, population, poverty, backwardness etc. States like Bihar, Orissa, Madhya Pradesh, and Uttar Pradesh will not be benefited by this Bill at all. This will increase the regional imbalance which is fraught with the danger of disintegration of the country. The agitations going on in the borders areas of the country against regional imbalance today – be it Uttrakhand or Jharkhand – are a set back to national integrity. The biggest problem confronting the country today is that of regional

imbalance I am afraid that this Bill will further deepen the crisis. I therefore oppose it.

The landscape of Bihar with a population of 10 crore has a network of rivers. The rivers flowing from Nepal damage the whole infrastructure. The states of Assam, Orissa and West Bengal remain inundated in flood waters for six months a year. Such areas have not been taken care of in this Bill. The abominable situation of traffic in Eastern Uttar Pradesh and electricity in Bihar prompt the labour class to migrate to other states.

There are no employment opportunities in Bihar. Floods cause devastation to crops and as such, there is no scope of reaping the harvest. Therefore, the farm labourers are migrating from Bihar to other states like Punjab, Haryana, Delhi etc., there is also exploitation of Labour in Bihar and the local labourers and those of eastern Uttar Pradesh are subjected to this exploitation on a large scale. Therefore, migration has become a national problem. More than 11 lakh labourers have since migrated. It puts an adverse affect on agriculture as well. That is why I talked of backwardness. The banking system prevalent in Bihar can be assessed by glancing through the C.D. ratio. The Reserve Bank of India guidelines are not being followed. The revenues mobilised in Bihar are spent in other states and big cities. How much of the deposits is being invested in the State. Forty per cent funds earmarked for Agriculture sector should positively be utilized. It is not being done. This will make the backward states further backward. Therefore, I oppose it. This Bill is not going to ameliorate the lot of backward states. Besides C.D. ratio, one can also assess the situation of mineral wealth. Bihar alone produces 40 per cent of coal in the country but despite being rich in mineral wealth, Bihar is an impecunious state. Hence, I said that the backward states are not going to benefit from this Bill and it will be very harmful to make allocations on the basis of internal resources as recommended by the 10th Finance Commission. It should be on Physical basis like the states where people live below poverty line. This Bill is not going to benefit the states like Bihar, Orissa, Uttar Pradesh and Madhya Pradesh. This will give further impetus to regional imbalance. In my opinion the country cannot become strong without the development of Bihar. There cannot be strong centre in the absence of developed and progressive eastern Uttar Pradesh and backward states. Therefore in order to build a strong Centre the all round development of these backward states should be duly considered. I oppose it because the rising regional imbalances will further deepen the national crises and national problems. There should be no regional imbalance and backwardness of a state rather than internal resources as enumerated in the 10th Finance Commission Report should form the basis of allocation. That is the basic question. These states cannot make progress unless this basis is changed altogether. This Bill does not safeguard the interests of states like Bihar, U.P. M.P. Orissa and Rajasthan where the internal

resources are meagre. Therefore, I vehemently oppose it. The Government should ring forward a comprehensive Bill in its place keeping in mind the wholesome interests of Bihar, U.P. M.P. Orissa, Rajasthan and West Bengal. This Bill will draw a line and create a gulf of regional imbalance and further impoverish the poor states. Therefore, I oppose this Bill.

SHRI RAMASHRAY PRASAD SINGH (JAHANABAD):  
Mr. Chairman, Sir, I would like to express my views on the two Bills being debated in the House.

The first and foremost thing is that with the passage of these two Bills the Centre will collect revenues. Then 40 per cent of the collections will be allocated to the states. India is a federation and there are many backward states from economic, social and educational points of view. There is a strong undercurrent of discontentment among the very backward states and the centre is bearing the repercussions thereof. The Government is spending a large amount of money in the name of security and maintenance of law and order but it is turning a blind eye to the states development. Had the requisite development of the state taken place so far there would have been no need of spending money on security and law and order. The Centre is resorting to a step motherly treatment. There has been more development in some states and less in others. As a result of this, we have to witness such a situation.

So far as Bihar is concerned, I would like to say that despite being a mineral rich state, it is a backward state. Why is it so? The separatist tendencies are fast gaining ground in this state. The newspaper reports reveal that murders are taking place regularly and private armies are being raised. What are the reasons of this discontentment? Recently the union Welfare Minister visited a village and distributed Rs. 25-50 lakh. Disbursement of Rs. 50 lakh is not going to solve the problem. We shall have to go into the root cause of the problem. The Government should have considered the diverse socio-politico-economic situation of every state. Had it done so, there would have been no need of constituting the Jharkhand Council Like Jharkhand, some areas of Uttar Pradesh are also demanding the formation of a separate state not because a particular person has occupied the office of a Minister or the Chief Minister but because these are very backward areas, so much so that the local women go the work with their 4-6 months old infants having them tied to their backs. Their demand for a separate state is the direct fall out of their backwardness. There should be equitable allocation of revenues on the basis of backwardness, population percentage of literacy etc. of the states rather than equal allocation of 40 per cent to each and every state. Equal allocation of 40 per cent will help the states which are already sound economically to strengthen their position but what will be the situation of other states? Here, I would like to submit that the Centre exploits all the sources of



