

[श्री जगपाल सिंह]

सहारनपुर जिले में शिनालिक पर्वतीय श्रृंखला में पुराना ग्रामीण उद्योग के तौर पर 40 हजार हरिजन परिवार जंगल में भाभड काट कर लाते हैं और उससे बान बनाकर अपना गुजारा करते हैं। यह उनका उद्योग है। छोटे व ग्रामीण उद्योग को सरकारी तौर पर मदद करनी चाहिए। मैंने सरकार से मांग की थी कि इनको आर्थिक सहायता व छूट देकर इस धंधे को बढ़ाने में मदद करें ताकि हरिजन परिवार पल सकें। सरकार हरिजनों को उजाड़ कर नेशनल पार्क बना रही है जो कि अनुचित है और हरिजन कभी इस बात को नहीं मानेंगे। सरकार अपने फैसले को बदले और उनकी मांग काटने की रोक वापस ले ताकि यह हरिजन अपना जीवन चला सकें। सरकार से मांग है कि नेशनल पार्क न बनाए या बनाने से पहले कोई छोटे उद्योग घंघा लगा कर उनके लिए रोजी रोटी सुरक्षित करे।

14.41 hrs.

MOTION RE : REPORT OF EIGHTH  
FINANCE COMMISSION AND  
MEMORANDUM OF ACTION  
TAKEN THEREON—  
Contd.

MR. CHAIRMAN : The House will now take up further consideration of the motion moved by Shri Pranab Mukherjee on the Report of the Eighth Finance Commission.

SHRI GULSHER AHMED (Satna) : Mr. Chairman, I must admire the Chairman of the Eighth Finance Commission for solving a very difficult problem that all the previous Finance Commissions had to face. The problem was how to balance the share of different States so that those States, which are deficit or backward,

how their share could be increased so that their backwardness could be removed. The Seventh Finance Commission, and even before that, the backwardness of the State was taken into consideration and a different formula was envisaged by them. But the cherished goal or object which those Commissions wanted to achieve could not be achieved. The figures proved this fact.

Mr. Chairman, before devolution, according to the recommendation of the Seventh Finance Commission, there were only six States which were surplus. Those States were Punjab, Haryana, Maharashtra, Gujarat, Karnataka and one more State. There were about 22 States, and out of them six were surplus before devolution. But after the devolution, according to the principle or criteria laid down by the Eighth Finance Commission, five more States will become surplus, and I am very thankful to the Members of the Commission for at least my State is going to become surplus. The five States which will become surplus after devolution are very big States. They are Bihar, Uttar Pradesh, Madhya Pradesh, Andhra Pradesh and another state. This way, according to the recommendation of the present Finance Commission 11 States will become surplus and one State, Rajasthan, will remain deficit in the year 1984-85 and 1985-86, but after that, Mr Vyas, your Rajasthan will also become surplus. The position of your State was really very bad.

SHRI SATISH AGARWAL (Jaipur) :  
Must be had in 1984-85.

SHRI GULSHER AHMED : I have told you that. But imagine how they have manipulated with this formula. They have made yours a surplus State after 1986-87.

Another important thing is that they have said that the criteria for distribution of States' share between the States *inter se* should be the same so far as the income-tax and excise duty are concerned. Before this, different criteria were fixed for the devolution of excise duty and income-tax.

But they have said that there was no economic or legal basis for this kind of different criteria of devolution of income-tax and excise duty. That is another departure which the Eighth Finance Commission has made and I think they deserve all congratulations.

So far as the new formula that they have invented is concerned, I think that formula is really very progressive and is based on reliable data because they have made the formula on the basis of per capita income. They have recommended that out of the proceeds sharable by the States, 25 per cent should go to the States according to the population and another 25 per cent should go on the basis of inverse per capita income formula. That is, they have taken three years' average, 1976-77, 1977-78 and 1978-79. This way they have taken the average per capita income of the States. Then they have multiplied it by the population of the States and they have called it "Income-Adjusted Total Population". After "Income-Adjusted Total Population" has been made and whatever ratio comes to that particular State, 25 per cent would go to that State according to that ratio. The same formula they have envisaged on the basis of distance and I think that is a very good formula. When I say distance formula, it means that the three years' average per capita income of a State will be compared with the three years' average per capita income of another State which has the highest surplus. The highest surplus in our case is Punjab and whatever is the distance between that State and the surplus State, on that the experts have fixed that if the percentage is so much, so much, so much percentage should be given to the State. This way a new formula of devolution has been adopted by the Eighth Finance Commission and I think, according to them this will go a long way to help the deficit States. Not only this, the Commission has given really very good consideration to the deficit States. They have said that the share of the States will be 45% in Excise Duty. Out of that they have taken 5% for the deficit States. These deficit States will get 40% share like other States but

apart from that 5% share of Excise Duty will go to the deficit States. How will that go? Whatever will be the amount of 5% of Excise Duty of the Central Revenue, out of that 5% will be distributed among them and whatever may be their ratio of deficit that will go to those deficit States, whatever may be their deficit position. Suppose, some States is 10% deficit, or 20% deficit, according to that, that amount will go to the deficit States. Apart from this, this Commission has also made lot of provisions for the deficit States.

They have recommended re-scheduling of payment in the case of deficit states. That is another advantage that has been given to these deficit states.

SHRI VIRDHI CHANDER JAIN (Barmer): Re-scheduling has not been done.

SHRI GULSHER AHMED: They have recommended.

MR CHAIRMAN: Let him have his say.

SHRI GULSHER AHMED: Another facility that they have given to these States is that they have sanctioned some amount which will also be written off as debts. Then they have recommended that whatever fresh borrowings these States have done, those will be paid by the Central Government. They have also recommended grant to meet committed plan expenditure for the year 1984-85.

Another recommendation the Commission has made for the deficit States a group of Rs. 915 crores for upgrading administrative department.

A question has been very rightly made—when the Commission made interim report in the month of November, they had written that their recommendations were provisional and adjustment could be made according to their final report. The question is why this

[Shri Gulsher Ahmed]

adjustment could not be made. The reasons have been given by the Minister—that Plans have been made, Budgets have been made and the report was presented very late. One very important thing was that when the time was extended this Commission, was asked to give interim report in the month of November, 1983, the President by his order had also ordered that they should present the final report by 19th February, 1983. Had they done this, when they had recommended that these are interim recommendations and are provisional but adjustment could be made after the final report, it, was in their mind that they were supposed to give report in the month of February, but they did not give it in February, they gave it on 30th April, 1984. It was too late. I am sure if the final report of the Finance Commission would have come in the month of February, the Finance Minister would have made adjustments and the Planning and Budgetary provisions in the Central Budget and the State Budget could have been made according to that. It was said by some learned Member that in the year 1969 in a similar situation, the report was made very late, it was applied in the month of August. But the difference is that the amount involved then was very small. Now the amount involved is going to be very very big and under these circumstances, it is not possible at this stage, after 4 months have passed, to make adjustments according to the recommendations of the Finance Commission. So to say or to accuse that the Finance Minister is not implementing the recommendation with effect from this year because he wants to harm the West Bengal Government, is not correct. I don't think there is any justification in it.

Another very good thing that this Commission has done is this. The theory was that the deficit of the States should be met out of grants-in-aid. This Commission said that it is not a good policy. Deficit should be met from taxation or excise duties. And

that is why this new formula of per capita income has been invented by them and I think most of the States which came before the Eighth Finance Commission said that they did not want deficit should be met out of grants-in-aid. They have said, it should be met out of taxes or excise duties. So, it is a very good thing that has been done by the Finance Commission.

The Commission has also made another very good suggestion. They have suggested that the Finance Commission's report should synchronise with the Five Year Plan. I feel personally, being a layman—I do not know anything about finance or economy—that it is a good suggestion. The Finance Minister is not accepting the recommendations for the year 1984-85. He is only accepting those recommendations for 4 years from 1985-86 onwards. The Seventh Plan is also going to start from 1985 to 1990. Why should these recommendations not be made applicable to this period. If there is any Constitutional difficulty, he can constitute a new Commission to go into it. It is a very good idea. It had been suggested by the previous Commissions also that the report of the Finance Commission should synchronise with the Five Year Plan.

Now, I come to two or three things, which I am sure my Finance Minister will not agree at any cost. But all the Commissions have said something about them. So, I feel it is my duty to say it. I will be doing a great service to the State from which I come if I plead for it. I am sure, he is not going to accept it. It is about the corporation taxes. There has been a long standing demand by the States that some shares should be given to them out of the corporation taxes. This Commission also have said that the review of the corporation tax business really is over due and some kind of dialogue should take place with the Central Government. I wish that the Finance Minister should give something out of the corporation taxes. (Interruptions).

Second thing on which we have been agitating for a long time and which the

Finance Commission has also recommended is this. This Commission has recommended that the surcharge should be withdrawn from the year 1985-86 or it should be merged with the income-tax, which I think, my learned friend is not going to do. Since I come from the State which is demanding it and as the Commission has recommended the case, as also had been done by the previous Commission I must plead that he must have some consideration for the poor States.

15 hrs.

I think, I have made my points and I thank you Mr. Chairman, for giving me time.

श्री जगपाल सिंह (हरिद्वार) : महापति महोदय, आठवें वित्त आयोग की रिपोर्ट पर यह सदन पहली बार चर्चा कर रहा है। मैं इसका स्वागत करता हूँ और आशा है कि जो सरकारें भविष्य में आगूँगी वे इस प्रथा को बनाए रखेंगी। कल सत्ताधारी पार्टी के एक सदस्य ने इस पर आश्चर्य व्यक्त किया कि हमारे वित्त मंत्री श्री प्रणव मुखर्जी ने इस आयोग की रिपोर्ट पर सदन में चर्चा कराकर एक बहुत बड़ा जोखिम उठाया। मैं ऐसा नहीं मानता हूँ। सदन में यह रिपोर्ट रम्बी जानी चाहिए और इस पर चर्चा इस देश के सदन में होनी चाहिए ताकि सरकार को सत्ताधारी दल के और विरोधी दल के माननीय सदस्य इस पर क्या राय रखते हैं वह मालूम हो सके और यह बात सदन के सामने आ सके।

15.01 hrs.

[SHRI CHINTAMANI PANIGRAHI  
in the Chair]

आठवें वित्त आयोग की सिफारिशों को सरकार ने स्वीकार किया है। इसके बारे में

मैं एक ही बात कहना चाहूँगा कि हिन्दुस्तान का संविधान बनाने वाले लोगों ने जो संविधान के अनुच्छेद 280 में इस प्राविधान को रखा है उसके पीछे कुछ मंशा थी। संविधान बनाने वाले जहाँ एक तरफ इस देश को एकात्मक और दूसरी तरफ संघात्मक प्रणाली दे रहे थे तो उस समय इस पर बड़ी गहराई से चर्चा हुई और उन्होंने सोचा कि इस देश के संघात्मक शासन को किस तरीके से मजबूत किया जा सकता है ताकि केन्द्र में जिस पार्टी की सरकार हो वह हिन्दुस्तान के सारे संसाधनों का इस्तेमाल अपनी मन मर्जी से, अपने तौर तरीकों से न कर सके। इसलिये संविधान बनाने वालों ने अनुच्छेद 280 में फाइनेंस कमीशन का एक इंडिपेंडेंट और साबरेन स्टेटस रखने का प्राविजन दिया है जिसमें केन्द्र और राज्यों के संबंध और जो हमारे आर्थिक संसाधन हैं उनका किस तरह से इस्तेमाल हो, उनका किस प्रकार से वितरण हो इन सब बातों पर गहराई से विचार किया जा सके।

इस आठवें वित्त आयोग की रिपोर्ट में साढ़े अड़तीस हजार रुपया राज्यों को हस्तांतरित होगा। इस आयोग की रिपोर्ट में कुल पांच परसेंट बढ़ाकर रखा गया है। सातवें वित्त आयोग की रिपोर्ट में 20 प्रतिशत से बढ़ा कर 40 प्रतिशत राज्यों को आर्थिक साधन और उनको सुख-सुविधा देने की बात रखी गई थी जबकि आठवें वित्त आयोग की रिपोर्ट में सिर्फ पांच परसेंट बढ़ाकर राज्यों को इन संसाधनों का वितरित करने का प्रावधान रखा गया है। मैं कहना चाहता हूँ कि यह बहुत कम है क्योंकि पिछली बार जब से श्रीमती इंदिरा गांधी सत्ता में आई हैं और सरकार में बैठी है तब से अब तक मंहगाई में 55 प्रतिशत की वृद्धि हो चुकी है और आपके वित्त आयोग ने कुल पांच

[श्री जगपाल सिंह]

परसेंट बढ़ाया है। महंगाई 55 प्रतिशत बढ़ी, प्रदेशों का हर योजना पर खर्च बढ़ा, चाहे वह अस्पताल की योजना हो, सड़कें बनाने की योजना हो, जन-कल्याण की योजना हो या ब्लॉक डेवलपमेंट और ग्रामीण विकास की योजना हो, सब पर खर्चा 55 प्रतिशत बढ़ गया है और प्रायोग की रिपोर्ट के अनुसार प्रदेशों को आप केवल पांच प्रतिशत बढ़ा रहे हैं।

मैं खासतौर से यह कहना चाहता हूँ कि आयकर का अंशदान तो इन्होंने बिल्कुल ही पहले जैसा रखा है। स'तबें वित्त आयोग ने जो स्थिति रखी थी वही स्थिति ज्यों की त्यों घाठवें वित्त आयोग ने रखी है जब कि सरकारिया कमीशन उस पर जांच और अध्ययन कर रहा है कि केन्द्र और राज्यों के अन्दर समाधानों का तात्समेल कैसे बँठना चाहिए, मैं उस पर नहीं कहना चाहता लेकिन प्रदेशों के आर्थिक समाधानों के बारे में चाहे वह केन्द्र शासित कावेस के प्रदेश हों चाहे विरोधी पार्टियों के द्वारा शासित प्रदेश हों, बहुरहान, यह मांग राज्यों के चीफ मिनिस्टर्स के द्वारा उठाई गई है कि हमको केन्द्र की तरफ से ज्यादा साधन मिलने चाहिए और ज्यादा वित्तीय अधिकार मिलने चाहिए। लेकिन इस मामले पर केन्द्रीय सरकार के कान पर जू नहीं रेंगी है। मैं यह कहना चाहता हूँ कि जब-जब बेस्ट बगाम के चेक रिजर्व बैंक ने इसबानर कर दिए तब यह झगडा भयानक रूप में आपके सामने आया। बिहार के मुख्य मंत्री श्री जगन्नाथ मिश्र ने बराबर इस बात की मांग की थी, पंजाब के मुख्य मंत्री दरबारा सिंह ने भी बराबर मांग की थी और बंगाल के चीफ मिनिस्टर मांग करते थे और प्राज भी

मांग कर रहे हैं कि हमारे वित्तीय अधिकार अधिक होने चाहिए, केन्द्रीय सरकार ने उनको कम कर दिया है। उन्होंने कहा है कि राज्यों के वित्तीय अधिकार बढ़ाए जाने चाहिए बरना विभिन्न प्रदेशों में विकास की जो दर है वह असमान हो जायेगी। केन्द्रीय सरकार प्राज इस चीज को अच्छी तरह से भुगत भी रही है। पंजाब और असम उनका नतीजा है। असमान विकास दर होने पर लोगों में विपरीत प्रवृत्ति पैदा होना स्वाभाविक है। केन्द्र ने पंजाब को ज्यादा सहायता देकर घाटे बढ़ाया जिससे उनमें सुपीरियोरिटी कॉम्प्लेक्स पैदा हो गया। पंजाब में विकास दर सबसे ज्यादा थी। केन्द्र द्वारा पंजाब को ज्यादा योजनाएँ और ज्यादा सहायता देने की बजह से उसकी उन्नति हुई है। दूसरी तरफ असम इस अनइबल डेवलपमेंट का दूसरा नतीजा है। अगर देश का समान डेवलपमेंट होगा तो देश के स्थिति होने का खतरा नहीं रहेगा। असम में सड़कें नहीं हैं, रेलें नहीं हैं, अस्पताल नहीं हैं और आठवें फाइनेंस कमीशन ने अपनी रिपोर्ट में जो फार्मुला दिया है कि जनसंख्या और प्रति व्यक्ति आय के आधार पर सहायता दी जायेगी और जो उन्होंने 38 हजार करोड़ का प्रावधान रखा है उसका मैं विरोध करता हूँ। इस फार्मुले के आधार पर तो जो पिछड़े हुए राज्य हैं उनको कम सहायता दी जायेगी और जो आगे बढ़े हुए राज्य हैं उनको ज्यादा सहायता मिल सकेगी। आठवें फाइनेंस कमीशन के इस फार्मुले के आधार पर पिछड़े हुए प्रदेश पिछड़े ही रह जायेंगे आगे नहीं बढ़ पायेंगे। यह एक अजीब फार्मुला दिया है। राजस्थान में चूक घाटा कम है इसलिए उनका कम सहायता दी जायेगी—यह क्या बात है? जो घाटा बढ़ा कर दियाएँ उसको आप ज्यादा वित्तीय

सहायता देंगे। मैं इसका घोर विरोध करता हूँ। आठवें फाइनेंस कमीशन ने पिछड़े हुए राज्यों की भौगोलिक परिस्थिति, सूखे की स्थिति, महस्यल, प्राकृतिक विपदायें इन सभी चीजों को नजर-अन्दाज कर दिया है। राजस्थान में 5-7 साल से सूखे की स्थिति है। वहां पर जो नहर बनाई जा रही थी उसकी योजना भी ठप है और राजस्थान में आज विकास दर सबसे कम है। जनसंख्या और प्रति व्यक्ति आय के आधार पर जो फार्मूला बनाया गया है उससे तो पिछड़े हुए प्रदेश पिछड़े ही रहेंगे। उनको आगे बढ़ाने की कोई योजना नहीं है। आठवें फाइनेंस कमीशन की रिपोर्ट को सरकार मान रही है, उसके आधार पर पिछड़े हुए प्रदेशों को 25 प्रतिशत और सर्वाधिक बढ़े हुए प्रदेशों को 50 प्रतिशत वित्तीय सहायता देने का प्रावधान रखा गया है। मैं समझता हूँ यह किसी भी प्रकार से वियेकशील फार्मूला नहीं है। सरकार इसपर पुनः विचार करे। इस देश के जो उत्तर पूर्वी प्रदेश हैं—असम, मेघालय त्रिपुरा, नागालैंड, मिजोरम और राजस्थान या पूर्वी उत्तर प्रदेश के जो हिस्से हैं उनकी विकास दर और भी ज्यादा पिछड़ जायेगी। मैं इस फार्मूले का समर्थन नहीं कर सकता क्योंकि राजस्थान जैसे प्रदेश जिनमें आज भी पीने का पानी की व्यवस्था नहीं हो पाई है वे पिछड़े ही रह जायेंगे। राज्यों को तो पहले से ही शिकायत थी कि केन्द्र ने वित्तीय संसाधनों को सेंट्रलाइज कर लिया है। हमारे देश की प्रधान मंत्री बार बार कहती हैं कि केन्द्र मजबूत होना चाहिए। इसका कौन विरोध करता है? कौन कहता है केन्द्र नहीं मजबूत होना चाहिए? लेकिन राज्यों को कमजोर करके राज्यों के फाइनेंशियल रिमोर्सज को छीन करके केन्द्र मजबूत नहीं हो सकता है। केन्द्र तभी मजबूत होगा, जब

