SPEECH OF
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INTRODUCING THE BUDGET FOR THE YEAR 1980-81*

Highlights

— *Programmes for Drought Management*
— *Decision to set-up Export-Import Bank*
— *National Rural Employment Programme (NREP) Launched*
— *Rural Housing-cum-Hut Construction Scheme*
— *Social Forestry in Villages*
— *Development of Handloom Sector Promoted*
— *Encouraging the Sportsmen to Compete in International Events*
— *Promoting Electronics Industry*
— *Appellate Tribunal for Customs and Central Excise Matters*

Sir, I rise to present the regular Budget for the year 1980-81.

Presenting the Interim Budget in March this year I gave an account of the poor shape of our national economy and the magnitude of the task facing the nation. The Economic Survey presented to the House last week confirms the brief review made by me in March. As it gives a detailed account of the present condition of the Indian economy and its problems and prospects, I shall content myself with highlighting only a

Budget, 1980-81

Total Receipts	—	**Rs. 19,827 crore**
Total Expenditure	—	**Rs. 21,467 crore**
Deficit	—	**Rs. 1,640 crore**

* *Lok Sabha Debate,* 18.6.1980, cc. 331-374.

few aspects in order to give the House an idea of the gravity of the economic problems faced by this Government and the action it has taken so far to solve them and the need for other measures, some of which I shall outline in the course of this speech.

The most important and disconcerting fact about the Indian economy is that the gross national product declined in 1979-80 by about 3 per cent. A fall in agricultural production of about 10 per cent and a reduction of about one per cent in industrial production were responsible for this outcome. The set-back in agriculture was partly on account of the severe drought which affected large parts of the country. The decline in industrial production was mainly the result of a serious deterioration in the infrastructure.

The performance of power, coal and railway sectors was one of the most serious deficiencies on the economic scene. No doubt, the drought was responsible for a decline of 2.2 per cent in hydel production but what stands out is the inability to meet increased demand through increased thermal generation despite a substantial addition made to generating capacity in the past three years. Inadequate supply of coal and its poor quality, poor maintenance, equipment damage resulting in increasing planned and unplanned outages and poor management were responsible for the decline in the percentage of thermal capacity utilisation to as low as 45 per cent.

In coal again it was the same story. Despite massive investments the production of coal and lignite in 1979-80 was just 106 million tonnes, marginally better than the level reached four years ago. The poor performance of DVC and the failure to maintain law and order in the coal mining areas of Bihar and Bengal contributed to the set-back in coal production. At the same time coal could not be transported to thermal stations in adequate quantities because of difficulties in railway movement.

In 1979-80 the revenue earning traffic of the Railways in terms of tonnes originating declined by 3.3 per cent from the level reached in 1978-79. The performance of the Railways in terms of tonnes originating of revenue earning traffic has been declining continuously, since the peak reached in 1976-77. The deficiencies in the three sectors, power, coal and railways, reinforced one another and inflicted severe damage on the national economy.

With the serious deficiencies in infrastructure, it was not surprising that there was a fall in the production of major commodities like steel, cement, non-electrical machinery, aluminium and other non-ferrous metals and cotton textiles. Sugar production also fell by 28 per cent. There was a decline in capacity utilisation in industry in general.

In a situation in which aggregate supply dropped sharply, there was a steep rise in prices. In the fiscal year 1979-80 prices rose by 20 per cent. In some commodities like sugar, *gur, khandsari*, oilseeds and edible oils the rise was particularly sharp. There was also a persistent upward trend in a wide range of manufactures and intermediates owing to the low level of production. The direct and indirect effects of the increases in the prices of crude oil and oil products also contributed to the inflationary pressures in the economy as also the long delayed adjustments in administered prices of commodities like coal and steel. This naturally gave rise to speculative expectations and the liquidity in the system due to large expansion of money supply in the previous years aggravated the price situation.

The other area in which there was a deterioration following from all these factors was the balance of payments. It is true that our overall foreign exchange reserves declined by only Rs. 56 crore in 1979-80 but the trend in the various forces operating on the balance of payments has been reversed perceptibly. Export growth in value terms has only been 8 per cent or so which means there was hardly any growth in terms of volume as world inflation has proceeded at about 10 per cent in 1979-80. On the other hand, imports have increased by about 25 per cent principally on account of increased oil bill because of a steep rise in the prices of oil and oil products and the consequential impact on other imports such as fertilizer. The result is that the trade gap in 1979-80 was Rs. 2,232 crore, double the size of the trade deficit in 1978-79. This has led to a deficit on the current account. The rate of growth of remittances which has in the recent past turned the trade deficit into a surplus on current account also decelerated in 1979-80.

Such a dismal economic situation was to a large extent the result of the policies—or should I say lack of policies—of the previous Government. For instance, vacillations in sugar policy contributed to a fall in the area under sugarcane, decline in sugar production and the frittering away of large stocks of sugar carried over from previous seasons through releases which could not be sustained over a period. Had they pursued a more responsible policy on sugar, we would not have been in the unenviable position of having to import sugar for domestic consumption.

In infrastructure, the lack of co-ordinated policy in the three sectors of coal, transport and power was responsible for their unsatisfactory performance. The large Budget deficit of Rs. 2,700 crore in an economy flush with liquidity and a policy of sweeping taxation on articles of common consumption in a situation of declining production were responsible for the spurt in prices. Finally, the lack of adequate emphasis on export promotion was partially responsible for the reversal of the trend in our balance of payments.

What is important now is to devise ways and means to arrest the deterioration and set the economy on the path of stability and growth. The fact that we have a Government which enjoys the confidence of the people and is decisive should make a qualitative difference; as also the fact that there will be much greater cooperation between the Centre and the States, now that our party has been so enthusiastically returned in the State elections. At the end of May 1980, we still have food stocks of about 18 million ton owing to our earlier foresight. Foreign exchange reserves stood at Rs. 4,890 crore as on 30 May 1980. These elements of strength will be effectively utilised to improve the situation. But the House should realise that the magnitude and complexity of the problems we have inherited do not admit of quick and easy solutions. However, the problems are so urgent that we shall tackle them with determination and with the cooperation of all sections of our people.

Since it came to power this Government has taken a number of steps to correct the deficiencies in the economic system. Since restoration of infrastructure brooked no delay Government constituted a Cabinet Committee on infrastructure under my Chairmanship to monitor the situation continuously. As power shortages have been an impediment to the growth of production the Committee has devoted a good deal of its attention to rectifying the power situation. The Committee wanted to ensure that thermal generation did not suffer for lack of coal and, therefore, decided to make more wagons available for loading coal to thermal stations. As a result the number of wagons loaded daily with coal for thermal stations has gone up from 2,900 in January to 3,200 in May 1980.

Coastal shipping has been revived to supplement movement of coal by rail and is expected to achieve progressively a target of one lakh tonnes per month to meet the needs of western and southern regions.

Due to a number of steps taken coal production increased by 9.4 lakh ton in April, and 10.4 lakh tonnes in May 1980 as compared with April and May 1979.

There has been a dramatic improvement in the port situation. The number of ships waiting for a berth in Bombay, Calcutta and Madras has come down sharply by May 1980. A good indicator of the improvement in port conditions is the removal of the congestion surcharge for major ports including Bombay and Calcutta from April 1980.

As the rainfall during the period October 1979 to May 1980 was also deficient causing drought conditions to continue in many States affecting 220 million population, the present Government, immediately after assuming office, mounted relief operations on a massive scale. Central teams were deputed to these and other States and an allocation of Rs. 150 crore was made for drought relief. More than 10 lakh destitutes were provided free food. In addition, about 65 lakh persons were employed daily under the special Food for Work Programme. Government has decided to continue this programme till the end of September 1980. The existing subsidy on agricultural inputs, including nitrogenous fertilizers, to small and marginal farmers in the mono-cropped drought affected areas where no *rabi* crops could be grown has also been extended till the end of March 1981.

