

THE APPROPRIATION (No. 4) BILL, 1978

THE MINISTER OF FINANCE
(SHRI H. M. PATEL): Sir, I beg to move:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year 1978-79, as passed by the Lok Sabha, be taken into consideration."

The Bill arises out of Supplementary Demands of Rs. 118.96 crores voted by the Lok Sabha on the 14th August, 1978 and Supplementary Appropriations of Rs. 432.20 crores charged on the Consolidated Fund of India. The additional requirements include Rs. 430 crores for providing special loans to States towards the clearance of their deficits as at the close of the year 1977-78. Rs. 33.94 crores are required for payment of additional subscription to the International Monetary Fund, which will be made in rupee securities. For cash compensatory support for exports, the additional amount required is Rs. 40 crores. The remaining requirements include Rs. 17.20 crores for transfers to State and Union Territory Governments and Rs. 18.94 crores for the public sector enterprises.

The Supplementary Demands are explained in the pamphlet circulated to hon. Members on the 1st August, 1978. I would not, therefore, burden the House with their details, but would answer any points that may be raised by the hon. Members during the discussion.

Sir, I move.

The question was proposed.

SHRI PRANAB MUKHERJEE (West Bengal): Sir, the hon. Minister in his brief observations has suggested that he would like to reply the points which will be raised by the hon. Members, but I would like to correct him on one

point which he has missed. The Supplementary Demands are never placed before the Members of this House. We only discuss the Appropriation Bill because that is the prerogative of the other House to pass it. However, Sir, it provides us an opportunity to look into the economy, more so, when the Finance Minister at various forums is trying to impress that the economy is in a perfectly good health with a negative rate of inflation and his colleague in the Industry Ministry, Mr. George Fernandes, is shouting at the top of his voice that he will achieve 7 to 8 per cent industrial growth rate during the year. Sir, in that context, I would like to know from the hon. Finance Minister whether it is a fact that though the wholesale price index has maintained relative stability, so far as the consumer price index is concerned, it has not.

Secondly, Sir, he himself has admitted that the expansion in money supply during the last two or three months is a matter of some concern. According to the assessments of the various economic journals, this expansion is of the order of 7 to 8 per cent as compared to that of the last year. And in that context, it is a matter of concern when the bank credit, both in the food sector and the non-food sector, has increased considerably, particularly in the last two months. If I understand correctly, it is of the order of Rs. 112 crores in the non-food sector and the enhancement in the food sector is of the order of Rs. 512 crores. The Government's reserves with the Reserve Bank have come down to the extent of Rs. 1500 crores at the end of July. A part of it—almost half of it—has gone to meet the States' debt to the Reserve Bank, but a part of it is in the economy itself. Therefore, in that context, how far he is correct in what he is trying to impress upon us. Again, the Reserve Bank has resorted to tightening the money supply position. Already the restrictions are there and he is trying to resort to some more stringent measures. I do not know what would be the overall effect of it.

[Shri Pranab Mukherjee]

When the Finance Minister started with his Budget proposals, he was provided with an excellent economic situation, which goes not so much to his credit but to the credit of the previous Government. There were continuing huge foreign exchange reserves, buffer stock of foodgrains, 10 per cent industrial growth rate. And what has been the effect of that? In 1976-77, the growth rate was 10.4 per cent. In 1977-78, it came down to 4 per cent and in the first quarter of 1978-79, it was 2 per cent.

[The Vice-Chairman (Shri Syed Nizam-ud-Din) in the Chair]

Still the Industry Minister is making the tall claim that he will arrive at an industrial growth rate of 7 to 8 per cent by the end of the year. I do not know how he can justify his claim, particularly in view of the fact that in certain essential commodities like cement, aluminium, copper, saleable steel, cotton fabrics, tea, jute and coal, the growth rate has declined from 3 to 12 per cent. As I have indicated earlier, in the first quarter of this financial year, the rate has been actually of the order of 2 per cent. Perhaps it is less than 2 per cent. Therefore, to make a claim that he would be in a position to generate 7-8 per cent industrial growth rate is nothing but an attempt to hoodwink the people.

Secondly, Sir, the question of price rise, as I have already mentioned, is a variant particularly the industrial consumer price index which has recorded a 5 per cent. rise compared to that of April 1977. The index may not have its reflection on the wholesale price. It is a matter to be seriously considered.

Thirdly, the policies pursued by the Government so far as the various economic measures are concerned are still adding to the confusion which already exists there. I would just give one instance so far as gold is concerned.

In part B of his Budget Speech, on page 19 he says:—

“Gold smuggling is not only illegal but has helped to sustain black money operations and foreign exchange racketeering. It is, therefore, necessary for us to think of economic measures in addition to preventive measures to tackle this evil of gold smuggling. We have given very careful thought to the question and have decided to commence the sale of gold from the stocks held by Government.”

And, therefore, the Government came forward with the proposition of auctioning gold through the Reserve Bank of India, the objectives being: (i) to reduce smuggling, and (ii) to reduce the desire for hoarding gold. May be the third objective may be to convert money into gold from the stock. But, Sir, you will be surprised to know that on the 10th August the gold price reached at its highest peak at Rs. 745 per 10 grammes in the Bombay market. It is fluctuating sometimes at Rs. 740, Rs. 710, Rs. 715 and so on. In spite of six gold auctions the prices are not coming down. If the gold price does not come down, I fail to understand how he can reduce smuggling because till today the price of Indian gold and the international price variance is more or less of the order of Rs. 115 per 10 grammes. Therefore, there is sufficient incentive. If he comes forward with counter-arguments that he is trying to convert gold into money and in that process trying to make up his deficit, to what extent can he go? If I take it for granted that he is going to dispose of the entire reserve stock which he can dispose of—I think it is 70 to 80 tonnes; surely, he is not going to touch the currency backing—then how much money is he going to have and to what extent it is going to make up his deficit? Therefore, what is the rationale behind this formula? What is the rationale behind this policy? You are not in a position to reduce the price in the market. You are not in a position to reduce smug-

gling. On the other hand, you are providing an opportunity to convert the surplus income into gold which otherwise would have been invested in equity, which otherwise would have been invested in industry. You are asking people to invest their surplus money, if any, in gold and not to invest in equities. You ask them not to invest in banks. Would the hon'ble Minister enlighten this House as to what has been the return in the first months and in the slack season in the banking system? Is it not a fact that time deposit is going down? Is it not a fact that the rate of growth in the banking industry in 1976-77 and 1977-78 has been reduced. You yourself have admitted in one of the Consultative Committee meetings that time deposit is being reduced.