revenues to collect money but the states with their limited resources are not able to fulfil their ever-increasing obligations and responsibilities of undertaking developmental works and cannot progress in the absence of funds which are lying in the Centre's custody. Therefore, I say that Bihar is a backward state the whole resources whereof are being exploited by the centre without paying any royalty to the state and the Centre does not give its due share. In such a situation this Bill providing for equal distribution will give no benefit to Bihar. Therefore, I emphasize that the Government should carefully go through the recommendations of the 10th Finance Commission which ask for giving due consideration to the backward states running in losses while allocating funds.

The census data of 1971-72 and 1990-91 are available with the Government on the basis of which it should provide assistance and give more funds to the backward states so that they can improve their situation and eliminate separatism and militancy for good. Therefore, I would reiterate my suggestion that more and more efforts should be made to improve the lot of economically and educationally backward states so that separatist and insurgent tendencies are checked effectively. With this, I Conclude.

SHRI MOHAN SINGH (DEORIA) : Mr. Chairman, Sir, I thank you for giving me this opportunity to participate in the debate on this Bill. I associated myself with the feelings expressed by my friend, Devendra Yadav ji just now because backwardness of the states is the greatest challenge to the country's unity. The Government of India pays little attention to the prevalent imbalance among states which has given rise to regionalism that poses a challenge to the national unity. In keeping with the recommendations of the Finance Commission. This Bill has come before the House with the support of all the parties. In this regard, I have to say that in order to augment the financial resources of the states the whole share of the excise duty collected by the Central Government should be given to the States after deducting the administrative expenses incurred for the purpose. The Bill provides for grants of 47.5 per cent to the states. The Finance Commission has made suggestions for revenue collection and to allocate 47.5 per cent of excise duty to the state - 40 per cent share directly and 7.5 per cent to the backward states. One more dimension has been added to it. There was a loud drumbeat of formation of local bodies after making the Constitutional provision for them. There is paucity of funds in local bodies today and these are given step-motherly treatment by the State Governments. The Government has given Constitutional status to the local bodies but it should also provide funds for their development maintenance and for maintaining their independent status.

Then, the state Government is entitled to 80 per cent share of the Income tax but if the head quarter of that

institution is situated in Delhi, Bombay or Calcutta and the balance sheet is prepared there, then the share of the income tax or excise duty will go to the state in which the balance sheet is prepared rather than to the state where the industry is located. In this regard, a clear-cut provision should be made to the effect that the share of income tax and excise duty will go to the state where that industry has been set up no matter whether the head office is situated in a metropolitan city.

I would also like to mention one more thing that sales tax is the main source of income for states. But Central Government has taken a major part of sales tax in its account through excise duty by enacting a law in 1957. The rate of sales tax is different in various States which encourages smuggling in States. It has been a long pending demand that there should be balance in rate of sales tax in various States. Sales tax should be determined on national level but you are unable to do that. Therefore several States have launched an agitation to remove sales tax. In 1977 the election manifesto of Janta Party revealed that provision of sales tax should be replaced by excise duty. I suggest you to abolish sales tax and levy excise duty on all goods and the amount of total excise duty after deducting the administrative expenditure should be given to States.

New Financial policy including so called new policies have been introduced in the country and many goods have been exempted from excise duty. As a result this provision encouraged cheating whereas its objectives was to develop small scale industries. Several medium scale industries are declaring them small scale industries. It has developed a new practice of excise duty evasion in various States. Central Government should pay attention towards it.

I would also like to say that there is need to adopt stringent measures to bring financial discipline in States. State Government are continuously incurring deficit and financial mismanagement is going on there. The main reason for it is that financial mismanagement is going on in Central Government also. There is no financial discipline in Centre. A large amount is being spent on security arrangements for political leaders and on treatment of Ministers. Today it seems that Cabinet has become the nursing home of politicians. Whenever a political leader from Congress falls ill, Hon. Narsimha Rao Ji includes him in the Cabinet. I have not found anywhere in the world that one person is appointed Minister just for availing the facility of medical treatment without holding any portfolio for any department for the last 2 years.