A 12-point programme of drought management which provides the basic framework and approach for fighting the drought has been evolved and recommended to the States. A large number of rigs have been deployed for sinking wells and a significant percentage of wells bored has proved successful. These steps are expected to bring about permanent improvement in availability of drinking water in the drought affected States.

The demand for petroleum products, particularly diesel, increased during the last few months owing to a number of circumstances including the drought. The problem was compounded by almost total cessation of supplies from January onwards from the four refineries dependent on Assam crude which between them normally produce around 350,000 ton of petroleum products per month. The situation was tackled with the utmost vigour. Firstly, the maximum quantities of diesel and kerosene were imported between January and April 1980, 6.20 lakh ton of kerosene and 1.10 million ton of diesel oil were imported as compared with 4.70 lakh ton and 4.80 lakh ton respectively in January-April 1979. Secondly, the movement of these commodities was speeded up by all available means. The result has been an increase in the level of supplies amounting to 10 per cent compared with the corresponding months in 1979 and avoidance of a possible adverse effect on *rabi* production due to a diesel shortage.

With regard to prices Government has taken a number of important steps. The coverage of the public distribution system has been widened. With regard to edible oils not only has Government undertaken adequate imports but it has also made arrangements to see that a sizable portion of these imports go into direct consumption. It is hoped that about 3 lakh ton of imported oil will go into direct consumption through the public distribution system and cooperatives. In sugar, Government has activated the disrupted dual pricing system.

In keeping with our developmental thrust towards the poorest the banks have been asked to ensure that a significant proportion of the enlarged priority sector credit will flow to the beneficiaries of the 20-Point Economic Programme, which is being revitalised. To further strengthen the linkage between block level development activities and the banks' credit programmes, the banks have been asked to open by the end of the year, branches at all unbanked block headquarters.

Hon'ble members are aware of the critical role played by our exports in our developmental effort. Therefore, the Government had over the years, endeavoured to provide all facilities and full encouragement to export promotion efforts. The management of credit and investment finance for export promotion in an increasingly competitive international market is, however, becoming more and more complex. There is, thus, a need for a specialised institution which will become a focal point for all aspects of export credit and which will devote concentrated attention to the need of the exporting community. Government has, accordingly, decided to set up an Export-Import Bank, to assist the financing of our international trade. We hope this specialised institution will give the desired boost to our export promotion efforts.

In the light of the problems currently facing the economy the tasks to be accomplished are clear enough. As there is a great deal of inflationary potential in the economy, the prime objective of our policy will be to achieve price stability. This will have to be done through an increase in aggregate supply and a moderation of aggregate demand. Therefore, we intend to continue our effort to improve the working of the infrastructure and to augment available facilities with investment wherever necessary. Secondly, the accent will be on utilising existing capacity more effectively, without slackening efforts to increase capacity, to augment supplies of vital commodities like steel, cement, aluminium and fertilizers. This will simultaneously increase production and employment, reduce the need for imports and benefit revenue.

With regard to demand management, we shall have to pursue a policy of linking bank credit expansion to productive and priority purposes and check the diversion of funds to speculative ends. We will also have to pursue an interest rate policy which will help in the abatement of inflationary pressures without hurting productive activity. At the same time profiteers and hoarders intent on exploiting current shortages for personal gain will have to be dealt with sternly. Smuggling will have to be countered through Conservation of Foreign Exchange and Prevention of Smuggling Activities Act and other means.

Since there is a great deal of liquidity in the system, there is an obvious need to minimise the growth of money supply by keeping the budget deficit at a much lower level than in 1979-80. This will require a fiscal policy which will reduce wasteful and unnecessary expenditure, invest resources in increasing the economy's production potential and maximise the revenue potential of the existing tax system.

In view of the deterioration in our balance of payments we will have to emphasize the promotion of exports to a far greater extent than has been done in the past three years. At the same time, it is necessary to minimise the growth of imports through a much more energetic policy for augmenting domestic production in areas like edible oils, steel, cement, fertilizers, oil and oil products.

Government also intends to pursue policies which will encourage savings and investment in the economy. Since 1971, a convertibility clause is being inserted in agreements governing financial assistance to industrial units by public financial institutions. It has been repeatedly represented by industry that the vigours of the convertibility clause are inhibiting investment. Government has carefully considered the matter and has decided that the policy guidelines for insertion of the convertibility clause be modified on the following lines:—

(a) The mandatory insertion of convertibility clause will in future apply to financial assistance exceeding Rs. 1 crore instead of Rs. 50 lakh prescribed at present.

(b) The financial institutions should hereafter exercise the conversion option in such a way that they do not acquire more than 40 per cent of the share capital of an existing concern. However, in case of persistent default in repayment of loans or mismanagement of an assisted company or continuous closure of an industrial unit of a company producing goods and services essential to the community, the financial institutions might, with the concurrence of Government, exercise their conversion option in such a way that their share-holding can go up to 51 per cent or above.

(c) Under the existing soft loan scheme for modernisation of jute, cotton, textiles, cement, sugar and certain engineering industries, no convertibility clause is being inserted at present. This exemption is being extended to assistance for modernisation in any industry and for rehabilitation of sick units.

Government hopes that these policy changes would remove the present inhibitions and encourage fresh investment in and modernisation of industry.

The Plan and Budget Estimates for 1980-81

In our preoccupation with the immediate problems of economic management we should not lose sight of the need to build up the growth potential of the economy over the medium term. If we do not do so, the short-term difficulties will only grow further. The reconstituted Planning Commission will present the new programmes and priorities when the Plan is formulated by the end of this year. But meanwhile a plan for the year 1980-81 has been formulated which will be dovetailed into the Sixth Plan later. The broad objective of the Plan would be to achieve a higher growth rate of 5 per cent per annum.

The annual Plan for 1980-81 seeks to revive and restore the health of the economy and accelerate the pace of growth and employment generation. Though the priorities laid down by the earlier Government are not acceptable to us, we have recognised that on-going projects should be fully provided for. Within the room for manoeuvrability permitted by this consideration, we have effected changes in plan provisions or provided for new programmes so as to give a reorientation to the Plan in the desired direction.

The new Planning Commission has made a quick review of Plan programmes and priorities. I am glad to announce that in the light of this review the annual Plan outlay for 1980-81 of the Centre is being raised to Rs. 7,340 crore, an increase of Rs. 767 crore over the outlay in the interim Budget; compared with last year's original outlay it is higher by 14.50 per cent. It will be financed by a budgetary provision of Rs. 5,322 crore and internal and other resources of public sector undertakings of Rs. 2,018 crore. A provision of Rs. 3,094 crore has been made for Central assistance to the outlay on States' Plans, Union territories' Plans and sub-plans of hills and tribal areas, special component plans for the scheduled castes, schemes of the North Eastern Council, Rural Electrification Corporation and natural calamities. Inclusive of their own resources their Plan outlay will be Rs. 7,253 crore as against an outlay of Rs. 6,099 crore in 1979-80. Altogether the total Plan outlay of the Centre, States, Union territories, scheme of North Eastern Council, etc., would amount to Rs. 14,593 crore in 1980-81 as compared with Rs. 12,511 crore in 1979-80 a step up of 16.60 per cent.

It is this Government's firm belief that economic growth could be accelerated and its fruits widely shared only if employment opportunities in rural areas are significantly augmented. Development will have no meaning to the vast majority of our people if the poor in the rural areas are not able to secure a livelihood through satisfactory productive work. As an integral part of the new Plan, we have, therefore, decided to launch a massive National Rural Employment Programme based on a strategy which will seek to blend opportunities for self-help and optimum utilisation of available local resources. Such a programme will go a long way towards revitalising the rural economy and developing the infrastructure facilities so essential to the life of the community.

