

ANNOUNCEMENT REARREST OF SHRI RAJNARAIN

MR. CHAIRMAN : I have to inform Members that I have received the following telegram dated the 11th May, 1966, from the Deputy Superintendent of Police, Luck now ;—

"Shri Raj Narain Singh, Member Parliament, was arrested by me on May 11, 1966 at 10-15 A.M. at the gate of the Council House, Lucknow, Uttar Pradesh, for offences under sections 143/147/148/353 Indian Penal Code read with section 7 Criminal Law Amendment Act for forming unlawful assembly obstructing entry of Members of Legislatures, Government servants in the Vidhan Bhawan and obstructing public servants in the discharge of their duties. Some others arrested with him not disclosing full identity."

REFERENCE TO MASS PETITION SUBMITTED BY SECONDARY SCHOOL TEACHERS TO PARLIAMENT

SHRI NIREN GHOSH (West Bengal) : Sir, a mass petition has been submitted today by the secondary school teachers from all over India regarding overhauling the system of education, pleading for more allocation of funds both at the Central level and the State level, protesting against the drastic reduction of Rs. 81 crores in the one-year plan and also for improving the emoluments and service conditions of the teachers. For a long period they have been agitating in respect of the system of education, grants and their service conditions. Two years back they held a demonstration, coming from all parts of India. Now they have submitted a petition to the Parliament itself. I, therefore, request the Government to take note of it and make a statement on it on the floor of the House at some appropriate time and give it proper consideration.

REFERENCE TO ALLEGED ARREST OF TWO REPORTERS OF THE "PATRIOT"

SHRI CHANDRA SHEKHAR (Uttar Pradesh) : Sir, with your permission, I want to draw the attention of the House and the Government towards a very serious matter. Two Reporters of 'Patriot' were

manhandled, arrested and beaten by the police on the 7th of May while they were coming back from their duty and going home. One of the Reporters showed his identity card. He was not allowed to contact any person in the 'Patriot' office nor was he allowed to contact senior officers of the police. He was also not allowed to contact any of his relatives. They were put in the lock-up for the whole night and one Police constable slapped one of the Reporters. The Reporters were Mr. Satish Jacob, who is the 'Sports' Reporter, and Mr. Cecil Victor, who is the staff Reporter of 'Patriot'. The Press Reporters' Association of Delhi has passed a Resolution. They have sent a copy of that Resolution to the hon. Home Minister and also to the Chief Commissioner of Delhi. It is surprising that instead of doing something—taking action against the officers—nothing has been done in the matter. The Press Reporters' Association in its Resolution has stated that the identity card, the watch and other personal belongings of the Reporters were taken away by the Police Inspector without giving any receipt. One of them was forced to sign a statement without giving him any information as to what there was in the statement and when he objected to it, he was slapped by the police in the police lock-up. It is a very serious situation and it will be very difficult for any Press Reporter to discharge his duties if the police in the capital of the country behave in this fashion. So, I very humbly request you to direct the Home Minister to make a statement. I have given a Calling Attention Notice.

SHRI AKBAR ALI KHAN (Andhra Pradesh): I think the matter is very serious.

THE FINANCE BILL, 1966—(contd.)

MR. CHAIRMAN : We now pass on to the legislative business. Before I call on the Finance Minister to reply, I would ask Shrimati Shakuntala Paranjpye to take a couple of minutes, as she was unavoidably absent yesterday.

SHRIMATI SHAKUNTALA PARANJPYE (Nominated) : Mr. Chairman, I promise to be very brief. I propose to talk today only on one point, the plight of the pensioners. Questions were asked on the

[Shrimati Shakuntala Paranjpye] subject in both the Houses but all the questions and supplementaries amounted to no more than the pouring of water on duck's back. The Government is aware of the fact that a Government servant while in service is expressly forbidden to engage in any trade or business, or to take up any other employment. His pay is his only source of income and it leaves very little margin to save for old age. It is in consideration of the above situation that the Pension Scheme has been devised. The pension is instituted to support him in his life of retirement and decline.

The sanctioned scales of pensions were formulated in keeping with economic conditions of those times. However, when the cost of living rose after the two World Wars, the then Government—the British Government, the framers of the Pension Act—granted an increase in pensions commensurate with the then rise in the cost of living. But our own Government, which proclaims to be a welfare one, and which believes in a socialistic pattern of society, has so far turned a deaf ear to all the entreaties and prayers of the poor pensioners. The purchasing value of their pension is daily decreasing for no fault of theirs. The value of the rupee today is less than 20 paise. The pensioners are unable to secure any employment in their old age and are in great distress. In 1962 when a deputation of theirs waited on the late Prime Minister, Shri Nehru, he gave a directive to grant an increase in the pensions up to Rs. 300 p. m.

A niggardly increase of Rs. 5 to Rs. 10 was granted and only for pensions below Rs. 200 and that too after the pensioners had suffered hardship for 17 years and after some of them had breathed their last during these 17 glorious years of independence.

Our Government would do well to take note of the fact that the U.K. Government has granted an increase of 90 per cent, in the pension to meet the steep rise in the cost of living.

One of our own ex-Supreme Court Judges, namely, Shri Jagannath Das has observed as follows :

"Pension is an entitlement as much as pay of the working employees and it is integrally connected with pay. It is there-

fore arguable that similar consideration as for pay should be applied to it (pension) not as a matter of grace but as a matter of obligation by the Government."

In 1965 a deputation of the pensioners again waited on the second late Prime Minister, Lai Bahadur Shastri, who assured them to consider their case sympathetically. But alas! Shri Shastri is no more and the present Government has declined to do anything in the matter.

On the other hand, we all know that it has managed to find resources to increase the scales of pay of the service personnel. Even those who were earning more than Rs. 2,000 p.m. got a rise in their pay scales. It seems to me that the only fault of the miserable pensioners is that they have the audacity to go on living.