I think that it is really difficult to hope from such a Government that it will introduce financial discipline in the country. Most of the Ministers in this Government are either heart patient and those who are healthy... (Interruption)\*\* Besides those no other person are in the Government. So

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\*\* Not recorded.

it is really difficult to expect from the Government to maintain financial discipline in the country. I would like to make a suggestion that Government of India should maintain financial discipline itself and in State Governments so that resources can be mobilized to take up developmental work in the States. With this suggestion I Conclude.

MR. CHAIRMAN : The remark about Naina should be expunged from the proceedings.

SHRIMATI SANTOSH CHOWDHARY (PHILLAUR) : The remark made by the Member just now should be expunged from the proceedings.

MR. CHAIRMAN : It has been expunged.

PROF. RASA SINGH RAWAT (AJMER) : Hon. Madam Chairman, through you I partially support the Union Duties of Excise (Distribution) Amendment Bill and Additional Duties of Excise (Goods of special Importance) Amendment Bill, 1995 moved by the Government because something is better than nothing "Akamatamamed Karnam Shreyah". It shows that the Government has taken some steps to implement the recommendations made by the Finance Commission. I Therefore support this Bill partially. But Sir through you I would like to say that today Central Government as considers itself as a donor and takes State Government as a beggar. Therefore the Chief Minister and Finance Minister of States have to consult Planning Commission or the Prime Minister every now the then for financial matters. Sometimes they behave in high handedness and arbitrary manner especially in financial matters. Madam, through you I would like to draw the attention of the Government towards the historical period when the king used to collect the taxes as the sun collects water from the earth through its rays in form of clouds but as we all know that through rains these clouds return the water in manifolds to nourish the earth. In the same way the Government should levy excise duty and other taxes but this fund should not be kept with themselves. It has been said that "Mukhia Mukh so Chahiye, Khan Paan Ko Ek" Pale Pose Sakal Aang which means that ruling class should function like a mouth. Here 'Khan Paan' does not mean corruption, brokeship, or banks scams. A person has only one mouth to eat but mouth does not nourish only stomach but the whole body. It is the duty of Central Government to levy taxes, excise tax etc. but it should distribute the justified share of States so that they could make all round development. What the States have been forced to demand self reliance in financial matters. Why such situation has been created in the country. The only reason for it is that Central Government has kept ignoring the recommendations made by the Finance Commission and dominated all the sources of income and kept on curtailing the financial rights of State Governments.

These days Congress Party is enumerating its achievements of last four years through advertisements in

newspapers that they brought 73rd and 74th amendments, provided representation to women. It is a good thing and we all supported it.

Madam, in the name of financial rights a problem has arisen before the State Governments regarding distribution of financial rights among 'Gram Panchayat', Panchayat Committees' Municipal Corporation and Municipal Council. States have constituted Finance Commission because the Bill had provision that every State will constitute its separate Finance Commission and 'Panchayats', 'Zilaparishads' 'Panchayat Committees' and Municipal Councils will have its share in that. But how much share out of it will be given to Centre and States? Chanakya had said that an administration which imposes heavy and several kinds of taxes is not a good administration. This Government has imposed excise duty on almost all goods but it has not cared that its benefit reaches to public. Minister of State in the Ministry of FINANCE is sitting here, Madam through you I would like to remind the Government that during the speech on the Union Budget, several announcements were made regarding reduction in excise duty on several goods but whether the Government has made any efforts to check that its benefits have reached to consumers. In the market printed prices are being charged from the consumers which were printed earlier. Crores of rupees of excise duty are deposited with the Government. I would like to know that now, how the funds collected through excise duty are being utilised. . . (Interruption) Madam. I Seek you protection. Please ring the bell slowly. I would like to make 2-3 more points.

The Criteria adopted by the the Finance Commission to declare a State backward is not clear. The recommendation made by the Ninth Finance Commission and decision of distributing 47.5 per cent is just as a drop in the ocean. Whenever a meeting of National Developmental Council or meeting of chief Ministers of various States is convened by Planning Commission discussions on big projects, schemes and their comprehensive drafts are held but when the issue regarding allocation of funds is discussed, Finance Minister go on a foreign trip on pretext of economic liberalisation. Today we are in a debt trap. There should be an open debate on the recommendations made by Finance Commission so that elected representatives of public could put up the real situation of States before the public Finance Commission is a constitutional institution. The Government is bound to implement its recommendations what does the criteria of backwardness denotes social, economic, industrial educational or natural backwardness. Criteria of backwardness should be clear. Sometimes census of 1971 and sometimes census of 1991 is considered a base for it. The population of the country is increasing continuously. Production is increasing with a speed of 1-2-3-4-5-6-7 whereas the population of the country is increasing as per

2-4-8-16-32-64-128. It is creating imbalance Backwardness in the states should be removed on the basis of present census.