The Food for Work Programme initiated by us in 1977 has an important part to play in this regard. But in the last two years this programme has displayed certain cardinal weaknesses. In many cases, no attempts have been made to develop an inventory of projects which will meet not only the local needs but also fit in with the overall national priorities. There was also no firm indication of annual allocation of foodgrains. The programme, thus, in effect continued on an *ad hoc* basis. No arrangements were also made for financing the cash component of the work programme undertaken by the State Government with the help of foodgrains allocated to them. The result was that they could not undertake works which could have led to the creation of durable assets and the building of productive potential of the areas concerned.

In the new National Rural Employment Programme, States will receive assistance not only in the form of foodgrains but also cash assistance so as to enable them to undertake truly productive works of lasting benefit. The Budget Estimates which have been presented to the House provide Rs. 340 crore in 1980-81 for this programme. It is estimated that the programme, if properly implemented, could generate 350 to 900 million man-days of additional employment. Some part of the provision for this scheme would be specifically earmarked for high priority programmes like social forestry, fuel plantation, rural community housing and water supply and nutrition. Rs. 10 crore have been provided for the Food for Nutrition Programme.

The process of economic growth will be incomplete unless the benefits of such growth reach the weakest sections of society. Therefore, the improvement of the socio-economic conditions of the scheduled castes should be a major element of our strategy of development. Comprehensive special component plans for the scheduled castes will have to be drawn up with the objective of earmarking outlays in all relevant sectors in proportion to the scheduled caste population in each State. Such outlays are to be utilised for helping the scheduled caste families to acquire income generating assets and relevant skills for the betterment of their living conditions. The Budget breaks new ground by providing for a special Central assistance of Rs. 100 crore to the States to act as a catalyst in the generation of more funds from other sources including financial institutions. This will enable the authorities to provide as a package all the inputs needed in an integrated programme of promotion of the socio-economic condition of scheduled castes.

A provision for Central assistance of Rs. 70 crore has been made for the development of tribal people and areas under the Tribal sub-plan. Additional pockets with a population of 10,000 and having at least 50 per cent tribal concentration will be identified, thus, bringing nearly 75 per cent of the tribal population in eighteen States and Union territories within the Tribal sub-plan. Greater emphasis will be laid on selected programmes which can benefit the tribal families.

A provision of about Rs. 50 crore has been made in the annual Plan for 1980-81 for providing house sites for the landless and weaker sections as part of the 20-Point Economic Programme. The Rural Housing-*cum*-Hut Construction Scheme for landless workers being operated under the revised Minimum Needs Programme provides not only for house sites but also assistance for the construction of huts. This provision will be supplemented under the National Rural Employment Programme which will cover community housing projects in rural areas. Nearly 8 lakh landless families are expected to benefit under this scheme.

Since India lives in its villages and nearly 70 per cent of its population derives its livelihood from agriculture, the prosperity of the country depends upon the modernisation of agriculture. The year 1979-80 is a grim reminder of the importance of the performance of agriculture to the development of the Indian economy. The Plan outlay on agriculture and rural development in the current year is being increased to Rs. 2,247 crore from Rs. 1,811 crore in 1979-80. This includes the provision in the Central Plan of Rs. 158 crore for Small Farmers Development Agency, Drought Prone Areas Programme, Integrated Rural Development, etc.; Rs. 32 crore for better exploitation of inland and marine fish potential; Rs. 54 crore for Operation Flood II Project; Rs. 59 crore for schemes of agricultural research and education-oriented towards improving agricultural productivity through better seeds, better agronomic practices, better water management and better use of fertilizers and other essential inputs; and a sum of Rs. 10 crore to increase the production of oilseeds to reach a target of 12 million ton.

The current levels of international prices of oil and oil products have highlighted the importance of other fuels. Forests can play an important part in providing one such fuel. As forests in India have suffered fast destruction by people in their search for fuel it is essential that people's participation in the development of forests is secured on an urgent basis. Social forestry in villages will besides meeting the energy requirements of the people also provide additional employment. The raising of fuel and fodder is proposed to be made a part of Minimum Needs Programme and it will receive high priority in the National Rural Employment Programme.

We have to press on with the task of increasing the area under irrigation to avoid fluctuations in production and to increase productivity. Therefore, the outlay on major and medium irrigation projects including flood control for 1980-81 is being stepped up to Rs. 1,380 crore from Rs. 1,258 crore last year. The minor irrigation programme would continue to receive special attention and an outlay of Rs. 266 crore has been made for this purpose. This provision will be supplemented by large financial support from the Agricultural Refinance and Development Corporation. The additional irrigation potential resulting from all this expenditure is expected to be 2.5 million hectares.

Clean and safe drinking water is essential for improvement of the quality of life in rural areas. The Central Plan for 1980-81 provides an outlay of Rs. 100 crore as against Rs. 80 crore in 1979-80. Inclusive of the provisions in the States' Plans, a total sum of Rs. 294 crore will be available for this vital programme. It is expected that by the end of the current year 35,000 additional villages identified as problem villages will be having protected water supply arrangements. A part of the outlay has been earmarked for rigs to be supplied to States for boring wells in drought affected areas. An additional sum of about Rs. 40 crore has been allocated in the current year to the drought affected States to take up new water supply schemes and complete those already in hand.

The *khadi*, village and small-scale industries sector has the highest employment potential next to agriculture. The outlay on this sector in the current year will be Rs. 150 crore and additional production during the year is estimated at Rs. 146 crore. The House will recall that the 20-Point Economic Programme has particularly emphasised the development of the handloom sector in this context. In pursuance of this objective, we propose to set up a national level Handloom Development Corporation for providing a package of marketing and developmental assistance for the handloom industry. Provision has also been made for establishing an Institute of Handloom Technology in the North-Eastern region, which is well- known for its exquisite handloom products.

The provision for the power sector has been raised by over 11 per cent *i.e.* from Rs. 2,466 crore in 1979-80 to Rs. 2,745 crore. The work of the four Super Thermal Power Station in the different regions of the country is being accelerated. Total outlay on the rural electrification programme will be Rs. 285 crore in 1980-81. The target in 1980-81 is the energisation of 4 lakh pump sets and the electrification of 25,000 villages.

Similarly, an outlay of Rs. 473 crore is being provided in 1980-81 as against Rs. 364 crore last year for improving the production of coal (including lignite). This includes a provision of Rs. 92 crore for the Neyveli Lignite Corporation. The bulk of this allocation is for the second mine project which will produce 4.50 million ton per annum and the second thermal power station with a generating capacity of 630 MW. A production target of 113.50 million ton has been set for coal for the current year as against the actual production of 106 million ton in 1979-80.

In view of the impact on the balance of payments of the rising prices of oil there can be no two opinions about the urgency of developing our own oil resources. The Plan outlay for the petroleum sector for 1980-81 is Rs. 837 crore, Rs. 215 crore more than the outlay last year. The Budget provides only Rs. 99 crore out of this. This outlay is for the completion of facilities for Phase III development of Bombay High and advance action in regard to Phase IV so as to build up a production capacity of 12 million ton per year. It also includes the expenditure required for the development of the South Bassein Gas field and the gas pipeline to the new fertilizer projects. On-shore exploratory drilling in the eastern region is to be intensified in view of the region's higher potential for hydro carbon discoveries.

The Central Plan outlay on chemicals and fertilizers is being raised to Rs. 319 crore in 1980-81 to provide adequately for new gas-based fertilizer plants in Maharashtra and Assam. In addition, a provision of Rs. 20 crore has been made for fertilizer projects in the co-operative sector.

The Central Plan also provides in the current year an outlay of Rs. 803 crore for the steel sector as against Rs. 600 crore last year. The outlay includes a provision of Rs. 200 crore for raising the capacity of the Bokaro Steel Plant to four million tonnes per annum and an outlay of Rs. 190 crore for the Bhilai Steel Plant for a similar expansion. Work on the Salem Project will proceed at the required pace with an outlay of Rs. 57 crore. A substantial beginning will be made on the new Vishakhapatnam Steel Plant with a provision of Rs. 70 crore. The target of saleable steel in the current year has been fixed at 8.76 million ton as against the anticipated production of 7.22 million ton in 1979-80.