राज्य मजबूत होंगे। उनके फाइनेंशियल रिमोर्सज बढ़ेंगे। ऐसी कौन सी चीज है जो राज्य सरकार नहीं करती है। अस्पताल जनसुविधायें, विकास की दर, एप्रोकल्चर, इरिगेशन, स्माल स्केल इंडस्ट्रीज, रोड्स, हर काम प्रदेश की सरकारें करती हैं। लेकिन प्रदेश की सरकारों को वित्तीय अधिकार देने के बजाय केन्द्र अपने हाथ में अधिकार लेती जा रही है। इससे देश का विकास नहीं हो सकता है। जब तक राज्यों को ज्यादा वित्तीय सहायता साधन नहीं देंगे, तब तक राज्यों का विकास नहीं हो सकता है। इस लिये मेरी मांग है कि केन्द्र राज्यों के वित्तीय साधनों को बढ़ाये। आज उनकी जरूरतें बढ़ रही हैं, जनता की जरूरतें बढ़ रही हैं, आज उनको नहर और पुल व सड़क सब चीजें चाहिए। इसलिए मैं इस फार्मूले का विरोध करता हूँ। एक माननीय सदस्य द्वारा कहा गया कि 1985-86 में घाटा कम हो जायेगा मैं समझता हूँ कि पिछड़ा हुआ राज्य जो है, उस राज्य की परिस्थितियों के हिसाब से फाइनेंशियल रिमोर्सज को फार्मूलेट करना चाहिए। अगले दो साल में घाटा नहीं रहेगा, लेकिन आने वाले दो सालों में राजस्थान का क्या होगा? उनका विकास कहाँ जायेगा, उनके विकास की दर कैसे बढ़ेगी, इस पर केन्द्र सरकार और वित्त मंत्री गहराई से विचार करें। इस देश की एकता और अखंडता के लिए भी जरूरी है कि केन्द्र के पास वित्तीय रिमोर्सज कम हों और राज्यों के पास ज्यादा हों। केन्द्र के हाथ मजबूत करने का मतलब है, श्रीमती इंदिरा गांधी के हाथ मजबूत करना। उस हाथ में पूरी शक्ति हो, यह मनीवृत्ति इस देश की एकता और अखंडता के लिए खतरनाक है, मैं इसका विरोध करता हूँ। केन्द्र की मजबूती के नाम पर राज्यों को कमजोर

[श्री जगपाल सिंह]

किया जा रहा है। मैं उम्मीद करता हूँ कि हमारे फिनेंस मिनिस्टर संविधान के अनुच्छेद 280 की भावना को पूरा करने का प्रयत्न करेंगे।

इन शब्दों के साथ मैं आपको धन्यवाद देता हूँ कि आपने मुझे बोलने के लिए समय दिया।

SHRI Y. S. MAHAJAN (Jalgaon) : Mr. Chairman, Sir, I congratulate the Finance Commission appointed under the chairmanship of Shri Y.B. Chavan for the realistic, impartial and progressive character of the Report. The Report is evidence of the patient and painstaking efforts in the analysis of the comprehensive data regarding resources and expenditure furnished to the Commission by various agencies. The Report also shows considerable insight and imagination in interpreting the changing economic conditions and financial requirements of the various States during the five years under review. Its recommendations, Sir, have been made after a thorough searching study of the recommendations of the previous Commissions. These recommendations are based not only on a proper appreciation of the financial/economic needs of different States but also on acceptable principles of distributive justice. The Indian political structure is federal in character and the recommendations of the Finance Commission are meant to fulfil the objectives of the federal financial system which derives from it. Two important recommendations of the Report relate to sharing of the net proceeds of the income tax and union duties of excise. The share of the net proceeds of the income tax assigned by the First Finance Commission to the States was 55 per cent. Gradually the percentage increased and the 7th Finance Commission fixed it at 85 per cent and the 8th Finance Commission followed the same and fixed it at 85 per cent. Out of this 85 per cent, 10 per cent will be distributed on the basis of contribution and the 90 per cent will be allocated between the

States on the same basis as the predominant part of the excise duties. Distribution of the net proceeds of income tax between the States is mandatory under the Constitution, whereas division of the net proceeds of the Union duties of excise depends on Parliament. Here also, in the case of excise duties, the devolution began with a small percentage covering a few commodities. Gradually, the number of commodities increased, and percentage also increased. The 4th Finance Commission finally considered the demand of the States for a share in the net proceed of all excise duties as perfectly reasonable. The 8th Finance Commission has also recommended that the States should be paid a share out of the net proceeds of all excise duties other than those collected under the provisions of the Additional Excise Duties Act and cesses earmarked for special purposes.

Now, the really important feature about these two recommendations are : 90% of the States' share of income tax, and 40% of the net proceeds of excise duties are to be distributed between the States on the same principles which is a new feature of the recommendations of the 8th Finance Commission. This is an important departure from the recommendations of all the previous Finance Commissions. This has been done with the sole purpose—I hope the hon. Member who spoke just now will listen—of securing a high degree of progressivity in the allocations, i.e. the poorer a State the higher the allocations it should get. That is the idea behind the recommendations.

The formula for distribution designed for the purpose assigns a weightage of 25% to population, as population is considered by the Commission, and quite rightly, as the primary criterion for determining, in general terms, the needs of all States. The share of a State is given by the percentage share of its population in the aggregate of all States' populations. A great importance has been given to the backwardness of the States in designing this formula. So, 25% weightage is given

to the inverse of per capita income, multiplied by population. If there are two States, A and B each with a population of 10 million, and A has an average per capita income of Rs. 100/- and B an average per capita income of Rs. 200 then A will get twice the amount which B will get

Then, a weightage of 50% is given to the distance of average per capita income of any State during the three years 1976-77, 1977-78 and 1978-79, from that of the State which has got the highest per capita income, which is Punjab. Though Punjab has the highest per capita income, it should be given something. It would not get anything under this formula. So, to enable Punjab to get something, its distance has been treated as equal to the distance of Haryana, so that Punjab gets something under this part of the formula. The formula tilts heavily in favour of States which suffer from backwardness. As a measure of the striking imbalance between the economic development of different States, the Finance Commission cites the examples of Orissa and Maharashtra. It says that the percentage of own revenue receipts to revenue expenditure in 1982-83 varied between 42.6% in the case of Orissa and 107.2% in the case of Maharashtra. There has been such a big difference between the revenue capability of different States. The Commission has rightly accepted per capita income as a more appropriate composite criterion than any other, to reflect the level of backwardness of States, as well as their capacity to raise revenues. Even after the devolution of income tax and excise duties some States remain in deficit. To help them, a new formula has been designed by this Commission, an innovation, a new departure, from the reports of the previous Commissions. The Commission says that 5% of the excise duties should be distributed between the deficit States. It, therefore, recommends that additional 5 per cent of the net proceeds of the excise duties be set aside and distributed to those States which have deficits after taking into consideration their shares from the devolution of all taxes and duties including their shares of excise duties, and

grants in lieu of the tax on railway passenger fares, but excluding their shares of estate duty and grants on account of wealth tax for agricultural property. The distribution would be based on the proportion of the deficit of each State to the total of the deficits of all States as estimated by the Commission. Then even after this there are certain States which have suffer from fiscal gap, and, therefore, the Commission says—and this principle was accepted by the previous Commissions also—that we should give grants-in-aid to all these States which suffer from fiscal gap. The principles laid down are that the grants-in-aid may be given to States to enable them to cover fiscal gaps, if any are left, after devolution of tax and duties so as to enable them to maintain a level of existing services in the manner considered desirable by us and built in their revenue forecasts. In this connection, consideration should be given to the tax effort made by the States to mobilise resources, economy of expenditure consistent with efficiency and the management of the public enterprises. This recommendation which has been made by the previous Commission also has been subjected to criticism on the ground that if you make grants-in-aid to enable States to fill up their gaps, you are putting a premium on inefficiency. To get over this objective, the Commission says, you give grants-in-aid after considering these three things: their mobilization of resources, their management of public enterprises and their economy of expenditure. The grants-in-aid may also be made as a corrective intended to narrow, as far as possible, the disparity in the availability of various administrative and social services between the developed and the less developed States. Such grants-in-aid can also be made to States which have special burdens which are of a national character. The eighth Finance Commission considered these principles of grants-in-aid as unexceptionable and broadly agreed with the views of the Seventh Finance Commission on this matter.

India is a huge country and the variations in the economy development of various States is large. So, some States are not able to maintain their services at a

[Shri Y.S. Mahajan]

proper level and, therefore, the Commission has said that States should be given grants-in-aid to enable them to maintain the level of their services at a certain standard; and for this purpose, they have selected about 8 sectors such as health, education, judicial administration and district administration. You will be surprised that in the matter of education we find that even a State like Maharashtra has more than 35 per cent of the schools as single-teacher schools. The figures are that out of 4,55,023 primary schools in 22 States, 1,65,848 that is 36.5 per cent of the primary schools function as single-teacher schools. Support to such States is necessary upgrade these schools.

Take the case of judicial administration. You will find that we have not got enough courts and judges. In 1983 there were about 90.7 lakh cases pending in district and subordinate courts as on 31.12.1981. To enable the States to improve their level of services, the Commission has recommended grants varying upto Rs 967 crores.

The Eighth Finance Commission has proposed the transfer of Rs 39,452 crores through devolution of taxes, excise duties and grants-in-aid of the revenues of the States under Article 275 of the Constitution. The States benefits, for instance, are: Andhra Pradesh gets Rs. 2,896 crores, Maharashtra gets Rs. 2,635 crores, Uttar Pradesh gets Rs. 6,105 crores and West Bengal gets Rs. 3,449 crores. The total amount so transferred is about 90 per cent more than the amount transferred by the Seventh Finance Commission. The amount transferred has increased from Rs. 21,000 crores to Rs 39,452 crores. In that respect the report has made a big transfer to the States. Under the existing circumstances it is doubtful whether the Commission could have gone further in carving out a larger share for them. After all, the total resources of the Government are limited. They cannot be easily expanded. On the other hand, the financial responsibilities of the Central Government are also increasing rapidly. This fact should not be forgotten. The expenditure on defence, subsidies on food and fertilizers and interest payments are to be

taken into consideration. These three items take away 50 per cent of the Central Government's revenues. And out of the remaining amount, 37 per cent is at present being transferred to the States, largely on the recommendations of the Finance Commissions and the Planning Commission. Within the parameters available to the Finance Commission, it has done its best. It has not only made provisions to cover revenue gaps but also has taken steps to reduce regional imbalances by providing additional resources to the States.

MR CHAIRMAN: Kindly conclude now.

SHRI Y.S. MAHAJAN: I am concluding. I am coming to the objections made by the Opposition.

SHRI SATISH AGARWAL: We do not object to anybody's speech.

SHRI Y.S. MAHAJAN: Hon Members have objected that the recommendations have not been applied to 1984-85. They have not understood that the Commissions recommendations are not mandatory. It is absolutely wrong to suppose so. Let me read out the provisions of the constitution.

SHRI SATISH AGARWAL: You are not unhappy with their not being implemented in 1984-85. You do not seem to be unhappy.

SHRI Y.S. MAHAJAN: Article 280 (3) says:

"It shall be the duty of the Commission to make recommendations.

They are only recommendations. They are not awards. They are not binding on the Government. We have instances where one Commission had made recommendations for five years, but recommendations were terminated after three years as it was decided that three years should be treated as three annual Plans. There are other

Commissions. The Third Finance Commission was asked to give its recommendations for a four-year period. Secondly, it is said that because these recommendations have not been accepted in the year 1984-85 some injustice is done to some States. Some Members have used highly vituperative language and probably exhausted such words in the dictionary. The Finance Minister has stated that the States would have got 14,000 crores more than they have by other not accepting the recommendations for 1981-85, but we need not exclude the provision of Rs. 600 crores made by the Finance Minister for State Plans and the Commissions recommendation of Rs. 494 crores to enable the States to tide over their deficits. If the recommendation had been accepted for the current year, the Finance Minister would have been compelled to increase taxation by Rs. 1400 crores or increase deficit financing by an equal amount but this would have boosted inflation. Because of this difficulty it was not possible to accept the recommendations during the current year.

Had the Finance Commission been made a permanent body, most of the criticisms made by the opposition Members would have become meaningless. Economic forecasting is a very difficult job. It is not possible to forecast your income and expenditure during the next five years. This is what the Finance Commission has to do. We get the budget at the beginning of the year and after three months the Finance Minister has to come with the supplementary demands. That means, we cannot estimate our income and expenditure accurately. If the Finance Commission is made a permanent body, then it can report every year and then this difficulty could be partly overcome.

**SHRI SATISH AGARWAL (Jaipur):** The House is currently debating the Motion moved by the hon. Finance Minister considering the report of the Eight Finance Commission. While making his observations yesterday, the hon. Finance Minister tried to explain the whole position to the House as to why this report is not being implemented from the year 1984-85. I am not going to enter into any

controversy with regard to the legality or otherwise of these recommendations not being implemented from the year 1984-85.

I heard two very eloquent speeches yesterday—one from hon. Shri Brahmananda Reddy, who at one point of time, happened to be the Chairman of the Sixth Finance Commission which submitted its Report in 1973. I am one with him on many points. I would like to compliment him on this bold speech yesterday whatever he felt. This is expected of senior persons like Mr. Brahmananda Reddy and Mr. Ranga to come out openly and boldly in House on issues or on subjects which they feel that this is the correct opinion or correct approach without caring whether the Minister will be pleased or displeased. Mr. Mahajan can take care whether the Minister will be pleased, not Mr. Ranga. I am neither a senior parliamentarian nor a seasoned parliamentarian. I am a humble parliamentarian. But I have been taking that particular approach in this House and I have spoken on subjects which I feel that this is the correct approach without caring for the fact whether it goes in favour of the Government or against the opposition. I have taken a stand on various issues which, on certain occasions, has not been congenial or found favour with my opposition friends. But I have done so.

So far as the constitutional aspect, legality or illegality is concerned, I leave it to the Finance Minister of the home State of the Finance Minister. It is for Dr. Ashok Mitra to go to the Supreme Court and challenge the whole decision of the Central Government whether that is legal or illegal, constitutional or unconstitutional. So, I leave that chapter for him.

We are in 1984. Much water has flowed over the years. We should have a different approach to the whole problem. After all, we have a parliamentary democracy, we have a federal set up, the States are very much there, the Central Government is there and it is neither my case nor it can be the case of any patriotic parliamentarian or an Indian

[Shri Satish Agarwal]

that Centre should be weak. Centre should be strong, as strong as possible. In our Sub-Committee, which the BJP has formed for the Centre-State relations, we have strongly recommended in our note, for example, that Customs Duty should not be put in the divisive pool. It is a very harsh decision but we have taken that because we strongly feel so. In the first paragraph of our Sub-Committee's Report we have mentioned that India is one, people are one, it should remain one, it should be strong, as strong as possible. Without strong Centre India cannot remain strong. But States are the federating units and as the head of the family, we have to look after their interests. There is a Schedule, there is a list I, there is a list II, there is a Concurrent List. We need funds for developmental purposes. Major items of expenditure for the Centre are Defence interest payments and subsidies. No doubt about it but in the States the whole developmental activity, more or less, is in the State sector, whether it is road construction, whether it is agriculture, whether it is irrigation, whether it is school education—primary or elementary—rural drinking water and so many other things. So, all basic needs of our society are to be looked after by the States. Therefore, for all developmental purposes the States have to be strengthened. I am not going to accept the charge by anyone that the States have lagged behind in mobilising the resources and in that particular connection I have a complete chart right from the First Finance Commission to the last Seventh Finance Commission wherein it has been mentioned categorywise right from 1951-52 to 1983-84 as to how much have been the gross collections, how much share has been transferred to the States, how much have been the total States' revenues and how much has been transferred by the Centre to the States. I will tell you very briefly. The total Central gross collection in the year 1951-52 was Rs 506 crores and the total gross State Revenues in the same year were Rs. 423 crores. It was less in 1951-52 but if you see the chart, every five years it has gone up and if you see the

figures for 1979-80, you will find that the Central collections went up from Rs 506 crores to Rs. 11,782 crores and the States Revenues from Rs. 423 crores to Rs. 13,830 crores. So far as the collection is concerned and so far as the increment is concerned, the States have not lagged behind. In 1981-82 the Centre's collections are Rs. 15,364 crores and the States collections Rs. 16,656 crores. You see the whole chart. The States' increases are also very enormous. It is not that the States have not been able to mobilise the resources which they were expected to do they have done very well on that score, misuse is a different thing.

Now, so far as transfer from the Centre to the States is concerned, in the year 1951-52, Rs 53 crores were transferred from the Centre and the grants were only Rs 15 crores. Later on, it went on increasing. This was 10 per cent of the Central Government's gross collections. Out of Rs 506 crores, Rs. 53 crores were transferred to the States, which was just 10 per cent. After the Second Finance Commission it went up to 18 per cent. Subsequently, in 1958-59 it was 22 per cent, 1959-60 20 per cent and 1960-61 20 per cent. But, in 1966-67 it came down to 15 per cent. Out of the total collection in the Central sector of Rs 2,295 crores the transfer was Rs. 368 crores, which was just 15 per cent. So, the share came down. Later on, again it has picked up no doubt about it. I do not say it has not picked up; it has picked up, more after the submission of the Report of the Seventh Finance Commission. You may accuse the Janata Party of many things. But you must pay some compliment some time. The Seventh Finance Commission recommended an increase in the share of the excise duty from 20 to 40 per cent. The Janata Party accepted the recommendation of the Seventh Finance Commission and the share of the States was increased from 20 to 40 per cent. This is one good reason why in that particular year, in 1979-80, while the additional mobilisation or increase in gross collection at the Central level was Rs 1,568 crores, the transfer was more by Rs. 1,450 crores.

So, whatever was the increase at the Central level in 1979-80 was more or less transferred to the States.

I am not one of those who will say that the entire Central collection should go to the States. But I was expecting that the Eighth Finance Commission will increase the share of the States in the divisible pool, so far as excise duties are concerned,—not doubling it, as it was done by the Seventh Finance Commission from 20 to 40 per cent; I was not expecting that it will go up from 40 to 80 per cent—but I was hoping that it will increase it from 40 to 50 per cent. Customs not being in the divisible pool, the share in the excise duties must have been raised from 40 to 50 per cent.

Now it has been stated that it has been raised from 40 to 45 per cent. But this 5 per cent increase will not go to all the States. This is a special allocation to certain States. So, it is no increase practically. Why am I pleading for it? Because, the excise duty comes from the industrial sector, from the manufactured goods. They are manufactured by the various industries set up in the various States. It is the States which have provided land, water, electricity etc. at very cheap rates. So, it is the States which are contributing to the industrialisation. As they are equal partners, they should have been given 50 : 50. The share in the excise duties should have been raised from 40 to 50 per cent. This has not been done. So, I am sore about the Finance Commission's recommendations on this. Secondly, the 5 per cent increase, which has been recommended, is not being distributed among all the States. That is my second grievance. Thirdly, these recommendations are not being implemented from the year 1984-85.

Technically, you can say that 1984-85 has started and four months have already passed. But 8 months are still there and certainly 8 months are more than four months. You are depriving the States of resources and benefits just because the budget has been finalized. Are

you not bringing in excess expenditure budgets here? Are you not bringing revised budgets or supplementary demands for grants here? So, there should have been no difficulty in bringing forward a revised estimate, or a budget provision could have been made, provided the Government was inclined to do it. There is no difficulty. Our officers are competent. They could have done the job, provided the political will is there. But, unfortunately, the simile is not very similar. All the States are willing to have it from this year, including the State of Rajasthan.

Though I am talking on general points, I would like very briefly to refer to Rajasthan. That State has been deprived, so far as revenue gap grants are concerned, by Rs. 34 crores, Special Problem grants by Rs. 2 crores, Upgradation Grants by Rs. 8 crores and Margin Money Grants by Rs. 8 crores, in all Rs. 52 crores in this particular case. Similarly, with regard to re-scheduling, adequate relief in the matter of payment of overdraft and with regard to relief expenditure, Rajasthan has been put to a loss. Is it not a fact that Rajasthan is mostly a desert area? Sixty per cent part of Rajasthan is desert. We have got very acute problems with regard to Rajasthan. I have got a charge with regard to your per capita allocation to various States. Now, just see, Rajasthan is getting Rs. 210 per capita. Why there are many States like that, Andhra Pradesh is getting Rs. 175, Assam is getting Rs. 583, Bihar is getting Rs. 190. There are some States like Jammu and Kashmir which is getting Rs. 732, Himachal Pradesh is getting Rs. 979. Meghalaya—of course it is a separate State—Nagaland is getting more than Rs. 4000. I don't grudge them. The eastern States deserve a special treatment.

MR. CHAIRMAN : Please conclude.