I would like to cite an example of Rajasthan. It has Aravali range and Thar desert and on the other side it experiences famine and floods and it affects the budget of States. When Chief Minister of States request Central Government for sending a survey team to conduct survey Centre reply that it has no extra money as share of the States have already been given. Therefore the government should stop the decentralisation system in financial matters and Sarkaria Commission has already recommended that States should be given maximum autonomy. On this basis Finance Commission has made recommendation that from 1995-96 to 1999-2000 the Government should distribute Rs. 19986 crore to be collected as excise duty. Now from 1995-96 to 1999-2000 the additional excise duty Rs. 19986 crore and Rs. 1,21,692 crore of union duties of excise should be distributed according to this formula. Sir, there should not be hard and fast rule for it that one should create a concrete wall which cannot be crossed. There should be some flexibility because no one know about the natural calamities like attack by Locust which destroy the whole crop, heavy rain and famine in various States. Since the budget of India depends upon monsoon therefore flexibility and sensitivity should be adopted while distributing union excise duty.

Madam, chairman, Rajasthan is the second biggest State in the Country. And it has strange geographical conditions. In some States developmental work have been undertaken during the British regime but Rajasthan was a Princely State and there was dual administration so it was not developed as desired. After merger of princely States, developmental work are being undertaken there Centre can provide resources for this developmental work. Therefore Centre is requested to provide funds in accordance with the formula of equal distribution. Proper criteria should be adopted for assessment backwardness.

Madam, Chairman, Rajasthan is a mineral producing State it should be given its share in royalty. Bihar should also be given its share as it produces coal. Gujarat produces oil and gas, so it should be given its share likewise Maharashtra should also get its share. It should be considered keeping in view the aforesaid facts. I would like to submit through you Madam that this arrangement should not be like a drop in the ocean or back to square one. There should be some revolutionary changes. It will strengthen Centre as well as States. The country will become prosper and demands of the people will be fulfilled if States are given economic and democratic autonomy. I hope the Government will pay attention on my suggestions.

*[English]*

SHRI BRIJ KISHORE TRIPATHY (PURI) : Madam, Chairperson, I rise to oppose both the Bills. It is because

the intention of these Bills is to enlarge the regional imbalances. The recommendation of the Tenth Finance Commission in regard to the distribution of both Union Duties and Additional Duties of Excise are not met judiciously. The devolution formula for distribution of Excise Duty is very much defective and backwardness is also not correctly defined or assessed. The definition of backwards as has been defined by the Finance Commission is not at all helpful for the backward States. So, it should be redefined and the Government should take a correct decision as to how the backwardness should be assessed and how the backwardness should be defined.

Madam, this has also been resulted in enlargement of regional imbalances in the country. The backward State like Orissa had not only been deprived of its due share from the Centre but it had also suffered with injustice in the hands of the Tenth Finance Commission, in comparison to Ninth Finance Commission. Although most of the industrial houses of Orissa are using raw materials of the State. They are opening their Corporate Offices in different metropolitan cities. Because of this, the State is losing a considerable amount of Central revenue. This should have been taken into account by the Finance Commission. The Government of India should also make an enactment in this regard as to how the backward States having their industries in their own States and their Corporate Offices in the metropolitan cities should be benefited by this enactment. The Government should think in this way also.

Madam, I would also like to draw the attention of the Hon. Finance Minister to some of the other aspects of the Central revenue which are not coming under the purview of this Bill. The States like Orissa is losing considerable amount of money. This is regarding the royalty on minerals. The Planning Commission and the Finance Commission are chastising the underdeveloped States like Orissa because of their inability to raise adequate resources for their needs. But the Centre on the other hand is ushering into the areas of revenue of the States where it does not have the right to enter. One of such areas of revenue of the underdeveloped States is royalty on minerals where the Central Government not only intruded into the proprietary rights of the States concerned on their respective mineral bearing land but is also in the habit of dragging its feet in respect to timely and judicious assessment of royalty.

This should not have happened because as far as our Constitution is concerned, land belongs to the States but the mineral that is under the land belongs to the Central Government. This is done definitely just to exploit the underdeveloped States. This enactment has been done by the Central Government with an intention to exploit the backward States. So far our Constitution is concerned if the land belongs to the Central Government? so, this enactment is depriving the underdeveloped States to use their minerals and to get their due share, so far as the Central revenue is concerned.

So far as the investment by the nationalised banks are concerned, it is seen that investment are done in developed States and the backward States are deprived of the benefit of using the resources of the nationalised banks. The Government should take the initiative and the guidelines of the RBI should be strictly observed with regard to the investments of the nationalised banks in the backward States. Madam, I am giving you another example regarding calamity relief fund. Under the Ninth Finance Commission's recommendations, our State i.e. Orissa was getting about Rs. 47 crore, whereas under the recommendations of the Tenth Finance Commission we are not getting the due share in comparison to other States. Although this does not come under the purview of this Bill, I would request the Hon. Finance Minister to consider all these aspects so that the backward States like Orissa which remained backward since Independence, though they are rich in mineral resources get sufficient financial assistance from the Central Government in order to remove their backwardness. These backward States like Orissa, Bihar, Madhya Pradesh and North-Eastern States should be treated as Special Category States so that they will be able to get better financial assistance from the Central Government in order to maintain parity by which the entire country will feel that they are getting due share and due justice from the Central Government.