Therefore, you are creating a situation in which people are not going to invest their surplus income in industry, in equities. They are investing in gold because till today, whatever the Government may think or you may think, people believe that gold is the most secure thing in this country. Looking at the shape of the industries, their sickness and deficiencies in other areas, they do not inspire people to invest in equities in spite of the series of concessions enunciated by the Finance Minister in his Budget Speech. Therefore, I would like to know from the hon. Finance Minister what provokes him to arrive at the conclusion that the economy is in an excellent state and how they are going to make a breakthrough.

Sir, sometimes all sorts of Utopian ideas are put forward by the various economic ministries—I would not like to dwell on all those aspects. But I would like to just draw the attention of the House to one particular aspect. This is a chart published in an economic journal, *Business Standard*, on 10th August, 1976. I would like to take two important items. One is, how capacity utilisation in certain industries

is being reduced. So far as aluminium is concerned, in 1976 the capacity utilisation was 85 per cent; in 1977 it had come down to 67 per cent; I do not know what is the position for the rest of the period in 1978. Same is the case with cement. In 1976 it was 89 per cent; in 1977 it came down to 87 per cent; and I do not know what is the position for the remaining period of this year. We reached a stage where we were in a position to export cement because of the capacity which was created in both the public sector and the private sector. And today our great Industry Minister is contemplating import of cement. So far as steel is concerned, last year we were told that we had no market for saleable steel and therefore the target will have to be reduced. When on the one hand they are talking of rural economy, on the other, only the other day on the floor of this House, the Petroleum and Chemicals Minister admitted that he was going to reduce the target of fertilizer production. In reply to the question of an hon. Member of the House, Mr. Bahuguna himself has admitted that he was going to reduce the production target so far as fertilizer was concerned. And it is known to us, Sir, what the transport bottlenecks are so far as coal is concerned. Sometimes these people from the Government are claiming that the generation of electricity has been increased by, utilising coal. Here is a coal expert and he will bear me out: It is not a case of enhanced production but it is simply a case of transferring coal from pitheads to consumer points. Actually production has gone down. Therefore, almost in every major economic area, the production is going down, time-deposit in the banking system is going down, return flow in the slack season which would otherwise have been of a high order is being reduced, monetary expansion is only of the order of 7.5 per cent, the wholesale price index has no reflection on the consumer price index and the consumer price index, according to the day-to-day marketing experiences of the common man, is go-

[Shri Pranab Mukherjee]

ing up because the price of every essential item is going up. And he says that except in the case of pulses, the price of no other item is going up. I do not know what will be the effect after the de-control of sugar and to what extent it is going to contribute to the rise of the price index.

And, in that context, today the hon. Finance Minister is coming up with the proposal for getting the sanction and approval of the House to appropriate some sums from the Consolidated Fund of India. Sir, we know our limitations so far as this matter is concerned. Like other matters of legislation, we cannot block, we cannot stop the passage of this Bill. Even if we refuse to give our seal of approval, Constitutionally they will get it approved within fourteen days, and so on and so forth. But, at the same time, I do feel this Government has no right to come before Parliament and get approval for appropriation of certain sums from the Consolidated Fund of India. The whole economy is in a mess. They have created sufficiently a confusion in the economic area so far as production is concerned, distribution is concerned, procurement is concerned and management is concerned. And on the political front this Government has reduced this country to a state of utter disrepute. Since the beginning of this Monsoon Session from the 17th July, Mr. Vice-Chairman, Sir, you will agree with me not a single day has passed when this Government has not come out with an arrogant attitude to defy the desire and will of the Members of Parliament. First, it was on the issue of the letters to be placed on the Table of the House. Then came the question of a Motion duly admitted by the Presiding Officer of this House, debated and discussed and passed with majority. Government is coming forward with a proposition that this is recommendatory, it will have no binding effect on the Government. The whole Parliament is treated so

lightly, so callously to the utter disregard of public opinion inside and outside the House.

What is happening today in this country? Sir, the Prime Minister placed certain letters here which were exchanged between him and the erstwhile Home Minister. In one of the letters, Mr. Charan Singh, who happened to be the Home Minister of this great Xanata conglomeration, has stated: I will give my real assessment and the real reason behind this move in the forum of Parliament and party. This letter was written about a month and a half ago. Till today he has not given his assessment to the forum of Parliament. What he is trying to do is to utilise this forum, forum of Parliament, as a bargaining counter. He is utilising it by saying: I am going to make a statement on the floor of the House. I am going to expose you, unless you agree to my point and accommodate me either as the President of the Party or as the Home Minister, or, as my friend Mr. Kalyan Roy said, as the Communications Minister. Whatever it may be, the basic point is that those very people who were saying that they brought back democracy in the country and who are the harbingers of the newly won independence—in 1947 we won one independence and in 1977, after 30 years, we have won another independence, as they have been saying—are utilising this forum of Parliament as a bargaining counter: Agree to my proposal, Provide me with a berth, either in the Party or in the Government; otherwise, I am going to expose you. Everyday, we are listening to so many things and today we have to know how Parliament will be treated not on the floor of Parliament but from outside. Everybody knows the contents of the letters which were exchanged between the erstwhile Home Minister and the Prime Minister. Newspapers know, even the people at pan shops can discuss, but, in spite of our best efforts during all these days, almost everyday from the 17th July till today, we have not been able to convince the

Government to place those letters on the Table of the House. Sir, a Resolution has been passed. Government is giving its reaction, not on the floor of the House but outside. From newspapers, we have to know that this has no binding effect, it is recommendatory and Government may accept it or may not accept it.