An outlay of Rs. 130 crore is being made in 1980-81 for the mines sector. This includes a provision of Rs. 10 crore for the new east-coast aluminium project, Rs. 28 crore for the Malanjkhand Copper Project and Rs. 19 crore for the intensification of the activities of the Geological Survey of India and the Mineral Exploration Corporation.

A provision of Rs. 64 crore has been made for Bharat Heavy Electricals Limited (BHEL) for its continuing schemes and for the production of large size turbo generators at Haridwar and the expansion of boiler manufacturing capacity at Tiruchy.

Since port congestion also has figured prominently as a constraint till recently, a provision of Rs. 102 crore is being made in 1980-81 for developing major and minor ports. However, only a sum of Rs. 60 crore has been provided in the Budget as the rest of the expenditure is being met from internal resources of the Port Trusts. Bombay, Madras and Cochin are being equipped to handle the anticipated increase in container traffic. A beginning has been made on the integrated development of Cochin port.

The Plan outlay for 1980-81 for the Posts and Telegraphs Department is Rs. 415 crore. It is proposed to provide additional 1.75 lakh lines switching capacity and 1.70 lakh direct exchange lines and other facilities. The number of post offices in rural, backward and hilly areas is also proposed to be increased. The norms for providing telegraph and telephone facilities in tribal areas have been further liberalised to cover areas having a population of 2,500 in a group of villages within a radius of 10 kms. Provision has also been made for the expansion of manufacturing capacity for switching equipment.

Family Planning Programme suffered a serious setback in the past three years. A revitalisation of this programme must constitute an important element of the new Five-Year Plan, if an improvement of the living conditions of our people is our goal. A provision of Rs. 250 crore is being made in 1980-81 for health and family welfare. Of this Rs. 140 crore will be for family welfare. The emphasis in the family welfare programme will be on educating the people about the desirability of a small family and providing the necessary technical services on an adequate scale. An attempt will also be made to provide improved health services in rural areas, eradicate communicable diseases and provide health education.

The development problems of a poor society of 650 million people are bound to be stupendous. For a solution of these, within a reasonable time, it will be necessary to harness the forces of science and technology.

India is favourably placed with regard to the development of science and technology in that, she has a large pool of scientific and technical man-power and a vast institutional infrastructure developed over the last thirty years. While our scientific institutions can help to advance the frontiers of knowledge, it is science-based technology which can help to raise production and productivity. Therefore, an outlay of Rs. 116 crore has been provided in the Central Plan for 1980-81 for science and technology.

I will now make a brief mention of a few changes in the non-plan expenditure. The provision for Defence expenditure is Rs. 3,600 crore, Rs. 300 crore more than the provision made in the interim Budget. The provision for export subsidy has been increased from Rs. 330 crore to Rs. 355 crore in view of the need for a larger export effort.

Loans to State Governments, as their share of a small savings collections, are being stepped up from Rs. 650 crore in the interim Budget to Rs. 715 crore, in view of the anticipated improvement in these collections. Short-term loans to State Governments for agricultural inputs are also being increased by Rs. 50 crore. Besides, additional provision has also become necessary to meet unavoidable commitments like additional dearness allowance to Central Government employees, purchase of heavy water for atomic power plants, etc. However, the above increases in non-Plan expenditure will be partially offset by reduction in fertilizer subsidy.

The Constitution envisages provision of free legal aid by Government in order to ensure that an opportunity for securing justice is not denied to any citizen because of economic or other disabilities. The concept of legal aid has also been dealt with by a Committee on Juridicare headed by Justice P.N. Bhagwati, whose Report dated 31 August 1979 has been laid before Parliament. Several States have been attempting legal aid programmes. It is proposed to coordinate these schemes and also initiate suitable schemes at the Centre after an examination of the various aspects. A Committee for guiding the legal aid schemes and implementing the same is being constituted with a Supreme Court Judge as its Chairman. The Budget for 1980-81 makes a provision for this purpose.

Taking into account the effect of the above and some other changes, the total non-Plan expenditure is now estimated at Rs. 13,051 crore as against Rs. 12,822 crore in the interim Budget.

As regards receipts in the current year, at existing levels of taxation, Corporation tax is estimated to yield Rs. 11 crore more than what was reflected in the interim Budget; this improvement is mainly based on the actual trends of collection in 1979-80. On the basis of latest available data on estimated levels of imports and production during the current year, Customs duties and Union Excise duties are also expected to yield Rs. 40 crore and Rs. 108 crore respectively more than anticipated in the interim Budget. However, these increases will be more or less offset by the recent decision of Government to withdraw customs and excise duties on fertilizers. Taking into account States' share of taxes, net tax revenue at existing rates of taxation is estimated at Rs. 8,723 crore as against Rs. 8,725 crore in the Interim Budget.

On the basis of the latest indications available, external assistance, net of repayments, in 1980-81 is estimated at Rs. 1,252 crore showing an increase of Rs. 56 crore over the figures included in the interim Budget. In addition we expect to avail of a loan of Rs. 540 crore from the Trust Fund of the International Monetary Fund in 1980-81 and the Budget assumes credit for this.

There is a welcome increase in small savings collections. The estimate for 1980-81 is now placed at Rs. 1,100 crore as against Rs. 1,000 in the interim Budget. Of the increase of Rs. 100 crore, Rs. 65 crore will accrue to the States as their share.

It has been decided that a part of the investible resources of Life Insurance Corporation, General Insurance Corporation, and Unit Trust of India should be lodged with Government in special deposit accounts to augment resources for financing the Plan. Budget for 1980-81 takes a credit of Rs. 100 crore on account of these deposits.

When we are seeking to step up investment in public sector it is necessary to adopt an innovative approach to the problem of mobilising resources for sustaining such investment. As hon'ble members know, private sector companies raise resources in the form of deposits from the public. Government feels that there is no reason why public sector companies with competent professional management should not do so. Accordingly, we have decided to allow selected public sector units to raise public deposits on the same lines as the companies in the private sector. When this scheme makes headway, dependence of these public sector enterprises on budgetary support will get reduced. But I have refrained from taking credit for any such relief at this stage.

Taking into account other variations and also the effect of the changes in the fare and freight rates of Railways and of changes in Posts and Telegraphs tariff, to which I will refer a little later, the total receipts in 1980-81 are estimated at Rs. 19,827 crore as against Rs. 18,980 crore in the Interim Budget. Total expenditure is estimated at Rs. 21,467 crore. The deficit at existing rates of taxes will, thus, be Rs. 1,640 crore.

PART B

I now turn to my proposals in the field of direct taxes. In framing these proposals, I have borne in mind certain broad considerations, namely, that the rates of direct taxes should be such as to promote voluntary compliance; that the farmers, workers and the middle class should be afforded some relief in pursuance of the commitment of our Party's manifesto and some stimulus should be provided for raising the level of savings and investment in the national economy. At the same time, a concerted attempt should be made to counter certain widely prevalent devices for tax avoidance through fragmentation of income and wealth.

The middle class is among the worst hit by the rise in prices in recent times. As hon'ble members are aware, even skilled workers in the organised sector are now liable to income-tax, at the present level of exemption. In order to afford a measure of relief to this class of persons, I propose to raise the exemption limit for income-tax on personal incomes from Rs. 10,000 to Rs. 12,000. With a view to keeping the sacrifice of revenue within manageable limits, the *nil* rate slab of income is being retained at Rs. 8,000. As a result, in cases where the taxable income exceeds Rs. 12,000, the incidence of income-tax, excluding surcharge, will remain at the existing levels subject to the grant of marginal relief in cases where the taxable income exceeds the exemption limit by a small margin. This proposal will benefit more than six lakh of income tax-payers.

