

NOTIFICATIONS OF THE MINISTRY OF HOME  
AFFAIRS

THE MINISTER OF LABOUR AND REHABILITATION (SHRI JAISUKH-LAL HATHI): Madam, on behalf of Mr. K. S. Ramaswamy, I beg to lay on the Table, under sub-section (2) of section 3 of the All-India Services Act, 1951, a copy each of the following Notifications (in English) of the Ministry of Home Affairs:—

(i) Notification G.S.R. No. 457, dated the 20th February, 1969, publishing the Indian Administrative Service (Fixation of Cadre Strength) 1st Amendment Regulations, 1969.

(ii) Notification G.S.R. No. 458, dated the 20th February, 1969, publishing the First Amendment of 1969 to the Indian Administrative Service (Pay) Rules, 1954.

[Placed in Library. See No. LT-331169 for (i) and (ii).]

**MESSAGE FROM THE LOK SABHA**

## THE APPROPRIATION (RAILWAYS) BILL 1969

SECRETARY: Madam, I have to report to the House the following message received from the Lok Sabha, signed by the Secretary of the Lok Sabha:—

"In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith the Appropriation (Railways) Bill, 1969, as passed by Lok Sabha at its sitting held on the 18th March, 1969.

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

Madam, I lay a copy of the Bill on the Table.

**REFERENCE TO MINUTES OF THE 41  
ST MEETING OF THE COMPANY LAW  
BOARD—contd.**

SHRI BHUPESH GUPTA: Madam, what about these documents? I have, been again and again asking for your permission to lay them on the Table....

THE DEPUTY CHAIRMAN: Mr. Bhupesh Gupta was permitted by the Chairman to mention this in the House. I permitted him to do so and he said whatever he had to say. He said he would take on minute but he took several minutes. I do not know what it is. I am not going to allow anything to be laid on the Table of the House. There ends the matter. (*Interruption by Shri Bhupesh Gupta*). I do not want any comment on this.

SHRI M. P. BHARGAVA (Uttar Pradesh): Madam Deputy Chairman, he has raised a point. The Minister concerned should come and say what he has to say.

THE BUDGET (GENERAL), 1969-  
70—GENERAL DISCUSSION  
—contd.

PROF. SHANTILAL KOTHARI (Rajasthan): Madam Deputy Chairman, a study of the Budget for 1969 70 and the papers connected with it call for congratulating the Government and particularly the Finance Minister. A look at the Economic Survey issued by the Government just before the Budget gives an impression that India's new agricultural strategy is beginning to pay off. Obviously, the revolution in the farms is mainly the result of the hybrid strains of seeds developed by agricultural research centres in different parts of this country; the greater availability of fertilisers and procurement policies, aided, of course, to an extent by monsoons. Painfully true it is there are certain areas of scarcity of food such as Tamil Nadu and Kerala which would be met by the joint effort from-

[Prof. Shantilal Kothari.]

the Centre. On the whole, if our agricultural sector continues the current pace of progress it will considerably help changing the economic spectrum of the country. This has enabled the country to be less dependent on the imports of foodgrains. If trends are reliable guides, soon we shall be on our own. There is a lot of progress to be attained before the system becomes reliable. Above all, we must not relax our concern about the population problem.

It is estimated, Madam Deputy Chairman, that the sale of the last year's crop alone brought approximately Rs. 1,000 crores extra in the farmers' hands. This prosperity of the agriculturist has enabled him to buy equity shares of the I.C.I., Arvind, Mafatlal and such other big business houses.

Madam, in order to achieve our long-term goals in this field the Finance Minister has attempted to mop up some of the additional rural in-some generated recently through excise duties on fertilisers and pumps and by making a modest beginning in taxing agricultural wealth. There is nothing odd about these proposals. Even socialist countries have agricultural wealth tax in one form or the other. It is officially disclosed that the urge behind the proposal to tax farm land was also provided by the fact that many big business houses have acquired lands and have shown large incomes accruing from such lands. As you know, such income has not been subject to tax; the new proposals provide a way of getting at people who have converted their black money into white money by showing large agricultural incomes which was non-taxable so far. I know there are some practical administrative difficulties. I am also sure, given the will they can be overcome, and while doing so we must ensure and ensure by all methods that small-scale cultivators' interests are not affected adversely. I

fully share the views of those who emphasised that with the reform of the tax-collecting machinery we can augment our resources tremendously and quickly.