With these words I again oppose this Bill and I hope the Government of India will consider the demands of Orissa and other States. The last Assembly of the Orissa State was also very much agitated on this issue. The Hon. Minister should accept these demands of the state because the same party is in power in Orissa. The Orissa Government is also agitated because the Tenth Finance Commission has not taken into consideration all these aspects and the recommendation of the Tenth Finance Commission have deprived the due share of the State. So, I hope the Hon. Minister and the Government of India would reconsider these things taking into account all these facts.

**16.00 hrs**

[Translation]

SHRI MOHAN RAWALE (BOMBAY SOUTH CENTRAL): Madam Chairperson, the Tenth Finance Commission has also treated Maharashtra as the Ninth Finance Commission treated it in regard to allocation of funds. The revenue of several thousands of crores of rupees is earned in Maharashtra state. Several problems are there due to increase in population but the Finance Commission has not given due consideration to them and allotted more funds to other states comparatively. The budget allocation in respect of Andhra Pradesh, Bihar and Madhya Pradesh has been increased by 1.29%, 1.833% and 1.066% respectively. But in case of Maharashtra budget allocation has been increased by 0.941 per cent only which is less

than even one per cent whereas the Government of Maharashtra earns the maximum revenue in the Country. so I request the govt. that this amount should be increased to 15 percent. Is the govt of Maharastra being considered as a milching cow which should not be given anything to eat? But the Government should understand the fact that if a cow stops giving milk, we can not get milk by torturing her.

Madam Chair person, I would like to state that once I asked a question and the reply was given that revenue of rupees 17,944 crores per year is earned in Bombay city alone. But only 9 crore rupees were allotted to Bombay city two years back. The population of Bombay is increasing rapidly. One thousand people are coming every day in this city due to which problems of water shortage, slums and housing are arising. Drainage system has deteriorated. So I request the Minister of State in the Ministry of Finance, who is sitting here that due consideration should also be given to Bombay city alongwith the state of Maharashtra. The state from which you are getting huge amount of revenue, should be provided maximum facilities.

Madam Chair person, I live in a Chal which can collapse at any time. There are so many buildings in Bombay city which are called chals and they can collapse at any time. These chals are very old. Arrangements should be made for their repair and renovation. In the end, I would like to request that the allotment of funds to Maharashtra and Bombay city may be enhanced.

**16.00 hrs.**

[English]

SHRI ANNA JOSHI (PUNE) : Respected Madam, instead of talking generally on the two Bills, I have already discussed some points with the Minister and how the total share of Maharashtra has been reduced by due to the recommendations of the Tenth Finance Commission, than what it would have been, if the recommendations of the Tenth Finance Commission could have been taken.

Madam, in income-tax, the Ninth Finance Commission has suggested a total percentage of 8.181 for Maharashtra while the Tenth Finance Commission has recommended a percentage of 6.126.

Because of this, the allotment of income-tax of Maharashtra will be reduced by Rs. 1,296.1 crore for the five-year period, that is, 1995-2000.

**16.05 hrs.**

(SHRIMATI SANTOSH CHOWDHARY *in the chair*) In the case of railway compensation this reduction is by Rs.96.646 crore and, therefore, though the Plans are there as my friend Shri Rawale has said, more and more expectations are there from the Finance Ministry. So, we have suggested to the Tenth Finance Commission that they may reduce to 77.5 per cent. We are ready to accept less than that but then we should be given 20 per cent from the



not been accepted.

The total revenue by way of income-tax which the Central Government is getting from Maharashtra and Bombay is nearly 27 per cent of the total income-tax that is collected. But we are getting only three per cent of that. Therefore, the burden of collection, the burden of payment and the burden of responsibilities, that is more on Maharashtra, especially on Bombay.

As he has said, now Bombay does not belong to Maharashtra from the point of view of the persons who are coming daily to Maharashtra and especially to Bombay. They are from various parts of the country or various provinces, from various walks of life and all of them work in the local Government. We have to provide for their primary services and, therefore, for that from where should we bring the money? At least the Central Government should have given whatever it has given for the last five years. Generally, every year there is an increase in the income everywhere. So, accordingly, our share also should be increased. It is not important how you calculate it. Somewhere it is less. Somewhere it is reduced and somewhere else it is increased. It is all right. But what should be the total effect?