Hon'ble members will recall that the rates of income-tax on the personal incomes were reduced in 1974 on the basis of a recommendation of the Direct Taxes Enquiry Committee and this process was taken one step further in 1976 when these rates were again lowered. The reduction in rates had largely fulfilled the expectation that it would lead to better tax compliance. Unfortunately, the movement in this direction was reversed under the Janata Government and the rates of income-tax were increased in stage. I am of the view that the position in this regard should be set right. I accordingly propose to reduce the surcharge on personal incomes in the case of all categories of non-corporate tax-payers from 20 per cent to 10 per cent. This will not only bring down the maximum marginal rate of tax from 72 per cent to 66 per cent but will benefit tax-payers in all slabs of income.

In view of the somewhat steep rise in prices of assets, I also propose to raise the exemption limit for wealth tax from Rs. 1 lakh to Rs. 1.50 lakh with effect from the current assessment year. In cases where the taxable wealth exceeds this limit, the tax burden will, however, be retained at existing levels subject to the usual marginal relief.

Government hopes that these concessions will provide the necessary inducement to the vast majority of our tax-payers for correct declaration of their incomes and wealth.

I propose to counter some of the more commonly used devices for tax avoidance.

As hon'ble members are aware, the separate treatment accorded to Hindu Undivided Family in tax laws has been widely used for avoidance of proper tax liability. I, accordingly, propose to de-recognise partial partitions of Hindu Undivided Families both for income and wealth taxation. Partial partitions made on or after 1 January 1979 will not be recognised for tax purposes and taxes will continue to be levied on the basis that the existing Hindu Undivided Family had continued to remain joint.

At present, Hindu Undivided Families having one or more members with independent income exceeding the exemption limit are charged to income-tax at rates which are somewhat higher than those applicable in the case of individuals. In order to further restrict the use of Hindu Undivided Family for the purposes of tax avoidance, I propose to raise the rates of income-tax in the case of such Hindu Undivided Families. The maximum marginal rate of 66 per cent will now apply on the slab of income over Rs. 50,000 and the rates on some of the lower slabs will also be raised to somewhat higher levels. With these two changes in regard to tax treatment of Hindu Undivided Families, I hope that the urge for forming multiple Hindu Undivided Families merely for fragmentation of income and reduction of tax liability will be weakened.

Hon'ble members will recall that the Government had, in 1970, taken several measures to prevent the use of private discretionary trusts as a device for tax avoidance. Experience, however, shows that these measures have not been fully effective and the proliferation of such trusts has not been curbed to the desired extent. I, therefore, propose to tighten the provisions in respect of private trusts. At present discretionary trusts are taxed at a flat rate of 65 per cent of their income and 1.50 per cent of their wealth, or at the rate applicable in the case of an individual, whichever is higher. Under my proposal, such trusts will be charged to income-tax at the maximum marginal rate and to wealth-tax at the flat rate of 3 per cent or at the appropriate rate applicable in the case of an individual whichever is higher. I also propose to make several other provisions in relation to taxation of private trusts with a view to plugging some of the loopholes which have come to the notice of Government. All these provisions will take effect from the current assessment year.

Charitable and religious trusts are sometimes used for acquiring or maintaining control over business or industry for private ends. In 1975, we had laid down a pattern for investment of funds of charitable or religious trusts if they were to continue to enjoy the tax exemption. With a view to enabling such trusts to change over to the new pattern of investment in a smooth and gradual manner, the law provided that the new pattern may be adopted before 1 April 1978. This date was subsequently extended to 1 April 1981. Such trusts have, therefore, been given ample time to adjust to the new policy. I want to put them on notice that this time-limit will not be extended.

Our tax laws have always sought to encourage long-term savings through life insurance, provident funds and other similar instruments. Unfortunately, the efficacy of the provisions for encouraging savings was impaired last year when the incentives for savings were drastically reduced. Hon'ble members should be glad to know that I propose to restore incentives for such savings to the pre-1979 Budget levels. The tax-payers will, thus, be entitled to 100 per cent deduction in respect of the first five thousand rupees of the qualifying savings, 50 per cent in respect of the next five thousand rupees and 40 per cent of the balance.

As a further measure for promoting savings in the household sector, I propose to give an option to income-tax-payers to retain money in their Compulsory Deposit Accounts beyond the due dates on payment of interest at the existing rate applicable to such deposits. Further, I propose to liberalise the tax exemption in respect of interest on balances with recognised provident funds. At present, interest on such funds is exempt from income-tax to the extent it does not exceed one-third of the salary income of the employee. I propose to remove this ceiling limit.

It is essential to promote new investment in industry. At the same time, the fiscal system should not lead to a bias in favour of capital-intensive techniques. Keeping these twin objectives in view, I propose to continue the tax holiday in respect of new industrial undertakings, ships and hotels, but in a modified form. Under my proposal, tax holiday will be available in respect of new industrial undertakings, ships or approved hotels with reference to a specified percentage of the income derived from these sources. In the case of companies, 25 per cent of the profits derived from these sources will be exempted for a period of seven years. In the case of non-corporate tax-payers the percentage of exempted profits will be 20 per cent. In the case of co-operative societies, the tax holiday will be available for a period of ten years as against seven years in the case of other categories of tax-payers. This concession will be available in the case of all small-scale industrial undertakings which go into production after 31 March 1981 but before 1 April 1985 that is till the end of the new Five Year Plan period. For other industrial undertakings, the concession will apply only where they do not produce articles or things listed in the Eleventh Schedule to the Income-tax Act. The concession will also be available in the case of approved hotels which start functioning or new ships which are acquired during that period.

It is necessary to encourage new investment particularly in view of shortages in several key sectors of the economy. As a special stimulus for new investment, I propose to allow, in the year of installation, an additional depreciation in an amount equal to 50 per cent of the normal depreciation on new machinery or plant installed during the new Plan period. The proposed additional depreciation will not be admissible in respect of ships, aircraft, road transport vehicles, office appliances or machinery or plant installed in office premises or residential accommodation.

There is a widespread feeling of frustration among the scientific community. This Government is keenly aware of the contribution which our scientists and technologists can make to the economic regeneration of India and is determined to promote research and development activities in a big way. I, therefore, propose to allow a weighted deduction in an amount equal to 125 per cent of the actual expenditure incurred on scientific research in any in-house R&D facility where such expenditure is incurred on a programme approved by the prescribed authority having regard to the social, economic and industrial needs of the country. In addition, I propose to extend the scope of the existing provision for a weighted deduction on the expenditure incurred on scientific research under sponsored programmes in approved laboratories so as to cover the expenditure similarly incurred in in-house R&D facilities of public sector companies, I have no doubt that the hon'ble members will welcome these concessions.

At present, income-tax-payers are required to pay advance tax during the financial year on the basis of their own statements or estimates. Where the estimated advance tax is likely to fall short of the tax on current income by more than 33.33 per cent of the estimate, the tax-payers are required to make an upward revision of the estimates. I propose to reduce this margin from 33.33 per cent to 20 per cent in the case of companies. There will be no change for other tax-payers. This change will enable us to realise a larger share of the tax due as advance tax and thus have a favourable impact on Government's ways and means position in 1980-81.

In order to encourage the employment of blind and handicapped persons in business and industry, I propose to provide for a weighted deduction of one and one-third times the salary paid to such persons by employers where such salary does not exceed twenty thousand rupees in a year. Further, I propose to enhance the deduction currently available in computing the taxable income of blind and handicapped persons from five thousand rupees to ten thousand rupees.

At present, standard deduction in computing the salary income is not available in the case of pensioners. With a view to affording some relief to pensioners who are amongst the worst hit by the rise in prices, I propose to extend the benefit of standard deduction in their case as well.

In order to encourage our sportsmen to compete in international events, I propose to allow a deduction of 25 per cent of their foreign earnings if these are brought into India in foreign exchange. This provision will apply in relation to the current assessment year and onwards. I also propose to allow higher deduction in respect of savings made by sportsmen through life insurance and provident funds, etc., as currently available in the case of authors, play-wrights, artists, musicians and actors. Sportsmen will, thus, be entitled to deduct contributions made to life insurance and provident funds up to 40 per cent of their professional income and 30 per cent of the remaining income, subject to a maximum of Rs. 50,000.