The economic recovery has taken place over a wide field. India's import bills actually fell significantly during the current financial year. Again, several factors have contributed to this development. The drop in food imports, import substitution, and the devaluation of 1966 have made it cheaper to buy at home and India's ability to do more for herself has improved.

But, Madam, there is another side to the point. I shall only urge the Finance Minister to look at the picture drawn by the W.H.O., study of "2,000 A.D.". It is most depressing to see that these factors have not been taken into consideration by the Government. For instance, even to reach the minimum level of real growth in this country by 2,000 A.D. we shall have to have a 13 per cent. growth. Today, although in name, it is 5.5. But if you take into account the population and the inflation, it comes to 0.3 per cent. only. This issue has escaped notice and ignores some of the basic issues confronting this nation. Since it may not be possible for me to elaborate in a short time all such issues, I shall confine myself to three vital points: (i) provision made for education and the youth, (ii) foreign aid. Always the excuse has been given, and unimaginably that there is lack of resources. As far as investment in educational reconstruction is concerned, the public expenditure on higher education per student per year approximately comes to a meagre amount of only Rs. 300. The entire system of education, let me repeat, has outlived its utility. It breeds a society within a society and encourages values which are neither Indian nor healthy for any modern society, nor can they be called socialist. It

breeds a class within a class side by side. The revolution which is gathering momentum and velocity in our universities present a formidable challenge to the Government in power. The energies which this revolution is unleashing may destroy all before we become aware of it. And if we can comprehend the nature and significance of this movement and provide it with a sense of purpose in our own behaviour and thinking, the nation can yet hope to enter an era of constructive change with meaningful stability.

Then there is the question of brain drain. I have been receiving and my colleagues have been receiving a large number of letters and complaints from First Class students and youths belonging to various technical fields. First Class firsts in engineering and science to-day have not found their place in the economic system as such. In the academic field, I want to emphasise that the students' immediate problem has been to obtain remedies, badly needed in some universities, for particular deficiencies such as inadequate lecture-halls, lodgings, inefficient, uninterested or absentee professors and tutors, or to force changes in the curriculum, in the administration or in the regulations governing students life. Student leaders assert that the revolt in the universities is only the first stage in a comprehensive social and political revolution and the students form the spearhead of a large force engaged in bringing it about. Next door to us, and elsewhere we are witnessing the dimensions and depth of the student revolt. Historically speaking, Indian students have played a worthy role during the struggle for independence. I would not go more into it, except to say that this problem cannot be deferred even by a day, and by making more investment for education and youth, you will not only arrest further deterioration of public life, but might regenerate a life and era in this country which would be useful in coming de-

acades. I, therefore, suggest here that every university can have a "Students' Ombudsman". What would perhaps help, to begin with, to understand the problems in a dialogue manner. Either you have a dialogue across the generation, across the table, or I am afraid, you face a confrontation between the generations.

Now, I will turn to the problem of economic development and foreign aid. The official document entitled "Economic Survey" at page 44, English text, says:

"There has been a further increase in debt service charges from 319 million dollars in 1966-67 to 444 million dollars in 1967-68, and to about 517 million dollars in 1968-69. As a result the improvement in net aid utilisation was only 53 million dollars between 1966-67 and 1967-68, and there is not likely to be any improvement in net aid utilisation in the current year. On the other hand, 78 million dollars will be repaid to the I.M.F. during the current financial year; and it is only as a result of the improvement of the trade front that there is likely to be no material variation in foreign exchange reserves over the year."

To this, the Budget statement of the Finance Minister adds:

"Net external aid, excluding PL-480 and other food aid, should show a marginal increase from Rs. 459 crores this year to Rs. 467 crores in 1969-70. While debt repayments would be larger, we expect an increase in aid disbursements also mainly as a result of resumption of aid by the International Development Association."

In fact, the entire field of foreign aid is far more complicated than it is understood. The inflow of foreign capital is falling behind remittances on existing investment. So unless something is done about the terms of

[Prof. Shantilal Kothari.]

aid and smooth flow of 'aid, a very difficult period is ahead of us. In order to understand the seriousness of the situation, we have to look at it in proper perspective.

