

[Shri A. G. Kulkarni]

political party or non-political party. It is their job. The Government has to maintain law and order. I am not concerned with it. A protest has to be lodged. The Government has failed on the point that the Minister for Parliamentary Affairs and the Minister for Surface Transport were not alert in providing Matador or other vehicles to the Members of Parliament. I will request you to direct them to be careful in future.

**THE MINISTER OF STATE OF THE MINISTRY OF SURFACE TRANSPORT (SHRI RAJESH PILOT):** Sir, I fully share the feelings expressed by the hon. Members here. We received a message from the Delhi Administration that because of the law and order situation and on their advice, the D.T.C. should not operate tomorrow. *(Interruptions)*. Let me complete. Let me complete please. We have checked up and there have been cases or there have been occasions in the past when on the advice of the Delhi Administration, the Department had to act like this. But we, on the D.T.C. side, are not in a position to ask the reason. It is the Delhi Administration which has to do it taking into consideration the law and order situation.

As far as the inconvenience caused to the Members of Parliament is concerned, I do agree that there was a communication gap which took place. In the morning itself, at 11.00 o'clock, when I realised it, we did arrange a Matador which has come here. But the fact is that we should have been more alert to provide transport to the Members of Parliament particularly when the Parliament is in session. We are also concerned about the inconvenience to the public at large. The common citizen has also got affected. But we had to agree to the advice of the Delhi Administration because of various reasons. In future, we will try to sort out different alternatives so that the public is not so much inconvenienced.

**SHRI GURUDAS DAS GUPTA :** \*

**MR. CHAIRMAN :** Nothing will go on record. Now, Shri Vishwanath Pratap Singh will move the Government Motion.

\*Not recorded as directed by the Chair.

## GOVERNMENT MOTION RE. GENERAL ECONOMIC SITUATION IN THE COUNTRY

**THE MINISTER OF FINANCE (SHRI VISHWANATH PRATAP SINGH) :** Sir, I beg to move :

"That the general economic situation in the country be taken into consideration."

Sir, I welcome this occasion to have a discussion in the House on the general economic situation in the country. I would like to take this opportunity to share with the House my perception of our economic achievements as well as the problems we face and the solutions that we must jointly endeavour to find.

The present economic situation is characterised by several favourable factors. As the House is aware, the momentum of economic growth is being maintained. It is a matter of particular satisfaction that in the first two years of the Seventh Plan we have been able to finance over 40 per cent of the Central Plan target in real terms at 1984-85 prices. This is unprecedented. We have substantially stepped up programmes for the poor and taken new initiatives for the benefit of the workers. The infrastructure sectors of the economy are performing very well. The price situation is under control. New issues in the capital market have reached record levels. Tax revenues, particularly personal income-tax revenues, continue to display a remarkable buoyancy and our foreign exchange reserves are at a comfortable level. At the same time, it is important to anticipate the problems ahead so that we can find proper solutions well in time without jeopardizing our economic development. There are two major areas of economic concern, namely, the balance of payments and the rapid growth of Government expenditure, mainly on account of the implementation of the Pay Commission's recommendations, increase in subsidies and outlays on account of the natural calamities, etc. In these areas of concern, we must act decisively, and I would like to take a few minutes to elaborate these points.

**SHRI A. G. KULKARNI (Maharashtra) :** Sir, is he making a statement ?

**SOME HON. MEMBERS :** Is it a statement ? (*Interruptions*).

**MR. CHAIRMAN :** No. He is delivering his speech.

**SHRI VISHWANATH PRATAP SINGH :** Sir, it is important to appreciate that the Indian economy today is now on a new growth path. The economy grew at over five per cent a year during the Sixth Five Year Plan and the current estimate of growth in 1985-86 is also about five per cent. That means that over the past six years, the economy has grown at five per cent or higher in sharp contrast to the preceding long-term trend of growth at the rate of 3.5 per cent. The monsoon this year has been far from satisfactory. Nevertheless, because of the investments made in irrigation, fertilizers and the propagation of high-yielding varieties of seeds, agricultural production is likely to show some increase this year and it is expected that the national income will also show a healthy growth.