After the Budget discussion the Finance Minister has seen it fit to grant some tax relief. We all want reliefs and increments. But for the sake of fairness they should be sanctioned first to those whose need is greatest and to those moreover who have spent the best years of their life in serving the Government and who are now living in want for no fault of theirs. Otherwise, these tax reliefs and increments in pay-scales amount to starving your old father so as to have an extra *Gulab Jamun* for yourself.

Thank you.

THE MINISTER OF FINANCE (SHRI SACHINDRA CHAUDHURI) :

Sir, before I reply to the various points that have been raised by hon. Members—here, may I, through you, express my gratitude to this House for having given so much thought and consideration to the proposals made in the Budget and to the Finance-Bill ? The interest taken shows that it has been roused by these measures. And further I am also deeply grateful to my friends and to everyone here for having been kind enough to refrain from saying many of the things which probably I might have been tempted to say had I been in their place and had they presented the Budget aHd the Finance Bill. That shows that there is an understanding of my problems and I hope a certain amount of sympathy for me also. The hardest task for one is to be able to say "No" when one feels that

saying "No" is going to cause hardship somewhere and great hardship in some places. And yet for the general benefit of the community one has to be hard-hearted and one has to say "No" sometimes.

[THE DEPUTY CHAIRMAN in the Chair] : If I may start right from the end. I shall begin with the question of the pensioners. Nobody is more aware than myself of the difficulties of pensioners because when in the fullness of time I have to go, I will not have any pension. There are many in this country who are not in Government employment, who are either self-employed or are employed by other employers and who cannot claim any pensionary benefits. Some have provident fund which is really their own saving to a large extent. Some have gratuity which belongs to the field of grace. Now, in these circumstances, when we look at the condition of Government pensioners, we have got to think that there is a large number of people in this country who need assistance. If we refuse anything to the pensioners, it is not because we are not satisfied that their condition is one that should evoke sympathy, but because we have also to realise that there are other people in this country whose condition is, if anything, perhaps even worse. After all, it is perfectly true that a very exalted Judge of the Supreme Court has stated that pension is a matter of entitlement. I am not quarrelling with that. But even life in this country, even living in this country is an entitlement. Have I been able, I ask myself, to grant old-age benefits to the common people in this country? If I have not, then if I have not done more for those who have served the country, am I doing such a grave injustice that I should call the wrath of this House on my head? That is the question which I have to ask myself.

SHRI M. RUTHNASWAMY (Madras) : What about those people who are in service now and to whom you have given something?

SHRI SACHINDRA CHAUDHURI: While it is the constant endeavour of the Government to keep the demand of these pensioners always in mind and to see that the first drop of help that is available goes to them, it is equally the function of Government to see that other priorities are not wholly neglected.

The question has been raised that we have raised the salaries and pays of officers or employees who are still serving. So far as this is concerned—I am not thinking of the amount of work that we get out of those who are in service still because that will be considering the matter from another point of view and I am not looking at it from that point of view—when we consider the people who are still in service we have to remember that they have got certain obligations, that they have to rise a family, maintain themselves in the city where the Government functions, maintain a standard of living which they have got to maintain by reason of their office and so on. These are things which I cannot ignore. Luckily, in the case of a pensioner, especially one who has attained a certain age and retired, if he has not been improvident—improvident in the sense that he has a family to bring up—he does not have a family to maintain or children to educate, and he has not to keep himself in a style to which he was used, when he was in the service of the Government.

SHRI AKBAR ALI KHAN (Andhra Pradesh) : Then what is the justification for giving additional allowances to people getting more than Rs. 2,000 a month?

SHRI SACHINDRA CHAUDHURI : As regards pay, I did not go into the question of pay fixation by absolute standards and we cannot say when a man is paid Rs. 2,000 it is a lot of money. There are other considerations that come in the matter of wage fixation. In this country, unfortunately, there has not been that real assessment of wages linked to efficiency of the person or the productivity of the person. In fact, one of the reasons why we find a certain amount of imbalance of justice is that we have not made a study here of income or wages and productivity. I would like to take up this study. It is a difficult study and it takes time. But something has to be done about it to find out what is the position in the country and how much one should be paid. And it should not be related only to one thing, *i.e.* the cost of living, because that in itself, when given, adds to the cost of living. I will deal with the question of cost of living a little later, if I may, because if I am to do some justice in the time available to me, to each one of

(Shri Sachindra Chaudhuri.) the very serious points raised in this House, if I am to do some justice to some of the principal points, then I should not stray from the order in which they have come before me in the different speeches.

One of the points, which has been made—and it was made earlier also—is about the control of population. As the House knows, this Government has not only been alive but has been very alert to this question of control of population. This House knows that we have provided in the Budget a much larger amount of money to be expended for the purpose of controlling population than before. The methods and the means by which this can be done are being constantly examined and certain contrivances of contraptions, if I may use that word without offence, have been thought of and they are being provided as fast as possible. It is not necessary for me to go into the details of these because this is hardly the place or the time to do that.

One thing I may say. I am conservative in my thought and it has been suggested here that we should introduce a Bill by which abortion does not become illegal. Well, I have been wedded to this thought—I may be wrong in this—that life is a gift, that it is something sacred, that it comes not from the endeavour of human beings only but from some other Power, and I am a believer in that Power. Some other Power gives us the gift of life and what greater gift is there than life? After all, from that stems everything, every growth, every social organisation. Everything else stems from that. I may try to prevent that happening. But when it does happen then we have got to take care of it however hard it may be and we have to go on with it. I think it will be extremely selfish for a community or a society to say that a person can reproduce himself and when the process of production has started, he can leave it off just to have a better life or a better time for himself. The responsibility of parenthood is there. While planned parenthood is necessary, when (hat parenthood has been undertaken then I think the obligations also have got to be undertaken. As I said I am a conservative person and I may not be voicing the feelings of the younger people or less conservative people. But that is the thought in which I have been brought up and it is very difficult for me to

shake off that thought at this time of my life.

SHRI ATAL BIHARI VAJPAYEE (Uttar Pradesh): But what is the view of the Government? We are not concerned with the personal view of the Finance Minister. He has expressed his own views. But what is the view of the Government?'