SHRI SATISH AGARWAL : Sir, this is very difficult with regard to the Report of this Finance Commission to take only a little time. I am trying

[Shri Satish Agarwal]

to be as fast as possible. (Interruptions). My thinking on this issue is the criteria—I am now coming on with regard to the criteria. You have got criteria by which you take into consideration the population and some other problems also. About the population per capita which you are giving, I would suggest one thing here for the consideration of the House also. Are you interested in the increase of population? About a State the population of which increases much more than what is expected in view of the national norm decided by us, if a particular State is failing in resorting to these norms, not achieving the family planning targets, then naturally, why should that State be encouraged? Why should there not be a cut? There are certain nationally accepted norms which we have adopted whereby the population should not be the sole criteria for that. There are regional imbalances in the whole country and if there are regional imbalances in a particular State—I have got the latest statistics with regard to the population, how they had increased in many States—it is disproportionate and those States are benefiting on account of the existing formula. They are not able to check the population growth which is very important—population and development—and if the population goes on increasing in some of these States and the States fail in achieving the family planning targets, those States should not be rewarded. If you really want to curb population growth in this country, if you say that the population explosion is much more dangerous than the bomb explosion, then where does it find a reflection in all your approaches with regard to the devolution of finances? You should think about it. This is my suggestion that the States .....

**THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)** : I am sorry for the interruption. This is the whole prelude to the Eighth Finance Commission. Earlier, 90 per cent was devolved on the basis of the population and the Eighth Finance Commission has recommended that it should be brought

down from 90 per cent to 25 per cent. That point is taken care of.

**SHRI SATISH AGARWAL** : I am not dealing in detail with regard to the total approach.

(Interruptions).

**SHRI PRANAB MUKHERJEE** : I am intending to correct you on one aspect that precisely they have not given weightage to population, they have given weightage to backwardness by injecting the concept of distance formula and giving weightage to the extent of 50 per cent to the distance between the highest per capita and the lowest per capita. I just wanted to clarify the position.

**SHRI SATISH AGARWAL** : That is perfectly so. That is on the basis of the population. I am talking about population growth. I am on that limited point at the moment that if a particular State fails to achieve that particular objective which we have laid down for ourselves, that should be penalised on the contrary.

Similarly, I would like to make a point here also. We have spent more than Rs. 300 crores over planning during the last 32 years. We are going to spend an equal amount during the Seventh Plan period. Now, if particular States are very tardy in the implementation of plan projects, where do we find the money? If the cost escalation is 10 times in those particular States or 12 times or 15 times, if the irrigation projects or other major projects are not completed within this stipulated time and the approved sanctions, some sort of a new concept will have to be introduced. Of course, you are providing for upgradation of standards of administration in various States. That should be done, I don't dispute that. This had also to be looked into. If surplus funds are there, then in order to bring more efficiency into the implementation, the timely implementation, of our developmental projects, that should also be borne in mind for the future. That has to be kept in mind.

20 Point Programme is the core of the Sixth Plan. It has become the core of the Sixth Plan. It is absolutely baseless for the Members of the ruling party to charge us that we discard it as a bogus programme, whatever grievance may be from both sides. Even the Congress (I) Members are having a lot of grievance with regard to faulty implementation of the 20 Point Programme.

I may remind the hon. Members that during the last National Conference Session of the BJP, somebody moved a Motion for amendment in my Economic Resolution that please add at the end—20 Point Programme is a bogus programme and is a fraud. I rejected that amendment. I said 20 Point Programme constitutes the core of the Sixth Plan. Accepting this amendment means the rejection of the Sixth Plan document which I am not prepared to accept.

*(Interruptions)*

The States are demanding this—that it should be implemented. Why should we not amend the Constitution? You make it obligatory that States also should have the States Finance Commission. The administration of this country is being carried on by the Central Government, the State Government and by the local bodies. The local bodies are in a very worst position. They are not getting suitable grants-in-aid. Either you should give in the terms of reference for the next Finance Commission that this money has to be allocated by the Centre to the States or for allocation by the States to the local bodies. It should be a statutory transfer to the local bodies by the States and so it should be made compulsory, obligatory. Our local bodies should find a statutory recognition either in the Constitution or in the terms of reference to the Finance Commission to which a reference was made by my esteemed elder colleague Shri K. Brahmananda Reddy.

MR. CHAIRMAN ; Please conclude.

SHRI CHITTA BASU ; Why are you not allowing him ?

MR. CHAIRMAN : Do you mean to say that he should speak for two hours ?

*(Interruptions)*

SHRI SATISH AGARWAL : It is a very important subject in which everybody is very much interested. So, I thought that I may contribute something.

Please consider that auxiliary duties or additional duties also are not included in all these things.

Recommendation with regard to surcharge, Corporation Tax etc—you are at Centre. Central Government is very much there. Do not throttle the States. You should not do that. Anybody may be in the Government.

15 53 hrs.

[SHRI R.S. SPARROW *in the chair*]

After all this country is one. This Government is one, Federation is one. But sometimes I feel that you are raising an accusing finger at the Eighth Finance Commission—they submitted the Report late. They say, what could we do? Government submitted the Memorandum late.

Shri Y B Chavan has done a good job. You complimented him yesterday. We compliment him to-day. What could he do? You are accusing them. They are accusing the Government and we are accusing you. What type of thing is there. After all the States should not be looked upon as something different.

You must have read in the newspapers two days back. There was a story of one girl Anju. There was one Sweety and one boy Tony. Sweety at the instance of Malhotra got Anju murdered because Sweety was in love with Malhotra. Tony was utilised for that. So, now you are making these States Anju. You are getting them murdered by Tony for Sweety. Who is Sweety? Who is Anju? You are to decide. Please do not go that way. States are also ours. Their development

[Sri Satish Agarwal]

is our development. 20 Point Programme is going to be implemented by the States. IRDB; NREP, Landless Employment Guarantee Programmes—all these programmes are going to be implemented by the States, not by the Centre. As a Head of the Family you should look after the interest of all the States.

Lastly, I would say, we have to increase the kitty. I am one with Shri Dharmannand Reddy who suggested that the whole dispute is because the kitty is small. The demands are more. What to do? So, in order to increase the size of our kitty, we have to plug all the loopholes in our tax administration. If we are able to do so, I am sure things will improve. He put the figure at 30 to 40%. I can say that the tax evasion on the Sales Tax side is 100%. On the customs side it is of course not so much but on the Excise side it is 50 to 60%. If we are able to plug the loopholes in the tax system itself and have a very rational tax administration in tax policy, then I am sure, we need not have any deficit. We need not have additional taxation. We need not go to the market borrowings. Our economy can be very much self-reliant.

Lastly, while concluding, I would urge the hon. Finance Minister not to make it a point of prestige that he is going to implement it from 1984-85. I think, if there are certain problems, then give a solemn assurance on the floor of Parliament that you are going to implement it from 1984-85, but whatever is due for 1984-85, you will give it to the States in 1985-86, 1986-87, etc., and that will be adjusted from 1985 to 1989. You can say, this is your arrears and that will be paid to you. But as the hon. debtor, you must give whatever is due for this year to the States. You can say, "All right, yours is due; I cannot pay in 1984-85. I can pay next year and in the range of the next 4 years. The whole amount will be adjusted and you will be paid extra." This much assurance if he can give, the problem will be solved. Their problems will be solved. You will get applause from all sections of the

House. Otherwise, you are being praised by one or two hon. Members, and you have been decried on this score by various sections of this House.

**SHRI CHINTAMANI PANIGRAHI** (Bhubaneswar): Hon. Mr. Chairman, Sir...

**AN HON. MEMBER**: He is from Orissa.

(Interruptions)

**SHRI CHINTAMANI PANIGRAHI**: I hope you will be a little kind to me.

**SHRI SATISH AGARWAL**: You could have told me that you were in a hurry to speak. I did not visualise that. I am sorry. Had I known that you are going to speak next, I would have completed my speech earlier.

**SHRI CHINTAMANI PANIGRAHI**: I think, you had already taken 25 minutes.

Hon. Mr. Chairman, Sir, one of the most important aspects of the Centre-State relation is the devolution of resources from the Centre to the States. It should be worked out in such a manner that the kind of bitterness between the Centre and the States will diminish and the States will feel, as equal partners in the strength and economy of this country. Therefore, we are appointing the Finance Commission every 5 years to look at the economy and to see how these resources can be transferred from the Centre to the States. With the national objective that the regional imbalances should be removed, and the imbalance between regions and regions and between States and States should also be removed, these Finance Commissions are being appointed and constituted. They are also trying to see from one Finance Commission to another Finance Commission, how resources from the Centre to the States are transferred.

If you look at the work done by the

successive Finance Commissions, you will find that they have tried to understand the aspirations of the different States and the people and they have given awards whereby more and more funds are made to flow from the Centre, from the Union to the States all these years. We had an occasion to submit a memorandum to the VIII Finance Commission when they visited Orissa. In that memorandum, our Members of Parliament from Orissa suggested that in view of the growing imbalance from region to region and mostly in the Eastern sector of our country, there should be scientific appraisal so far as the devolution of the resources to the States is concerned. We are very happy that the VIII Finance Commission, under the able chairmanship of Mr Y.B. Chavan, have evolved a kind of better formula. It was even better than what the VII Finance Commission had evolved. In that formula, as the hon. Finance Minister just now pointed out, they have not given priority to the population. On the basis of population it has come down to only 25%. So we pleaded before the Commission that at least the backwardness and the *per capita* income should be taken into consideration, so that the poorer States, the backward States can get more and more finances and more and more resources from the Centre. Therefore, compared to the recommendations of the Seventh Finance Commission, the recommendation of the Eighth Finance Commission are an improvement and they have enhanced by 84% the total transfer of resources from the Centre to the States. This is a very welcome step. This enhancement will particularly help the deficit and backward States, since an extra 5<sup>3</sup>/<sub>10</sub> share of union excise revenue will accrue to the States.

16 hrs.

Here I think I will not be misunderstood by our hon. Finance Minister. Here almost all the State Governments have requested the Finance Minister and the Government of India that the Eighth Finance Commission's award should be implemented from 1984-85. Somehow or other the Finance Commission could not

submit its report in time and the State budgets and the Central budget were already prepared. Therefore, now it is going to be worked out from 1985-86. I share the sentiments of the State Governments. I share the sentiments of my State Governments also because I represent my state. My State is going to lose about Rs 175 crores as it is not being implemented from 1984-85. Altogether, as the hon. Finance Minister has said, about Rs. 1400 crores the State Governments are going to lose. Now, we would appeal to the hon. Finance Minister, as Mr. Agarwal has suggested and also as other friends like Mr. Brahmananda Reddy have suggested, that by different ways and means we should compensate, we should help the State Governments who are losing Rs. 1400 crores. Out of this Rs. 1400 crores, Rs 460 crores have already been given to the States as per the interim report. So only Rs 1000 crores remain. Therefore, if it is not possible now, it may be from 1985—90—a five year period because the sentiments of the State Governments and the people should be respected. It is not that it is unconstitutional on the part of the Government of India to accept it. We appeal to the Finance Minister and the State Governments have appealed to the Finance Minister and the Government of India that because of this lacuna, because the report was not submitted in time, so much loss to the State Governments has occurred and they should be suitably compensated. I hope the Finance Minister who is always sympathetic to the backward States will take this into consideration and see how they can be benefited and they can overcome this loss.

I am happy that as against the Seventh Finance Commission award of only Rs. 1750 crores to the States the Eighth Finance Commission has awarded 23.5% of the total tax and non-tax revenues of the Central Government. It comes to Rs. 38,520 crores. It is a big advance over the 7th Finance Commission award. I am happy that they have accepted the *per capita* income of the State as the basis. They have given due consideration to this. I am very happy that my State

[Shri Chintamani Panigrahi]

of Orissa as also Bihar, Madhya Pradesh have received a better deal from the Eighth Finance Commission when we submitted and appealed to the Chairman and Members of the Eighth Finance Commission.

I am now coming to stress some special problems. So far as my State is concerned, we have submitted a memorandum to the Commission that so far as Orissa is concerned, natural calamities have become annual phenomena. We have submitted a memorandum and what we have submitted a memorandum and what we have submitted in the memorandum, I would like to mention here—that between 1953 and 1983—I am leaving aside 1984—in a period of 30 years the loss to Orissa due to natural calamities like floods, cyclones and drought came to Rs. 2129 crores. Another peculiar natural calamity so far as Orissa is concerned is fire accidents which destroy villages, properties and everything. Every year about Rs. 50 crores are lost by way of fire accidents in villages where everything is lost and damaged. It comes to Rs. 1500 crores over a 30 years period. What we have submitted is that the poorer States should be given adequate assistance in this regard. We happy that they have increased the margin money for these natural calamities. We welcome this recommendation of the Eighth Finance Commission. From Rs. 100 crores they have increased it to Rs. 250 crores.

PROF. N.G. RANGA (Guntur): That is not enough.

SHRI CHINTAMANI PANIGRAHI : This is the peculiar problem of all the States who are suffering from natural calamities like drought, flood and cyclones. I would appeal to the hon. Finance Minister to come to the rescue of such States, who are victims of these natural calamities quite often. How can a State like Orissa which is 18th in the list of States in India on the basis of per capita income of about income of about Rs. 700 bear losses on account of natural calamities which come to about Rs. 3000 crores in a period of thirty years. We would appeal to the Central Govern-

ment to help us. Of course, you are helping us by sending the Central teams from time to time, but I plead that the losses on account of the natural calamities must be borne in fully by the Centre. These are not man-made, there are made by nature. The General Government should come to rescue of all the sufferer States.

There is another important feature, which I have always placed before this House and would again like to place before the Finance Minister. It is the debt position of the States. I am confining myself to the State of Orissa. The total Central loan, outstanding against the State Governments as on 31st March, 1983 were Rs. 21,752 crores.

16 07 hrs.

[DR. RAJENDRA KUMARI BAJPAI *in the chair*]

The Central loans outstanding against Orissa as on 31st March, 1983 were Rs. 1033 crores. The most interesting part of repayment of this loan is that during the 1st Plan period, Orissa repayed to the Centre by way of capital and interest Rs 1 crores and 10 lakhs. By the end of 6th Plan, Orissa repayment will reach Rs. 230 crores. The Central Plan assistance to Orissa in the 4th Plan was Rs 155.43 crores, but Orissa repayed to Centre during this Plan period Rs. 143.03 crores. Similar is the position in respect of various State Governments.

This is a very serious phenomenon in our national life, and we have to think over it very seriously. In 1967-78 only interest charges on union loans by Orissa Government were 32.46 per cent of the State tax revenues, and in 1973-84, the interest charges went upto 45 per cent of the State revenues. This is the position of the State Governments.

Sir, time has now come when we have to think over this problem seriously. Normally, there should be flow of revenue from the Centre to the States, and we can

understand that, but here there is an inverse flow from the States to the Centre. We cannot understand that. I have calculated that in the next five years, Orissa's repayments to the Centre will come to about 65 per cent of the revenues of the State Government.

Our entire effort has to be to increase the capital base of the State Government. Why is the Finance Commission giving awards? The awards are being given with a view to see that the State Governments increase their capital base, so that in future years, two, three or four years, the State Governments become surplus and do not become a drag on the Central Government. That is the objective of the Central Government and we are trying to do that, but in implementing that we are suffering.

You will be surprised to know one thing. Though it may not be relevant here, I would like to make a mention of it.

Sir, the capital base of Orissa is Paradeep Port. But you will find that the Government of Korea have said that they are not going to lift even one tonne of iron ore. Japan also said that they are not going to lift one tonne of iron ore.

**SHRI NARAYAN CHOUBEY (Midnapore) :** Why is it so? It is because your people are creating labour troubles there. Hundreds of workers are fired upon and huts are burnt by the people and they are being thrown into the Bay of Bengal.

**SHRI CHINTAMANI PANIGRAHI :** Well. This may be due to the recession in the steel industry.

Now the Eighth Finance Commission has estimated that Non-Plan capital gap during 1984-89 would be Rs 6800 crores. The Seventh Finance Commission had estimated the Non-Plan capital gap between 1979-84 at only 3,000 crores of rupees. We would like to know why

there is such difference between one Finance Commission and another Finance Commission. Now it has been pointed out that the States are raising their resources. Shri Brahmananda Reddy was mentioning that day about how a State can manage to show this deficit. Now take the case of West Bengal. You will find that the deficit which was about 300 crores only in the Seventh Finance Commission, is 3500 crores in the Eighth Finance Commission. How could the deficit go up? So this is a very important thing, which the Government should consider. What is happening to the State Government? Is their economy being revived? Is there any gain? We can simply say that the entire economy of West Bengal is sick, its industry is sick everything is sick.

**PROF. ROOP CHAND PAL (Hooghly) :** Your yourself told me in private that there is much achievement in West Bengal.

**SHRI CHINTAMANI PANIGRAHI :** I am not casting aspersions. My point is why the State Government is becoming sick.

**SHRI NARAYAN CHOUBEY :** You are making us sick.

**SHRI CHINTAMANI PANIGRAHI :** Why is this happening. This is happening because of the mismanagement of power, performance of power sector in West Bengal.

**PROF. ROOP CHAND PAL :** Not true. During the Left Front period, their achievement in respect of power generation is in the national average.

**SHRI CHINTAMANI PANIGRAHI :** Do you show the deficit to attract money from the Centre?

**MR. CHAIRMAN :** Please don't talk among yourselves. Address the Chair.

**SHRI CHINTAMANI PANIGRAHI :** Madam, there is fall in the industrial

[Shri Chintamani Panigrahi]

production in West Bengal. Can anybody say that there is no fall in West Bengal? It is a fact.

PROF. ROOP CHAND PAL : Why do you single out West Bengal. Look at Maharashtra. Look at Gujarat, Ahmedabad, look at Orissa itself.

(Interruptions)

SHRI CHINTAMANI PANIGRAHI : Is it not a fact that there are huge losses in State Government enterprises?

MR. CHAIRMAN : Please wind up now.

SHRI CHINTAMANI PANIGRAHI : No businessman is interested either foreign or native, to set up industry in West Bengal.

(Interruptions)

SHRI SATISH AGARWAL : We may not be satisfied with the administration in Andhra Pradesh, by the Government there. Even then, Mr Brahmananda Reddy pleaded, not for Mr. N. T. Rama Rao's Government, but for the people of Andhra Pradesh. I am not satisfied with the performance of the S. C. Mathur Government in Rajasthan, but I plead for the people of Rajasthan.

SHRI CHINTAMANI PANIGRAHI : I share these sentiments, but I say that it is a misplaced sentiment.

SHRI SATISH AGARWAL : You have a penalty clause for bad performance.

SHRI CHINTAMANI PANIGRAHI : Incidence of lock-outs is also very high in West Bengal. So, these factors should be taken into account.

I am happy that the 8th Finance Commission has modified its approach as to how to come to the rescue of the deficit

States, and also how to see that the poorer States are helped. It has made an all-round improvement in respect of seeing that more and more resources are transferred from the Union to the States. But I feel that there must be a committee which must go into all these problems placed before the hon. Minister. It should see, when we are pumping in so much of finance into the States, whether the economy in the State is becoming self-reliant, so that they do not become dependent on the Centre. I hope this point should attract the attention of the Central Government.

SARIMATI GEETA MUKHERJEE (Panskura) : However much my friend Mr. Chintamani Panigrahi may vituperate against my State Government, I express my heart-felt sympathy for the people of Orissa, such a poor State, such a poor neighbour of ours, that they have lost Rs 175 crores through the economic hi-jacking of Mr. Pranab Mukherjee. Nowadays, hi-jacking is very popular.

The action of the Central Government in refusing to implement the Finance Commission's recommendation in the current year which will deprive the States of Rs 1506 crores including Rs 300 crores for West Bengal is nothing but economic hi-jacking. My only consolation, or distant hope is that, hi-jackers have never been ultimately successful, because of various pressures. They generally surrender.

SHRI SATISH AGARWAL : He will not surrender to the Commandos in West Bengal. He may surrender to the House.

SHRIMATI GEETA MUKHERJEE : That is exactly my point. If he is unwilling to surrender to the Government of West Bengal, it does not matter. It is the people of eleven deficit States who will be suffering—not only the people of West Bengal. Our Government will not eat up these Rs 300 crores. That amount would be going to the people of West Bengal. Mr. Mukherjee knows that

even now there is an important, stable vote for the Congress in West Bengal as well. Let him not forget it. We speak for the whole population of West Bengal, irrespective of their political affiliations, so also for the whole of the eastern region, which is really very backward. Yesterday, the hon. Finance Minister gave his own reasons for not accepting the recommendations for this year. After that, Mr. Somnath Chatterjee gave a detailed reply. Then Mr. Ahmed on the other side repeated the same thing. I probably would not have gone into what I am going into now, because he again said, it will be difficult, it will be disrupting the finances, etc. of the States and the Centre. Some answer has been given by Mr. Satish Agarwalaji. I would like to raise certain questions with regard to that.