As I mentioned earlier, despite the other pressures on the Budget, we have been able to maintain the tempo of Plan investment and, in the first two years of the Plan, over 40 per cent of the Central Plan targets have been met in real terms. Alleviation of poverty is the central goal of all planning. I am glad to inform the House that the anti-poverty programmes, particularly the NREP and the IRDP and the programme for the distribution of food in the tribal areas, are progressing well and the outlays in the current year for these programmes will reach record levels. This year the Government has also launched a new scheme for the urban poor which will promote self-employment opportunities for the poor living in urban areas. In the past, infrastructural bottlenecks have often plagued the Indian economy. But the performance this year has been very good. In some cases, a higher growth in the first few months of this year has followed a good performance last year. This is a fitting testimony to the vital contribution of the public sector to our economy.

Electricity generation in April-September, 1986 is nearly ten per cent higher than that in the corresponding period of 1985. This year's Plant Load Factor in

the thermal power plants at 51.5 per cent is the highest in seven years.

The 9.2 per cent increase in the volume of revenue-earning railway freight recorded in 1985-86 has been followed by another impressive seven per cent growth in April-September, 1986 over April-September, 1985.

The production of crude petroleum in April-August, 1986 has increased by eight per cent over the corresponding period of 1985 as compared to a growth of 4.1 per cent in 1985-86.

Coal production in April-August, 1986 is up by 7.2 per cent and is also substantially higher than the increase of 4.7 per cent recorded in 1985-86.

We should also take particular pride in the fact that our economic growth in recent years has been achieved in the context of relative price stability. In the past five years, inflation as measured by the Wholesale Price Index has averaged about six per cent a year. This compares well with the average inflation in all developing economies of over 30 per cent a year over the same period. The increase in the Wholesale Price Index during this financial year up to the week ended on 1st November 1986 was 6.4 per cent. A part of this increase represents the seasonal increase in the prices of several commodities and is likely to reverse itself during the post-harvest period. In line with the downwards seasonal trend, the wholesale price index has declined by 0.5 per cent in the two weeks prior to 1st November.

It is also important to appreciate that a substantial part of the increase in the wholesale prices in the current financial year is attributable to oilseeds and edible oils. This increase in the price of oilseeds and edible oils is a part of our deliberate strategy of increasing price incentives to indigenous producers and thus reducing our dependence on edible oils imports. The strategy for self-sufficiency appears to be working as imports of edible oils this year are likely to be lower by over 50 per cent in value terms as compared to 1984-85. In order to ensure remunerative prices to our farmers the Government is following a

[Shri Vishwanath Pratap Singh]

contracyclical policy of low releases of edible oils during the harvest period so that domestic oils are purchased in greater quantities and higher releases during the lean period.

The farmer has been the hub of our economy and of our strategy of self-reliance. The foodstocks at 28 million tonnes on 1st July 1986 also testify to the productivity of our farmers and the wisdom of our agricultural strategy. They also constitute invaluable insurance against bad weather and poor harvests.

Sugar is another crop in which our farmers have clearly demonstrated that when they are offered remunerative prices and a stable environment they will respond magnificently. You will recall that last year following a marked shortfall in sugar production and resulting dependence on imports, we announced a 2-year sugar policy. We have followed this up by recently announcing a further increase to Rs. 18 per quintal of the Statutory Minimum price of sugarcane well in advance for the sowing of the next crop. As a result of these measures our need for sugar imports is estimated to have been brought down by about 75 per cent this year as compared to 1984-85. Therefore, given the right support we can rely on the farmer for our deliverance from imports of edible oil which is a heavy drain on our scarce foreign exchange resources.