SHRI SACHINDRA CHAUDHURI : There are different methods of expressing views. When I am expressing this view, I am expressing the view of the Government. That is the Government's view when it comes from me. This House is very well experienced, much more than myself in understanding a thing which is put in a certain way. It does not mean that I am here to express my views for my delectation. I am not here for that. I am here to express the views of the Government.

SHRI ATAL BIHARI VAJPAYEE : An expert committee has been appointed to go into the question of abortion. Without waiting for the report of that committee, how does the hon. Finance Minister tell us that the Government has come to this decision?

SHRI SACHINDRA CHAUDHURI : Up to now this is the Government decision. There is no Government decision which cannot be varied by reason of the requirements of society. But up to now this is the Government's decision.

THE DEPUTY CHAIRMAN : There is a committee which is going into this question.

SHRI SACHINDRA CHAUDHURI : There may be a committee going into it. I am not immediately aware of it.

THE DEPUTY CHAIRMAN : Won't you wait for the report of that committee?

SHRI SACHINDRA CHAUDHURI : Certainly, Government will consider the report of that committee. But at the moment there is nothing to prevent me, when asked, to give this view. That is the view of the Government. That view may be changed by reason of the Government being advised otherwise. I do not think I am justified in taking up the time of the House in propagating whether there should or should not be abortion. I have stated that it is the view which we entertain at the present moment and the reasons I have given.

Now from there we go on to another matter which is a question that has been posed, not entirely related to population control but certainly related to population; in other words the ways and means which could be found for the purpose of serving the community. It has been suggested that there might have been a capital levy made on whatever one gets. Capital levy has got a particular meaning and that meaning, as far as I understand—I may be wrong in my understanding—is that where you find capital of a certain size you dock that and you take away so much and capital levy is not made year after year. It is made once and for all. In other words, in an emergency when we find that we cannot meet the requirements of the community, there is the power in Government to make a levy from everybody having a regard to the amount of capital that that person possesses. There is no other way of taking out from capital and that we do in this country by taxing capital gains and by taxing wealth. Now there may be discussion or debate as to whether the capital gains charged is high enough or not, but there cannot be any question whatsoever that a person is not allowed to accumulate the capital, the whole of it, as he acquires it. Something is taken away from it by way of either capital gains tax or wealth tax. Now, in our Constitution we have got written two things. Firstly, we have got socialism as the directive and we have also got in article 19 a right to a certain amount of private property. These two have got to be balanced; we have got to think in terms of private enterprise, private property. It is recognised by the Constitution and whatever my theory may be, I am a servant of the Constitution and I must give service to that theory. That being so, the question is, how are we going to protect that sector of the population who are in enterprise, who are actually trying to produce a certain amount of goods and commodities. Can we, on the one hand, say that we shall consider property to be a right of human beings, within limits, of course. and on the other side are we going to say that we shall take everything away from you and we shall not let you have it? That is the problem one has got to face. Before the Budget was presented and even after the Budget was presented there has been both in the other House and in this House, if I

remember right and if I understood the feeling of the House correctly, a feeling that capital was not being properly formed and if I were to take away by a capital levy the capital which is there then certainly it would not help capital formation. The task of any Finance Minister in this country, any Government in this country, who has got to obey the Constitution is difficult and delicate because all the time I have got to think of the objective which is in the Constitution that we shall have a better way of life for the common man when socialism is the objective and at the same time there has got to be a recognition of a certain amount of property being left in private hands and this progress, this transition, cannot be done overnight unless we take very ruthless means which this country has abjured and has not taken. Therefore, I would submit to this House for its consideration that where we have got capital gains tax and wealth tax and a fairly heavy income-tax, there cannot be any question that we are doing all that we possibly can for the purpose of mopping up as much resources as are not being used by private owners for the benefit of the community, leaving them only that much which is proper remuneration for the work that they do for the community or the production which they give to the community.

From this comes another point. We have been criticised for having foreign aid. Now I can understand our desire, and I fully agree that there should be the minimum of assistance taken from elsewhere; for the purpose of building ourselves up we must have self-reliance but in having that self-reliance we have also got to think that we have—each one of us in this House—got a solemn, and I must say sacred duty to see to it that the people of this country are put on a standard which is better than what it is today and which is better than what the people had when this country first became independent. In that regard, if we have to depend entirely on our own resources I asked myself this question—and this Government asks still the question—whether it is possible to have had the progress that this country has seen without there being a certain amount of foreign aid. I am not claiming for one single moment that the millennium has come, that we are a very prosperous people, that we compare with the developed countries of the world. I do not say we do that.

[Shri Sachindra Chaudhuri] but those of us who have been in this country from the beginning of the period of independence up till today will, I think, say this—if they have been to the factories, if they have been to the villages—that the conditions which obtained in 1947 for instance, in these 19 years, have changed and have improved. I am not saying that what we have got is such that, we should congratulate ourselves on having got it but we have got something which we would not have got had not there been progress which we had not made in the 20, 30 or 40 years before that and if this progress was feasible it is not only because of the endeavour that we put forward ourselves but also because of the assistance that we took. We talk about aid generally and aid has got probably a meaning which is not so good if tested in the light of realism. No country in the world, whichever country it may be, comes to assist us simply because of the generosity of heart of the people. They may have sympathy but they also have another consideration, namely, how it is going to benefit them. When these countries come to us and give us aid, they give us that aid with the condition attached to it that we shall repay that in the course of years—it may be 5 years, 7 years, 10 years, 20 years, 30 years, 40 years, but the money has to be repaid and repaid with a certain amount of interest—and with another condition as to where we shall purchase the goods which we are going to purchase with that money. Therefore, if aid is got from a particular country, that country benefits by our purchasing the goods which are produced in that country, with the money which they are giving. It is the way of finance; it is not entirely unknown in private enterprise. You find a financier says, 'You put up a factory with the heavier material that you will buy from me and when you have made a profit you pay me back.' It helps him; it helps the borrower; and our position is more or less like that. Therefore if we take foreign aid, it is not as if the foreigners are being asked to bring their loads of wealth in basketfuls and dump it at our door. They do not do that and we do not expect them to do that either. Why should we ?