The Tenth Finance Commission or the Government should have thought over it that at least they should make such recommendations by which at least the amount which we were getting for the past period of five years from 1990 to 1995 is not reduced. So, when the allotment is going on first the Government should decide the total share of a particular province. I am seeking this help for every province whether it is Bihar, Uttar Pradesh or Madhya Pradesh, or any province. Whatever they are getting that must be increased. At least it should not be reduced.

Here, in the case of Maharashtra the income has increased. But on the contrary, the Government has reduced our share by Rs.4000 crore and therefore, I once again appeal that looking at the requirements of Maharashtra, especially of Bombay and the responsibilities the nation showered on this big city, the share should be increased. At least the difference between the two should be reduced; whatever we were getting for the last five years, that should be given to us. But it should not be reduced so drastically. That will harm all our on-going projects of development and for that matter if that is the percentage given, our development will be stopped. Therefore, I appeal to the Hon. Minister for that.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V.CHANDRASHEKHARA MURTHY) : Madam, I thank all the Hon. Members who have participated in the discussion. They have given very valuable suggestion also.

I wish to inform the Hon. Member that the Tenth Finance Commission is a constitutional and high powered body. While laying the principles of distribution in both the Union Excise Duties and Additional Excise Duties, they have laid down some principles. The main criterion for that is the population and backwardness of the State. While deciding the shares to the State, the Tenth Finance Commission has taken into account their backwardness, population, infrastructure and per capita income in the State. Accordingly, they have decided these shares to the States.

Many Hon. Members have suggested that a discussion should be allowed on the Tenth Finance Commission's Report. I wish to inform that Article 281 of the Constitution stipulates that the recommendation of the Tenth Finance Commission along with an explanatory memorandum as to the action taken thereon by the Government are to be laid on the Table of the Parliament.

Many Hon. Members, who have participated in the debate, are worried about the Calamity Relief Fund. They wanted some criterion to be decided about the distribution of Calamity Relief Fund to the State. The Tenth Finance Commission has taken into account the average of the aggregate of ceilings of expenditure for the calamity for the years 1983-84 to 1989-90 and the calamity Relief Fund for the years 1990-91 and 1992-93. This is the criterion and the formula they have adopted in fixing the Calamity Relief Fund.

Many Hon. Members have said that the share to their particular States have come down. The Ninth Finance Commission has recommended for devolution of 37.5 per cent of the excise duty for all the State whereas the Tenth Finance Commission has recommended devolution of 40 per cent to all the State and the balance is for revenue deficit States which was 7.25 per cent as given by the Ninth Finance Commission and now it is 7.5 per cent as given by the Tenth Finance Commission. I wish to inform the Hon. Members that there has been an overall increase in the share of the States in the Tenth Finance Commission over the Ninth Finance Commission.

Many Hon. Members who have participated in the debate, have raised the point regarding devolution of corporation tax. This was discussed in various forums. Even the Finance Commission has recommended an alternate share of devolution for the States. I wish to inform the Hon. Members that this will be considered by the Government of India.

Some Hon. Members wanted to know whether there was any scope for changing or redefining the functions of the Finance Commission. I wish to inform the Hon. Members that at present there is no such proposal.

I appeal to all the Members to support the Bill. *(Interruptions)*

SHRI SRIKANTA JENA (CUTTACK) : Madam Chairperson, the Hon. Minister has not clarified the position about the definition of 'backwardness'. The definition of 'backwardness' is the main criteria on which the devolution is taking place. If you elaborate the definition, then we can know whether the right kind of criteria have been adopted or not. The Tenth Finance Commission's recommendation is based on the population and the backwardness of a State. What does backwardness mean? Even when the per capita income of a State is the lowest, irrigation facilities are the lowest, National Highways are the lowest, infrastructure is the lowest, that State does not occupy the position which it should have automatically occupied. Therefore, we are asking the moot question as to what is the definitions of 'backwardness.'

SHRI RAMESH CHENNITHALA : Madam, I also wish to seek a clarification and then the Hon. Minister can finally answer....*(Interruptions)*.

SHRI SRIKANTA JENA : It is not the question of Orissa alone. If, unfortunately, Orissa is not occupying that position, then I shall explain why it should occupy that position .....*(Interruptions)*.

SHRI REMESH CHENNITHALA : I agree with your point, Mr. Jena, I am making another point.

Madam, there is a recommendation made by the Tenth Finance Commission for a two-fold debt relief scheme. One is for all the State and the other is for those State which are under heavy burden of debt. I would like to know from the Hon. Minister whether the Government is contemplating to accept the recommendation of the Tenth Finance Commission for a two-fold relief scheme.