I am not an economist, but, according to some calculations here and there, I say that out of the two important components of devolution, that is income tax and the excise duty, now, in these two, leaving aside for the moment the additional 5 per cent of the excise duty, the proportion remains unchanged, as far as the 7th and the 8th Finance Commissions are concerned—85 per cent and 40 per cent. We are really sorry for it. But, for that, we very much wanted this to be increased. For the moment, keeping that also aside, let us calculate what is disrupting the economy. The total variation due to income tax making plus, minus, is 7.2 per cent altogether taking all the States.

Now, the total income tax of this year is Rs 1600 crores; 85 per cent of that makes Rs.1350 crores, that is, totally, the actual figure for this year on this score will be Rs.95 crores. Excise duty minus the electricity duty is actually about Rs 9000 crores for the central budget in the current year out of which 40 per cent was to come to the States; now that would work out to Rs.3,600 crores. Now, here the variation, as per the Report of the Commission, would be somewhat like 2.6 per cent. So, the total sum involved here will be Rs.93 to Rs.94 crores. The additional excise

duty, that is, total for the whole country of this year is Rs.600 crores; the variation would be something like 12 per cent. So, it is Rs. 72 crores. So, the total on these two accounts leaving aside 5 per cent to which I am coming, the variation for the whole country in these 8 months would have been only Rs.262 crores; and if you think that the State budgets altogether go up to Rs 26,000 to Rs 27,000 crores, it would not be more than 1 per cent or 1.5 per cent or something like that. So, it is not such a huge percentage, which will totally disbalance the entire country's economy or the State budgets. The hon. Minister may ask, if that is so, why are You crying so much, because the sting is at the tail. The extra 5 per cent of the excise duties was recommended by the Commission to go to the deficit States. Finance Commission has taken into account the deficit though this is not altogether a new thing of the States' economy, the new thing is that it has recommended extra 5 per cent. The States are being deprived of that in 84-85 by Government decisions. Whether the recommendation is award or not, I do not want to go into it.

When the Constitution used the word 'recommendation' with regard to the Finance Commission, when it is a constitutional obligation, the recommendation should be obligatory in the moral sense of the term, if not legally. So, I take the recommendation as something which everybody should accept. Otherwise why should the Constitution at all have a Finance Commission within its orbit. So, let us take everything in its historical perspective. Therefore, it is not because the entire economy would be disrupted, but as I said that, the sting is at the tail, and these additional five per cent will devolve to the States. That is what away other sums Mr. Mukherjee wants to hijack.

AN HON. MEMBER : No hijacking here.

SHRIMATI GEETA MUKHERJEE : It is hijacking. This was not in the recommendations of earlier Commissions. This amount now should go to the States.

[Shrimati Geeta Mukherjee]

This is not taken from one strike to another. It is altogether new. It is from the central exchequer that it would go. Central exchequer means all the tax that we give to the centre together. So, there is no question of upsetting the funds at the Centre. It is if I may say so, really to deprive these States, these 11 States, that the Central Government have taken such a measure. It is not a question of West Bengal alone. It really very sad that those deficit States will be losing. And as I said, I heartily express my sympathy with Orissa; it is our neighbour State which will be heavily losing on this score. On the score of non-implementation of Commission's recommendation in 1984-85 other States will also be losing. For example, Bihar will be losing Rs.98 crores, even Uttar Pradesh will be losing Rs.119 crores, and they are all poor States, we should know. That is why this should be very seriously considered, and this is not only about that extra five per cent but also about grants in-aid and other things. I shall raise a few other points.

Madam Chairman, this year has been an year of natural calamities for West Bengal, Orissa, Assam and all of them. A new good thing has been done by the Commission. I am not going into the total recommendations. There is not so much time. I will mention one or two points before I conclude.

MR. CHAIRMAN: I request all the Members to be as precise as possible.

SHRIMATI GEETA MUKHERJEE: I will try to be as precise as possible. As far as these natural calamities are concerned earlier there was a ceiling, for the margin money and this Finance Commission has raised the ceiling and stimulated that 50 per cent will be borne by the Centre and 50 per cent by the States. But what will happen this year, the worst is not yet over? It may be even worse. At that time we went to the Agriculture Minister, Rao Birendra Singh. He immediately told that there is 13 crores and odd with the State as margin money for natural calamities. And he asked,

'What more do you want?' Now, the problem is that in 1984-85 the Finance Commission recommended Rs.23.75 crores for West Bengal. Out of that margin money 50-50 would have been divided between the State and Central but now if this 50-50 is not divided, then we will have to return those Rs.11.90 crores. And that is not only our situation, that would be the case with other States with such situations. This is a very bad year for the country. And by refusing to implement this decision of raising the ceiling of margin money for natural calamities this year, bearing 50 per cent of that by the Centre, you are putting the States in a very difficult position. As we see, we are about to lose Rs.11 and odd crores i.e. half of the Commission's recommendations for this year, if I have understood it correctly from the provision of not implementing it. Will the hon. Minister clarify this point?

Then there is the problem of scheduling of debt re-payment. This is again a serious situation. We are going to lose Rs.24 crores because of the non-implementation of this provision in this year, because we would have got Rs.24 crores relief this year. Here I would like to present one case to Mr. Mukherjee, which is not unknown to him since he is the Central Minister of Finance. From this you will judge that West Bengal has a special case.

The Reserve Bank of India bulletin shows that for West Bengal in this year 1983-84 the percentage of total capital disbursements for repayment of debt is as high as 35.18. And we will be losing the debt relief of Rs.24 crores this year as suggested by the Commission. You may say that you have taken loans and you have to repay the loans. I appeal for the sympathy of the whole. House irrespective of political opinion, to remember the special position of West Bengal. You may say that it is because squandering of money by the Left Front of Government. I would like to remind him that during the year 1972-73 when there was the Congress Government, this percentage was 36.26 and in 1973-74 it

was 46.76. So, for West Bengal this has always been a very heavy burden under which we suffer. Therefore, on the question of debt re-scheduling our case has to be very seriously considered. If there was time at my disposal I would have shown that the position of other States is not as bad as ours. It is not our creation. It is the legacy that we bear because of the country's partition and other attendant problems. When I speak about Government's decision of non-implementing the recommendations from 1984-85 I speak not only for West Bengal but for the entire eastern region. Since there is no time I cannot substantiate my point with facts and figures.

About other recommendations of the Commission with regard to the share of the State in the corporate taxes, I fully support that and I hope, the Government will implement that.

Regarding another recommendation of the Commission not to increase the administered prices, the administered prices should not be enhanced in future because that robs the States from their legitimate share and that also adds more burden to the States. I would like the Minister to comment on it. I hope, they will accept the recommendations.

Finally, since we are in the middle of the year, there is enough time to revise the decision of the Government to implement these recommendations from 1984-85. Whatever different Members may be forced to speak here, in the heart of their hearts, those who are coming from 11 deficit States, all of them will agree with me. I beseech you, please change your decision and implement the Commission's recommendations from this year.

PROF. NARAIN CHAND PARASHAR (Hamirpur) : Madam, the appointment of the Finance Commission has always been a matter of great satisfaction to the various contenders for their share

in the finances. It has been suggested by one of our friends from the opposite side that the Finance Commissions have a very heavy pro-Centre bias. Madam, I refute this charge, it is not the case. On the other hand, it is the Finance Commissions which have done justice to the claims of the various States and as has been the case with the earlier Finance Commissions also, the Seventh Finance Commission recommended a devolution of quite a big sum. Now we have the Eighth Finance Commission which has suggested a devolution of Rs. 38,500 crores. So, there is a significant recommendation because it shows that the Centre's finances and the States' finances have both been considered by the Finance Commission and some sort of a balance has been struck. In their approach to the Report of the Eighth Finance Commission, the Commission states that their task is not easy, it is to harmonise and to balance the various claims that are placed upon them. So, if we view from that angle, the appointments of the Commissions under Article 280 of the Constitution have been given great significance and the names of the various Chairmen would suggest that men of eminence have been appointed as the Chairmen and the Members. The first Finance Commission was headed by Shri K.C. Niyogi, the second one by Shri K. Santhanam and the third one by Shri A.K. Chanda who was a former Comptroller and Auditor General of India. Then two judges also figure in this list—Dr. P.V. Rajamannar and Justice Shelat who headed the Seventh Commission. Then Mr. Mahavir Tyagi and Mr. K. Brahmananda Reddy have also been there. So, the appointment of Mr. Y.B. Chavan who was the Finance Minister earlier, is also a tribute to his experience and recognition of the good work that he has done in submitting this Report along with the other Members of the Commission.

The Commission had to think of the claims advanced by the States. Two main claim of the States is that they should have the share in the corporate tax and also some share in the surcharge on income-tax and, lastly, they should get something out of the administered prices

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and the rise in this should be shared by the States also (*Int rrup lona*).

AN HON'BLE MEMBER : It should be abolished.

PROF. NARAIN CHAND PARASHAR : Whether it is abolished or not, the Commission have taken a different view. They said, if it is only a revenue-hunting exercise, then it should be abolished otherwise, if that is not the case, then it should be continued. So what I maintain is that the claims of the States have been considered and they have been given due weightage. It is the case of the Centre has also been taken into account because it is primarily a commission of the Central Government but I would join in the plea made by my senior colleague Shri K. Brahmananda Reddy for local bodies because the local bodies—the Municipal Committee, the Town Area Committees, the Notified Area Committees, the Zila Parishads, the Panchayat Samitis and Panchayats—do not figure anywhere. A submission was made at the time of the Seventh Commission also that this should be considered but it was too late then. I do not know why it has not been considered by this Commission but I would plead with the Government of India through you, Madam, that by the Ninth Finance Commission, the claim of the local self government institutions should be considered on a priority basis because according to a study conducted by the National Institute of Urban Studies, it has been found that 85 per cent of the Municipal Committees, Town Area Committees, Notified Area Committees, etc. are going down in the quality of services in providing civic amenities to the people living in those areas. This is the case of 85 per cent of the Notified Area Committees, etc. that the basic amenities which are being provided to the people are of a very poor quality—sanitation, health, education and all that. If you go to a Municipal school in a small town you will see the conditions there. If you visit the municipal school or hospital in Delhi and then visit a national school or

hospital, or even of the Delhi Administration, it will reveal the difference. Therefore, there is a lot of urgency about it.

When it comes to education, you are asking the local panchayats and municipalities to raise funds for the building. But many of the schools have no buildings at all and their sanitary conditions are very poor. So, I would urge that the demand that the local bodies including the rural bodies should be given a due share in the finances might be considered for the future. They also have a legitimate claim because they spent a good chunk of money for the service of the nation.

I am happy that the Commission has upgraded the standards of administration in Chapter XII and has made a good recommendation. The 9 areas which have been selected by the Commission, are the areas which are primarily taken for granted to carry on the burden year after year. Expansion takes place, more burden comes, but no upgradation takes place. Now, according to this report, there is upgradation of police, education, jail administration, tribal administration, health, judicial administration, district and revenue administration, training and treasury and accounts administration. These are the 9 areas which have been specifically selected by the Commission for upgradation, to be looked after better in the future.

There are States which have no tribal population, like Haryana and Punjab. Therefore, on this score, they would get any grants under item (iv), while some other States will get it. I am happy that our State of Himachal Pradesh is given adequate share under this recommendation.

So far as education is concerned, I am very grateful to the Commission that they have taken note of the genuine and pressing needs of the States. The Commission says that the Ministry of Education stated that there were no pucca buildings or adequate staff. The Ministry of Education have placed the financial requirements for the above schemes at

Rs. 3,247.86 crores. The Commission says :

"It seems to us that lack of pucca buildings for the primary schools and the existence of single-teacher primary schools constitute two basic weakness in the education system. Presently, 1,85,666 primary schools accounting, for 40.88 per cent of total number of primary schools in all the 22 States are functioning in thatched huts, tents, etc. We have decided that the States in which the percentage of primary schools without pucca buildings exceed 40 per cent should be helped with up-gradation outlays to bring down the percentage of such primary schools to the all India average i.e. 40 per cent."

This is one instance to show that the Commission has gone into the problem in depth, analysed the requirements and finally recommended, not the amount which the Ministry of Education wanted, but they have allocated Rs 164.39 crores for the construction of 38,946 additional school buildings in all the 11 States where the pucca buildings and primary school teachers are not in adequate strength, to make them come up to the level of the other States.

I am rather very much disturbed to note that some friends in the House think that the Special Category States are a burden on the nation. I find from the speeches that some hon. Members have said that whatever is spent by these States is to be born by the Centre. The Special Category States, which include 8 hill States of the country located in the border, have special requirements. They have great potential for development. It is at their cost that the States in the plains have developed. For example, Punjab and Haryana have developed at the cost of Himachal Pradesh. Similarly, Nagaland, Arunachal Pradesh, Manipur and Meghalaya have contributed to the development of Assam and Bengal. The argument that Special Category States draw a lot of the attention of

the Centre and are better left to be looked after by themselves should not be taken too seriously. These States are disadvantageously placed by nature and by geography and they remained undeveloped from the very beginning. The Britishers and other people looked at them as pleasure resorts and health resorts. So, they looked at them only from that point of view. The result was that the natural resources of these States remained either untapped or they were tapped and utilized for the markets which were flourishing in the towns below. So, the cities and towns in the plains flourished at the cost of the hill States and that is why the hilly States lagged behind. That is why our Chief Minister pleaded before the Commission for an adequate share in the revenue resource, so far as excise is concerned; he pleaded for 10 per cent extra for these States. Though this has not been accepted, yet in certain areas, as for example, in the area of education, 30 per cent of the extra component has been added to the grant for the States because the costs for buildings there are more than in the plains. This is one aspect which has been looked into.

I would refer to one more important thing that the Commission has looked into or cared to see. The Members of Parliament belonging to the hill States under the auspices of All-India Hill People's Welfare Association (Registered) called on the Commission and presented a memorandum last year at about this time pleading for smaller administrative units. Now my friend from U.P., Mr. Rawat was also there with me, and Mr. Joshi and some others from other States were also with me and we pleaded that a development block in a hill State like Himachal Pradesh or Manipur or Nagaland or Tripura, or for that matter Union Territories like Mizoram and Arunachal Pradesh, or Jammu and Kashmir and U.P. hill areas and other hill areas, should be smaller in size because the development work cannot be done with as much speed as it can be done in the plains where the size is more compact, the means of communication are more easy, and it is easier to ensure quick development. So we thought that the number

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of blocks should be increased in Himachal Pradesh and other States and it should be brought to a compact size. Now, what is the attitude of the Central Government? The Central Government says, "Well, no objection to the increase in the number of blocks. You can increase the number of blocks, but you must share the initial cost. That is, the cost of establishment and administration of the block must be borne by the State Governments themselves, which would be a big burden for the States and therefore, we would plead that the Commission should take this into consideration that administrative units like tehsils, talukas and districts and community development blocks should be more compact, should be smaller in size, consequently larger in number in Hill States than in other States because of the peculiar difficulties which they are experiencing and in this case we had recommended that for Himachal Pradesh instead of 69 blocks there could be 100 blocks or so. That would be the number which the State Governments take into consideration, which the Centre could decide. But the Commission has not taken this claim into consideration, but this is very much important because management of the administration would not be superb unless the size is manageable. Now, we have seen that the small States as for example, Himachal Pradesh has flourished, Manipur has gone up and similarly Tripura and similarly Nagaland, because the small States have come up. As a result development will be faster. In case they are clubbed with bigger States, these would be the most backward areas and therefore, I plead for smaller administrative units for a large number of development blocks in the hill States, not only in Himachal Pradesh, but in all hill States in the country, and I would plead that excessive attention, more than due attention, should be given to these States because of the problems that they are always experiencing in various ways. I would also plead that the natural calamities should be given a constant vigil by the Centre because whether it is snow fall in Himachal Pradesh or flood in the plains or U.P. or a cyclone in Andhra or Kerala, it is a national calamity and a national calamity should not

be left to the States to look after because States have limited resources. They cannot immediately rush the help. And we have been demanding that instead of sending a Central team to go there, which takes a long time in examining the flood and such other situations as before, why don't we have some sort of a permanent set up there which can put the machinery immediately into action? It is said that there was margin money that is available in the States and the States can start initially with the margin money. But the margin money was very small. For example, for Himachal Pradesh the margin money is only Rs 8,75,000. So, what can you do with this? Their loss is to the extent of Rs. 20 crores. What this margin money can do? And the visit of the Central team and all that would take a long time. So I would plead that the Commission in its wisdom may consider, and if the Commission will not do it, then the Central Government may consider some sort of a permanent set-up for meeting the natural calamities in all the States—calamities because of snow-fall, rainfall, floods, cyclone or anything of this kind—so that immediate relief is given to the people and things are done.

Now, this reference to the 20-point programme is the reference to the welfare programmes for the destiny of India, but the banks—because the Minister for Banking is sitting here, I would point out to him that the criteria for opening the branches of the bank in hill States and regions should be different. They should not be linked to distance. That is, a bank should not be debarred within 8 kilometres distance. Eight kilometres in a hill State would mean a lot, there may be a stream and a mountain in between, and so it should not also be linked to the population. So, a more liberal opening of the bank branches would help in the implementation of the 20-point programme and the policy of the Reserve Bank is a great hurdle, it is a big block in the way of implementation of the programmes so far as the hill States are concerned because not granting enough branches, not opening the branches in places where people can easily reach them, where they can benefit from the location of these branches

is a big hurdle. If you want to make this Plan a success or the 20 Point Programme a success, the bank which has come to play a key role should be allowed to proliferate into the very interior of the villages whether in plains or in other parts of the country. We have a system—that each District is given to a bank called in the lead bank of the district and the lead bank manages the programme. One of the State Governments had suggested the block approach I think it is Maharashtra or some other Government. They suggested that block should be a unit for development not the district. I plead that you should have a lead bank for each block and not lead banks for the districts, because district is big in size and any bank would not be able to do justice.

I would plead at each block headquarters there should be a branch of the lead bank of the district and we should accept the concept of lead bank for the block rather than lead bank for the district.

For communications also, for expansion of posts offices and provision of P.C.Os and other infrastructure we should have a better deal. Hill States are always lacking an infrastructure—may be in the Railway lines, may be roads, which are prime necessity for us. Dr. Parmar used to say that first priority in Himachal or hilly area should be road No. 1, road No. 2 and so on and so forth. Road, bridges and railway line—for this enough money should be given. Enough money should be given for generation of hydel power which is the primary source of income for us. It should be regarded as potential for our development.

With these words I commend the good work done by the Finance Commission and I find no justification in the criticism that the recommendations have not been implemented this year. They can be implemented the next year with better speed and with better efficiency.

MR. CHAIRMAN : Dr. V. Kulandai-velu.

\*DR. V. KULANDAIVELU (Chidambaram) : On behalf of my party the Dravida Munnetra Kazhagam, I wish to make a few suggestions about the Report of the 8th Finance Commission and the Explanatory Memorandum of the hon. Minister of Finance accepting the recommendations contained in this Report. I am compelled to point out that this discussion has highlighted the frustration that has set in even among the Members of the ruling party at the Centre. The Finance Minister's announcement that the recommendations of the Finance Commission would not be implemented for five years, which is a constitutional requirement has confounded the ruling party members. The Finance Minister's assertion that the recommendations would be implemented during the period of 4 years starting from 1985-86 has further confused them. I am not making any allegation against this approach of the Finance Minister. The hon. member Shri Brahmananda Reddy, a senior ruling party member, in the course of his speech, has demanded the implementation of 8th Finance Commission's recommendation from 1984-85. He must be fully convinced of the reasons for this demand, because he was the Chairman of 7th Finance Commission. It is no doubt that the demand of his senior colleague; Shri Brahmananda Reddy, has stumped the Finance Minister.

The States are being denied their share of about Rs. 1500 crores because of this unprecedented decision of the Finance Minister. It will be no exaggeration to say that this is a grand deception that has been perpetrated on the States. The Reports of the 2nd Finance Commission and the 5th Finance Commission were submitted much later than 30th April, on which date the report of the 8th Finance Commission was presented. Yet those Reports were given effect to from 1st of April for a period of five years. I do not know the compulsions of the Finance Minister in not implementing 8th Finance Commission's report from 1st April 1984.