SHRI NIREN GHOSH (West Bengal) : But they dictate terms and for every dollar they give, they take back three dollars.

SHRI SACHINDRA CHAUDHURI : I am afraid I have not heard my friend; I am rather hard of hearing but what I would say is this that where we find countries which are willing to give us aid upon terms which are reasonable, we take it when the help comes with a willingness to assist us by giving something which might have gone to somebody else.

Now, the requirement of aid certainly has been building up because we are still » developing country and not a developed country. During the period of development, as development explodes the need for foreign assistance also explodes or increases but what we have got to bear in mind is this that when the peak is reached that need should go down more and more and the quantity of foreign aid which we are taking in a particular year has got to be reflected against what we are producing ourselves by mobilising our own resources. It would be wrong if we were to take foreign aid to such a large extent that it can be said that we are crippled by it or we are entirely dependent on foreign aid but year after year we find that the quantity or the proportion of foreign aid is going down and the proportion of self-help or mobilisation of our own resources in the country is going up. In that case I do not think that we can be accused of doing something which is in violation of the principles of self-help and self-reliance if we do go and get a certain amount of foreign aid. And that is the purpose of foreign aid and no more than that.

1 P.M.

In this connection comes also the question of the Indo-US Foundation. Now if we are to leave aside the emotional side—I am not suggesting that emotion be completely effected—then in that case the position is this. There is a certain sum of money. That sum of money is not at our disposal. That sum of money is there at the disposal of a foreign government. That foreign government can spend that money in this country in buying up whatever we have because they have got the money. The money is their money and if they do it then there would be inflation. If, in spite of that, they say, 'Here we are prepared to have partnership with you for the purpose of propagating a certain type of education', should we throw it out of hand, just like that, and say that it is wrong ? You will

be imposing your will on us by this means. After all, the broad outline of this scheme has been put before the country.

SHRI D. P. KARMARKAR (Mysore) : May I have your permission to interrupt my hon. colleague for a moment ? Is it or is it not true that no foreign government can spend a single pie in this country of their money on their own without our fullest consent ? That is number one. Secondly, if that is correct, is it not a wrong thing at the moment to allow foreigners to have participation in the governance of money which just cannot be spent without our consent and which hereafter will be subject to vote by nine foreigners ? Would the hon. Minister answer these two questions ? Not one pie can be spent by any foreign government, American or otherwise, of their own money without our fullest consent. If we say 'No', they cannot spend a single pie in this country, because we are the sovereign body and not the Americans. Is it not a fact that, by allowing nine Americans to participate in the governance of this fund, which they cannot spend anyway without our consent, we are allowing them to participate in the governance of this country ? I have put it in an extreme form, but I would like my friend to give a careful answer to these questions.

SHRI SACHINDRA CHAUDHURI : I always listen to my friend carefully. I have listened to him very carefully and I shall be answering very carefully. These questions should have come in his speech, but since he has put them, I will answer them. The first answer is this. Certainly we are entitled, as a matter of right, as a sovereign country, to regulate what money is spent in this country, but equally I have got to assert that these funds are part of PL-480, which themselves are subject to an agreement between the two governments, namely, the Government of the United States of America and ourselves. We have already accepted a certain formula for spending that money, from which we, as a sovereign, honest, dignified Government, cannot depart. As a consequence of that, this money is in the hands of Americans for the purpose of spending. Secondly, so far as governance is concerned, if we have given them permission to spend a certain amount of money in

this country in any way that they want, the governance has already been given to them. It is permissible governance, the same kind of governance that I might give to a friend of mine, who comes to my house and says : "Here are Rs. 10 . May I leave it with you. but I may spend that when I want ?" I say 'Yes'. I should certainly give back the money when my friend wants it back. That is the sort of governance and not more than that. But there again my good friend is entirely wrong in saying that we are giving them the governance of this country, because the idea is not that nine persons from America are to drive a coach and four through the education system of the country. These nine have got to be also associated with nine others from here and the entire committee has got to function. Its chairman for a number of years, I think for five years, has got to be an Indian. That Indian normally, having regard to the practice in every country, would have a casting vote. In case there is a sharp division, nine against nine, there will be ten votes in favour of India and nine votes in favour of the United States. Therefore, from that point of view from every point of view, there is nothing to suggest whatsoever that we are giving the governance to anybody. At the same time . . .

SHRI MULKA GOVINDA REDDY (Mysore) : What will be the position if, out of the nine Indians, two Indians are pro-American ?

SHRI SACHINDRA CHAUDHURI : I refuse to believe that there would be any Indian, with regard to any question of mix up, who will go over to the Americans. He would not be an Indian. He would be something else. I refuse to believe that any responsible Indian would like to go over to the Americans. If that were so, then I will have to accept this also. Theoretically it is possible that the entire number of nine Indians would be with the Americans, would play to the tune of the Americans. But I have got greater faith in my own people. I have got greater respect for my own people. Therefore I do not for one single moment fear that where there is any possibility of India, through Indians taking a certain view, there would be anything done which is contrary to the interests of India and there would not be anything done which is to the

(Shri Sachindra Chaudhuri.] benefit of India. That feeling I do not have. If I had that feeling then I would not have been here before you.

SHRI NIREN GHOSH : Will you please explain why you are releasing the counter-part funds ? Why should Americans be on the committee ? If they are so benevolent, let them divest themselves of those funds and give them to us. The Government of India can manage it. You can have your educational programme.

SHRI AKBAR ALI KHAN : That is inferiority complex.