In 1978, certain restrictions were placed on the deductible amount of expenditure on advertisement, publicity and sales promotion. These restrictions have particularly hurt small and medium business. I, therefore, propose to do away with these restrictions.

At present, income from poultry and dairy farming and livestock breeding is exempt from income-tax up to 33.33 per cent of such income or ten thousand rupees, whichever is higher. I feel that time has come when persons deriving income from these sources should also contribute a little more to the national Exchequer. I accordingly propose to restrict the deduction in respect of such income to one-third of such income or fifteen thousand rupees whichever is less.

At present, agricultural property is included in the taxable wealth for the purposes of the levy of wealth-tax. At the time when agricultural property was brought within the tax net, it was hoped that it would be a potent instrument for mobilising resources from the affluent section of agriculturists. But our experience over the last decade has been most disappointing. The amount realised as wealth-tax on agricultural property has generally been less than Rs. 1 crore per annum. The valuation of agricultural land has posed difficulties leading to complaints of harassment. As this tax has clearly failed to achieve its original objective I propose to discontinue the levy of wealth-tax on agricultural property except in the case of owners of tea, coffee, rubber and cardamom plantations. I am sure that this measure will be widely welcomed by our farmers.

I also propose to make certain amendments in the Income-tax Act to counteract certain court decisions which have resulted in unintended benefit to tax-payers. The Finance Bill further contains certain proposals for the amendment of direct taxes which are of minor significance. I will not take the valuable time of the House in explaining them.

The reduction in rates and other concessions in respect of direct taxes should ordinarily involve loss of revenue. However, I am of the view that reduction in rates will lead to significantly improved compliance with tax laws. The legislative amendments made for countering tax avoidance devices and the changes in the provisions in regard to advance tax should result in a larger accretion of revenue. On a broad judgement of the overall impact of all the proposals relating to income-tax and wealth-tax. I am not assuming any loss of revenue. I recognise, however, that there may be need for some adjustment in the interest shares of Centre and States under Income-tax. Such adjustments will be made in the course of the year in the light of the trends in collections.

An upward adjustment of lending rates should moderate the inflationary pressures in the economy. I accordingly propose to revive interest-tax in relation to interest earned by scheduled commercial banks after 30 June 1980. The scope of the levy is being extended to cover also interest received by the larger All India Industrial Finance Institutions; namely IDBI, ICICI, IFCI and IRCI. The tax will be levied at the rate of 7 per cent on the chargeable amount of interest as in the past. This measure will yield Rs. 217 crore in a full year and about Rs. 108.50 crore in the year 1980-81.

With a view to checking lavish expenditure incurred on accommodation and entertainment in luxury hotels, I propose to introduce a Bill in the current session to levy a new tax at 15 per cent on gross receipts of hotels in which the minimum tariff for a single room is 75 rupees and above per day. The new levy is proposed to be made effective from 1 September 1980. This will yield about Rs. 12 crore in a full year and the revenue during 1980-81 will be of the order of Rs. 5 crore.

I shall now turn to my proposals on indirect taxes. In framing my proposals I have kept to view the following objectives. To the extent additional resource mobilisation is inescapable, this should be done in such a way as not to enhance the burden on any commodity significantly. Subject to this consideration, the small-scale segment of our industry should be encouraged. Industries with significant employment and export potential should be provided encouragement through suitable adjustment of duty structure. The duty burden on some articles of common consumption should be reduced or totally removed.

At the outset I would like to put the hon'ble members at ease by pointing out that my proposals are very modest. I have tried to avoid the usual devise of picking out selected items for new or increased levies at relatively high rates.

For this year, I have sought to spread the effect of the additional taxation thinly on a wide range of products, taking care to leave out articles of common consumption. I propose to achieve this objective through a special excise duty which is even now leviable on all excisable goods at 1/20th of the basic excise duty, but from which a number of commodities have been exempted. Under my proposal, the special excise duty will be levied on those items which are at present, exempt from the levy, at the rate of 1/20th of the effective basic excise duty rates applicable to them. Certain commodities will, however, continue to be totally exempt from the levy. Thus, there will be no special duty on motor spirit including naphtha, kerosene, high speed diesel oil, light diesel oil and liquefied petroleum gas or on coal or electricity. Again, the special excise duty will not be levied on matches, or on vanaspati, or on goods falling under Tariff Item 68. Where special excise is already leviable at one-half of the effective basic duty, I propose to increase it to 1/10th of the effective basic duty. This increase will not, however, apply to furnace oil, asphalt, bitumen and tar, petroleum products not otherwise specified and calcined petroleum coke. Sugar and processed vegetable non-essential oils will also not be subjected to the increase levy. Cigarettes, which are at present totally exempt from special excise duty will be subjected to special excise duty at 1/10th of the basic excise duty rates. These proposals would yield a revenue of Rs. 197.71 crore in a full year. The impact of these proposals relating to special excise duties will also yield a sum of Rs. 16.75 crore in the shape of countervailing duties on imported goods.

Soda ash and caustic soda command a sizable premium in the market on account of persistent shortages. I propose to mop up a part of this premium by raising the excise duty on these products from 10 per cent to 15 per cent *ad valorem*. I also propose to increase the excise duty on starch from 10 per cent to 15 per cent *ad valorem*. This step will bring those chemical products on a par with the other chemical products which in general, bear excise duty at 15 per cent *ad valorem*, Synthetic rubber at present bears duty at a very low level of 5 per cent *ad valorem*. As a revenue measure, I propose to raise the excise duty on synthetic rubber from 5 per cent to 10 per cent *ad valorem*. Similarly, the rate of excise duty on specified acids is being raised from 10 per cent to 15 per cent *ad valorem*. These measures would fetch in a full year, additional revenue of Rs. 18.93 crore.

On revenue considerations, I propose to subject molasses to a specific duty of Rs. 30 per metric ton under a separate Item in the Central Excise Tariff instead of 8 per cent under Item 68 of the Central Excise Tariff as at present. The levy is, however, proposed to be restricted to molasses produced in vacuum pan sugar factories. Molasses produced in *khandsari* sugar units, which goes *inter alia* for edible purposes, is proposed to be exempted. The revenue yield as a result of this proposal is estimated to be Rs. 4.24 crore in a year.

I now come to proposals which are designed to provide a higher degree of protection to certain sectors of indigenous industry. The first proposal relates to audio frequency amplifiers, an item reserved for the small scale-sector. In view of the adverse effect of imports of this item, I propose to increase the customs duty on imports from 75 per cent to 120 per cent *ad valorem*. My other proposal relates to imported unexposed colour positive cinematograph films, in respect of which the basic customs duty is proposed to be raised from 50 paise to Re. 1 per linear metre to enable the indigenous public sector unit to withstand competition from imports.

I also propose to increase the countervailing duty on imported computers from 10 per cent to 20 per cent *ad valorem* as a measure of affording protection to the indigenous computer industry. These measures are designed to yield additional revenue of about Rs. 1.83 crore in a full year.