As the House is aware, more than half the weight in the wholesale price index and even more in the consumer price index is that of agricultural and agro-based commodities. This reflects the prime place of agriculture in our economy and the important contribution of our farmer to the national product. Not surprisingly, therefore, overall price behaviour is dependent on proper management of demand and supply of agricultural commodities, production incentives and relative prices in the agricultural sector. The Government has recently come forward with an important paper providing a long term perspective on agricultural prices which seeks to provide an assurance to farmers of remunerative prices in an environment of stability. The Government

is sure that the farmers will respond positively as they have always done in the past to ensure self-sufficiency in the agricultural sector.

This House will recall that the Government undertook a number of initiatives in industrial policy last year to accelerate growth of output and employment in industry. The sharp increase in capital issues approved in 1985-86 to a record level of Rs. 3695 crores as compared to Rs. 2000 crores in 1984-85 testifies to industry's response to these initiatives. By October 1986 nearly Rs. 3400 crores of capital issues have been approved in the present financial year suggesting that the total for the full financial year is likely to exceed last year's record amount by a very substantial margin.

On the fiscal front, the continued buoyancy of tax revenues testifies to the soundness of the far-reaching Tax policy reforms that we have undertaken in the course of last 20 months. The principal objective of these reforms has been to simplify the tax structure, move to a regime of reasonable tax rates combined with better administration and enforcement to improve compliance and raise revenues, foster a stable and predictable tax policy environment and make the tax structure more conducive to growth and equity. After recording an unprecedented increase of 45 per cent in 1985-86, personal income tax collections in April-September, 1986, rose by another 26 per cent over the same period of 1985. Total Central Government tax revenues, which had increased by 24 per cent in 1985-86 have risen by 19 per cent in the first 6 months of this financial year as compared with the first 6 months of the previous year. This increase has taken place despite a significant fall in the oil sector's contributions to corporate tax receipts.

Thus far I have dwelt on the quantifiable accomplishments of our economic performance. I will make bold to say that a more qualitative but important characteristic of our economic performance has been our ability to anticipate emerging economic problems and take corrective actions well in time. Looking ahead, I believe that there are two areas in which we must persevere with bold and

difficult measures in order to check emerging problems. These relate to the balance of payments and the rapid growth of Government expenditures. As is well known to the House, the trade deficit was high in 1985-86. In the course of the past year or so, the Government has undertaken a series of measures to boost import substitution and accelerate the growth of exports. I have already alluded to the successful steps taken to increase indigenous production of sugar and edible oils. A large increase in fertilizer production is also anticipated. On the export front, we have put in place a new and more liberal Cash Compensatory Scheme (CCS) effective from 1st July, 1986. The Duty Drawback Scheme for exports has also been revamped. Interest rates on pre and post-shipment credit for exports were substantially reduced in August this year. The income-tax concession to exporters was greatly enhanced by an amendment passed in the last session of Parliament. The International Price Reimbursement Scheme for steel used in export is being extended to cover all types of steel and a similar scheme has been worked out for aluminium.

These are some of the important measures that have already been taken to contain the trade deficit. These measures have begun to yield results and trade deficit in the first six months of the current year is estimated to be substantially lower than last year. Exports are also showing a faster increase. I can assure the House that the Government will take all necessary measures to ensure that our self-reliance is not compromised by excessive dependence on foreign borrowings of the kind resorted to by some other countries.

Despite our enviable record in collecting more revenues, the Central Government Budget continues to be under heavy pressure because of rapid growth of expenditures, especially on non-Plan account. I need not elaborate on the compulsions of the geo-political situation which has made the increase in defence expenditure inescapable. Nevertheless, if we are to ensure that the Seventh Plan is to be funded in a non-inflationary manner, it is essential to curb the growth of overall

non-Plan expenditures. At the same time, to maintain the momentum of investment and growth and ensure adequate plan allocations for social and anti-poverty programmes, it is absolutely necessary to increase the efficiency of and surplus generation by public sector enterprises, in which the nation has invested thousands of crores of scarce savings. The Government is undertaking a thorough review of expenditure of the Centre with a view to pruning non-essential and low-priority expenditure and has already taken a number of decisions in this direction.