SHRI SACHINDRA CHAUDHURI : Nobody in this world gives anything for nothing. At least, a normal person does not. There are a few "Dadas" in this world. Secondly, the thing is this. After all, if I have got some funds myself, and then in that case if I offer to a friend as benevolence, why should the friend accept it ? As I have said, I would like to keep emotion aside. Leaving emotion aside, the position is this. If this entire sum of money were spent in any one year, which the Americans would be entitled to do, by reason of the various agreements with them, then, in that case there would be inflation in this country, because there would be a much larger money supply that cannot possibly be mopped up by consumer goods. As against that what will happen is this. If a trust is created, only the interest from that trust, which would be about 3 per cent, would be available at the end of a year for the purpose of spending on schemes which are accepted by this country. If, in those circumstances, there is promotion of certain things which are helpful for this country, without the risk of there being any inflation, it should be welcomed. If we approach it from the practical point of view, from the economic point of view, I must confess that I do not see that there is anything wrong in this.

Now, there has been the question of tax evasion, etc. There has been the question of indirect taxation. I grant that in the years gone by, there has been an increase in indirect taxation. Now, direct taxation, *i.e.*, income-tax, wealth-tax, gift-tax, estate duty, all these can apply only where people have got a certain amount of competence, a certain amount of wealth. Without that these particular taxes would be ineffective.

Now, unfortunately in this country the number of people who, with our rigorous measures of taxation, come within the taxable field is comparatively small. Without venturing to think in terms of what would be the addition in the current year, I might say that it is about a million or between 200 thousand and a million and a half; and not more than that. In a country of 450 million people, who have got to be supported, we cannot always go to the same source, to the same pocket. In consequence, some tax has got to be levied. Now, if we are to directly tax these people, who are the people of this country, firstly, the tax which will be payable by them would probably be higher than what is taken from them indirectly. In indirect taxation, there is this at any rate. By cutting our needs, even below a certain minimum, we may be able to save a certain amount of money, while in the case of direct taxation there are no such means. Secondly, indirect taxation has got the further advantage that it is realised throughout the year and not at one go. Thirdly, administratively it is somewhat easier. If we are a poor country, certainly it is not a country which is devoid of pride. Every person in this country, I hope—I have got some experience of poor people in this country—has got this pride that he pays towards the maintenance of this country. Because of that I have a right to dictate, through my elected representatives, Members of Parliament, what should be the policy of this country. Why, because I also contribute. It may be a widow's mite, but still I contribute to the wealth of this country. In consequence of that there has to be a certain amount of indirect taxation. I am sorry, deeply sorry, that we cannot reduce the indirect taxation immediately, but it is the endeavour of this Government to try and get larger productions which, when they come, will possibly lower the prices and possibly help us with direct taxation to cover what we have got to cover by indirect taxation.

In this connection of taxation, I have been told that there are certain taxes in which I have given relief, and that that is a retrograde step. I do not agree. Some taxes have been referred to—I may miss out one or two small taxes—and in the corporate sector the bonus share tax. Bonus share tax really means this that a corporation was bound to pay tax on the issue of bonus shares.' A bonus share is not

a gift to the shareholder. A bonus share is nothing more than and nothing less than giving a shareholder a certain bundle of rights in the company instead of certain other rights he had, and the rights is this. A company is built up of its shares, namely, its equity shares and its preference shares. That money is committed to the company and the shareholders cannot take it out except in certain drastic circumstances. Therefore, that remains with the company and the company makes profits with that, trades with that, runs industries with that, and when it has realised its profits at the end of the year what it does is to distribute, after payments of taxes, expenses and everything else, a certain amount by way of dividends, and the balance of it, it keeps in the company by way of reserve. That reserve is converted into bonus shares. So long as the money remains in the company as a reserve, that money can be distributed at the direction of the directors or by the compulsion of the shareholders. But once the money is transferred or once the reserve is transferred or transformed in the shape of bonus shares, there is no question of that money being distributed except, as I said, in certain drastic circumstances. Therefore, it is better for the company to have that money earmarked as capital rather than as reserve, and in consequence of that that encourages the formation of capital to which the shareholders would not have any right and to which the creditors of the company would be able to look to in case of disaster rather than let it be at the volition of the shareholders and directors so that it may be distributed at any moment. In order that that might be facilitated, in order that that capital might be availed of, the bonus share tax has been taken away. On that there is this also that there was a concomitant tax which was realised on the notional value of these bonus shares from the recipient of the bonus shares.

SHRI S. N. MISHRA (Bihar): But a larger number of shares would mean larger dividend. That is very obvious.

SHRI SACHINDRA CHAUDHURI: I am very sorry to contradict my friend. A larger number of shares does not mean a larger dividend. Dividend is related to the profit and net to the capital. Therefore, you will see a small capital of a company can produce a large quantity of profit, and if we distribute that by way of dividend, subject to certain restrictions to be put on, there is

no question whatsoever that the amount of profit is there. One advantage, of which I will speak later on, has been given by my taxation measures and I think it is a good one. So far as this is concerned, the recipient of the bonus share is a person who was also taxed on the notional value of that share as having been an increase on what he had before. Without realising that share he had to pay a certain amount of money as the price for receiving this bonus share. At the moment what has been done is this. If that share is sold and the capital is realised and there is any profit on that, that has not been, exempted from capital gains tax. The capital gains tax is still there. It is only the tax on the notional gain which has been removed; in other words without realising your profits you should not be made to pay. This was not based on any economic theory but on a practical consideration that the man, who receives the share, is a person who is not necessarily always a person who is wealthy but a person who may be of modest means; and also if he had to pay this out, then, in that case there would be disincentive in him to spend such money, as he has, in buying shares in corporations; he would rather go and buy gold; he would rather go and spend that on land. These are the reasons for which that has been done.

I have said just now that there is one advantage I will speak of. What I have done is this. I have reduced the tax on dividends. The reason is this that it has been found by experience over the last year and more that so far as people who have got a little means to invest are concerned, they are not investing their money in shares because they fail to get a dividend. In that case, firstly, the company has got to pay a certain amount by way of dividend and by way of taxes, and therefore the company does not hand us out any money by way of dividend or it gives us a lower dividend. In consequence of that people have not been investing their money in companies. I said that there would be an advantage and I put it fairly and squarely before this House that where there is a bonus share created, in that case the limit of 10 per cent in dividends might be watered down; that is to say, if Rs. 100 pays Rs. 12, Rs. 200 will pay Rs. 6. In consequence of that the tax will not be fixed to the payment of this dividend. I recognise there is that.