5.00 P.M.

The Government which is treating Parliament in this way, is coming to Rajya Sabha and asking it to give its seal of approval to its appropriation proposal. I do not know, Sir, whether this Government has any moral authority to spend a single farthing from the Consolidated Fund of India, they have forfeited the confidence of the people, they have forfeited the moral authority, they have forfeited their sanction which they had from the people to rule this country. The entire Parliamentary forum is being utilised to sort out their party issue. Have you heard of what we heard on the 17th morning? What a special Cabinet meeting was called to discuss? Not to discuss the price rise, not to discuss the problem of the refugee influx, not to discuss a question of high public importance, but to discuss what the terms and conditions of the bargain between Mr. Morarji Desai and Mr. Charan Singh would be; this was the problem which a special committee of the Cabinet was called to sort out. Therefore, Sir, Mr. Vice-Chairman, my submission is that this Government has lost its moral right, has forfeited its authority to demand any money for the appropriation. I have already explained the limitations of this House.

With these words, I would like to tell the Finance Minister who is also an important political functionary and a peace-maker, to convince his colleagues that it does not look nice to treat the House with impunity, to disregard the wishes of the House and to go to the House and request, beg, it for its approval for appropriation from the Consolidated Fund of India.

With these words, I oppose the motion moved by the Hon. Finance Minister.

SHRI GHANSHYAMBHAI OZA (Gujarat): Sir, we just had the pleasure of hearing the most inappropriate observations on the Appropriation Bill.

SHRI PRANAB MUKHERJEE: The Misappropriation Bill.

SHRI GHANSHYAMBHAI OZA: That was done very much in the past. I did not want to join issue with him, I wanted to make some observations on some of the demands made by the Finance Ministry in the Appropriation Bill, but since my friend whom I hold in good respect, has made some observation on that particular resolution which this House passed on the 10th, I think, I will also try to reply to him in short about the merits of that particular resolution.

I may tell you and I may tell this House that in a way I was happy when the demand for appointment of a commission of enquiry was made particularly by my friends of the Congress (I) because the way in which they had treated the commission presided over by the ex-Chief Justice of the Supreme Court, I thought that there was a change of heart; that there was a rethinking and that perhaps now they wanted to reply upon some democratic functioning.

The Leader of Congress (I), Shri Kamalapati Tripathi, said that that report which was placed on the Table of the House that is, Justice Shah's report, deserved to be put into the dust-bin. I am glad that he did not take care of reading that report. I am sure, if you people had taken the trouble of reading that report, you would not have reacted like that. I can understand that you differ from certain observations made by Justice Shah; I can very well understand that; we are all, after all, human-beings, and we have our own likes and dislikes. But certain hard facts have emerged in that Commission's

[Shri Ghanshyambhai Oza]

report. And with what face are you asking for an enquiry commission, having flouted this commission in this way and behaved in this way in all forums, before that commission, before all other commissions and before this House and where not? It is most pitiable....

(Interruptions)

SHRI KALP NATH RAI (Uttar Pradesh): Why are you not appointing a commission?

SHRI GHANSHYAMBHAI OZA: So, anyway I was glad. I will come to that. Have patience.

श्री कल्प नाथ राय : उपसभाध्यक्ष जी, श्रीज्ञा जी एक बड़े सम्मानित नेता है । मैं उनको जानता हूँ । आप कम से कम यह तो कहिये कि भ्रष्टाचार बढ़ रहा है ।

(Interruptions)

SHRI GHANSHYAMBHAI OZA: I will come to that. I have not defended "brashtachar" in any way, in any quarter. I will come to that. Now, coming to the motion adopted by this House, I will take up the second part which says that "this House recommends that Commissions of Inquiry should be set up by the Government". I am dealing with the latter part of the motion. Now, under the Commissions of Inquiry Act, either the Government *suo motu* appoints a commission or the Lower House gives a direction. The Lower House is competent to pass a resolution and that will be binding on the Government. But the very same Congress (I) friends withdrew that resolution in the Lower House. Having withdrawn that resolution in the Lower House, does it lie in your mouth to ask for a commission of inquiry in this House?

SHRI KALP NATH RAI: Yes.

SHRI GHANSHYAMBHAI OZA: It does not lie in your mouth. Having abandoned that position in the Lower

House and having said that you do not want a commission of inquiry....

SHRI KALP NATH RAI: We want a commission of inquiry.

SHRI GHANSHYAMBHAI OZA: You made the other part infructuous. If the other part of the resolution has become infructuous, you have to thank yourselves for it. You are not serious about it.

Now, I am coming to the first part which says that the Government should seek advice from a committee to be appointed by the Chairman. Now, in all humility, I will request you to examine this position very thoroughly. Under the Commissions of Inquiry Act, as I said, there are two courses open: either the Government *suo motu* appoints a commission or the Lok Sabha directs the Government to do so. Now, this is the law. Now, by passing this resolution, can you circumvent that provision of law, that law which has been passed in good wisdom by both the Houses? The Commissions of Inquiry Act has been passed by Parliament. This is the law of the land. It is binding on us so long as it is in force. Now, can you, by this resolution, circumvent it and insist upon the appointment of a committee? No, you cannot.

SHRI KALP NATH RAI: We can.

SHRI GHANSHYAMBHAI OZA: The appointment of a committee will be tantamount to flouting the law of the land because what will be the function of the committee? The committee will be going through the same procedure as the commission of inquiry set up under the Commissions of Inquiry Act. How can you circumvent the law? And how can this House be in a position to ask the Chairman to appoint a committee...

SHRI PRANAB MUKHERJEE: Just one clarification. How does it circumvent the law? If the Rajya Sabha passes a resolution and if the

Government acts on it then how does it circumvent?

SHRI GHANSHYAMBHAI OZA:
You asked this morning....

SHRI PRANAB MUKHERJEE: We are asking the Government to accept it.

SHRI GHANSHYAMBHAI OZA:
You were asking the Chairman this morning to appoint a committee.

SHRI PRANAB MUKHERJEE: Yes, that is a separate issue.

SHRI GHANSHYAMBHAI OZA:
As my friend pointed out, it is recommendatory and you are putting the cart before the horse. I say, asking the Chairman to set up a committee would amount to circumventing the provisions of the Commissions of Inquiry Act. You cannot do that. It will be illegal. It will be flouting the law of the land.

SHRI KALP NATH RAI: What are the people thinking about your corrupt Government?