These include :—

—A thorough review of subsidies to reduce overheads and confine the benefits to really needy groups of society.

—containing establishment expenditure at 1986-87 levels, making allowance for the impact of decisions of the Pay Commissions' recommendations, reducing non-essential and low priority expenditure, increasing revenues through greater efficiency and productivity and reduction of costs; and setting specific targets for generation of internal resources of public sector enterprises and reduction of their unit costs of production.

I am sure, Sir, the Government has the full support and co-operation of all sections of this House in meeting the challenges that lie ahead.

MR. CHAIRMAN : There are nine amendments.

SHRI NIRMAL CHATTERJEE (West Bengal) : Sir, I am on a point of order. I am not from my seat.

MR. CHAIRMAN : Come over to your seat. Now, the point is in order.

SHRI NIRMAL CHATTERJEE : Now, I am in order. Sir, at 2.35 p.m. we are told, the Finance Minister is going to make another statement. It is a part of the economic situation. Now what I request you is that it is better if that statement is laid just now so that we can discuss them together.

MR. CHAIRMAN : That seems to be a good suggestion. If you got it, you make the statement now.

**SHRI VISHWANATH PRATAP SINGH :** Sir, this statement is on projections of resources for Central Plan 1987-88.

Sir, hon. Members will recall that last year...

**SHRI A. G. KULKARNI :** Sir, the process of the Resolution moved by the hon. Finance Minister cannot be complete unless the amendments are moved. Then the statement comes.

**MR. CHAIRMAN :** I will explain. The Finance Minister has one Motion and one statement. Both relate to the same matter, namely the economy of the country. Therefore, he will make the statement. And there will be a general discussion on both.

**SHRI A. G. KULKARNI :** I don't deny that, Sir. The Resolution is something else and the statement is something different. As per the procedure the amendments have to be moved.

**MR. CHAIRMAN :** I thank you for the suggestion. I will ask the Members to move their amendments. Mr. Chitta Basu.

**SHRI CHITTA BASU (West Bengal) :** Sir, I beg to move :

1. That at the end of the Motion, the following be added, namely :—

"and having considered the same, this House recommends that Government should review the current economic and fiscal policies so as to ensure all round self-reliance and economic growth with social justice based on redefined priorities."

श्री सत्य प्रकाश मालवीय (उत्तर प्रदेश) : श्रीमन, मैं प्रस्ताव करता हूँ कि प्रस्ताव को अन्त में निम्नलिखित जोड़ा जाये, अर्थात् :—

"और इस पर विचार करने के बाद यह सभा सिफारिश करती है कि सरकार को एक समय-वद्ध कार्यक्रम के अंतर्गत देश में नयी विस्तीय और आर्थिक नीति तैयार करनी चाहिए, जिससे निर्धनता, असमानता, निरक्षरता, बेरोजगारी, रक्षणता, कच्चे हाथों में धन का संकेन्द्रण, मद्रास्फीति, मूल्य वृद्धि जैसे कतिपय कदाचारों को निवारण को सनिश्चित किया जा सके।"

**SHRI LAL K. ADVANI (Madhya Pradesh) :** Sir, I beg to move :

3. That at the end of the Motion, the following be added namely :—

"and having considered the same this House is of opinion that Government has miserably failed to hold the price line and inflationary trends of economy."

4. That at the end of the Motion, the following be added, namely :—

"and having considered the same, this House regrets that Government has failed to give remunerative prices to the farmers for their agricultural produce."

5. That at the end of the Motion, the following be added, namely :—

"and having considered the same, this House feels concerned that the current policies of Government in the matter of Export, Import and Foreign Collaborations have exposed the country's economy to invasion by multi-nationals."

6. That at the end of the Motion, the following be added, namely :—

"and having considered the same, this House feels concerned about the acute discontentment among the salaried classes because of gross disparity in the pay scales and conditions of service of the employees working in public sector undertakings, under the Central Government, the State Governments and the Local Bodies."