[Shri Sachindra Chaudhri]

But this is given not because I want to throw away the possibility of getting certain quantity of money but simply because I feel that this would be an inducement to those who have got money and who have got several forms of investment before them to go and invest their money in corporations which are engaged in industry and so on. As the House knows, in order that there may not be any concentration of wealth in one hand, certain taxes corporation have got to pay, larger amount of taxes than others. In the time at the disposal of this House, I do not think I need go into that, that is not the purpose here. So far as this is concerned, again I might tell you that in regard to these two taxes, I have not made a very great inroad into the possibilities of getting revenues into the coffers of the Government of India. The total of that was a trifling amount—I forget the exact amount now—but it could not be more than a few lakhs; it did not even amount to a crore, it is very much below a crore; and having regard to the amount of money which we have to get for the purposes of this country, it is probably a price not to be considered as too high for the purpose of getting this psychological attitude towards shares in the market.

The other one was expenditure tax. As far as the expenditure tax is concerned, I have said in the other House that I have got the highest regard for expenditure tax. I think the most logical tax is the expenditure tax. There is no other tax which is more logical but in order that there should be an expenditure tax there has to be a diminution of income-tax. If I were in a position having regard to my needs to reduce the income-tax to the tune of 15 per cent or 20 per cent maximum, then I would have put on a very heavy expenditure tax. But as I cannot do that and the amount from expenditure tax is low, I had to give that up so that I might compensate it by other taxes. As I take away the expenditure tax, it has been my duty and my function to raise the direct taxes by a 10 per cent surcharge, whether for corporations or for others. It is not as if I am giving away any tax. I am making a small concession which helps me, so far as the Government is concerned, in administration and it helps the taxpayer, whoever the taxpayer may be, in the sense that he, does not have to fill up so many forms.

So far as escapement of income-tax is concerned, that is taken care of by wealth-tax, gift-tax and income-tax. If these three put together, together with what is left, the balance are examined, one gets a picture as to what an honest man's proper income is. But so far as the dishonest man is concerned, if he can escape the income-tax, he can also escape the expenditure-tax. So, from that point of view there is not much difference.

On the question of tax evasion, a suggestion has been made that we have been lax about it. I do not seem to be lax about it. After all, we are making endeavours, we are going into the homes and houses. As one of the hon. Members pointed out even this morning, the Income-tax people, the Enforcement Branch, go into private houses to find out whether there is anything there or not. They ransack the whole house. To put it picturesquely they even break open the floors and the ceilings and enter into the privacy of the houses. I do not suggest that it is done. But in any event, a thorough search is made wherever there is any reason to believe—by 'reason' I do not mean mere suspicion but a cogent reason—that somebody has got some hidden wealth. Well, if this is so can it be said that we are doing something which is wrong when we are trying to assist the economy of this country by going into those houses and in trying to get that money out? Or can it be said that we have been slack or slothful in this particular matter? The only thing which is being done is this that care is being taken by people who have got the authority and the obligation to enforce the laws, the drastic laws, of entering into people's houses and so on, not to do that without any sufficient or any *prima facie* proof. After all, one has got to depend on the information given from sources which are not always creditable sources. And if this is to be done, if the citizen's right to his privacy has got to be invaded, if his property has got to be invaded, if we have to get into his house and building by the force of law, is it not time that every citizen by himself, rich or poor, has got to take some precaution or other? What is being done is not done to satisfy the caprice of somebody or for the purpose of propaganda, which seems to be the theory which is currently prevalent in the country and that because of that all this happens. So we have to be careful. I say, always when you

take a measure like this, you will find that the yield* are greater at the beginning because the people are not cautious ; also the people do not easily get away from their bad ways. We know them also, that they are evading taxes and when they are doing it, they are trying to do it more cleverly and more cautiously, they are trying to match the intelligence and the effectiveness of the Government. Surely, those people will be brought to book. This is an evil—and I say, a horrible evil—which is prevalent in this country. I do not think it is possible to do it even if we had all the army of the Indian Government looking into the houses to find out hidden wealth or evidence of hidden wealth. It had got to be done by generating a spirit of nationalism, a spirit of serving each other, a spirit of comradeship and a sense of responsibility which everyone bears to the country. And in that I try to enlist co-operation and I would like to enlist the assistance of all the Members of this House, who are such a responsible people and who themselves know people from so many different constituencies.

SHRI BANKA BEHARY DAS (Orissa) : From your speech at Bombay to the industrialists, it seems that there is a shift in your policy. Are not the Government going to do these searches that were being done during Shri T. T. Krishnamachari's time ?

SHRI SACHINDRA CHAUDHURI : I am very sorry, I have been misinterpreted or misreported by somebody. I never made a speech in Bombay.

SHRI BANKA BEHARY DAS : The speech was reported three days back in the papers.

SHRI SACHINDRA CHAUDHURI : What can I do if some misrepresentation is there ? If chapter and verse is produced, I may be able to answer. But I would not like something put into my mouth which never came out of my mouth; I am not responsible for it. So, what I am saying here is exactly what I have got to say. One has got to be careful about this. One cannot do something just for the wanton expression of human beings in the name of finding out hidden wealth and that, I maintain, is the attitude not only of this Government, I hope that it is the attitude of this House as well. Therefore, I

have never mentioned the name of my predecessor, I have never said that he did something which I am not doing.

SHRI BANKA BEHARY DAS : I do not say that you mentioned him. But I am saying . . .

SHRI SACHINDRA CHAUDHURI : I am not, at this stage, entering into an argument with my friend.