SHRI GHANSHYAMBHAI OZA:
I will come to that. I am not for corruption in any person in any quarter. That is not the relevant point. I am saying that your demand for the appointment of a committee is illegal and it cannot be accepted. You cannot force the Chairman to appoint a committee for so many reasons. It will be infructuous. It will be indirectly flouting the law, the Commissions of Inquiry Act, which has been passed by Parliament. So you cannot go behind that. As I said, I had no idea of entering into this debate, but since he referred to all these aspects, I was also tempted to reply to him. In the midst of the din and dust raised by all sections of politicians including us inside this House and outside which is very disappointing, sometimes we do get good glimpses which put cheer in our heart. I am not talking as a Member of this House

nor as a Member of Parliament. I am talking as a citizen of this poor country. There are certain developments which put cheer in our hearts. This Bill incorporates one of them. Not that I have no points of disagreement with certain policies or the way in which the Government is functioning today. But by and large, I was very happy that this Government has started putting great emphasis on irrigation and power. For example, look at the provisions they have made during the last Budget and this Budget. I have nothing but congratulations to the Finance Minister on his providing lots of funds for bringing as much land as is possible under irrigation...

SHRI PRANAB MUKHERJEE:
What is the rate of generation of electricity?

SHRI GHANSHYAMBHAI OZA:
If you had heard my speech on the Electricity Supply (Amendment) Bill, you would not have made this remark. I had made very castigating remarks which cannot be replied to.

What I was saying was that for the first time in the Indian history a lot of emphasis is being laid on irrigation and generation of power. I am extremely happy about it. We must preserve every drop of water that the heavens are sending on this blessed earth and on our poor country. This Government is trying to harness waters big and small rivers. For example, in my own State...

SHRI PRANAB MUKHERJEE:
What about the 30 years of the previous Government? It was they who did that. You were also a party to it.

SHRI GHANSHYAMBHAI OZA: I know what was happening in the past. I am proud of what has been done in the last 30 years. I am not trying to disclaim whatever was done in the past. I am not one of those who say that whatever was done was wrong. We did put up big industries, large-scale industries. We have had a lot of industries. I am not one of those who say that nothing has happened

[Shri Ghanshyambhai Oza]

in the past 30 years in the country, that no progress has taken place in the country; not at all. I say much has been done and we have made a lot of progress in this country. I am not suggesting that nothing has been done during the last 30 years and everything has gone astray. No, I am not saying that. What I am saying is that the allocation made for irrigation and generation of power now is the largest so far. In my State, for example, I know today there is a very big drive to preserve water, wherever it is being wasted or is going to the sea, by providing irrigation tanks—small irrigation tanks and medium irrigation tanks. We have taken up the work on a very big scale. That is the way of generating wealth in the rural areas. That will also generate employment. In the same way, for example, generation of power: We have taken up the work in a very big way. If we give power and water, the people will take care of themselves. About that I have no doubt in my mind.

I was particularly going to refer to some of the provisions of the Bill. In this Bill they have made a provision of Rs. 15 crores for putting up district industries centres. The other day we were discussing reservation of small scale industries, that 500 industries have been reserved for the small scale sector. I was extremely happy about it. At the same time I had my misgivings. Simply putting on paper that 500 industries are reserved for the small scale industries sector will never satisfy me. Where is the where-withal? There are so many constraints. So many things have to be taken care of. I was so happy to see these glimpses. Now that the Ministry has come out with the setting up of district industries centres and providing money for that, I am satisfied that they are earnest about the reservation of 500 industries for the small scale sector. While I say that I am glad that provision has been made for putting up small scale indus-

tries centres, I have still my own misgivings, because this will be raising so many questions also. We know how many small scale industries are, facing so many difficulties. For example, look at Okhla. I am told in Okhla more than 50 per cent of the small scale industries are sick; they are closed down. So, when we go and encourage small entrepreneurs, we have to take care of them, nurse them. When we undertake promotional activities, we have to be very vigilant. We should not leave them saying that we have reserved 500 industries for you. Here are the banks to help you. That kind of thing should not be done. If you want to generate employment, it can best be done through small-scale industry which require only small investment. We spend crores of rupees on large-scale industries. And what is the generation of employment? In small-scale industries only small investment is necessary. It is good that Rs. 15 crores are provided for this. But putting up district centres is not sufficient. You have to take care to see that the district officers are involved in this activity. You may post them in rural areas where they may do some paper or file work. That is not enough. In the first place we have to take care to see that district officers are involved, they have sufficient enthusiasm in this type of work and they work with a spirit of dedication. Not that they take their transfer orders grudgingly and go and work in the districts. We have to find out that these officers are enthused about this work and are capable of solving all the problems of small-scale industries. They have many difficulties right from the time of registration till the time of marketing whatever they produce. I have been a witness to that both from near as well as from a distance. We have to nurse them right from the cradle stage upto the stage of marketing. Mere making provision for district centres is not sufficient. We should follow up the scheme. Suppose a district officer feels that so much loan should be given by the bank to a particular entrepreneur. The lead banks and

other banks should be directed to go by the advice given by the district officers which he does after studying carefully a project or scheme. His advice must be accepted by the banks. Then, the infrastructure should be provided for the small-scale units, for instance, giving of water, power, road, banking services, raw-materials, marketing, etc. All these things have to be taken care of. We should be prepared to nurse them right from the beginning.

A friend was telling me that in Okhla so many units have become sick. My personal experience is that so many industries have become sick with the same pattern of assistance right from the infrastructure stage to the point of marketing. Some are thriving; some are languishing. Some are sick and some had to be closed. Some call the doctors; some call the clergy. This is because of lack of managerial skill. Management is as important an input as the raw material. Unless you take care of the management, things will go wrong. You have to train small industrialists in the proper way of setting up industries. How to procure raw materials? You have to train them in these things.

I had something to do with promotion of village industries. For example, the Khadi and Village Industries Commission provides loans and subsidies to industrial co-operatives and through these industrial co-operatives in the whole country it tries to help promoting village industries. There are 34,000 industrial cooperatives set up under the Khadi Commission Act. Out of these 34,000, 19,000 are closed—not because there was any *golmal*. Of course, there may be some black sheep in every sphere. Here also it is there. But the main thing is that the managerial ability was lacking. Mere enthusiasm will not be sufficient. So, Sir, managerial ability has to be taken care of. So, I would request the honourable Industry Minister through the Finance Minister to see that the

entrepreneurs are properly trained in the art of management also. Only then these things will be successful and we would be able to generate employment through these small-scale industries. Thank you, Sir.