SHRI M.V.CHANDRASHEKHARA MURTHY : Madam, I wish to clarify the point raised by the Hon. Member, Shri Srikanta Jena. He wants to know the criteria for the backwardness. The criteria for the backwardness was discussed and agreed to by the Finance Commission, depending on the reports. They have taken into

consideration the population, the infrastructure and the per capita income of a particular State. This is the basis on which they have come to an understanding and have taken the decision. They have decided the share of the State, taking all these criteria into consideration.

SHRI SRIKANTRA JENA : If that is so, then the point is very simple, Madam. There is a serious aberration in this respect. Orissa's population of Scheduled Caste and Scheduled Tribes is forty per cent and that of Other Backward Classes, it is fifty-three per cent. So, out of hundred per cent, ninety-three per cent belongs to Scheduled Castes/Scheduled Tribes and OBCs. So, Orissa is automatically a backward State. As regards the per capita income, even the Tenth Finance Commission has said the Orissa's per capita income is the lowest in the country, its infrastructure is the lowest in the country and even the Railway infrastructure is less than that of Assam. But if you see the devolution, Orissa is not getting that position. That is my point.

*[Translation]*

MADAM CHAIRMAN : I think that appropriate reply has been given to all. It is not possible to give reply to each member separately.

SHRI ANNA JOSHI (Pune) : We do not want replies to be given separately but no one has expressed his views on Corporate Tax.

SHRI DEVENDRA PRASAD YADAV (Jhanjharpur) : The question of state share is very important.....*(Interruptions)*.

*[English]*

(SHRI M.V. CHANDRASHEKHARA MURTHY) : Madam, about the distribution of excise duty they have already laid down certain criteria and I have already said about it.

SHRI BASUDEB ACHARIA (Bankura) : What are they?

SHRI M.V.CHANDRASHEKHARA MURTHY : They are as follows; 20 per cent is on the basis of population of 1971; 60 per cent on the basis of distance per capita income; 5 per cent on the basis of the area adjusted; 5 per cent on the basis of index of infrastructure and 10 per cent on the basis of tax effort. These are the criteria laid down by the Finance commission which they have adopted and have given report. We only implemented it .....*(interruption)*.

MR. CHAIRMAN : Please sit down. If I allow one person I have to allow all.

SHRI ANNA JOSHI : Madam, you have promised to give time to me.

MR. CHAIRMAN : It is difficult. anyway I will allow you.

SHRI ANNA JOSHI : The Government of Maharashtra suggested that there is no objection for reducing the proceeds from income-tax from 85 per cent to 75 per cent provided simultaneously 20 per cent of the proceeds of the corporate tax should also be shared with the State. I want to know what happened to that request. I want to know whether the Tenth Finance Commission has considered it or not.

Secondly I have raised a very basic question that the allotment should be such that at least it should not reduce the share which they are presently getting. What happened to that point? Our share has been reduced by Rs. 400 crore ....(Interruption).

[Translation]

SHRI DEVENDRA PRASAD YADAV : Madam Chairperson, I would like to know whether the factors of population development, per capita income and backwardness which are referred by the Hon. Minister can not be reconsidered? The will of the House in this regard should be considered. The Hon. Members who have participated in this debate and expressed their views on this Bill, have emphasised on increasing regional imbalances. Can poverty not be treated as a base for this? Is this not backwardness? What is the percentage of the people living below poverty line in the states? If this has not been considered so far, this House gives them right to consider it now, on the recommendations of Finance Commission. If there is no such proposal, it should be brought immediately keeping in view our sentiments....(Interruptions).

SHRI HARCHAND SINGH (Ropar) : All the Harijans in the country are poor. What are you doing for them? All Harijans have been voting for Congress for the last 40 to 50 years.

SHRI SRIKANTA JENA : Sardar ji, our is the same question.

SHRI KASHIRAM RANA (Surat) : We are also talking of poverty.

CHAIRMAN : Mr. Minister you may please reply.  
(Interruption)

SHRI KASHIRAM RANA : The reply has not also been given to that point which I asked in my speech.

MADAM CHAIRMAN : The reply to your question has also been covered under this. He has covered of all questions in his statement. Let him reply.

(Interruption)

SHRI MOHAN RAWALE : Thousands of crores of rupees are being received from Maharashtra ....(Interruption).

CHAIRMAN : Your question is the same. This reply will cover your question also.

PROF. RASA SINGH RAWAT (Ajmer) : Madam Chairman Hon. Minister has not even mentioned those points which we have asked. He has made very brief statement.

CHAIRMAN : I feel that all the members sitting in this House are carrying out their responsibility but you cannot get reply to your questions if you become so boisterous. I am giving you time but even then you are wasting so much time.