I have only one more revenue proposal in the field of indirect taxes. This relates to passengers' baggage. As hon'ble members are aware, baggage allowances were substantially liberalised in 1978 and, for the generality of Indian passengers going abroad for short visits, the allowances consist of Rs. 1,000 worth of duty-free goods and Rs. 2,000 worth of goods on payment of duty. Despite this liberalisation, goods in the nature of baggage continue to be imported by many passengers in quantities substantially higher than the permissible limits. This is mainly due to the prevailing craze for foreign goods and the high margin of profit on the sale of these goods in India. Such cases of import of baggage items in excess of the permissible limits necessitate initiation of adjudication proceedings which generally have the effect of slowing down the tempo of passenger clearance in our international airports. I have given thought to this problem and I am making two proposals in this regard. The first is a pure revenue measure to increase the effective rate of duty on baggage articles in excess of the free allowances from 120 per cent *ad valorem* to 150 per cent *ad valorem*. This measure is to come into force immediately and is expected to yield an additional

Rs. 20 crore in a full year. The second measure to be brought into force shortly, provides for the levy of duty at a flat rate of 320 per cent on baggage imported in excess of the permissible limits, that is, in excess of what can be passed free or on payment of a duty of 150 per cent. At present, such articles would be treated as unlicensed imports, resulting in confiscations, fines and penalties designed to wipe out any profit on their sale. The increased rate of duty is intended to replace, these fines and penalties, without having to go through the time-consuming process of adjudication. Goods which are obviously in the nature of trade goods will, however, still attract penal action.

I have a few other proposals which are essentially in the nature of rationalisation measures. The first one relates to aerated waters. In the interest of simplification, it is proposed to do away with the existing distinction between aerated waters containing caffeine and those not containing caffeine for the purpose of excise duty. Instead, it is proposed to levy on all flavoured aerated waters a uniform duty at 40 per cent *ad valorem*. The revenue effect of the proposal is expected to be negligible.

I have given considerable thought to the problems thrown up as a result of the changes made in the 1979 Budget in the excise duty structure applicable to the match industry. While the duty advantage enjoyed by the cottage sector obviously needs to be maintained, the non-mechanised middle sector should not be allowed to make inroads into the cottage sector. In order to ensure that the benefit of the lower rate of duty accrues only to the genuine cottage sector units, I propose to confine the duty concession to match boxes bearing approved labels and sold to or marketed through the Khadi and Village Industries Commission (KVIC), State Agencies and registered co-operative societies. At the same time, I do not find justification for the continuance of the existing limits placed on the clearances of matches by the cottage sector at the concessional rate of duty. I, therefore, propose to abolish the existing limit on production by the cottage sector units. I am confident that this package of measures will result in accelerated growth of the cottage sector of the match industry.

There have been complaints of malpractices in the *biri* industry by manufacturers who have been taking advantage of the liberal exemption limit applicable to the unbranded sector which is at present 60 lakh of *biris* per manufacturer per year. With a view to reducing the possibilities of malpractices, I propose to lower this exemption limit to 30 lakh of unbranded *biris* per manufacturer per year, which will still leave out of the excise net the really small manufacturer and the self-employed manufacturer. This is not designed as a revenue measure.

Some of the provisions in the Finance Bill are aimed at rationalisation or clearer definition of certain central excise tariff items to remove doubts or difficulties which have come to our notice. The details of these measures may be found in the Budget papers.

I shall now turn to concessions in the area of indirect taxes. The small manufacturer plays a significant role in our economy. I would like to improve his competitive position *vis-a-vis* the large manufacturer and thus widen the entrepreneurial base of our economy. Only in this way can we check concentration of economic power. There is already a scheme of excise duty concessions applicable to manufacturers of 70 excisable commodities, under which clearances up to Rs. 5 lakh in value in a year have been exempted from duty. I now propose to liberalise this concession in two respects. First, I propose to include two more groups of commodities under the scheme. These are chemicals, namely, sodium bichromate, bleaching powder, calcium carbide, artificial and synthetic resins and plastic materials. Besides, the coverage is being widened in respect of paper and paper boards. But the second and more important concession which I propose to introduce is that in respect of all the commodities covered by the scheme, clearances between Rs. 5 lakh and Rs. 15 lakh will bear only three-fourths of the applicable rate of excise duty as against the normal duty at present. This measure would benefit a large number of small manufacturers. The revenue sacrifice will be of the order of Rs. 6.50 crore in a full year.

Last year's Budget made a change which affected a substantial number of small manufacturers of goods falling under the residuary Item 68 of the Central Excise Tariff. Hon'ble members will recall that the quantum of duty-free clearances was reduced from Rs. 30 lakh to Rs. 15 lakh. I had opposed this change then. As a measure of undoing the hardship caused to such small-scale manufacturers, I propose to provide for complete exemption from duty for clearances up to Rs. 30 lakh per annum. In other words, small manufacturers of goods falling under Item 68 of the Central Excise Tariff, whose capital investment on plant and machinery does not exceed Rs. 10 lakh, will be eligible for complete exemption from duty on their first clearances of goods up to Rs. 30 lakh in a financial year provided their clearances during the preceding financial year did not exceed Rs. 30 lakh. For the remaining part of the current financial year, the quantum of clearances eligible for full exemption from duty will be fixed at a correspondingly lower figure. This concession is expected to cost Rs. 2.40 crore in a full year.

Paper and allied products are in short supply in the country and new investment in this sector has not been readily forthcoming. Much can be done by smaller units to help in filling the production gap. To encourage them, I propose to extend a concessional rate of duty at 20 per cent *ad valorem* as against the present rate of 30 per cent, to paper and paper board produced by small manufacturers whose clearances in the preceding financial year did not exceed 300 ton of paper and paper board. This concession will cost a little less than crore in a full year.

The electronics industry has considerable employment and export potential. We have the necessary skills and expertise and these should be harnessed through appropriate fiscal incentives for development of the electronics industry in a big way. This is a field which offers great scope to small-scale manufacturers. I am, therefore, proposing some duty concessions in respect of the industry. There will be a reduction in customs duty on specified items of capital goods such as machines and instruments required by the electronics industry and not produced within the country. The customs duty on such items will be reduced from the present levels of duty (which in some cases are as high as 89 per cent *ad valorem*) to a total of 25 per cent *ad valorem*. Similarly, I also propose to reduce the customs duty on specified raw materials and components required for the electronics industry from their present levels (which in some cases are as high as 200 per cent *ad valorem*) to 45 per cent *ad valorem* plus countervailing duty where an excise duty is leviable under Item 68. These two concessions will cost the Exchequer Rs. 4.70 crore in a full year.

The experience of other countries shows that the growth of consumer electronics facilities in due course affects the development of other sophisticated lines of production in electronics. Television is a powerful medium of communication and education. With a view to enabling a larger number of people to get the benefit of this medium, I propose to reduce the excise duty on cheaper priced T.V. sets from 15 per cent to 10 per cent *ad valorem*, and to effect a corresponding reduction in the duty on other T.V. sets from 30 per cent to 25 per cent *ad valorem*. These concessions would entail a revenue sacrifice of Rs. 1.50 crore in a year.

Radio is an equally powerful instrument of education and entertainment and is more widely in use. Government considers that single and two band radio sets should be popularized particularly in rural areas. The licence fee on such sets has proved to be irksome and inhibits purchase of radio sets by the rural folk. It is, therefore, proposed to abolish the fee in respect of single and two band radio sets including transistor sets. This measure, which I am sure will be widely welcomed, will cost Government about Rs. 4 crore.

Our computer industry is still in its infancy, compared with those of other countries. In order to provide an additional incentive for indigenous production and improvement, I propose to reduce the excise duty on indigenously produced computers from 25 per cent to 20 per cent *ad valorem*.

Ship building is a high priority industry and has an important part to play in promoting economic self-reliance. The Indian ship building industry is finding it increasingly difficult to face competition from foreign shipyards. I, therefore, propose to extend full exemption from excise duty to ocean going vessels built in Indian shipyards. This relief would cost us about Rs. 5 crore in the current financial year.

Hon'ble members would be aware that Government has been following the practice of bringing down the import duty on selected machinery items having no indigenous angle to 25 per cent *ad valorem* as a measure of reducing capital costs in industries. Carrying this process further, I propose, this year, to reduce the import duty to 25 per cent *ad valorem* on twelve more items of capital equipment. These include five items of machinery used in the printing industry, such as High speed Letter press rotary and off-set rotary printing machines, Mono/Lino type Casting machines, etc. These concessions would entail a revenue sacrifice of Rs. 1.84 crore in a full year.