SHRI L. R. NAIK (Karnataka): Do you think that there has been no achievement at all so far? Don't you think that all these things would be wiped out by your disgraceful policy, through the utter failure of your policy?

SHRI GHANSHYAMBHAI OZA: Are you referring to the large-scale industries?

SHRI L. R. NAIK: Your policy is going to be an utter failure and you please study it thoroughly and see what havoc it is going to cause

THE VICE-CHAIRMAN (SHRI SYED MIZAM-UD-DIN): You please take your seat, Mr. Naik. He has already finished his speech. Yes, Mr. Raju.

SHRI V. B. RAJU (Andhra Pradesh): Sir, we have before us this Bill asking us to agree with the Lok Sabha in permitting the Government to draw out of the Consolidated Fund of India about more than five hundred crores of which Rs 430 crores are transfers to the State and Union Territory Governments, Rs. 40 crores for export promotion, Rs. 34 crores are for payment to the IMF, Rs. 15 crores for District Industrial Centres and Rs. 10 crores for the taken-over textile mills.

Sir, in the Budget speech in February, the Finance Minister said:

"The overall budgetary gap at the existing rates of taxation will thus be Rs 1,396 crores."

Then, Sir, he said:

"There are two additional items, that is, two additional burdens: payment to the Central Government employees and payment to the sugar industry."

[Shri V. B. Raju]

He said that the additional burden was to the tune of Rs. 80 crores and, if it is added to the earlier figure, it comes to Rs. 1,476 crores. Through his new taxation proposals he has brought down this figure from Rs 1,396 crores to Rs. 1,050 crores. He said:

"I am leaving an uncovered budgetary gap of Rs 1,050 crores and this will be reduced by the receipts from the sale of Government gold."

Sir, the Finance Minister mostly depended on the sales of Gold to make up this gap at least partly. Now, what has happened to the resources position and what has happened to the priorities of the Government in the matter of expenditure? In the first four months, in less than four months, the deficit financing of the Union Government has been of the order of Rs. 545 crores. Now, here I use the words "Union Government". I do not know how the word "Central" comes in here. Some experts may have to clarify. I do not find the word 'Centre' anywhere in the Constitution. The word 'Centre' or "Central" is conceptually wrong, I think. The very first article of the Constitution says that "India, that is, Bharat is a Union of States". So, conceptually, there is a difference between "Centre" and "Union". "Centre" means that everything revolves around it and "Union" means that it is the result or product of an association of States. So, conceptually, I do not know how this word 'Centre' can be used. I think experts like Mr. Adiseshiah can tell me so that I will not commit the mistake of using the word "Centre" though we have used the word "Centre" so far. Anyway, Sir, I was saying that the deficit financing of the Union Government in the first four months is of the order of Rs. 545 crores and the Union Government accuses the States that they are not maintaining financial discipline. The States have shown a surplus of Rs. 517 crores in four months. Anyhow, that is not the full story because the full year is yet to be completed. So, with this rate

of deficit financing, I do not know where we are actually being led. I am not against deficit financing when we have got certain reserves in terms of foreign exchange accumulations and also foodgrain stocks. But what has the Finance Minister done about this accumulation of foreign exchange reserves? What has he done for meeting the domestic requirement in rupee? I will come to the gold affair, on which he depended. The foreign exchange reserves have been accumulating, and the figure that was made available on 23-6-78 was of the order of about Rs. 4604 crores. In these 16 months, everybody knows the Finance Minister could not utilise even a part of these resources. Last year he could not do it. I think we are suffering from defective planning. I am not talking of a particular Government, a particular party Government, either earlier Government or this Government. I think we are unable to face the problem of surpluses in certain sectors—surplus population, surplus skilled labour that we have in this country, surplus sugar production, surplus cotton also. We have done havoc in the past with cotton production. We could not solve the problem of excess production of long staple cotton.

AN HON. MEMBER: Surplus rice also in Andhra Pradesh.

SHRI V. B. RAJU: Similarly, we find cement shortage, coal shortage, etc. Therefore, there is something defective in our planning. It looks as if we have no control over what is happening in the economy. Sir, I am not trying to score a point here or there or arguing. With all sincerity I am putting it. These are violent fluctuations in the economy which are affecting the primary producer as also the common consumer. This is what is happening. So, therefore, we would like the Finance Minister to tell this House how he is going to improve the resources position of the Government by utilisation of the accumulated foreign exchange resources. This is a paradoxical situation in a poor country like ours. This situation has to be corrected. This is a country where

poverty is naked and we cannot take this situation leisurely, in a jolly way. This is a matter on which a lot of discussion has taken place but no solution has been found. Experts in the Finance Ministry say that money supply and the price rise have no correlation. But how far it is true, we have to go deeper into the matter. Money supply between 31st March and 14th July, 1978, increased by Rs. 1359 crores, that is, 7.5 per cent, as against the increase of Rs. 339 crores last year in the same period and....

AN HON. MEMBER: And the rate of interest is so high.

SHRI V. B. RAJU: Then, Sir, let us go to the first item of Rs. 430 crores of transfer to the States. For my own information, I would request the Finance Minister to let me know how this amount of Rs. 430 crores has been put as 'charged item'; of course, this has nothing to do with the point under discussion. It is not actually to meet any commitment in terms of payment of interest or payment of debt. I understand it is an assistance or loan to State Governments. How is it put as charged item in the Bill? This I wanted to know personally. This is purely technical. Now, Sir, when resources are transferred to the States, what is the pattern, what is the *modus operandi* or the method of this transfer? I tried to work it out from the First Plan to the end of the Fifth Plan.