7. That at the end of the Motion, the following be added, namely :—

"and having considered the same, this House regrets that the differences between the rich and the poor continue to widen rapidly and the worst affected by this growing poverty are the weaker sections of the society, more particularly the Scheduled Castes and the Scheduled Tribes."

**SHRI A. G. KULKARNI :** Sir, I beg to move :

8. That at the end of the Motion, the following be added, namely :—

"and having considered the same, this House recommends that Govern-

ment should adopt measures to curb benami investment of Non-resident Indians in Stock Exchange Shares and improve working of share market which is being manipulated by industrialists."

**SHRI CHATURANAN MISHRA**  
(Bihar) : Sir, I beg to move :

9. That at the end of the Motion, the following be added, namely :—

"and having considered the same, this House regrets that the recent policy of Government of downgrading the public sector, resorting to elitist taxation policy, adopting an import policy which damaged even our Capital goods industries and led to import of luxury goods there by resulting in further large scale sickness of the industries and denying remunerative prices to farmers for agricultural goods, is leading the country to a disastrous situation of unprecedented deficit in foreign trade, increasing foreign and internal loans resulting in unprecedented unemployment and urges upon Government for a new economic policy of growth with social justice and full employment."

*The questions were proposed*

**MR. CHAIRMAN** : Now the Finance Minister will make the other statement.

#### STATEMENT BY MINISTER

##### Re. Projections of Resources for Central Plan—1987-88

**THE MINISTER OF FINANCE (SHRI VISHWANATH PRATAP SINGH)** : Sir,

Hon'ble Members will recall that last year I initiated the process of involving the members of the Consultative Committee attached to the Ministry of Finance in the pre-Budget discussions. That experiment was quite rewarding and it has encouraged me to take the full House into confidence in our approach to next year's Budget.

2. In order to determine the resources available for next year's Annual Plan, the Ministry of Finance, in consultation with the Planning Commission has carried out detailed exercises on the likely trends in ex-

penditure and revenue in the current financial year. On the basis of these exercises, we have made tentative estimates of revenue and expenditure for the next year. A Statement showing these projections on the basis of information available so far is placed on the Table of the House. The figures are likely to undergo revision as further information becomes available prior to the finalisation of estimates in February, 1987. The Statement, however, reveals the trends which are likely to shape the net year's Budget.

3. As the House is aware the trends in tax revenue so far are highly encouraging. On the basis of present trends, the Central share of taxes in 1987-88 is projected at Rs. 25,250 crores. Together with estimated receipts under various other heads such as non-tax revenue, external assistance, market borrowings, small savings and other capital receipts, the total receipts of the Centre are projected at Rs. 55,150 crores. For purposes of estimation, we have assumed a level of deficit financing of Rs. 5,000 crores. Thus, the total receipts are placed at Rs. 60,150 crores.

4. On the expenditure side there are likely to be substantial increases in interest payments and defence. These are projected to increase to Rs. 10,150 crores and Rs. 11,900 crores respectively. I need not elaborate on the compulsions of geopolitical climate which has made the increase in defence expenditure inescapable. Another major item on the expenditure side is subsidies, which is projected at Rs. 4,680 crores in 1987-88. It is a matter of concern to us that subsidies on food, fertilizer and export promotion in the first three years of the Plan will be Rs. 13,240 crores against Rs. 10,788 crores in the entire sixth Plan period. Other non-plan expenditure is projected at practically the same level as 1986-87 Budget. An important item of expenditure is increase in wages and salaries pursuant to the acceptance of the Pay Commission's recommendations, which is estimated at Rs. 1,500 crores (excluding the Railways and Telecommunications). Taking all these items together total non-plan expenditure is estimated at Rs. 38,450 crores.

5. On this basis, the resources in the Central Budget for Plan will be Rs. 21,700 crores compared to Rs. 21,095 crores in the current year's budget. While the budgetary