So far as the contention of making the rich, richer is concerned, undoubtedly the purpose of any Government should be to make the country richer and not make any individual richer and we have to try to make the people richer—people in general, not individuals—and in doing that we have got to give assistance to those people who have not got the means of making themselves rich and take away from those who are strong. Now, it has been suggested that I have made the rich richer and the poor poorer. Now, if the entire scheme of the enactment is looked at, may I say this that there has been relief given to people in the small income groups ? May I say this whether it is a question of handloom or cottage industry, relief has been given and that such relief has not been given either to the well-established industries or to individuals ? If anything, the rate of taxation has gone up. Whatever was the rate last year, it has been increased. I have been warned that I have done deficit financing. I could have avoided deficit financing only in the event of my determinedly going into the pockets of those people who could ill afford the money. If I had done that, I would have got by taxes Rs. 1,000 crores. But I do not believe in that. When I say T, I mean the Government. I cannot do that so long as the Government is not able to provide such things as health, education, unemployment relief and old-age relief. So long as the human being in this country is allowed to look after himself, I am afraid there has to be a certain amount of laxity in taxation so far as the lower levels are concerned and in that I cannot say that I have been wholly kind to anybody.

I will not dilate at this stage on the different items which are many, on which the excise duty has been increased. Now, there are three items on which the excise duty has been increased. The excise duty has been increased in the case of diesel oil. But even there the duty on this had been at the level at which it had been put earlier—for a very short period the duty

{Shri Sachindra Chaudhuri] had been brought down. That is the reason why I have put the duty in excess of what it had been before. The duty on sugar certainly has been increased. But that is for the reason that sugar is a commodity which is an export commodity, and this duty was necessary for the purpose of getting the sugar, that we produce in this country, marketed. The other duty is on cotton textiles and hanks. When the Bill started, there had been a certain amount of increase in duty on those items where the poor suffer. But I have made an endeavour to take away the duty on these items. Therefore, I cannot say that I have done anything.

Then, there are things in short supply in this country and we have got to have imports. Therefore foreign exchange is necessary. We are not so disciplined, we are not so self-reliant in basic matters of food, kerosene oil and so on that we can say that we can afford to do without kerosene oil or that we would rather eat only one meal instead of allowing the country to go without food. I do not mean the poorer sections, who cannot do that. We have got to do these things.

That brings me on to another subject, the question of improving the production of food-grains. The Government has its attention bestowed on that. If the Government is importing food under PL-480, it is simply because it wants to carry on during a period when our food production has decreased. No Government by any touch of the magic wand or by invoking a fairy godmother could increase production of food overnight.

SHRI MULKA GOVINDA REDDY :
Eighteen years have passed, not overnight.

SHRI SACHINDRA CHAUDHURI :
The land has got to be better looked after and for that it is necessary to have irrigation, fertiliser, scientific cultivation and so on. It takes time. Therefore what we are trying to do is to try and get the essential things manufactured in this country and for that we have had the programme of putting up a fertiliser factory in this country. It is not necessary for me to go into this question because it has been debated over and over again and I will not enter into it as to whether in trying to get fertiliser produced in the country we are selling ourselves to other countries or not. My own view is—and when I say, 'my', I mean (the Government's view)—that we have in fact

and in truth done nothing of the kind. We recently agreed to the putting up of the fertiliser factories in the public sector and the intention of the Government is to put up as many as possible, if possible to put two every year, so that we can have enough in the course of the next five years by producing and generating most of the fertilisers in the public sector. At the same time, wherever it is possible to mobilise the production of fertilisers, we have got to do that for the basic essential need of this country namely, food, and in consequence of that we have to enter into agreements which are, I claim and I say, Reasonable, proper, business agreements, and which do not give away anything from the sovereignty or the integrity of this country. (*Interrupts.*) It is a matter of opinion. As I said, I would not like to enter into a debate. If I have to defend it, I have to defend it adequately whatever we have done. The House rises at half past one, I think.

THE DEPUTY CHAIRMAN : Yes.

SHRI SACHINDRA CHAUDHURI :
So far as the Gold (Control) Act is concerned, there is a general feeling, both in the Lok Sabha and here that gold control is bad. Now, I am speaking personally, not for the Government

SHRI MULKA GOVINDA REDDY :
It is difficult to find out when you are speaking personally and when you are speaking for the Government.

SHRI SACHINDRA CHAUDHURI :
I am claiming the indulgence of the House, as a Member of the other House, of saying what I have got to say. If you do not want to hear me, I would not say it. But if you want to hear me, I will tell you this. Personally, I am convinced that the Gold Control Order is good, and I will give you the reason why. The reason is this. If you take away the Gold Control Order, two things happen. One thing is this. Wherever we find gold which is remaining there undeclared, we shall ask the person who has the gold to explain where he got it from. And if he cannot explain, then dire consequences follow. That is the position today because of the Gold Control Order. But if the Gold Control Order were withdrawn, the position would be that the people who have got hoarded gold would be able to say that the gold came down to them from their grand-father or their grand-mother and there

would be no power in the Government to ask (hem to explain. The Government would not be able to say that it is dishonestly acquired or if it were honestly acquired, why he did not declare it earlier. That power would be gone.

The second thing is that the gold that is produced in this country is an infinitesimal quantity compared to the quantity which is consumed in this country and which would be the same if the Gold Control Order were not there. Therefore, if any gold has to come in, that gold would come in by expending the country's money in something which is unproductive, an investment which is useless so far as the country is concerned. These are the two broad reasons apart from the lure—gold being there—of sending the money dubiously for purposes of acquiring gold.

SHRI NIREN GHOSH : Will the Finance Minister clarify one point on this? So long as there is a large amount of unaccounted money, black money, is the Government ever in a position to stop gold smuggling by keeping the Gold Control Order on the Statute Book? Can you stop that? That is precisely where the rub lies. If you can eliminate black money, then perhaps the gold may come out. But so long as there is more than Rs. 3,000 crores of black money, it is not possible.

SHRI SACHINDRA CHAUDHURI : I have said before that so far as this is concerned, this is my private opinion. But what I am saying in answer to the question which has been put is that Government cannot, by introducing merely the Gold Control Order, do away with the cupidity of human beings which is something born inside a person. It can only check it. Now as Government, I am claiming that cupidity has been checked, not hundred per cent. But even if it has been done 10 per cent., that is good. I will go back again to my personal opinion. The injury or harm which has been there, it is an injury or harm to the goldsmiths.