This is not the Fifth Plan. We are in the Sixth Plan because the last year of the Fifth Plan has been struck out. (Interruptions) The Finance Minister has agreed in his budget speech that 90 per cent of the plan schemes are the spill-over from the Fifth Plan. Why did they actually rush to convert it into the Sixth Plan? It is only to run down the name of the Congress rule. This is how they have done something to erode the name of the Congress. They can say: We did not allow the Congress Plan promises to be fulfilled. I worked out the amount of transfers to the States. They have

been made with regard to tax arrears or loans or grants from the Union to the State Governments and Union Territories in all these 27 years. They are of the order of 57,441 crores of rupees. I am mentioning this only to arrive at a particular point. Out of this sum, 40 per cent is as a result of the recommendations of the Finance Commissions and 60 per cent is because of the recommendations of the Planning Commission and the discretion of the Union Government. Here I want to make a point. The relationship between the States and the Union is viewed as if the Union is the lender and the States are the borrowers or the Union as the charity-giving or doling-out authority and the States as recipients of the charity. (Interruptions) This is the discretionary aspect, not what you call the statutory aspect, but the discretionary factor in doling out money with political under tones and it is present in the pattern. I am not blaming the present Janata Party Government. We are also responsible. The Congress Government also did the same. In fact, at certain stages or at certain times, the Congress Government at Delhi also tried to over-centralise even though they talked about decentralisation. I do not say that the Janata Party Government alone is responsible for the policy.

SHRI KALP NATH RAI: They talk of decentralisation.

SHRI V. B. RAJU: This pattern must change. I do not want to go into details on that particular point. The Chief Ministers of the States are desirous of having a dialogue with the Union Government and the Prime Minister. The other day we had discussion for two days here on Union State relations in this House. It was so unusual, I think some research scholars must go into this. The Prime Minister intervened in the debate on a non-official resolution at the early stage itself and opposed it. I would like the Secretariat of the Rajya Sabha to do research on it as to

[Shri V. B. Raju]

whether it has happened before. It is most unusual. The Private Member's resolution is usually allowed a free scope for discussion. I leave that point at that the problem of Union State relations must be settled through debate, discussion and dialogue. Pandit Jawaharlal Nehru said: "Democracy is the sovereignty of discussion". If you deny the scope for discussion and dialogue, then you are driving the people to the wall. The other day, the Minister of State for Home Affairs said that the time was not yet opportune for discussion. I asked him to tell us when will the time be opportune and what did his astrologer say. Do you want agitations to be made? Is this the way we function in a system of parliamentary democracy? Even the Chief Ministers want a dialogue. You should not refuse it. The Finance Minister is a very expert administrator and a wise Minister. He would take the initiative for the purpose of discussing and having a dialogue on this point. What is the position of liabilities of the Union? I would like to draw the attention of the Finance Minister to it. It is not that he does not know about it. What is the latest liability by the end of this year of the Government of India? If we quantify, it will be Rs. 42,947 crores. That will be the liability. I don't think this includes the guarantee given by the Government. So, nearly Rs. 43,000 crores are the liability of the Government of India. And, unfortunately, Parliament has no control over the Finance Ministry. We assume that the Parliament is sovereign. We make a lot of lecturing that Parliament is sovereign. But we have no control on the borrowing power of the Government of India. In fact, the Constitution enjoins upon us and the Government to make a law to limit the borrowing power of the Union Executive. We have not made any law. May I request, the Finance Minister, in the interest of actual control by the Parliament, to think about the law for fixing up the limits

of borrowings by the Government of India? Sir, I need not actually quote the article of the constitution because everybody knows it. In fact, in the Indian system of parliamentary democracy, we have not been exercising control on the borrowings and the guarantees. I have not been able to quantify the extent of guarantee that the Government of India has given to various corporate bodies for how much, guarantee for borrowing has been given from foreign Governments and for how much within the domestic sphere. We will have to quantify. It is necessary for us to know how much this nation has been committed by way of liabilities. We must know about it. Secondly, though it is not relevant to this debate, we have no control over foreign agreements also. They would not come before us for ratification. We do not have any control over the foreign agreements. We do not have any control over the borrowing power of the Union Government. And for the last few days and weeks, we have been debating here about letters. And one foreign dignitary mentioned to me. "Mr. Raju, what is happening in your country? You are all debating on secondary issues. You do not actually debate on the solution to unemployment and other basic issues. They are lying there untouched. And what is that you are doing?" I said, "I have no control. In fact, who respects my views?" In fact, the political parties are doing one thing. I would say that the political parties are doing the job of committing suicide. This is what is happening; a disintegration of political parties is taking place. We side-track the issues and divert the attention of the nation from the basic and fundamental issues that face the nation, and we waste our time on minor and secondary issues.

Then, Sir, take the gold policy. The Finance Ministry has been discussing about it, the Reserve Bank also has been discussing about it. Sir, I was pleading for days that in this

country, gold provides psychologically the best security for the common family, and particularly for women. It is not for the aesthetic sense of wearing jewellery. It may be with a few. But in the village, gold provides the best security. History has shown that everything depreciates but the gold appreciates. Therefore, it is actually an economic necessity. Sir, as you are aware, there are two metals; one is the white metal, that is silver, and the other is yellow metal, that is gold. May I request the hon. Finance Minister to export white metal and to that extent get the yellow metal? The nation will not be a loser. And you sell the white metal for the yellow metal. Whoever gives you the white metal, you give him the white metal. Sir, what is happening the world over? (*Time bell Rings*) I will just finish in five minutes, Sir.

AN HON. MEMBER: Please give him some more time.

SHRI V. B. RAJU: Sir, I am not making any argument nor am I making any criticism. Not that you do not know about this; I am only emphasising on this point. For every 33 ounces of silver you get one ounce of gold in the International market. But in India for every 55 ounces of silver you get only one ounce of gold. This is actually the ratio, i.e., here silver is cheaper and gold is costlier and there silver is costlier and gold is cheaper, relatively. My point is why don't you send silver and get gold till we reach the world parity, till the domestic price for gold comes down? Is there anything wrong in this? Will the nation be a loser? The nation parts with one metal and gets another metal. If we are real democrats, what our people want let us give to them, let us not indulge in irrelevant theories of economics. Mr. Pranab Mukherjee was saying that by gold sales we are taking back the rupee, otherwise they would have invested it in shares and all that. I do not agree with that. It is all right what they would have done, but the

question is that there is a demand for gold. Why is smuggling taking place? Has he thought over this question? Nearly Rs. 200 difference is there between the international price and the domestic price for every ten grammes. Naturally it is a temptation for smuggling. Sir, the Finance Ministry says that there is no smuggling. All right, I will accept it. But tell me why did the gold price shoot up in the domestic market only three days ago. Why did it rise to Rs. 745 or Rs. 750? The reason is that because the international price had gone up from \$ 180 to \$ 215. Because the international price has shot up, it has had an impact on the domestic market also here, through the smuggling channel. This has happened because there is some contact. Therefore, I would request the Finance Minister to take this House into confidence and discuss the whole matter. A few tonnes of gold you have actually sold, the Reserve Bank has sold. What impact has it made? Did it benefit the country? No. It has benefited only a few gold dealers. They have taken it at a lower price and when the price has shot up they made money. This is not the way to deal with these things. And, only Bombay dealers have got this benefit, only Bombay-based people had this advantage. That is all. That is what has happened. I do not want to criticise the Government. The Government has done it with the best of intentions but this has not left any impact. When I am not convinced, I do not want to throw the blame on anybody.