At present there is a crisis in international economic relations. There are several factors responsible for the existing situation, such as flow of financial resources, uneconomic terms of economic aid, including tied aid, less developed countries' share of world\* exports and problems of indebtedness. It may be recalled that in the "Agreed Statement on the Problems of Development", adopted by UNCTAD's Committee on Invisibles and Financing related to Trade, on April 19, 1967, it was unanimously agreed that:

"It is a matter of concern that the flow of financial resources from developed countries, in support of the developing countries efforts, has failed in recent years to keep pace with the growth in the national incomes of the developed countries, even though most developing countries could immediately put into effective use of a greater volume of external assistance."

As regards the terms of aid, there has been an overall deterioration. Madam, you can see from the reports of the International Bank of Reconstruction and Development and I.D.A. for 1966-67 and 1967-68, the average value of loans and credits in 1965-66 has increased in comparison with 1964-65, but the repayment periods have been reduced. The conditions of aid had grown worse in 1966, in particular because of insistence on the repayment of debts in convertible currencies. Grants, as a percentage of gross official disbursement by O.E.C.D. countries have declined from 73 per cent in 1962 to 61 per cent in 1965. The grace periods attached to loan commitments have declined on a weighted average from 6.9 years in

1964 to 5.4 years in 1965. The terms of aid during more recent years compare further unfavourably with those prevailing in the early 1960's.

There is also a question 'as to whether a given amount of aid tied 'to purchase of commodities and services in the donor country has the same value as aid in the form of free foreign exchange. Aid may be tied by source or end use. The trend with respect to tying of source has developed towards comprehensive tying, both in surplus and deficit aid giving, countries . . .

**THE DEPUTY CHAIRMAN: You have taken far too much time.**

PROF. SHANTI LAL KOTHARI: . . . so much so, some' major donor countries now regard procurement restrictions as the rule and untied aid as the exception. May I take two or three minutes more?

The reasons for this phenomenon 'are: (1) Industrial output in advanced countries is shifting towards goods with a lower import content. (2) The Industrial countries protect their agricultural producers. (3) Services are becoming a larger share of national income. (4) The income elasticity of consumer demand for agricultural products is low. (5) Synthetics 'are being increasingly used.

The above mentioned factors have aggravated the problem of indebtedness which has already reached critical proportions in a number of developing countries and more so in our own.

**THE DEPUTY CHAIRMAN: You must wind up.**

PROF. SHANTILAL KOTHARI: Payments of interest and amortization by developing countries other than petroleum exporters are expected to absorb an average of 23 per cent of the overall export earnings by

1975. Some of the developing countries would by that time be obliged to set aside one-third or more of their export earnings to service their earlier debts.

I am not going into further details. I want to remind<sup>^</sup> you that these are the factors which find no place in the minds of those responsible for preparing this budget—are of greater value unless these factors are taken care of, unless it is done so, a comprehensive perspective cannot emerge as a result of this budget. Thank you.

SHRI U. K. LAKSHMANA GOWDA (Mysore): Madam Deputy Chairman, I would like to mak<sub>e</sub> brief comments on the budget. This budget may not bring in many changes in the existing state of affairs. Even though the overall fax levy is Rs. 150 crores, the deficit of Rs. 250 crores is to continue in the budget. Th<sub>e</sub> tax on motor spirit is sure to create difficulties, hardships to the general public. It will not only increase the fares of public utility services and taxis, but will put the professional people owning vehicles into difficulties by raising the fares which are already high. I would like 'again to mention here that the *ad valorem* duties on sugar, cement, etc. are a burden on the consumer and they are sure to create a tendency of putting up prices and it will be a hardship to the commoner.

Madam, the increase of tax on the lower income slabs of Rs. 10,000 to Rs. 15,000 and of Rs. 15,000 to Rs. 20,000 which even though comes to only Rs. 275, is really a hardship on the people in these slabs particularly at a time when the cost of living is so high. This, I think, should have been more appropriately put on the next higher slab.

Then I find from the budget, Madam, that some reliefs have been provided to export commodities like jute and tea, ajid this is a welcome measure. I congratulate the Finance

Minister on this. We know how the export of jute has yielded the first place to Pakistan in the past two years. A certain relief has been provided to it now even though it is not to the extent to which it is desired.