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I would like to make another suggestion for the consideration of the Finance Minister. The Seventh Five Year Plan starts from 1985-86 and it will run for five years. There has been a demand in the country that the Finance Commission's recommendations should be implemented concurrently with that of the Five Year Plan. Though the recommendations of 8th Finance Commission may not be implemented from 1984-85, I submit that the Finance Minister may think of implementing them from the 1985-86 for a period of five years along with the 7th Five Year Plan. Both will come to an end in 1990-91. This will ensure proper devolution of funds for the successful implementation of Plan schemes by the States.

Sir, I would refer to another innovative departure that has been made by the 8th Finance Commission.

16.56 hrs.

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

A distinction has been made between surplus States and deficit States. The hon. Member who preceded me demanded that the Hill States must be treated on a special footing, because they have not kept pace with the progress made by other States in the country. If the ruling party members themselves admit that the scheduled tribes living in the Hill States have not made any progress even after 37 years of independence, then it is a candid admission of the failure of the Central Government in implementing plan programmes in the Hill States. If there had been better administration in these Hill States, if the plan schemes had been implemented vigorously all these years, if industrial units had been set up in these areas, then there would have been appreciable progress in these Hill States. The very demand from the Congress Party Members for special treatment to the deficit states, i.e. the Hill States concedes the abysmal failure of their own party Government at the Centre in the matter of developing Hill States.

I will give you the example of surplus in the form of Tamil Nadu. During D.M.K. rule in Tamil Nadu under the chief ministership of Dr. Kalaignar Karunanidhi was a beacon light for other States to follow. The D.M.K. Chief Ministers brought Tamil Nadu to the second place in industrial development. Tamil Nadu made a remarkable progress in education. The health schemes in rural areas were implemented with verve and vigour. Potable water supply was ensured in all the villages in Tamil Nadu. Rural electrification was given top priority. By ensuring administrative efficiency, by tightening the tax collection machinery, by cutting drastically the non-plan expenditure and by prudent financial management, Dr. Kalaignar Karunanidhi converted Tamil Nadu into a surplus revenue State. If the 8th Finance Commission had declared Tamil Nadu as a surplus State, it is entirely due to the competence, of Dr. Kalaignar Karunanidhi in managing the finances of the State when he was the Chief Minister. Instead of giving incentives and inducements for such surplus States, they are being denied their legitimate share in the financial allocations. I am sorry to say that a premium has been put of financial mismanagement, on imprudence and on administrative inefficiency. Otherwise, there would not be so many financial incentives for the so-called deficit States. I am sorry to say that this approach may lead to financial partnership also. The Opposition-ruled States may be declared as surplus States and denied adequate financial allocations by the Central Government. Similarly, the ruling party at the Centre may be soft to the Congress-ruled States by allocating more money under the garb of deficit States. This is not conducive for economic growth of the country on an even keel.

MR. DEPUTY-SPEAKER : You must go a little faster so that you can cover more points.

17 hrs.

DR. V. KULANDAIVELU : I must be clear in my points. By nature I am a little bit sluggish. Shri Brahmananda

Reddy, the hon. Member belonging to the ruling party has given some commendable views for the acceptance of the Finance Minister.

Sir, I am sorry to say that the recommendation of the 8th Finance Commission runs counter to the views being adumbrated by the hon. Prime Minister. Our hon. Prime Minister has been laying great stress on population control. She has advocative greater incentives for the States vigorously implementing family welfare schemes for containing population explosion. But the 8th Finance Commission has recommended financial allocation on the basis of population. That means the States which bring down population will get less money. For example, as a result of effective implementation of family welfare schemes, Tamil Nadu which had 41 Lok Sabha seats got only 39 Lok Sabha seats. Two Lok Sabha seats for Tamil Nadu were lost because of effective implementation of family welfare schemes. Now, Tamil Nadu will get less financial allocation also. Is it doing justice to the State? It is not that by referring to this I am against the family control schemes. All I wish to stress is that the States which implement family welfare schemes with due deference to the wishes of the Prime Minister, the present Prime Minister, must not be denied their share in central revenues.

I take this opportunity of demanding that Corporation tax must be brought under divisible pool and the States must get their share in the corporation tax. Only when the States are strong, the Centre can become powerful. That is why Dr Kalamangar Karunanidhi had demanded State autonomy. We do not know whether the Sarkaria Commission has started working. Without devolution of powers, there cannot be real devolution of funds. The States must be given more autonomy.

MR. DEPUTY-SPEAKER : You have already taken 15 minutes. Kindly conclude.

SHRI M. RAM GOPAL REDDY (Nizamabad) : He is speaking in a sweet language in a sweet manner. He is making a good speech. Let him speak for some more time.

DR. V. KULANDAIVELU : Thank for the compliment

MR. DEPUTY-SPEAKER : You take two more minutes and conclude your speech. I ring the Bell as a warning for you to conclude.

DR. V. KULANDAIVELU : For natural calamities only 5% has been made in the annual plan allocation. Tamil Nadu suffered continuously for 3, 4 years because of recurring drought. Crores of rupees were lost in this. The acute drought was followed by unprecedented floods which caused widespread damage to life and property worth several hundreds of crores. Several villages were washed away. Vast tracts of fertile lands became a cess-pool. Out of the annual plan allocation of Rs. 916 crores, 5% for natural calamities comes to Rs. 46 crores. Is this sufficient to meet the loss suffered due to drought and floods? This is too meagre to tide over the natural crises. More funds should be allocated for natural calamities. So far as Tamil Nadu was concerned, the States has to face the rehabilitation of Sri Lankan refugees. They are pouring in Tamil Nadu. I demand separate allocation of funds for rehabilitation of Sri Lankan refugees in Tamil Nadu. Presently, the paucity of funds has reduced Sri Lankan refugees to beggary. The Finance Minister should look into this special problem of Tamil Nadu and allocate more funds. Similarly, the State Governments are to meet the D.A. Demands of State Government employees. They demand that their D.A. should be on par with the rates of D.A. being given to Central Government employees. This is a legitimate demand. For this the State Governments must be given funds by the Central Governments. I will give you the example of my constituency for stressing the absence of roads and link roads in coastal areas. My parliamentary constituency, Chidam-

[Dr. V. Kulandaivelu]

baram, is in coastal. We do not have roads and link roads which hinder economic development. More funds should be allocated for roads, which are the arteries for economic development. The hon. Member who preceded me referred to the need for opening more postal communications in Hill areas. I demand that this should not be restricted to Hill areas only. The Postal Department take shelter under the constraints of population for opening a post-office or a telephone office. The population should not be basic criterion for opening post-offices. The basic need of the people should be primary consideration for opening post-offices, telegraph offices and telephone offices in rural areas. Then only rural areas can have postal communication facilities. The Finance Commission does not seem to have taken the rural development as the basis for its recommendation. I suggest that the Finance Minister should not hesitate to modify the recommendations of 8th Finance Commission for the sake of ensuring rural development in the country. Only when the State develop, the Centre can be stable and strong. This must be the basis for financial allocations by the Centre. With these words, I conclude my speech.

प्रो० निर्मला कुमारी शक्तावत (चित्तौड़-गढ़): माननीय उपाध्यक्ष जी, मैं, आठवें वित्त आयोग की रिपोर्ट का स्वागत करती हूँ। वित्त आयोग के अध्यक्ष तथा अन्य सदस्यों का भी मैं धामार व्यक्त करूँगी कि उन्होंने उत्पादन शुल्क में राज्यों का पाँच प्रतिशत भाग बढ़ाया है। साथ ही वित्त आयोग में राज्यों का हिस्सा 40 प्रतिशत का जबकि अब बढ़ाकर 45 प्रतिशत कर दिया गया है। हमारे देश के विद्वान जो संविधान निमाता थे, उन्होंने बड़े सोच-समझकर के संविधान के अनुच्छेद 280 में इस बात का प्रावधान किया कि एक स्वतंत्र वित्त आयोग होगा और उसकी सिफारिशें

लागू की जायेंगी। इसीलिए, वित्त आयोग के माध्यम से हम राज्यों के बीच वित्तीय सामंजस्य बनाते हैं। इस रिपोर्ट में जो बात कही गई है, उसके साथ ही इस रिपोर्ट की सिफारिशों को आप 1984-85 में नहीं मान रहे हैं। इससे एक बड़ी विकट परिस्थिति पैदा हो जाती है। राज्यों का वार्षिक संतुलन बन जाता है। सासन्नर से मैं राजस्थान के बारे में निवेदन करना चाहूँगी, राजस्थानवासियों को इस आठवें वित्त आयोग से बहुत अधिक धापाएँ थीं। वे, बड़ी ही बेमन्नी से इंतजार कर रहे थे कि आठवें वित्त आयोग की रिपोर्ट से उन्हें कुछ राहत मिलेगी। राजस्थान की प्यासी धरती, जो जहाँ पर कि निरन्तर बकाल रहता है, इस वित्त आयोग से एक विशेष प्रकार की राहत मिलेगी। आप उस रिपोर्ट को 1984-85 में लागू नहीं कर रहे हैं। इस से राजस्थान जैसे पिछड़े हुए राज्य को बहुत अधिक वार्षिक कमी होगी और 45 करोड़ २० राजस्थान को कम मिलेंगे। इस प्रकार 34.25 करोड़ रेवेन्यू के कम हो जायेंगे। दो करोड़ स्पेशल प्राबलम के कम हो जायेंगे। इसी तरह 8.375 करोड़ मार्जिन मनी के कम हो जायेंगे। इस प्रकार 45 करोड़ रुपए कम होने से राजस्थान की अर्थव्यवस्था को बड़ा ही धाघात लगेगा। आपने 9 राज्यों को 495.83 करोड़ रुपए ग्रान्ट-इन-एड के रूप में दिये हैं। और वे सभी पहाड़ी क्षेत्रों के हैं। इसलिये मेरा निवेदन यह है कि हमारा राजस्थान भी उसी तरह स्पेशल प्रोब्लम रखने वाला राज्य है। राजस्थान की जमीन साढ़े तीन लाख स्वबायर किमीमीटर में फैली हुई है, यह देश का दूसरा सबसे बड़ा प्रांत है, यहाँ देश के क्षेत्रफल की लगभग 10 प्रतिशत भूमि है और देश भर में सबसे बड़ा धार का

रेगिस्तान यहां है। ऐसी समस्याओं वाले राज्य के लिए आप जो वित्तीय सहायता दे रहे हैं, वह बहुत ही कम है। जिस प्रकार से पहाड़ी इलाकों के लिए, खासतौर से नागालैंड, सिक्किम हिमाचल प्रदेश, मनीपुर और वगैरह के लिये, जो हिली एरियाज हैं, आप सहायता देते हैं, मेरा निवेदन है कि राजस्थान को भी, जहां 60 प्रतिशत भाग में रेगिस्तान फैला है, वी जवने बाली सहायता पर फिर से विचार किया जाए।

अब मैं राजस्थान की भौगोलिक स्थिति के संबंध में थोड़ा-सा निवेदन करना चाहती हूँ। यहां की अरावली पर्वत शृंखलाएं उत्तर से दक्षिण की ओर फैली हुई हैं। इस के परिणाम स्वरूप देश भर में होने वाली बारिश का बहुत कम भाग राजस्थान को मिल पाता है और यह अधिकतर सूखा ही रहता है। पीने के पानी की यहां पर भयंकर समस्या बनी रहती है। वहां आज भी कई ऐसे गांव हैं, जहां कोसों दूर से पानी लाना पड़ता है। यहां तक कि रेगिस्तानी इलाके के लोग घग्गी बेटों को भी ऐसे स्थान पर देना पसंद करते हैं, जहां रेगिस्तान न हो। परन्तु मान्यवर इस समस्या का अभी तक कोई समाधान नहीं हो पाया है। इसलिए मेरा निवेदन है कि वित्तीय सहायता देते समय आप राजस्थान के बारे में फिर से विचार कीजिए। डैजर्ट एरियाज को भी हिली एरियाज की तरह ट्रेट किया जाना चाहिए।

आपने जो उत्पादन शुल्क में वृद्धि की है, स्वागत योग्य है। मैं भी मानती हूँ कि केन्द्रीय उत्पादन-शुल्क, आयकर और राजस्व के अन्य साधन राज्यों को मिलने चाहिए। आपने उनको दिए भी हैं। परन्तु मेरा यहां निवेदन है कि जिन राज्यों में

विकास पर अपने बजट का अधिक प्रतिशत खर्च किया जाता है और जो राज्य विकास कार्यों पर अपने बजट का कम प्रतिशत खर्च करते हैं, उन दोनों को आपने एक ही कैंटे-गरी में रख दिया है, जो कि मान्यवर उचित नहीं है। आप पश्चिमी बंगाल को राज-स्थान से तुलना नहीं कर सकते। इसलिए मेरा निवेदन है कि विकास की दर को देखते हुए यद्यपि राजस्थान को विरासत में बहुत बिगड़ी हुई अर्थ व्यवस्था मिली है, इस को दृष्टिगत रखते हुये, आपको राजस्थान की ओर विशेष ध्यान देना होगा। मैं मानती हूँ कि हमारी केन्द्रीय सरकार के सामने भी कुछ सीमाएं हैं, वित्तीय कठिनाइयां हैं, परन्तु राज्यों की कठिनाइयां उनसे कहीं अधिक हैं। क्योंकि राज्यों को विकास कार्यों के लिए काफी धनराशि व्यय करनी पड़ती है। इसके अलावा राज्यों को कुछ ऐसे अनप्रोडिक्टिव कामों पर भी व्यय करना पड़ता है, जैसे शिक्षा है, स्वास्थ्य है सैड्यूल्ड कास्टस और शैड्यूल्ड ट्राइन्स के वेलफेयर की स्कीम है, जिनसे कोई राजस्व प्राप्ति नहीं होती। मान्यवर आपने राज-स्थान को 136.95 करोड़ रुपये की धन-राशि दी है, जिसमें से 82.08 करोड़ रु० स्वास्थ्य सेवाओं के लिए दिए गये हैं जो कि बहुत ही कम हैं। राजस्थान में कई ऐसे गांव हैं, जहां अभी तक कोई स्वास्थ्य केन्द्र नहीं खुला है। ऐसे इलाकों में लोगों को चिकित्सा सुविधा उपलब्ध नहीं है। कई स्थानों पर प्राईमरी स्कूल नहीं हैं, और यदि कहीं हैं भी तो वहां पर सिर्फ एक ही टीचर है। इसलिये राजस्थान की पिछड़ी हुई अवस्था को देखते हुए मैं समझती हूँ यह बहुत ही कम राशि है और इसको बढ़ाने की आवश्यकता है।

इसके अलावा आपने स्पेशल प्रोग्राम्स,

[प्रो० निर्मला कुमारी शक्तावत]

प्राकृतिक आपदाओं के लिए 10 करोड़ रु० की धनराशि राजस्थान के लिए मंजूर की है जैसा कि मैं पहले भी निवेदन कर चुकी हूँ ऐसे पिछड़े हुए राज्य के लिए, जहाँ किसी प्रकार की सुविधा लोगों को उपलब्ध न हो, जिसके बहुत बड़े भूभाग में रेगिस्तान हो, जहाँ पिछले चार वर्षों से भयंकर अकाल रहा हो आज भी वर्षा का प्रतिशत, रैनफाल इतना कम है कि शायद ऐसी परिस्थितियाँ घा जायेंगी वहाँ पर लोगों को काम जुटाने के लिए अकाल राहत के काम सोलने पड़ेंगे। इनलिए 10 करोड़ की राशि समुद्र में एक बूंद डालने के समान है। ऐसे पिछड़े हुये राज्य के लिये इतनी कम धन राशि पर्याप्त नहीं है इसलिये इसको बढ़ाना चाहिये।

देश की 80 प्रतिशत जनसंख्या गाँव में रहती है। गाँव के लिये धुक् किये गये 20-सूत्री कार्यक्रमों से काफी अधिक राहत मिली है, परन्तु इन्हे केवल आप राज्यों पर छोड़ दें यह ठीक नहीं है। राज्यों के वित्तीय साधन सीमित है, वह उनके लिये विशेष प्रकार से प्रावधान करना चाहते हैं, लेकिन कर नहीं पाते। इसके लिये वित्त आयोग को विशेष प्रावधान करना चाहिए तभी हम बहुसंख्यक लोगों को प्यास बुझा सकेंगे, बीमारी से छुटकारा दिला सकेंगे और क्षेत्रों में हरियाली की कल्पना कर सकेंगे। 20-सूत्री कार्यक्रम के लिये आपको विशेष ध्यान देकर इन कामों को हाथ में लेना होगा।

राजस्थान में हमेशा ओवर-ड्राप्ट रहा है। अन-प्रोडक्टिव लोन को राइट-आफ कर देना चाहिये क्योंकि बराबर ओवर-ड्राप्ट रहने से राजस्थान में बहुत ही बिपरीत परिस्थितियाँ पैदा हो जाती हैं। राज्यों की

आय के साधन सीमित हैं, केवल उन्हें बिक्री कर और उत्पादन-शुल्क से ही धनराशि मिलती है। ऐसी स्थिति में ओवर-ड्राप्ट चलते रहने से उनका आर्थिक संतुलन बिगड़ जाता है। जैसे-जैसे केन्द्रीय सरकार के कर्मचारियों का भत्ता बढ़ता है, मुद्रास्फीति बढ़ जाती है। राजस्थान सरकार को भी अपने कर्मचारियों को मंहगाई भत्ता बढ़ाना पड़ा है। उसके परिणाम स्वरूप आपने जो कटौती की है उससे वहाँ की अर्थव्यवस्था बड़ी असंतुलित हो गई है। आपको बिकसित राज्यों की तुलना अ विकसित राज्यों से नहीं करनी चाहिये जैसे पश्चिम बंगाल, तमिलनाडु, कर्नाटक, महाराष्ट्र वगैरह की तुलना राजस्थान से यदि आप करें तो यह संभव नहीं होगा। इसके लिये विशेष बात आपका सोचनी होगी।

राजस्थान में मिर्चाई के लिए और निर्माण कार्यों के लिये भी बहुत अधिक धन-राशि की आवश्यकता होती है। वहाँ बहुत सारे सिंचाई के काम घबूरे पड़े हुए हैं। आपको धन-प्रोडक्टिव लोन को राइट-आफ कर ही देना चाहिए।

इसके अतिरिक्त वित्त आयोग के चेयरमैन ने स्माल सेविंग्स लोन की भी सिफारिश की थी। इसके कारण राजस्थान को 23.47 करोड़ रुपया मिलता, लेकिन उस सिफारिश को प्रशासन ने नहीं माना इससे राजस्थान को 23.47 करोड़ की हानि हुई है। मैं वित्त मंत्री महोदय से निवेदन करूँगी कि इस सिफारिश को तो जरूर ही माना जाना चाहिए।

आज आप वित्त आयोग की रिपोर्ट के अनुसार राजस्थान को 4.33 प्रतिशत देंगे। जब कि सारे देश के भूभाग को देखा जाये

तो राजस्थान का भूभाग उसका 10 प्रतिशत है। जनसंख्या का कम होगा कोई सराव बात नहीं है। भूभाग के हिमाब में जिस प्रांत का जिनका क्षेत्रफल है, उसके हिसाब से ही उसको वित्तीय सहायता मिलनी चाहिये। इस तरह से राजस्थान का वित्तीय सहायता का हिस्सा स्वाभाविक रूप में बढ़ जायेगा।

आप दिन एरिया को जिस प्रकार से सहायता देने के लिए पिछड़ा हुआ मानते हैं, उसी तरह में राजस्थान के रेगिस्तान को भी ध्यान में रखते हुए इसे पिछड़ा हुआ मानकर आ। इसके बारे में पुनर्निर्धार करें इसके साथ ही मैं अपनी बात समाप्त करती हूँ।

**SHRI K. P. UNNIKISHNAN (Badagara):** Mr. Deputy-Speaker, Sir, today, we have an unprecedented discussion. More than the recommendations of the Commission, the attention of the House has been drawn to the manner and the method in which that Finance Commission charged with the constitutional responsibility has been treated thereby committing an assault on the constitutional provisions themselves.