Sir, the Finance Minister himself has agreed that the growth of term deposits is coming down. I am glad that he has realised that. Why? My understanding is that it has happened because of the policy of interest rates. You have reduced the rate of interest on deposits, long-term deposits. And, naturally it is not profitable to the depositor. This is one of the reasons, I think. I would request you to examine why the growth rate of term deposits is not as high as it was planned.

[Shri V. B. Raju]

Now, the other thing is, what is happening here to our textile mills. Sir, this sick industry business is a very serious matter. And, the banking organisation, in my view, needs to be thoroughly probed into in its working. Two hundred and eighty nine sick units have been identified which are eligible for more than 1 crore bank borrowing i.e. those units which have the capacity or the privilege to borrow more than Rs. 1 crore from the banks. There are 289 such units. In these 289 units, Rs. 860 crores of bank money is involved. Sir, the banks refuse to give any consumption credit or any credit to a poor farmer without security and to the sick units Rs. 860 crores of bank money has been given. Even in the Consultative Committee I requested the Finance Minister to make an inquiry and find out how the banking organisation has unwittingly been responding to the demands of the corporate sector when they are not legitimate. To say that the banking policy or the investment policy is sound, I am not prepared to agree when I see these figures.

Then, there are two thousand small-scale units which are now sick units. In fact, our industry is suffering from sickness, not because there is no market, not because there is no technical knowhow; it is purely because the money-making agencies or the money-making elements have captured this industry in a clandestine way. They have not developed any industrial culture.

One word about the district industries centre.

THE VICE-CHAIRMAN (SHRI SYED NIZAM-UD-DIN): Please conclude.

SHRI V. B. RAJU: Yes, I am concluding in one or two minutes. Mr. Fernandes is giving high expectations about the district industrial centres and 216 centres he has proposed. This

year, through this Appropriation Bill, they demand Rs. 15 crores but for a full year it may come to Rs. 30 crores or so. Sir, what are these centres going to do? My understanding is, this is only an expansion of the base of bureaucracy. Under one roof, everything is brought. I would, at best, call it a district industrial information centre. If the man in charge of the centre says that power should be given, does the Minister expect that the electricity board is going to give the power? If this man tells the bank to lend money, is the bank going to lend? Sir, don't rouse such expectations lest people will get disillusioned. By the official machinery, by the bureaucratic machinery, industrial development will not take place. Therefore, let not expectations be roused. We in the Congress Government committed the same mistake by rousing high expectations. Sir, the Minister promised in his Budget speech that there would be block development plans. We do not know whether the government have prepared the block development plans for the rural development. Where are they? The Minister promised in his Budget speech.

Sir, there is another important matter. The present Government should first tell us whether they are serious of the public distribution system or not.

SHRI KALP NATH RAI: No.

SHRI V. B. RAJU: Sir, the Commerce Minister says that they are increasing the number of fair-price shops and are adding more items for distribution. Sir, sugar has been decontrolled. It does not come under the public distribution now....

SHRI KALP NATH RAI: Sky-raising prices.

SHRI V. B. RAJU: What have you done with cloth? You shifted the responsibility of producing cheap cloth from the large-scale industry, from

mill industry to the handloom weaver. Sir, the Congress Government laid out a well-considered policy of "dual pricing" system. I would like the present Government to seriously consider about it before they destroy the dual pricing system. In respect of cereals, we are taking from the cultivator the grain at a particular rate—uneconomic rate to him—and then giving to the common man at less than the economic price. Similarly it is so in case of sugar and cloth and we were even applying it for paper for the textbooks, and our view was that 20—25 items must be procured from the factory and the farm. (*Time bell rings*) I am just completing, Sir. And we were procuring these items from the industry at less than the production cost and giving to the common people at less than the economic price and the rich people were to pay the open market higher prices so that within the purchasing power, a common man could have the essential things of life and resources would be transferred from rich to the poor. This is the road to socialism. This is what we thought. Do you want to destroy it? If you destroy this method, then what is the way out? There are certain things which are very important which I want to touch upon but since there is not much time, I would not go into those points and I thank you, Mr. Vice-Chairman, for having given me this opportunity to speak. With all sincerity I made the suggestions and I hope the Finance Minister will give due consideration to all these matters, to the matter of sugar, textile and also cement. Now, cement has been decontrolled and it went into the black market. In regard to sugar also the same thing is going to happen. By this method you are going to allow the black money to operate again to corner the essential supplies and make the life of the people miserable. I am giving this warning with the experience behind me. Please for Heaven's sake, do not commit this mistake.

SHRI KALP NATH RAI: They are playing in the hands of blackmarketeers.

SHRI HARKRISHAN SINGH SURJEET (Punjab): Mr. Vice-Chairman, Sir, out of a total demand of Rs. 550 and odd crores the Appropriation Bill proposes to pay out of the Consolidated Fund Rs. 430 and odd crores. The major amount is Rs. 430 crores which relates to transfer to the States to meet their deficits. In fact, it should have been estimated at that time that the Government will have to pay to the States more amounts because of the bad financial position they are faced with. But even this is not going to solve the problem. The States are asked to discharge big responsibilities. Our State structure is supposed to be a federal one, but so far as the finances are concerned they are fully controlled by the Centre. The States are left with only meagre resources. This also is not done on the basis of some solid principle. It is left more and more to the mercy and the discretion of the Central Government.