The cost of high pressure gas cylinders constitutes a significant portion of the total capital outlay required by the Gas Industry. With a view to reducing, at least in part, this capital outlay, I propose to extend complete exemption from customs duty on steel tubes imported for fabrication of high pressure gas cylinders. I also propose to reduce the excise duty on such cylinders from the existing level of 15 per cent to 8 per cent *ad valorem* which is the duty level applicable under Item 68. These two measures, taken together, are estimated to cost Rs. 1.89 crore in a full year.

I have a proposal of general application, which is intended to facilitate manufacturers of excisable goods, using inputs on which excise duty is leviable. In order to give relief in such cases, two procedures are in vogue. One is what is called the set-off procedure. The other is the proforma credit procedure under section 56A of the Central Excise Rules. The proforma credit procedure is generally recognised to be more beneficial and less irksome to the manufacturers. I, therefore, propose to replace the existing concessions based on the set-off procedure by similar concessions based on the proforma credit procedure. I am sure that this measure will be welcomed by the industry.

It is a little painful for me to remind hon'ble members that last year's Budget had increased excise duty on a number of articles of common consumption to a significant extent. I propose to reverse this trend. Thus:

— Specified life-saving drugs, 30 in number, will be fully exempted from excise duty. The list will be kept under periodical review with a view to adding more items as may be warranted.

— Controlled cloth is meant for the weaker sections of society and its cost should be as low as possible. I, therefore, propose to exempt controlled cloth from excise duty.

— Cotton and Cotton-viscose blend hosiery consisting of items, like banians are of relatively low value and these are now subject to excise duty at 8 per cent. I propose to exempt them fully from excise duty.

— Cycles are the poor man's conveyance. I, therefore, propose to totally exempt cycles and cycle parts falling under Item 68 from excise duty.

— Sewing machines, which are indispensable to the housewife and also enable the weaker sections to earn a living, will also be fully exempted from excise duty.

— Pressure cookers which take the drudgery out of the house-wife's daily tasks and save fuel now attract duty at 15 per cent. I propose to reduce it to 10 per cent.

I also propose to make substantial reductions in excise duty on some other items of everyday use. Accordingly—

— Excise duty on cheaper varieties of toilet soap will be reduced from 10 per cent to 5 per cent;

— Excise duty on tooth paste will be reduced from 20 per cent to 10 per cent;

— Vacuum and gas-filled bulbs not exceeding 60 watts will have the duty reduced from 15 per cent to 10 per cent.

I am sure these substantial concessions, which would cost the Exchequer approximately Rs. 15 crore in a full year, will be welcomed by Parliament and by the public. I also hope that industry and trade will play fair by the consumer and pass on the benefit of these duty reductions to the consumer.

Our party's election manifesto referred to the need to encourage dieselisation of taxis. In fulfilment of this commitment and with a view to giving an incentive for taxi-owners to go in for dieselisation, I propose to extend full excise duty exemption to diesel engines used for conversion of petrol driven taxis.

My second proposal is aimed at giving relief to the cycle rickshaw driver. Powered cycle rickshaws are already exempt from excise duty. To encourage motorisation of non-powered cycle rickshaws, I propose to extend full duty exemption for internal combustion engines used for this purpose. I am sure hon'ble members will welcome this measure, as a visible sign of our keenness to reduce physical strain and at the same time encourage this relatively cheap means of transport.

Before I leave the field of indirect taxes, I have a major decision of policy to announce. For the past couple of decades, there has been a persistent public demand for the setting up of an independent Appellate Tribunal for customs and central excise matters, somewhat similar to the set-up on the Direct Taxes side. This demand has recently been endorsed by the Estimates Committee of Parliament. Government has, in the past, not been in favour of such a system, as it was felt that it would not be appropriate in the case of indirect taxes, and that the present departmental machinery was, in fact, adopting a very objective approach. I think a time has come when we should gracefully accept the common view, which is based on the dictum that justice should not only be done but should also seem to be done. It is in this spirit that provision has been made in the Finance Bill for setting up an Appellate Tribunal to hear appeals in respect of customs, central excise and gold control matters. This Tribunal will be independent of the executive machinery charged with the responsibility of day-to-day administration of revenue laws. I have no doubt that this measure will meet with the whole-hearted approval of Parliament and of trade and industry.

My taxation proposals will yield a sum of Rs. 223.22 crore in a full year in central excise duties and Rs. 39.58 crore in customs duties. The reliefs I have announced add up to Rs. 34.75 crore on the central excise side and Rs. 7.93 crore on the customs side. The net yield is, therefore, Rs. 188.47 crore from central excise duties and Rs. 31.65 crore from customs duties. The accrual to the Central Exchequer in a full year will be Rs. 144.85 crore and the share of the States will be Rs. 75.27 crore.

Where changes are proposed to be made by notifications, effective from 19 June 1980, copies of such notifications will be laid on the Table of the House in due course.

I wish to say now a few words on behalf of my honourable colleague, the Minister of Communications. Payment of dearness allowance and sanction of bonus linked to productivity to the staff of the Posts and Telegraphs Department have increased the working expenses of the Department. It has, therefore, become necessary to increase the tariffs on a few selected services. In making tariff revision proposals, Government has carefully avoided revision of charges for such services as are generally used by the common man. There will be no increase in the price of post cards and inland letters. The tariff for letters is, however, being increased from 30 paise to 35 paise at the lowest slab. The rate for parcels will be stepped up from Rs. 1.50 to Rs. 2.00 for every 500 grams. The charges for installation and shifting of telephone connections are also being increased. Local calls beyond 5,000 calls in a quarter will be charged at 50 paise per call as against 40 paise at present. A memorandum showing the proposed tariffs is being circulated along with Budget papers. It will be seen that the charges for the bulk of postal and tele-communications services have been left untouched. The changes would take effect from the date of notification after the Finance Bill is passed by Parliament. The proposed tariff revisions are estimated to bring in an additional revenue of Rs. 27.10 crore per annum. The additional revenue during the year 1980-81 would be of the order of Rs. 13 crore and has been taken into account in estimating the revenues of the Posts and Telegraphs.

The tax effort net of reliefs proposed in the Budget will on the whole bring in about Rs. 282 crore for the current year of which Rs. 223 crore will accrue to the Centre. There will be a residual deficit of Rs. 1,417 crore which I propose to leave uncovered. This deficit is only a little over half the deficit of last year. It is my judgment that a deficit of this order will not have a significantly adverse impact on the economy. If the monsoon turns out to be normal and if we continue the sound economic policies already initiated, there is every hope that there will be an appreciable improvement in agriculture and industrial production resulting in a significant growth of GNP. We shall also pursue a responsible monetary policy so that expansion of bank credit for unproductive or speculative purposes is held in check.

Sir, within the constraints imposed by the difficult economic situation inherited by this Government, I have endeavoured my best to provide relief to those who deserve it most. But since reliefs can only be palliatives and the real need of a poor society is growth, I have tried to impart a judicious stimulus to investment. With the higher levels of investment, in the public sector as well as the private sector, and its particular sectoral distribution, both production and employment should register a substantial increase. This Government has a special responsibility towards the weaker sections of society who have so enthusiastically supported it. The Budget seeks to protect them through special programmes designed to promote their well being. It is also our firm resolve that no matter how difficult the economic situation is, the minimum basic needs of consumption of the poorer sections and the middle classes will be met through a reinvigorated public distribution system. With a strong and cohesive Government it should be possible to utilise fully the existing production potential.

My Budget represents a modest contribution to the process of restoring the country's economy to the path of stability, growth and social justice. Its success, however, depends upon the cooperation of all people who work in the fields and factories, power stations or ports, railways or coal mines. The people of this country have high hopes about the ability of the present Government to achieve these goals and I am sure will be prepared to give their whole-hearted support in this task. It should be the common endeavour of all of us, rising above partisan, prejudices and passions to harness the people's enthusiasm for the task of development.