When the Constituent Assembly—I am happy that Prof. Ran a is here—debated the provisions for the federal finance for distribution of revenue, its endeavour was to evolve a cooperative federal structure where the chosen instruments like the Finance Commission and above all, conventions would play an equally important role. The Constituent Assembly had an expert committee on financial provisions and this Committee had hoped that the problem of divided taxes could be amicably resolved through the instrumentality of a Finance Commission. That is what Mr. B. N. Rau says in his epoch making book on "India Constitution Making." There were demands in the Constituent Assembly for spelling out or entrenching certain provisions because doubts had

started creeping in even then that the interest of the States would be safeguarded. There were stalwarts of the freedom struggle like late P. C. Ghos and A. N. Sinha who was the Finance Minister of Bihar, who had openly demanded in the Assembly and argued before the Drafting Committee that these provisions be entrenched. Replying to them Govind Ballabh Pant said that you can expect just treatment from the Union and justice shall be the sheet-anchor of Union-State relations. But then 'just' was an acceptable word and justice was never denied. But, now in the vocabulary of my dear friend, the Finance Minister, who is a very dear friend of mine, I don't think these words probably they have a different connotation. The Finance Commission as envisaged in the Constitution as a body charged with certain constitutional rights to examine the financial resources and needs of the States. I do not want to use this occasion to argue that there should have been another commission. There has been a demand which we made in Srinagar conclave where the Chief Ministers of non-Congress-I States and the opposition parties met and talked about a similar commission to go into the question of finances of the Centre. But, in practice, the Finance Commission has become a creature of the Union. Not only it dictates its terms of reference—yes it is more than proved now Mr. Ranga—and provides staff and secretariat thereby outailing its own independence. In this arrangement itself, there was a lacuna. But, however, as I said, Gobind Ballabh Pant, on behalf of national leadership, had assured in the Constituent Assembly that just solution will be found and justice shall be the sheet-anchor. Doubts started creeping in even with the first Finance Commission.

"An attempt to build a strong Centre on the foundation of weak States is like an attempt to build strong building on the foundation of sands. Strength means in this context, ability to preform adequately and properly the duties assigned to each."

Now, I am not quoting from the Chief

[Shri K. P. Unnikrishnan]

Minister of West Bengal, Mr. Jyoti Bose or his much maligned Finance Minister Dr. Ashok Mitra; but I am quoting from a memorandum submitted by Dr. B. C. Roy, the second Chief Minister of West Bengal to the first Finance Commission; and I am sure, he is still held in great reverence even by our Finance Minister,

The Constitution did not provide and has not provided you will have to do violence to facts and the Constitution to suggest that the Union executive has any power or authority to take an arbitrary decision on the recommendations of the Finance Commission. If you concede that power to the Union it would be making a mockery of the letter and spirit of the constitutional provisions of Articles 268 and 281 of the Constitution which has been violated today.

For the first time a Finance Commission, that too presided over by so distinguished a leader like Shri Chavan, a former Finance Minister himself, has been treated with such casualness. The plea of the Central Government that it would cause disruption in the economy, as has been claimed by the Finance Minister in his Memorandum of action, has to be gone into.

When he presented his Budget this year on the 29th February, 1984. I quote from his Budget Speech, page 19, para 58, he says, he was aware as the interim report had already come in November,— of the dimensions because the Commission has made itself clear.

“However, certain increases are necessary and unavoidable. I should also add that the estimates of receipts from payments to State Governments take into account the recommendations contained in the interim report of the Eighth Finance Commission. I have already kept the House informed of this. The final report of the Commission is now expected by the end of April, 1984.”

So, on the 29th February, 1984 when he presented the Budget and made his speech, he was fully aware, unless he is prepared to concede that he runs a Ministry which is mindless, which has no perspective, no understanding and did not know the concept of finance.

It is for the first time that a Finance Minister has come out with such an explanation. The Fifth Finance Commission had submitted its interim report in October 1968 and its final report came out in July 1969. But even so it was a much worse situation if you go through the recommendations and the major recommendations that were accepted.

In this case the Eighth Finance Commission has given its interim report for current financial year on 14th November, 1983 and the final report on 30th April, 1984.

Yesterday, I was listening to Shri Brahmaanda Reddy, as it come from one who, apart from the various distinguished offices that he has held, and has a place in the national life, he also happened to be the Chairman of an earlier Finance Commission. What he said was interesting. He mentioned about the minority opinion of one Member being accepted. “It is hardly flattering”, that anybody should try to hang on his coat on somebody's shoulder, that too of a man like Mr. Shirali, for whom I have great respect. The majority in the Commission has considered his point of view and rejected his view and reiterated that —

“All our recommendations should be applied from 1984-85 taking full note of the Central Government's financial position.”

The Eighth Finance Commission's Interim Report gave Rs. 494 83 crores as Grants-in-aid to cover deficits on revenue account during 1984-85. The Commission had made a specific observation :

“Having given our interim recommendation for the financial year com-

mencing from 1st April, 1984, we would like to emphasise that these recommendations are provisional and of interim nature and would be subject to such readjustment as may be necessary on the basis of our final report."

"The interim recommendations made in this report should, therefore, not be regarded as indicating our final views or recommendations or committing us in any way regarding the principles of devaluation of taxes, duties or grants-in-aid under Article 275(1) of the Constitution."

And the final report ultimately transferred an amount of Rs.2,000 crores to the States in the current year of 1984-85. The Union Government thus was constitutionally bound, duty bound and morally bound to give in 1984-85 a sum of Rs.1506 crores to all these States as per the recommendation of the Finance Commission. The Parliament was sitting till 10th of May. The Finance Minister did not think it proper between 29th of February and 10th of May—after 30th April when the Commission's recommendations were laid on the Table—to come and inform this House that he had a particular difficulty. I could have understood that. It is very clear that it is an after-thought. Then comes on 24th July this Explanatory Memorandum which has come as a bombshell to most of the States. It refers to undue disruption in the economy. This has not been explained. I do not find any convincing reason in this Explanatory Memorandum or in the speech of the Finance Minister which he has made here yesterday, that there were extraordinary reasons or total disruption in the economy. In other words, there has been a clear assault on the constitutional provisions and the very validity of the Finance Commission as a constitutional instrument has been violated. Therefore, for the year 1984-85 the Union Government makes it a year of exception when the constitutional validity of these reco-

mmendations is totally by passed rendering the same provisions invalid.

While *inter-se* distribution pattern has changed from Seventh Finance Commission's recommendations, the Eighth Finance Commission has maintained 85 per cent share of net proceeds of income-tax to be assigned to the States. Even in this recommendation, the States of Maharashtra losses about Rs.40 crores, West Bengal about Rs.95 crores and Kerala about Rs.25 crores.

It is also interesting to learn that the number of deficit States have gone up from 9 to 11. If you peruse the hon. Finance Minister's speech during the last Budget, he has made the position clear about the deficit position of the States, the overdraft position and there is nothing that he was not in the know of in spite of that he had done it.

Out of the total excise revenue of Rs.9000 crores of 1984-85 the Finance Commission has recommended distribution of additional 5 per cent which would amount to Rs.450 crores. By its refusal to distribute this amount the States have lost heavily.

About grants-in-aid, out of the total Rs. 2200 crores recommended by the Commission as grants-in-aid, from 1984-85 to 1988-89 as much as Rs.644 crores have been earmarked for 1984-85. Refusal to implement this decision in reference to grants-in-aid to which there is a specific reference in the Constitution, means that the Union Government has taken away as much as 28 per cent of the total recommended by the Finance Commission.

Now, to meet the requirements of up-gradation and special problems—I do not want to go into details because on special problems every State can argue—17 States were to get Rs.967 crores and only Rs.150 crores have been taken by them.

About railway passenger fare and so on, relief expenditure and the Centre's quantum of margin money, from this

[Shri K. P. Unnikrishnan]

alone Rs.120 crores have been taken away. Thus, an amount of Rs.1500 crores which would have gone to the States, has been with-held by the Union.

If this is not highway robbery' I would like to know the meaning of the word 'highway robbery'. This decision raises many fundamental questions of constitutional importance, of entire relations that should govern between the States and the Union and so on.

I agree with the Finance Minister when he says that the States are not performing well. The States cannot be given a free licence. If you analyse the performance of one class of States run by X Party and another class run by Y party, that is a different issue, but generally it is well known that the State Governments have gone haywire, State Governments have no financial discipline imposed on them even the State Governments run by the Party to which the hon. Finance Minister belongs, in spite of this chronic deficit situation. When some of them are almost on the verge of bankruptcy, he has chosen to use this stronger method which is violative of the principles of the Constitution.

Now, about the Centre-State relations, much has been said. I do not want to involve myself in that discussion at all today but one thing is very very important. In the approach of the Government to the problems of the States, nothing is more revolting than a small example which we might say is irrelevant. The per capita plan outlay in the Union Territory of Delhi in 1982-83 was Rs.626, while in the case of West Bengal or Maharashtra or Andhra Pradesh or in the popular States of the Union—Uttar Pradesh and Bihar—the average was between Rs. 80 to Rs. 200. So, in Delhi you spend, I have no quarrel we all live in Delhi, you spend per capita Rs. 626, but in the population States of the Union, where there are pockets and is lands of massive poverty, chronic deficit States, you are spending only

Rs. 80, Rs. 100, Rs. 120 and Rs. 200. This reveals, along with this explanatory memoranda, the approach and perspective of the hon. finance Minister in this party, and I have nothing more to say

SHRIMATI JAYANTI PATNAIK (Cuttack) : Mr. Deputy-Speaker, Sir, I am thankful to you for giving me an opportunity to participate in the discussion relating to the vital issue of implementation of the recommendations of the Eighth Finance Commission. The Finance Commission is the most important instrument for transfer of resources from the Centre to the States and for correcting the financial imbalance between the developed and the Backward States. I congratulate the Finance Minister for the prompt acceptance by the Central Government, of the recommendations and placing them in the House without any delay.

I would also like to place on record my feelings of appreciation for the Chairman and the Members of the Eighth Finance Commission for their foresight and sagacity. In my view, the backward and the financially weaker States would find, in the Report and recommendations, a positive effort to transfer greater resources on need-based considerations. The Commission deserves their gratitude. The Interim Report of the Commission submitted to the Government a few months ago, has created a serious apprehension in the minds of the people of the weaker States, like Orissa, as regards their judgement. The Final Report, however, is judicious and pragmatic. The Finance Commission, has recommended a good increase in the amount of the devolution to the States. The Finance Commission has taken different formulae for devolution, like per capita, population distance and so on. The Finance Commission have stated that the deficit should not be met by the grant-in-aid, it should be met out of the taxes and duties. The share of the States in the Central excise duties has been increased by 5 per cent. The income-tax Surcharge and the raising of revenue from duties under articles 268 and 269 of the Constitution are de-

signed to expand the pool of sharable taxes.

Apart from the vertical transfer of resources from the Centre to the States, the recommendation relating to the horizontal transfer to different States is very significant. 85 per cent of the income-tax and 45 per cent of the Central excise duty would constitute the common divisible pool, out of which 90 per cent would be distributed on the population criteria modified with level of development. This formula is designed to help the less developed States.

The extra 5 per cent of the excise duties will go to the deficit States. This is a very new innovation, a bold formula, evolved for the first time for helping those States which are under chronic financial worries. It is quite natural that the developed States with revenue surplus will find the recommendation not conducive to their greater interests. But the sharing of the national resources should be viewed in the national perspective and not in terms of the quantum of loss or gain of individual States. In this context we find this recommendation very objective.

The Commission has made an in-depth analysis of the deficits and surpluses of the States their needs and their weaknesses. Its recommendation in respect of upgradation of standard of administration and the financial assistance for special problems and the fixation of higher ceiling for relief expenditure are most thoughtful, timely and need-based.

Here I would like to refer to my State. One of the members from my State has already stated how Orissa has suffered from natural calamities throughout all these 30 years and the loss would have come to Rs 30,000 crores. So, I would urge that the total loss on account of natural calamities should be met by the Centre.

Adequate assistance to meet the Central loan burden and interest liability has been

provided. I find that the Commission has not computed the additional burden from 1985-86 arising out of the committed expenditure in respect of the maintenance of the plan schemes completed in 1984-85. I hope the Government will look into the area of deficit and provide adequate grants-in-aid to the States to maintain the assets created under the Plan.

The Commission has not considered DA to Government servants beyond a particular date for computation of revenue expenditure of the States. It is a well-known fact that the States have to incur substantial amounts during 1984-89 for payment of additional dearness allowance to their employees. This will cast a serious burden on the deficit States. I would request the hon. Finance Minister to devise a formula for funding the genuine requirements of the deficit States, particularly when additional DA to the State Government employees follows autonomically, as soon as the price index rises and the Central Government employees get additional DA.

Sir, I am also deeply grateful to the Finance Minister for having accepted the recommendation in letter and also in spirit in spite of the heavy financial burden on the Centre. This decision gives a lie to the of repeated criticism of our friends in the Opposition. The Opposition had criticised that the Centre is getting richer at the cost of the States and actually this is going to be their grievance.

I would, however, suggest one thing and this is the most important point also—I would like to draw the attention of the Finance Minister to this because he has already given the decision on this, still I shall suggest the reconsideration of the decision to implement the recommendations from 1985-86 and not from 1984-85. The recommendations of the Finance Commission should synchronise with the five-year plan; otherwise this will deprive the States, mostly the weaker States, of an estimated amount of Rs. 1700 crores during the crucial final year of the Plan.

**SHRI SATISH AGARWAL :** Does this stand of yours have the approval of your Chief Minister ?

**SHRIMATI JAYANTI PATNAIK :** This is the opinion of the State Government also. They have also given their suggestion to this effect (*Interruptions*). A chronically revenue-deficit State like Orissa also will lose Rs 100 crores on account of this. Most of the advantage would go to the stronger States who will get higher resources as per the old dispensation. If the implementation of the decision will cause distortions in the Central budget already formulated, as has already been said by the Finance Minister, at least the loss to weaker States should be made good over the coming years. I would urge on the Finance Minister to consider this.

Sir, I once again thank the Finance Commission for their objective and fair recommendations and also the Central Government for their willingness to accept them.

With these words I conclude.

**SHRI CHITTA BASU (Barasat) :** Sir, I would like to begin with a note of appreciation to the Commission itself. If you go through the Report of the Commission, you would find that this Report reflects a greater awareness of the problems of the State. It has not only recognised the problems of the States, but they have also emphasised upon the need of strengthening the economic base of the States. Here I am tempted to quote what has been reported in the Report itself :

"While we have the greatest sympathy for the needs of the States, the parameters within which we have to function are obvious. Within the scope which was available to us we have tried to do our best."

Here Mr. Chavan raised a very important and fundamental issue. Since I have not got much time at my disposal, I would

simply mention that the intention of this observation is that the Constitution of our country needs restructuring broadly in matters of financial relations between the Centre and the States.

Regarding the constitutionality, political immorality or impropriety as you may call it, about the decision of the Government for limiting the recommendation of this Commission to 4 years instead of 5 years, I do not want to take much of your time because the points to prove these charges have already been made adequately. These points have been made out adequately by my esteemed colleague Shri Somnath Chatterjee and subsequently reiterated by my friend Shri Unnikrishnan. Therefore, I do not like to dwell on that particular aspect. I am of the firm opinion that the decision of the Government on the plea of disruption of economy is untenable, unjustified, un-democratic and is not permitted by the provision of the Constitution. If it is not violative of Article 280 of the Constitution, I will say with all the emphasis at my command, there has been violation of the spirit, if not the letter. In this connection I would only make out one of the points. This Commission is an impartial one and this body was conceived by the Constitution to divide the share or determine the quantum of shareable revenue between the Union and States. In this the States are a party and the Union Government is a party so far as claims on the divisible pool is concerned. My point is as Union Government is a party, how can they claim the right to decide unilaterally? They cannot have the role of a judge. Here the Finance Commission has got the role of the judge because it has been conceived by the Constitution to do so. Here the Finance Commission is the umpire. The Union Government constitute a party. The State Governments constitute another party. Here the Finance Minister has usurped the right of an umpire and unilaterally taken the decision by his executive power. Therefore, it is unjust, unacceptable, untenable and is violative of the spirit of the Constitution and the very basic understanding of the Institution of the Finance Com-

mission. I am not adding other adjectives.

My distinguished senior Member Shri Brahmanand Reddy has claimed that there has been a larger transfer of resources from the Union to the States. I also agree because from Rs. 21000 crores in the Seven Finance Commission, it has come to Rs. 38,500 crores in the Eighth Finance Commission. Arithematically it is larger. I do not disagree. But one point I would like to make. This increase is of the order of 83.3%. Have you taken into account the increased rate of percentage of price increase during this period from 1979 to 1984? According to the available figures with me the price increase has been of the order of 80% at least. Therefore, if you increase the quantum by 83.3%, taking into account the price increase of 80%, then this increase is nothing but notional.

Again, another point I would like to make, the transfer to the States has not been commensurate with the increase in the total revenue earning of the Centre. Pre-distribution tax revenue is almost doubled from Rs 12000 crores in 1979-80 to Rs 23,000 crores in the current year and the non-tax revenue has increased from Rs 8568 crores to Rs. 17255 crores during the same period. Therefore, the increase in the revenue of the Centre is 100%, whereas the transfer has taken place, not more than 83.3%. It may not please Prof. Ranga but it is the hard reality. And, therefore, we have said that more transfers are needed. I have got two or three points to make (*Interruptions*) The increased income is exclusive of the increase of income by way of administered prices which have been of the order of Rs. 5,000 crores in a year. Therefore, you have got the additional increase in income or revenue but you have not adequately and commensurately transferred these resources to the states which constitute the basic foundation of the united, unified and strong centre.

18 hrs.

Now, what does the State want? As rightly pointed out by Mr. Chavan, we do

not want, the States do not want a larger share. What we want is more power to mobilise resources. Therefore, what we beg of you is not larger tax share but greater power to levy tax.

In this case, I only want to mention one sentence of the memorandum placed before the Finance Commission by the West Bengal Government :

"In this we are not pleading for charity. We are simply claiming due recognition of the role of the States (and of the costs incurred by them) in the development of the corporate sector."

Mr. Satish Agarwal is right.

MR. DEPUTY-SPEAKER : The non-Member's time is up.

SHRI CHITTA BASU : What can I do ?

MR. DEPUTY-SPEAKER : I am appreciating your point by ringing the bell. Now, you should conclude.

SHRI CHITTA BASU : Therefore, we want, the States want not the larger transfer but the greater power of mobilising resources

Sir, I only want to draw the attention of the hon. Finance Minister regarding repayment burdens. Outstanding loan as on 31st March, 1984 is Rs 27,058 crores. Outstanding repayment falling due of all the States during 1984-85 is Rs. 8,688 crores. And the Commission has given the debt relief amounts of Rs 2285 39 crores. Even after this recommendation, the States will have to bear the burden of debt repayment of more than Rs. 4,000 crores. In this case, I will only like to make one point. According to an analysis of data made by the Reserve Bank of India, all the States are to spend in the direction of repayment of past debt which accounts to be 19% of the aggregate capital disbursement and, of course, I admit West Bengal's figure is bigger. It is about 35%.

[Shri Chitta Basu]

Certain remarks have been made regarding overdraft.

MR. DEPUTY-SPEAKER : We have dealt with it sufficiently. Please conclude.

SHRI CHITTA BASU : I would make a plea to him. If you disturb in this way, I cannot justice to what I say.

MR. DEPUTY-SPEAKER : I am disturbing you only to stop

SHRI CHITTA BASU : Even the Finance Commission has made certain casting remarks about the overdrafts. Since you will not give me time, I will say only one thing. Even the Central Government runs on deficit financing and I have got a note which shows this. An analysis of the data shows that while the Union Government has been indulging in deficit financing of about 15% of its total disbursement, the corresponding average for the States taken together was less than 3 per cent.

Now, if the Union Government indulges in deficit financing and the State Governments which have got a larger responsibility to the people and, if they seek for overdraft which in another term is deficit financing, how does the Government, how does even the Finance Commission, come heavily against them saying that the overdrafts are due to the mismanagement of the economy as if the surplus States or the Union Government running with deficit financing is an example of prosperity and good management of the economy? If the problem of overdraft for the States is to be eliminated, there are certain structural issues to be dealt with. Unless the structural issues which are responsible for this factor of overdraft, I think, any amount of castigation or any amount of reprimands will not help the unity and integrity of the country and shall not show the way for the prosperity of the country as a whole.