And then coming to tea, Madam, the position is not so good in spite of the relief which has been provided in the current budget. You know the tea industry has been facing difficulties for the last several years. Even after the devaluation of the British Pound, the tea income in the hands of the producers in India has fallen considerably by, about 75 paise per kilogram of tea. For an export commodity facing world competition, the rise in the cost of production is also becoming a serious problem. Then again when the Indian rupee was devalued, even though the money re-ceived in rupees by the producer increased, the increase was mopped up by the export duty which was levied on tea at the rate of 2 paise per kilogram. There was again an additional imposition of excise duty on the same commodity. Then later on, after representations by the producers, certain modifications were made to provide relief in this and these modifications were again wiped out when the British devaluation of the pound was followed by Ceylon devaluing its money. The export price of tea between January, 1968 and January, 1969 has fallen by about 18 per cent and its cost in South India has gone up by about 5 per cent during the same year. The relief announced has actually been overtaken by the increase in costs and the fall in the export prices. The additional excise duty on the fertilizers will be another factor which will add to the cost of production of tea in this country. The Government must examine more permanent measures for the creation of essential resources if the industry is to undertake development or modernisation.

[Shri U. K. Lakshmana Gowda.]

Then, I come to the 10 per cent excise duty on fertilizers and 20 per cent *ad valorem* duty on pump sets and irrigation equipment. Madam, no doubt, 'all of us have been talking about the green revolution whereby the agricultural produce in this country has reached such a high figure which was not reached at any time earlier, even so in the plantation crops. The increase in agricultural production, whether it is in food crops or in plantation crops, has been mainly due to the increase in the input of fertilizers, better methods of pest control and the use of pesticides. And any increase in excise duty on these items will surely retard the further growth in this sector. And I oppose the increase of excise duty, or rather the levy of excise duty, of 10 per cent on fertilizers and 20 per cent on irrigation equipment and pumping sets. Very vast quantities of fertilizers are consumed, whether by larger farmers or by smaller farmers, and this increase is going to seriously affect both the larger producers and the smaller producers. So far as the plantations are concerned, that again is sure to put up the cost of production because in South India alone between tea and coffee the consumption of fertilizers is about 130,000 tons, and the cost would be in the region of Rs. 1.5 crores, and on a rough calculation the increase in the cost of tea will be about 8 paise per kilogram. This will naturally be a hardship to the consumer because a majority of consumers of this beverage are not only the elite, but the common people as well. The 20 per cent *ad valorem* duty on irrigation equipment will also be a hardship to the plantation industry which is using in great numbers the modern irrigation equipment and this will cause an additional burden on their cost of production. Then, I come to the proposal of levying wealth tax on agricultural land.

THE DEPUTY CHAIRMAN: You

must wind up now. Your party has only seven minutes, but I am giving you ten minutes.

SHRI U. K. LAKSHMANA

GOWDA: Even though in principle there cannot be any objection to collect wealth tax from the wealthier section of the agricultural sector. Such a measure is sure to lead to a lot of misuse and also create problems. One of the objects with which this tax is to be levied is to prevent money from the industrial sector, whether black or white, being put into the agricultural sector and to prevent such people from escaping the wealth and income tax. But I do not know how this is going to be achieved because there is no wealth tax on companies and any investment from the section could be made on corporate basis. Further it is a discrimination to the general agriculturist who has made his money by agriculture and invested it in shares in any industry or on urban property whereby he also becomes liable to wealth tax. To him any addition of wealth tax on the value of his agricultural lands also will be a great hardship. I am glad the Finance Minister has said that he would find ways and means to see that the genuine Agriculturist is exempted from such levies and I hope he will give sufficient consideration and careful thought to see that the agriculturist is not burdened with this levy so that the general improvement in agriculture and the high rate of production which is being maintained now may not be retarded.

THE DEPUTY CHAIRMAN: Please wind up. I have given the party-wise allotted time and even more. That will do. Mr. Momin.

#### FIFTY-FOURTH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (1968-69)

SHRI G. H. VALIMOHMED

MOMIN (Gujarat): I beg to lay on