SHRI KALKA DAS (Karol Bagh) : Sardar ji has raised the question on the plight of poor people, Scheduled Castes and Scheduled Tribes who are living below the poverty line. The Government has not done anything for them during the last 47 years. This is a very important question. This is not the case of regional imbalance but this relates to the entire country. This is the question of national importance. ....(Interruption).

CHAIRMAN : Sit down please. Why are you wasting time? You have asked your question, so please let him reply.

SHRI HARCHAND SINGH : These poor people have been voting for them for the last 50 years and they have become ministers on account of their support only....(Interruptions)

(English)

SHRI SRIKANTA JENA : Madam, we are trying to help the hon. Minister (Interruptions) . . . . .

SHRI HARCHAND SINGH : The Tenth Finance Commission has made two recommendations about the devolution. The first one is about the population and the second one is about the backwardness. If the backward population is more in a particular State, what steps will the Government of India take to consider that State for putting it in a separate basket? The exact definition of backwardness has not been categorically stated by the Hon. Minister. We have been perpetually suffering because of this kind of attitude. Due to the new economic policy, the backward State will remain more backward and the forward State will go further forward.

[Translation]

SHRI MOHAN RAWALE : Nearly one crore people are living in Bombay. Out of which 60 lakh people are living in Jhuggis. The Government earn 17944 crore rupees from Bombay but you are allotting only 50 crore rupees for Bombay. Is this amount sufficient for the development of the 60 lakh people living in jhuggis? So, my suggestion is that you should allocate 10 per cent of this amount for Bombay city.

MR CHAIRMAN : Now you please listen peacefully.

(English)

SHRI M.V. CHANDRASHEKHARA MURTHY : Madam, this principle of distribution was laid down by the Finance

Commission. Today, we are discussing and devolving funds as per the recommendations of the Tenth Finance Commission. So far, the Government has accepted the reports of all the Finance Commission in to and whatever the Finance Commission has suggested in devolving of shares to the State, we are doing it. We are just implementing the report of the Finance Commission. They have laid down certain criteria for the definition of backwardness. They have taken population into consideration, infrastructure and the per capita income of the State.

I wish to inform the Hon. Members that under the Ninth Finance Commission, the State of Maharashtra was getting only Rs.6,201 crore. Now, under the Tenth Finance Commission they are getting Rs. 13,709 crore. The State of Orissa was getting Rs. 5,523 crore earlier and under the Tenth Finance Commission they are getting Rs. 9,706.55 crore. Shri Ramesh Chennithala has raised a point about the recommendation regarding the debt position. This recommendation has been accepted by the Government of India including the debt relief scheme. So, I appeal to Hon. Members to support and pass this Bill.

MR CHAIRMAN: The question is: "That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, be taken into consideration."

*The motion was adopted.*

MR. CHAIRMAN : The House will now take up Clause-by-Clause consideration of the Bill.

The question is :

"That Clauses 2 to 4 stand part of the Bill."

*The motion was adopted.*

Clauses 2 to 4 were added to the Bill.

**New Clause 5 Repeal and Saving.**

**Amendment made:**

Page 3.—

after line 28, insert—

repeal and saving" 5. (1) The Union Duties of Excise (Distribution) Amendment Ordinance 1995 is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the principal Act as amended by the said Ordinance shall be deemed to have been done or taken under the principal Act as amended by this Act."

SHRI M.V.CHANDRASHEKHAR MURTHY : MR. CHAIRMAN The question is

"That new Clause 5 be added to the Bill."

*The motion was adopted.*

New Clauses 5 was added to the Bill.

MR.CHAIRMAN : The question is:

"That Clause" the Enacting Formula and the long Title stand part of the Bill.

*The motion was adopted.*

Clause 1, the Enacting Formula and the long Title were added to the Bill.

(SHRI M.V.CHANDRA SHEKHARA MURTHY): Sir, I beg to move:

"That the Bill, as amended, be passed."

MR. CHAIRMAN : The question is:

"That the Bill, as amended, be passed."

*The motion was adopted.*

[English]

MR. CHAIRMAN : We shall now take up the disposal of the motion for consideration regarding Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1995.

The question is:

"That the Bill further to amend the Additional Duties of Excise(Goods of Special Importance) Act, 1957, be taken into consideration."

*The motion was adopted.*

MR. CHAIRMAN: The House shall now take up Clause-by-Clause consideration of the Bill.

The question is:

"That Clauses 2 and 3 stand part of the Bill."

*The motion was adopted.*

Clauses 2 and 3 were added to the Bill.

**New Clause 4 - Repeal and Saving**

Amendment made:

Page 2,

after line 44, insert.

Repeal and Saving. "4.(1) The Additional duties of Excise (Goods of Special Importance) Amendment Ordinance 1995 is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the principal Act as amended by the said Ordinance shall be deemed to have been done or taken under the principal Act as amended by this Act."