Again, of the 11 deficit States, 9 States belong to the eastern region. This is a

very significant pointer that of the 11 deficit States in the country, 9 States belong to the eastern region. One of the basic reasons is that the policy that they have introduced, the freight equalisation and the price equalisation policy has hit hard the economic development of the eastern States by depriving them of the locational advantage of resources in these areas. In these circumstances, unless the basic issues are taken into account and certain radical fiscal measures are taken up, I think, the prosperity of the States will be a mirage and, if the prosperity of the States remains a mirage, the economic prosperity of the State also remains a mirage, it not only remains as a mirage but it spells disaster to the nation as a whole.

In conclusion, I would say that the hon. Finance Minister, I hope, will reconsider his plea for limiting the recommendations of the Finance Commission to four years instead of five years. He should give up this plea; he should have a tough attitude. He should have a soft attitude. As a *via media*, I accept the suggestion made by esteemed friend, Mr. Satish Agarwal, who said that the amount for the year 1984-85 cannot be disbursed but the total amount should be disbursed to the States during the coming four years so that the States are not denied their legitimate right which has been awarded—I emphasize the word 'award'—by an impartial body like the Finance Commission, a creature of the Constitution and not a creature to obey their dictate.

MR. DEPUTY-SPEAKER : Hon. Members, have given chance to all members from the Opposition. I have requested some of the members from the ruling party not to speak. They were so gracious enough to withdraw their names. I do not want to leave my hon. friend from the extreme south, Shri Jakkayan. After him, the Minister will reply to the debate.

\*SHRI S.T.K. JAKKAYAN (Periakulam) : Mr. Deputy Speaker, Sir, on behalf of my party, the All India Anna Dravida Munnetra Kazhagam, I wish to participate in the debate on the Report of the

\* The original speech was delivered in Tamil.

8th Finance Commission and to make a few suggestions. I extend my support to the resolution that has been moved by the hon. Finance Minister in this regard.

Sir, the 8th Finance Commission has introduced an innovation in its Report. Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu—these six States have been declared as revenue—surplus States. These States have adopted stringent measures for curtailing wasteful and unnecessary non-plan expenditure. They were tightened their tax collection machinery, which has yielded better tax revenue. They have practised prudent fiscal measures. Their administrative efficiency has ensured better returns on their investment. That is how they have become surplus States. Instead of giving incentives to these surplus States, they are being done injustice by lesser financial allocation. A premium has been put on administrative inefficiency, particularly in respect of finances, by giving so many financial inducements and incentives for the deficit States. This is not conducive for balanced economic growth.

For example, financial allocation has been made on the population basis. The State of Tamil Nadu which has brought down population at the behest of hon. Prime Minister is likely to get less allocation. This is highly improper.

As has been pointed out by the hon. Finance Minister of Tamilnadu, Thiru Nedunchezian, the Government of Tamil Nadu is implementing nutritious meals scheme for the good of the children of the State, who are in fact the future assets of the country. On account of this, their drop-out in schools has come down and there is tremendous filip to rural education in the State. Our Chief Minister, Dr. MGR has brought about revolution in rural areas of the State. By abolishing hereditary vested interests of Village Munsiffs, he has infused new blood in the form of Village Officers, with whose verve and vigour he wants to bring about rural transformation. He has also formulated a scheme of supplying electricity free of charge to the farmers for augmenting agricul-

tural production. On this scheme the State Government will incur annual expenditure of Rs. 300 crores and on the nutritious meals scheme another Rs. 100 crores per year. Where will the State go for funds? They should be treated as Plan Schemes and allocations should be made accordingly to the State of Tamil Nadu. After all these are schemes of national importance. The 8th Finance Commission does not seem to have taken these schemes into account. I suggest that the Finance Minister should use his discretion and allocate funds for them to the State of Tamil Nadu.

Many hon. Members belonging to ruling party have questioned the logic of Finance Minister in implementing the recommendations of 8th Finance Commission only for 4 years. This decision of the Finance Minister has cost the States a sum of Rs. 1500 crores, which will be utilised by the Centre. This denial of Rs. 1500 crores will further aggravate the States slender financial resources. Even according to the recommendations of the interim report of the 8th Finance Commission, the states of West Bengal, Orissa, Assam and Rajasthan are losing Rs. 495 crores. It is not that the Opposition ruled State Governments have raised objection to the approach of the Finance Minister. The congress-ruled States of Kerala, Uttar Pradesh and Rajasthan, through their Chief Ministers, have not accepted the stand of their own Central Finance Minister. They also know that if the States are weakened, then the Centre loses its vitality. The second Finance Commission submitted its interim report in November, 1956 and its final report in September, 57. But the report was implemented from 1 April 1957. Similarly, the interim report of 5th Finance Commission was submitted in October, 1963 and the final report in July 1969. Yet the report was given effect to from 1st April 1969. Why should an exception be made in the case of 8th Finance Commission, which has submitted its final report on 30th April, 1984? What is the reason for not implementing the Report from 1st April, 1984? Shri Brahmananda Reddy, belonging to the ruling party, who was Chairman of 7th Finance Commission, has demanded the imple-

[Sbri S. T. K. Jakkayan]

mentation of the report of 8th Finance Commission from 1st April 1984. I suggest that the Finance Minister should pay heed to the demand of his senior colleague and do the needful for implementing the report of 8th Finance Commission for five years from 1st April 1984.

The hon. Finance Minister in his introductory speech pointed out that 70% of the Central Budget goes for non-plan expenditure under three major heads—Defence, Interest payment and Subsidy. The financial statement of the States is no different. They have also to pay equal amount towards the return of Central loan and interest on it. Hence I demand that Corporation Tax should be brought under divisible pool, so that the States get some more money.

Before I conclude, I have to regretfully point out that the dissenting note of the Chairman of 8th Finance Commission has brought down the impact of the recommendations. I feel that somehow some consensus should have been worked out and the dissenting note of the Chairman should have been avoided.

With these words I conclude my speech and resume my seat.

**THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)** : Mr. Deputy Speaker, Sir, at the very outset, let me express my gratitude to all the hon. Members who have made their contributions on the motion moved by me.

Yesterday, while speaking my senior colleague, Shri Brahmananda Reddy, made a comment that 'I am on a weak wicket'. I would not agree with him. But I would, no doubt, go to the extent of pointing out that the wicket was strong enough and is still strong enough, but attempts have been made to queer the pitch and I am not allowing the pitch to be queered. I would like to place the facts before the hon. Members in the proper perspective.

First of all, I would like to point out what prompted the Government to accept the majority recommendations of the Eighth Finance Commission. It is not that the recommendations of the Eighth Finance Commission did not create, or, rather, raise any major issue. One such issue has been raised yesterday by a number of hon. Members, the decision of earmarking a part of the taxes which normally go to the divisible pool to meet the deficit of the States to be covered by article 275 under grants-in-aid. This is no doubt a novel feature. Perhaps, you have noticed in the explanatory memorandum, while indicating what action Government took on the recommendations of the Finance Commission, it has been pointed out that it should not be treated as a precedent. This is a matter where there can be two views. But Government accepted the view reflected in the majority recommendations of the Finance Commission as we thought that, when a body like the Finance Commission, and particularly the one headed by such an eminent person, have made their recommendations, we should accept. What is the point arising out of that, I may be permitted to explain it a little further.

Already there is a provision in the Constitution to meet the deficit of the revenue-deficit States under a formula under article 275 and certain other provisions. But so far as taxes which normally go to the divisible pool are concerned, all the 22 States should have their own share according to the formula worked out by the Finance Commission. That is the argument. Here what has happened is, five per cent is not going to all the 22 States, five per cent is going to eleven States to meet the demands of these eleven States. By enhancing the grants-in-aid, they could have been met. But the Finance Commission rightly thought, in that case, what would have been the position in financial terms. We cannot just talk on mere air. These are hard realities. Resources are to be distributed. The Finance Commission have calculated—I am not going into the accurate figure, but am speaking roughly—that the deficit of these eleven States would be rough about Rs. 4,000 crores, and they thought,

if those Rs. 4,000 crores are to be met through the grants-in-aid route and the five per cent is to be distributed among the States, then the responsibility and liability of the Centre would be more—if allocated from this angle. As a result of that, it has been recommended that, out of Rs. 4,000 crores, Rs 2,500 crores should be met through the grants-in-aid route and Rs 1,500 crores should be met through this. I had accepted the major recommendations of the Finance Commission. Where there had been certain suggestions or certain recommendations which are just for consideration of the Government, not recommendations as such, I have accepted. Members have said that I am raising an accusing finger at the Finance Commission. Not at all. I cannot do. Nobody can do. Nobody can afford to do it. Neither I have taken the recommendations of the Finance Commission casually. I am sorry to say the protagonists of independent bodies like Finance Commission are saying that the Government should have accepted even the recommendations by implementing during 1984-85—to that we will come later on—but a spokesman of one of the State Governments has gone on record to say that Members of such a distinguished body are 'lackeys' and 'time-servers'—I am using these two terms 'lackeys' and 'time-services'—I am to learn from them through their lectures that I should not take the recommendations of the Finance Commission casually? We have never taken the recommendations of the Finance Commission casually. But at the same time I would not accept the argument that Finance Commission recommendations are awarded which government cannot consider and government cannot change. I will never accept it. On three occasions—not one, but on three occasions the recommendations of the Finance Commission have been altered.

I am drawing your attention to that particular point. The Third Finance Commission—I think it was presided over by Mr. A.K. Chanda—recommended that the statutory grants-in-aid should cover 75% of the revenue component of the plan expenditure. This recommendation

was not accepted. Should I remind you who was the Finance Minister at that time? No less a person than Mr. T.T. Krishnamachari.

It has been pointed out that it is a constitutional body and the other day Mr. Somnath Chatterjee—he is not here and I think even in his absence I should answer some of his points—quoted T.T. Krishnamachari. It was convenient for him to quote the first part as he did the first part of my press statement. I am also quoting from the same volume—not from the same page but from the next page. While moving the draft resolution on this particular Article determining the scope, role and functions of the Finance Commission in the Constituent Assembly, he said:

“Parliament must leave it to the executive to undertake the very onerous duty of distribution between the various provinces.”

This is the first part of the comment. The second part is:

“The Finance Commission will only be an aid the administrative machinery even though created by an Article under the Constitution and their recommendation must be decided on by the executive.”

The third part of the same speech is:

“The executive can accept their recommendations if they are feasible and desirable.”

(Constituent Assembly Debate, Vol. 9, 1949,] page 326)

Therefore, if somebody accused me or the Government of India that by not accepting a particular recommendation, I have committed a daylight robbery, I have hijacked the Indian economy or I have taken the Finance Commission casually, I am afraid these are merely high-sound-

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ing words. It is not a question of this side or that side. I do appreciate that when we discuss about the distribution of resources between the States and the Centre, between the Union and its federative units, there should be a free discussion and the result has been that there has been a free discussion. Members have expressed their views and it is desirable. After all, people are concerned and everybody would like to have a little more. Yesterday, I was very much amused when Prof. Madhu Dandavate, while saying that West Bengal's share is getting down in terms of percentage, mentioned with Andhra Pradesh's share is going up in terms of percentage. When you talk of percentage, you have to distribute that among hundred? You cannot distribute 110 out of 100. Here, I would quote very interesting figures which the hon. Members, particularly those, who passed their States points of view, have to keep in mind. It has been the persistent practice that if one State gets more in terms of percentage in one Finance Commission, in the next Finance Commission, they get less and again it goes up. I will show this with reference to a couple of States.

Take the case of Andhra Pradesh, Fifth Finance Commission, it got 7.7 per cent. Sixth Finance Commission, it got 8.08 per cent. Seventh Finance Commission, it came down to 7.31 per cent and this Finance Commission, it has gone up to 7.34 per cent. Similar is the case of Tamil Nadu. It was 6.97, it went down to 5.60, it went up to 7.21 and then again went down to 6.25. Then, about one of the highly developed State—I am talking with reference to *per capita* income—Punjab, it was 2.13, 1.76, 2.01 and 1.64 per cent. Then, the State with the lowest *per capita* income, Bihar—there also you will see the same trend. It is 9.57, 8.79, 10.62 and 10.70 per cent. So, this is absolutely normal and it is bound to happen because every Finance Commission has to take into account all the forecasts made by the States. They find out a yardstick, a norm, they apply that norm and when as a result of the devolution

over a period of five years, the situation of the State improves a little bit, in the next Finance Commission, their share will go down. This is not deliberative.

Yesterday, while making my introductory remarks, I welcome and placed on record our appreciation of giving weightage to the factor of backwardness and the new formula which has been worked out by the Finance Commission after a good deal of exercise and making experiments with various models. It has given benefit to a large number of States, particularly the poverty stricken States.

The second point to which I would like to draw attention is that an attempt has been made to have 'pick and choose'. You cannot have that. You cannot say so that devolution part is all right grand-in-aid part is defective, debt relief is not so attractive overdraft is not acceptable. You cannot have this state of affairs. When the Finance Commission makes a recommendation, they provide it as a package, and I have accepted it as a package.

Charges have been made that the Finance Commission's recommendations are pro-Union, pro-Centre, and that charge has been levied by distinguished Members like Shri Uppalapati and Shri Somnath Chatterjee. I cannot go into the income-tax, grant-in-aid etc., but I am just going to the excise duty; page 46-47 of the report itself. I would not take much of your time because I have many other things to tell, but I draw your attention how this scope of excise duty has been expended by each Finance Commission. When the First Finance Commission was set up, they included excise duty on these items in divisible pool. The items were tobacco including cigarettes and cigars, matches and vegetable products. Only three items. The second Finance Commission have enlarged the list by including sugar, tea, coffee, paper and vegetable non-essential oils and they reduced the share also to 25 per cent from 40 per cent. The Third Finance Commission went one step further and suggested all the excise-

able commodities excluding those commodities where excise duty is less than Rs. 50 lakhs. Excluding that, the entire range of excisable commodities are included. The Fourth Finance Commission went still one step further by saying that there should not be any limit of Rs. 50 lakhs and each and every item which is included in the excise classification should be brought within the divisible pool. The 6th Finance Commission have included the special excise duty also, which was earlier in the exclusive jurisdiction of the Union Government. The Seventh Finance Commission have increased the share from 20 to 40 per cent. The Eight Finance Commission has increased the share from 40 to 45 per cent. That 5 per cent may not be distributed to all the states, but anyway, it is going from the Union to the States and the net result is that the Centre's share is getting reduced from 60 to 55 per cent and the States' share is increasing from 40 to 45 per cent.

What is the contribution of the excise duty today in the total revenue? Out of Rs. 23,000 crores of tax-revenue, more than Rs. 11,000 crores are coming from excise duty alone. Therefore how can one come to the conclusion that the recommendations of the Finance Commission are pro-Union?

**SHRI SATYASADHAN CHAKRABORTY** (Calcutta South): How many commodities are taken out of the sales tax?

**SHRI PRANAB MUKHERJEE**: Only three.

**SHRI SATYASADHAN CHAKRABORTY**: Yes. But they are very important.

**SHRI PRANAB MUKHERJEE**: I have studied it. The growth of the excise duty is more than 200 per cent vertically and it is expanding horizontally including all these commodities. This matter has already been discussed in the Kamalpathi Tripathi Report, and therefore let us not open that subject again. How much additional benefit they are getting out of the

excise duty in lieu of the sales tax and what they would have realised if it has remained as sales tax, one could calculate. One concrete example I can give. I was realising excise duty on electricity every year, but in this year's Budget, I have transferred it and given Rs. 120 crores to the States and I would like to see how much the States would realise in 1986-87. So, let us not go to that aspect. Therefore, my contention is that so far as the recommendations of the Finance Commission are concerned, they are neither pro-centre nor pro-States. Rather it is pro-State. Government has accepted the recommendations of the Finance Commission. I would not have cited the example but for the criticism which has been made. But I will have to cite since it has been made. It has been said that the Finance Commission's recommendations are mandatory, or rather I would not use the word 'mandatory', but by and large Government should accept the recommendations of the Finance Commission. I have also accepted these recommendations.

Sir, now the question comes—"Why have you not implemented the recommendations from the year 1984-85?" It is a million dollar question. And if I just analyse the conclusions of the hon. members, they have pointed out to me—

- (a) It would have been marginal if I made the adjustments,
- (b) I had sufficient time to make the adjustments, and
- (c) Even this adjustment is possible.

Sir, I made one point quite clear yesterday, that Finance Commissions do not create any resources. Finance Commissions make recommendations regarding existing resources, tax revenues, and how they are to be distributed. Therefore, merely with the recommendations of the Finance Commission, no new resource is being created. What would have happened if—let us take a position, a hypothetical position—the recommendations of the Finance Commission had been made available to us in the month of November 1983,

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when we were formulating the budget? My Excise duty would have remained at Rs. 11,000 crores, if I did not want to increase my tax. My deficit would have been Rs. 1762 crores. My capital receipt, which I calculated and computed from various sources, would have remained at around Rs. 38,000 crores to Rs. 39,000 crores. What I would have done is that I would have calculated what would be my nett in the Centre, after distribution to the States at the rate of 45% excise duty, after giving the grant-in aid. After meeting all commitments, I would have come to know that such-and-such was available to me for giving to the States as Plan assistance. And thereafter, I would have made the Budget. What have I done this year? I have stepped up the Plan assistance by 10%, to the extent of more than Rs 500 crores. I have given to the States towards adjustment of over-draft, to the extent of Rs. 499 crores. (*Interruptions*). It is Rs 1,000 crores. One thousand crores I have given to you. For that, I need not wait for the recommendations of the Finance Commission or anybody. Nobody asked me. There is no constitutional obligation that I will have to give you Rs. 500 crores more. When I found that I could give more to the states, I told the Planning Minister: "When the Plan discussion takes place, you can tell them that this year I can give them 10% step-up to the extent of Rs. 500 crores more." When I found, after discussion with the State Governments, that they could not meet their overdraft responsibility totally, I told them: "You meet it partly; I am meeting it partly." To that extent, I gave them Rs. 500 crores. If I had received the recommendations from the Finance Commission in November 1983, instead of doing it through that route, I would have done it through the normal route.

So, where is the question that I have committed a day-light robbery, and that I have taken something with me, that I have kept something with me? Where you are getting these conceptions from? This is a silly way of looking at the problem. Who is saving? Whose money

is being saved? The resources are common. The kitty is common. It has been distributed. Instead of being distributed through the Finance Commission route, it has been distributed through the route of Planning Commission. It has been distributed through the overdraft route. And the same amount of money you have received.

**SHRI K. BRAHMANANDA REDDY** (Narasaraopet): One small question, for understanding it. The Plan assistance is 70% loan and 30% grant, for many States except the north-eastern States where it is 10% loan and 90% grant. Therefore, it is re-payable over a period of time. Of course, you make the adjustment, so that the States can go through their Plans successfully. I have no objection. But if it is the other case, it would have been largely devolution, and to some extent re-scheduling of debts. For instance, even out of this Rs 1400 crores or Rs. 1500 crores, more than Rs 350 crores is towards re-scheduling of debts. I just want to know.

**SHRI PRANAB MUKHERJEE**: Exactly, this is the position. That precisely I was going to tell you, namely, that you have to take into account that Rs. 42,000 crores are available to you this year as a result of Finance Commission's recommendations—it is not going to be more. (*Interruptions*)

**SHRI K.P. UNNIKRISHNAN**: It is nobody's case.

**SHRI PRANAB MUKHERJEE**: It is the case. Otherwise, how can you say that? You have not listened to the speeches that I have taken out the money. You have not listened to the speeches, but I have listened. You said: the Finance Minister has said it. Don't say this. Nobody has taken it.

**SHRI SATYASADHAN CHAKRABORTY**: From our point of view, from the States' point of view, you have taken the money. You are looking at it from your point of view. (*Interruptions*)

**SHRI PRANAB MUKHERJEE :** I am not yielding. The point I am trying to make is that if the Finance Commission's recommendations were available to me, I would not have stepped up our Plan assistance, I would not have adjusted the overdrafts, I would have given the States through the normal Finance Commission route which I will be doing next year; any Finance Minister will be doing next year. Therefore, there is no question of getting any commission. Shrimati Geeta Mukherjee has given us an example saying that it will be a very simple adjustment for each State and for 22 States, their budgets should have been recast because there is not a single State whose income tax share will not be varied. They had presented their budgets before the 31st March 1984; if today I am to implement the recommendations of the Finance Commission, there will be a change of their dues from the Centre so far as income tax is concerned, so far as excise duty is concerned. Somebody will get more, somebody will get less, but there will not be a single case where the amount will remain exact. Therefore, the States which are getting more can spend it more easily; there is no problem of spending. *(Interruptions)* If you have not understood it, I will not be able to teach you here. The problem is that the Finance Commission has made a new devolution formula for income tax and excise duty where instead of population they have given weightage to backwardness. According to the 7th Finance Commission, income taxes are distributed on the basis of 10 per cent collection and 90 per cent on population. Now, the Finance Commission has made a recommendation that 10 per cent on contribution (as mentioned by assessment) out of that 90 per cent, 25 per cent on population, 25 per cent on inverse *per capita* income, 50 per cent from the distance of the highest *per capita* income to the lowest *per capita* income. Therefore, the amount which they gain out of Rs. 1600 crores of income tax, will vary and, therefore, they will have to recast their budgets.