Sir, the whole history of the planning shows that there is a continuous rise in the dependence on the Centre for financial resources. It can be argued that the Finance Commission is appointed as a quasi judicial body provided for in the Constitution to determine the share of the State from the Central revenues. As has been argued by the hon. Member who spoke before me. I would also state that the basis of these recommendations have been changing from time to time. Earlier it was supposed that 40 per cent will be on the basis of population and 60 per cent on the basis of other factors. Later on, it came to 75 per cent on the basis of population and 25 per cent on other factors. But this is not so important. The more important is that the Finance Commission was by-passed so far as the major allocations, aid and other finances are concerned.

The important point to make is the devolution of major responsibility for grants-in-aid to the States does not fall within the purview of the Finance Commission. These grants are accom-

[Shri Kalp Nath Rai]

panied by specific conditions and every year the shares of grant-in-aid and Central loans are increasing as compared to the share in taxes. Whereas the share in taxes which was Rs. 352 crores during the First Five Year Plan went up to Rs. 4,547 crores in the Fourth Plan, the grant-in-aid which was Rs. 215 crores has come to Rs. 3,875 crores during the same period and the gross Central loan from Rs. 720 crores to Rs. 6,766 crores. This means that the share of taxes which is regulated through the Finance Commission is only 30 per cent of the total finances provided to the States by the Centre.

That means the Central loans have dominated the Central transfers. The proportion of the loans for gross transfer has ranged from 44 per cent to 55 per cent. Share of taxes has ranked second accounting for about 26 per cent of the total. Part of the Central loans has been used towards the repayment of loans. On a net basis the Central loans have not been so impressive. Take for instance Fourth Plan period where the gross loan amounted to Rs. 6,766 crores, out of which Rs. 3,701 crores went for repayment and only Rs. 3,065 remained as net loan. In fact the outstanding debt on account of Central loans, which was less than Rs. 240 crores at the end of 1952, has soared to the dizzy heights of about Rs. 12,333 crores as on March 31, 1978. The interest payments due on account of outstanding Central debt for the budget year 1978-79 are estimated to be about Rs. 550 crores. Repayment due is about Rs. 1023 crores. Together with the interest payment, the amount due constitutes a staggering proportion of about 65 per cent of the Central grants-in-aid earmarked for 1978-79. It is also interesting to note that the interest due is more than the statutory grants envisaged for the year under the dispensation of the Finance Commission. It is clear from this that two-thirds of the fiscal transfers have been made outside the purview of the Finance Commission. Even in relation to shareable taxes, the striking feature

has been that the obligatory share tends to decline while the permissive part of the shareable taxes has grown in relative importance. This itself is an index of the growing dependence of States on the Centre for finances.

In relation to grants every new scheme requiring Central assistance has to receive the prior approval of the respective Central Ministry. Another major component of the discretionary loans is the gap loans, comprising loans for clearance of over-drafts, loans for meeting gaps in resources and special accommodation. In fact, these have served as important levers of manipulation in States policies by rewarding the faithful and punishing the defiant. Eligibility was influenced by political norms and needs of the ruling party at the Centre. Famine relief, flood relief, relief for natural calamities has been another channel for political subsidisation. In fact the actual operations of the discretionary grant have been far from being conducive to bringing about a better redistribution of fiscal resources. This continuous dependence for finances on the Centre has raised the question of determining the financial resources between the States and the Centre on the basis of certain principles of de-centralisation and State autonomy. And today, a Committee appointed by the National Development Council is meeting in Delhi to debate this question.

Now we have to consider that the Congress monopoly power is broken and different parties are governing different States of the Indian Union. They have to be allowed sufficient initiative to fulfil their pledges to the people. This can only be done if the financial dependence of the States in relation to their revenue and capital requirements is minimised, curtailing the discretionary elements in the Central assistance. In fact, 75 per cent of the Central revenues are to be made available to the States and necessary amendment in the Concurrent List has to be made; otherwise, the States will not be in a position to take an initiative in restructuring their economy. They will always look upon the Centre

to meet their deficits like the present one.

The present Government, in spite of a lot of promises, is functioning on the basis of *ad hocism*. Recently, they have announced their textile policy in the name of helping the handlooms. But in reality they have helped the textile magnates, freeing them from the obligation of producing cheap cloth for the common man. This policy is neither going to benefit the handloom industry nor the consumers who will have to more for the cloth.

This Government, in fact, can be called a Government of decontrol. Recently they talked loud about the distribution system. Every day statements are being made that a proper public distribution system is being organised. But, in fact, they are determined to demolish the distribution system. Last year the Government completely left the trade in foodgrains at the mercy of the big traders. This year they have decontrolled sugar. In the beginning of the year, there was an increase of 15 paise per kilogram in the price of levy sugar. But now everybody, through the distribution system, is expected to pay 45 paise more in the name of decontrol. This will amount to an increase of Rs. 3/- a month in the poor man's budget everywhere. And while

6 P.M. doing so the Government wants us to swallow all the arguments given by the sugar magnates. The people were demanding nationalisation of sugar industry in the interest of the sugar cane grower and the consumer. The Government, instead of ensuring fair price to the cane growers and cheap sugar to the consumer, has announced decontrol so that the mill-owners are able to fleece both. The Government

is claiming that they have been able to decrease the prices. I will give you an example. They are saying that because of more production—although it has become more expensive—they have not been able to pay more price for the sugar cane. I will give you one example, Sir. In Punjab there are five co-operative sugar factories and two private factories. The two private factories continue to argue that they cannot meet the expenses, while the co-operative sugar factories have been able to give peasants a price of Rs.13.25 per quintal for sugar cane and a bonus of 25 paise. And even then if you go into the balance sheets of the factories they are running in profit.

Sir, the Government goes on to argue that they are bringing down the prices but the reality is that except for foodgrains all the prices of essential commodities are going up. This year there is precipitate fall in the price of commercial crops. In Punjab there is hundred....

THE VICE-CHAIRMAN (SHRI SYED NIZAM-UD-DIN): How much time are you going to take more?

SHRI HARKRISHAN SINGH SURJEET: Four or five minutes.

THE VICE-CHAIRMAN (SHRI SYED NIZAM-UD-DIN): Let us then adjourn. You can continue tomorrow. There is a function in the Central Hall.

The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at two minutes past six of the clock till eleven of the clock on Tuesday, the 22nd August, 1978.