**SHRI SUNIL MAITRA :** (Calcutta North East) : Marginal.

**SHRI PRANAB MUKHERJEE :** There is no question of marginal adjustment. I am not yielding.

**MR. DEPUTY SPEAKER :** He is not yielding. Let him finish it.

**SHRI SATYASADHAN CHAKRABORTY :** He is misleading the House. The various would have been marginal. Did you consult the States for which you are talking now ?

**SHRI PRANAB MUKHERJEE :** It is a very funny thing. I do not know how to proceed with it. These gentlemen, are accustomed to live in fiction and when they are confronted with facts, they react in this way. *(Interruptions)*

**SHRI SATYASADHAN CHAKRABORTY :** I am giving you the facts. He is misleading the House.

**SHRI PRANAB MUKHERJEE :** Even if it is a small amount, it is irrelevant to me. Each and every State budget is to be recast. This is my simple point. Their plans are to be recast. If I accept it today that I will implement it, where from are we getting the resources? Is Parliament going to recommend to me that you impose Rs. 1400 crores worth taxes, Rs. 1400 crores additional deficit financing. I am putting this question bluntly to the Members of Parliament. And for whom? Much has been made about West Bengal, a very big case as if they would have created wonder, if they would have received this much amount of money. Yesterday, Mr. Somnath Chatterjee used this certificate given by me in a Press Conference that the West Bengal resource mobilization is wonderful. I said, they had surplus, they had a target of their resource mobilization. What was the position when the plan was finalised? At the beginning of the 6th Plan, it was decided that West Bengal's plan would be Rs. 3500 crores and their balance from current revenue after deducting the shortfall in State Electricity Board and the Road Transport Corporation would be Rs. 699 crores plus; and they said that

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they will mop up additional resources of Rs. 512 crores. So, Rs. 699 crores + Rs. 512 crores = Rs. 1212 crores they will contribute to the plan. So far as Rs. 800 crores is concerned, additional resource mobilization, what the State has done is really good. I would say from Rs. 512 crores, they have increased to Rs. 799 crores, almost Rs. 300 crores more they have made additional resource mobilization. This part of the certificate he showed yesterday. But what about the balance from the current revenue? They have to give Rs 699 crores+plus, and they are giving minus Rs. 957 crores, and in the reserve instead of plus Rs 1212 crores the State is ending with minus Rs 158 crores. No doubt, very wonderful performance.

Now coming to the area of the State Plan as I mentioned above, it was decided that West Bengal's Plan would be Rs. 3500 crores, first year their Plan, finalised was Rs 575 crores. Actual Rs. 420 crores. Mr. Narayan Choubey should note this figure.

AN HON. MEMBER : Why Mr. Narayan Choubey alone ?

SHRI PRANAB MUKHERJEE : He was referring to this.

The State's own contribution is Rs. 73 crores, plus Centre's contribution on the main four heads central assistance directly, market borrowing negotiated loans, and deficit with the Reserve Bank of India, all taken together out of Rs. 420 crores actual plan, their own contribution Rs. 73 crores, Centre's contribution is Rs. 347 crores, in 1980-81.

In 1981-82 actual outlay is Rs. 638 crores, that is the approved outlay, actual performance Rs. 454 crores, States contribution minus Rs. 4 crores, and Centre's contribution Rs. 458 crores.

In 1982-83 actual outlay approved Rs. 49 crores, actual performance Rs. 448 crores, State's contribution minus Rs. 36 crores, Centre's contribution Rs. 484 crores.

1983-84 figures are not yet available. And I do not know, when they will be available. And, I am to listen from them that we are discriminating against West Bengal and there is high-way robbery. I leave it to the conclusion of the House, what wonderful performance is being shown by that State.

The next question raised in connection with this is why we are not synchronising with the Plan. Wonderful arguments were put forward by Prof. Madhu Dandavate. Who disrupted it? Did I disrupt it? It was disrupted by the Janata Party Government. I am saying why synchronisation did not take place. After the availability of the Seventh Finance Commission's report and when they brought the wonderful concept, the wonderful concept of the Rolling Plan, since then it started, that disruption. And we are left with this situation. It has been made out, Mr. Somnath Chatterjee said, it has never happened in the history of this country that the recommendations of the Finance Commission have been restricted to a limited number of years. He has conveniently forgotten that Rajamannar Commission recommendations were limited to three years. Therefore, nothing has been done in this matter, in respect of implementing of the Eighth Finance Commission's recommendations that is unheard of, which did never happen. I am not a lawyer. I am not going into the legal aspects of it. If you are so sure, what prevents you from going to the court? Nobody prevents you. If you consider that it is unconstitutional, or against the letter and spirit of the Constitution, what are the letter and the spirit of the Constitution? If the letter and spirit of the Constitution are that the Commission should look into it, and make their recommendation, and if the Finance Commission take the indication from Mr. Satish Agarwal that every Finance Commission would increase at least minimum 10 per cent in the devolution in excise duty, that means 60 per cent in the next Finance Commission, and so on and after some five Finance Commissions the Centre would be left with zero. It is quite logical that if Seventh Finance Commission increases it from 20 to 40

per cent. Eighth Commission increases it by 10 per cent, the Ninth one increases it by 10 per cent, ultimately you will reach a figure where nothing would be left.

**SHRI SATISH AGARWAL :** You will include corporation tax, customs tax, etc. You are taking it too far.

**SHRI PRANAB MUKHERJEE :** I am talking of excise duty. In a situation like that, whoever will be the Finance Minister, he will have to say sorry he cannot do it. It is not a question of distribution of words, it is a question of distribution of money. When the question of distribution of money comes, the most important part is availability. But you are trying to board a train which has not arrived at all. You are talking of distribution of resources, but the resources are not visible. If the resources were visible and I could have accepted the recommendations in their entirety knowing fully well that my share would come down to the extent of five per cent and I am not to meet much larger liability towards grants-in-aid, there would have been no hesitation. Instead of stepping up your plan assistance or giving you through the overdraft and having constant trouble with you, I could have done it. But simply is not possible to do it in the midst.

An argument which Mr. Unnikrishnan and Mr. Somnath Chatterjee raised was that you received the report on 30th April and Parliament was in session upto 10th of May, why did you not do it? Actually I received it on 4th, because the President was in Mexico and the Commission's report should be presented to the President. And I cannot take it back from the President. Even in his absence, it can be presented to his office. Even if I would have received it on 30th April, simply you cannot expect that within 10 days—at the same time, by quoting Supreme Court judgment Mr. Somnath Chatterjee advised me that I should give due consideration, I must apply my mind and there should be judicious application of mind and I should complete the whole procedure within 10 days. That is the

reason why, you will recollect, on 4th, 5th and 6th, around that time, I gave a fiat to the recommendations of the interim report through appropriate legislations. Therefore, this argument is nothing new that we did not take Parliament into confidence. I told Parliament. So, my contention is that it would be wrong to come to the conclusion that we have by passed the Finance commission's recommendations or we have taken them so casually.

One more point I would like to draw your attention to. There also, I am sorry, I have to refer to West Bengal. Are we not going to give premium to the States indulging in and encouraging more and more deficit? What has the Finance Commission done? They have taken the hard reality into account. I do appreciate that they have no other option but to be realistic. But how could you justify it? One can understand Meghalaya or Manipur. But how can you justify a large, developed State and which is fifth from the point of view of *per capita* income? I again refer to page 158 for the information of the hon. Members. Where *per capita* SDP on an average, 76-79 basis has been given, you will find that West Bengal has the fifth highest *per capita* income i.e. Rs.1247. And Bihar is the lowest with Rs. 755. Bihar is not in the grants-in-aid list. Why then West Bengal which is the fifth highest State in *per capita* income, has gone in for grants-in-aid and what have they done with this money? Of all the 22 States West Bengal is the only State which is not reaching the plan target in nominal terms. They are bringing the grants-in-aid list. The Centre is responsible for everything. If their food production goes down from 90 lakh tonnes to 56 lakh tonnes, the Centre is responsible. Therefore, all these things we are tired of hearing.....(Interruptions)

**SHRI SATYASADHAN CHAKRABORTY :** This is all misleading the House, Sir. He is taking advantage of his position. I have the food production figure with me. He is a pastmaster in misleading the House.

**SHRI PRANAB MUKHERJEE :** The State has been brought down to such a level.....(Interruptions)

**SHRI SATYASADHAN CHAKRABORTY :** You should not go down to such a level.....(Interruptions)

**SHRI PRANAB MUKHERJEE :** I am not yielding.....(Interruptions) I am sorry to point out that perhaps the State has reached a point.....(Interruptions)

**MR. DEPUTY-SPEAKER :** When any hon. Member or a Minister speaks, any other Member of the House has to get up and ask the Minister whether he is yielding? If he is not yielding, then that Member should not ask anything. You hear the Government's reply.

**SHRI PRANAB MUKHERJEE :** My last point is about the Centre-State relations.....(Interruptions)

**SHRI SATYASADHAN CHAKRABORTY :** We are discussing the recommendations of the Finance Commission. The question is.....(Interruptions)

**SHRI PRANAB MUKHERJEE :** I have not yielded. He may speak but.....(Interruptions)

**MR. DEPUTY-SPEAKER :** Mr. Satyasadhan, if on every point every Member gets up, how can I conduct the proceedings? Many points that are being spoken may not be liked by you, may not be palatable to you but you have to be tolerant and here the Government's point of view completely.

**SHRI PRANAB MUKHERJEE :** My point is very simple.....(Interruptions).

**MR. DEPUTY-SPEAKER :** Please sit down all of you. Procedure is the same for all.....(Interruptions)

**PROF. RUP CHAND PAL :** He is casting aspersions... (Interruptions).

**SHRI PRANAB MUKHERJEE :** I am not casting any aspersions on anybody. The type of language these gentlemen are using, talks of their own culture.....(Interruptions)

**MR. DEPUTY-SPEAKER :** If the Members do not want the Minister to reply, I can stop him.

**SHRI SATYASADHAN CHAKRABORTY :** He should reply but unnecessarily he is attacking a State Government. He should stick to the recommendations.....(Interruptions)

**MR. DEPUTY-SPEAKER :** He cannot speak as you like, I am so sorry. All of you sit down. If the Opposition does not want that the Minister should reply, I will ask him not to reply.

**SHRI SATYASADHAN CHAKRABORTY :** He should reply.

**MR. DEPUTY-SPEAKER :** If the House cannot be conducted in an orderly manner, I will ask the Minister to sit down.....(Interruptions)

**SHRI SATYASADHAN CHAKRABORTY :** We are not ready to hear election speech. He should talk about the recommendations.

**MR. DEPUTY-SPEAKER :** He can speak, he has got freedom of speech. If you do not like them, you can reject them.

**SHRI PRANAB MUKHERJEE :** I am giving you a word that I am not going to talk of West Bengal because it is beyond redemption.

**SHRI SATYASADHAN CHAKRABORTY :** This is also part of the election speech.

**MR. DEPUTY-SPEAKER :** He has agreed. You do not want him to touch West Bengal, he has agreed. He is not

touching West Bengal because you are very much sensitive...*(Interruptions)*

**SHRI SATYASADHAN CHAKRABORTY :** He is in a sinking ship, so he thinks that every ship is sinking. Let him stick to the recommendations.....*(Interruptions)*.

19 hrs.

**SHRI PRANAB MUKHERJEE :** Everybody knows that we went to IMF. Moreover, everybody knows that we have come out of the IMF, belying all the prophecies and forecasts of Prof. Chakraborty and his friends ....*(Interruptions)* I am sorry, you have provoked me to say all this. The wonderful part of it is, I know—I am not mentioning the name of any State—I know of a State Government, whose Deputy Chief Minister in 1967 decided—Shri Chavan was then the Home Minister and he had a lot of problems—to meet President of the World Bank, Mr. MacNamara, during his visit to a part of this country. I found to my utter surprise and, to some extent a little amusement, that this gentleman has gone and met one of the much junior officers of the same world Bank.....*(Interruptions)* I do appreciate, things change.....*(Interruptions)*.

**SHRI SATYASADHAN CHAKRABORTY :** You can invite non-resident Indians .....*(Interruptions)*

**SHRI PRANAB MUKHERJEE :** These are all inconvenient questions and if you provoke me I will have to mention them. Otherwise, I would not have brought them.....*(Interruptions)*

Now I come to the last point, the Centre-State relationship. Strictly speaking, it is not within the purview of the Finance Commission, or for us to comment on it. Still, the Finance Commission has to function within the constitutional parameters, within the terms of reference. Naturally, we do think that at this juncture, when another high-power Commission is looking into it, the Finance Commission should look into

the fiscal part of the problem. Still, we have accepted all the recommendations of the Finance Commission,

I could not accept it from 1984-85. I would have been happy if I could accept it because, in that case, all this *hallagulla* would not have been necessary. But, it was not possible. It was mentioned earlier that the earlier Commission had done it. What was the amount involved then? It was Rs. 41 crores. This time it is Rs. 1,400 crores.....*(Interruptions)* I will give you an example. If Prof. Chakraborty comes to me in the evening and asks me "I want Rs. 10", I can give him Rs 10 in the evening. But if he asks me "you give me Rs. 1,000", at dead of night, I cannot give it to him he will have to wait. This is just like that.

If it was a small amount of money and if there was no disruption, it could have been done. Because, every State would be affected by it; some would get more and some less. You place yourself in the position of a State like Maharashtra, which will get X amount as share of incometax, as per the devolution which is applicable, as per the recommendations of the Seventh Finance Commission for 1984-85. Suppose I tell them in the month of August that they will get Rs.61 crores less than what I am giving them, it will create a lot of difficulties for them. Because, I cannot create any money. That point I have made clear. Today, at this juncture of time, when the rate of inflation is reasonably high, when we are going to have a discussion, you are going to accuse me and you are not going to spare me, that the money supply has increased, and surely you are not going to recommend, over Rs. 1700 crores, to have an additional Rs. 1400 crores. It is simply not possible by collecting resources by administered prices at this juncture or by taxes

From where is the money to come? It is not coming from heaven. All our speeches, or good wishes, or wishful thinking are not generating resources. So, the existing resources have to be

[Shri Pranab Mukherjee]

distributed. This is precisely the reason why I could not accept the recommendation of the Finance Commission to be implemented from 1st April, 1984.

In regard to the overdraft, I think I should not speak on it. Otherwise, again the heat will be generated.

SHRI SATYASADHAN CHAKRABORTY : West Bengal is getting less now.

(Interruptions)

SHRI PRANAB MUKHERJEE : And that too because of my releasing the advance Central assistance, and ways and means advances. So, all these advances I have made in order to clear the..... (Interruptions). Listen, Prof. Chakraborty, don't get excited. As per the practice, we cannot keep overdraft on 1st of July. So, on 30th June, whichever States have overdrawn, on behalf of the Government of States, we pay to the Reserve Bank to clear the States' overdraft and in the process of doing that, sometimes I am to give advance share of taxes, ways and means advances, and in your State we had to do both and that way we have been able to reduce. That is a different things, I am not going into that aspect.

On only one point I would draw the attention of the House which has been commented on by this Finance Commission and which has been very bitterly commented on by the Fifth Finance Commission, and they have gone to the extent of saying that it is practically the violation of Article 293 of the Constitution.

SHRI G. NARASIMHA REDDY : Mr. Deputy-Speaker, Sir, may I request the hon. Minister, who has been throwing sufficient light on West Bengal finances, to throw some light on Andhra Pradesh finances also ?

SHRI PRANAB MUKHERJEE : I most respectfully submit that it is not my

case at all against any State because, after all, if the planning in one State fails, it recoils on me. But at the same time, I will not expect that I should be unnecessarily accused. If you did not accuse me unnecessarily, if you did not call that it is highway robbery, if you did not use the phrase that the Finance Commission Members are "jackeys" and "time servers", I would never have reacted. But I am sorry to say that you have compelled us to react. We wanted to solve the problem, we wanted to extend the hand of cooperation and you thought that you can twist my arm and this is the attitude that has created a problem like this. Otherwise, what are the reasons ? The Commission which had taken into account all the problems of a State are just on the dock today because you want to pick and choose. What is in your memorandum which you have submitted to the President ? You said on devolution the Finance Commission's recommendation is all right about your grant-in-aid the Finance Commission's recommendation is all right, about overdraft it is totally unacceptable. Can you take that position ? Can you pick and choose ? Then I can also pick and choose. Another person also can pick and choose. We cannot have that attitude. This is the point I wanted to clear. So, I do hope that it would be possible for us to remove the problems of the States to a considerable extent.

On one point I would like to draw your attention. Mr. Agarwal and others have also made it quite clear that gradually, not only in absolute terms—from Rs. 20,000 crores it has gone to Rs. 39,000 crores. But if you look at the total transfer of the resources and when you talk of the transfer of the resources, you will have to take into account taxes, you will have to take into account market borrowing, you will have to take into account grant in aid, you will have to take into account facilities provided in debt re-scheduling—all these taken into account both in absolute terms and in terms of percentage, is has increased, and even in the early Sixties it was 24 per cent and today it is 36 per cent. I do

hope that it would be possible for the States to overcome their problems and on our behalf I can tell you, the Government of India has no intention to discriminate any State. Whatever is possible within the constraints is being done, but sometimes you feel that there is some hidden area from where we can generate resources. There is no such thing. You have constraints, I have constraints and I mentioned about it that my leverage is extremely limited in the sense that it is true that most of the responsibilities of the developmental projects lie with the States, but at the same time it is equally true that when the Centre takes some project, either power project or coal mining or a major industrial project, it is not located in air, it is located in some State. The States get benefit out of the Central projects also. There is no such thing as 'Centre' which is out of any State. It may be State A, B, C or D. But definitely it is to be located in some States.

So far as the non-developmental expenditure of Centre is concerned, we are trying to do it. The Finance Commission has been most impartial and even in the presence of Shri Chavan, I would say it has been impartial at the cost of the Union to some extent because he has not accepted my forecast as he has not accepted the forecast of the State Governments. He applied the uniform yardstick in assessing the projection of income and expenditure of States and the Centre over a period of five years. It would be difficult for the Finance Minister to ensure how he can adhere to the norms prescribed by the Finance Commission in regard to Defence Expenditure, in regard to subsidies. But as it is a high powered Commission, it is an expert body, it has applied its mind and applied judiciously. We have accepted it. I cannot take the position that as part of it is inconvenient to me, so I could not accept it.

With these words, I once again express my gratitude to the Members for making their comments.

MR. DEPUTY-SPEAKER : Some hon. Members have moved some amend-

ments. I would put all of them of the vote of the House.

*All the Amendments were put and negatived.*

SHRI SATYASADHAN CHAKRABORTY : The Finance Minister has said something. I want to say to the Finance Minister that we do not want mercy. We do not extend mercy. We want what is legitimate, what is just and what is due to us

MR. DEPUTY-SPEAKER : The question is :

"That this House takes note of the Report of the Eighth Finance Commission together with Memorandum showing action taken thereon, laid on the Table of the House on the 24th July, 1984".

*The motion was adopted.*

19.13 hrs.

#### INDIAN VETERINARY COUNCIL BILL—Contd.

MR. DEPUTY-SPEAKER : Day before yesterday, we could not take up Indian Veterinary Council Bill. Minister has got to reply and we have got to put that to vote. We have got to finalise it.

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI YOGENDRA MAKWANA) : I am thankful to all the hon. Members who have participated in the debate.

Some amendments have been moved by some of the hon. Members. Those amendments were also discussed in the course of the debate. Mainly, those Members who gave the amendments have participated in the debate. The main thing which was pointed out by them was that we were not utilising the services of 50,000 subordinate veterinary men who