Now, how many goldsmiths were there in this country? If you think of it, has anybody taken statistics? I have some notion of how many were there. There were about 250,000 to 255,000. Every little hamlet had a goldsmith for preparing gold ornaments all the time. Therefore, the entire number of goldsmiths in the entire country would be 2,50,000 to

2,55,000. Thus the goldsmiths have suffered, if they have suffered, in the last three years. Some of them have been rehabilitated. Some have to rehabilitate themselves while some have gone out. If that is so, at the end of three years . . .

SHRI ATALBIHARI VAJPAYEE : Some have committed suicide.

SHRI SACHINDRA CHAUDHURI : If you remove this Gold Control Order, what will they say? They will say that they have suffered in vain, those of them who have suffered. And what are you gaining by this? For a little, you are wanting to give away a great deal.

Madam, this measure—I am speaking personally, I am not speaking for my Government—is something which, if Continued, which if permitted, would at least tend towards the thing that we are trying to do, namely, do away with hoarding. But if it goes away, this will certainly give encouragement to it.

شری عبدالغنی (پنجاب) : میڈم —
کیا مسٹر چودھری بتائیں گے کہ کلکتہ
اور دہلی میں چائنا سے آیا ہوا سونا
کھلم کھلا بکتا ہے اور جس پر
چائنا کی مہر لگی ہوتی ہے وہ کہاں
سے آ جاتا ہے ؟

†[श्री अब्दुल गनी : मैडम, क्या मिस्टर चौधरी बताएंगे कि कलकत्ता और दिल्ली में चाइना से आया हुआ सोना खुल्लम खुल्ला बिका है और जिस पर चाइना की मुहर लगी होती है वह कहाँ से आ जाता है ?]

SHRI SACHINDRA CHAUDHURI : As I said, it is smuggled, but if we do not have this, then the smuggling would be greater. I am not saying for one moment that smuggling does not go on. I do not say that it is completely curative, it is merely corrective. What I am doing, Madam, is this. Madam, if it is the desire of this House and of the other House—I am democrat enough to say that if I am wrong I am prepared to say I will not hold on to it—I will not certainly make an issue of it, I will certainly bow my head to the dictates of this House, the whole of this House and the

[t] Hindi transliteration.

[Shri Sachindra Chaudhuri] other House together. If they say that the Gold Control Order should go, I shall be only too happy to do that. I gave an assurance to the other House and I give the same assurance to this House also that I shall take up this matter, in the first instance, with my colleagues in the Cabinet.

SHRI S. S. MARISVVAMY (Madras) : If no whip is issued, a majority of the Congress Members would vote for the removal of the Gold Control Order.

SHRI SACHINDRA CHAUDHURI : So far as I am concerned, I have expressed my persona] views. So far as my Government is concerned, I will consult my colleagues and find out from them what their views are, and those views will be before this House and the other House, and then it will be for the two Houses either to take away from, or leave the Gold Control Order on, the Statute Book. As I said, I am not wedded to this. I will only regret that which I cannot help.

Madam, that is so far as the Gold Control Order is concerned. I do not think it will be right for me to take the time of the House. Many other interesting questions have been raised. I have answered most of them. I would have answered if I had time :

"The time is short and this world is large."

I know this House has got its preoccupations, its engagements, its own functions. With these words I would recommend the consideration of the Finance Bill.

!* THE DEPUTY CHAIRMAN : The question is:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1966-67, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE DEPUTY CHAIRMAN : We shall now take up the clause by clause consideration of the Bill,

Clauses 2 to A were added to the Bill.

Clause 5—Amendment of section 13

SHRI DAHYABHAI V. PATEL (Gujrat): Madam, I move :

I. "That the Rajya Sabha recommends to the Lok Sabha that the following amendment be made in the Finance Bill, 1966, as passed by the Lok Sabha, namely :—

"That at page 6, line 36, after the words "previous year" the word "knowingly" be inserted."

(Amendment No. 1 also stood in the names of Sarvashri M. Ruthnaswamy, Lokanath Misra and K. Sundaram.)

The question was proposed.

THE DEPUTY CHAIRMAN : The other amendments are not to be taken up. This is the only amendment that is valid.

SHRI DAHYABHAI V. PATEL : Madam, the effect of this amendment will be to restrict the denial of exemption to those cases only where any part of the income or property of a charitable trust, otherwise entitled to exemption, is knowingly, but no inadvertently, used or applied, directly or indirectly, for the benefit of the author of the trust or the founder of the institution or any person who has made a substantial contribution to such trust. With this amendment the entire basis of the exemption of charitable trusts under section 13(bXii) of the Income-tax Act will be denied.

Therefore, I would request the Finance Minister to reconsider and agree to my amendment which I am pressing.

SHRI SACHINDRA CHAUDHURI : I cannot accept it because 'knowingly' would make all the difference, Madam.

THE DEPUTY CHAIRMAN : The question is :

1. "That the Rajya Sabha recommends to the Lok Sabha that the following amendment be made in the Finance Bill, 1966, as passed by the Lok Sabha, namely :—

"That at page 6, line 36, after the words "previous year" the word • "knowingly" be inserted."

The motion was negatived.

THE DEPUTY CHAIRMAN: Amendment No. 2 cannot be moved.

The question is :

"That clause 5 stand part of the Bill." *The motion was adopted. Clause 5 was added to the Bill.*

Clause 6—Amendment of section

32 THE DEPUTY CHAIRMAN : There are two amendments, Nos. 3 and 4 which need recommendation of President under article 274 (1) of the Constitution. So they are barred.

The question is : "That clause 6 stand part of the Bill."

The motion was adopted.

Clause 6 was added to the Bill.

Clauses 7 to 9 were added to the Bill.

Clause 10—Insertion of new section 15A

THE DEPUTY CHAIRMAN : There is one amendment, No. 5 which is also barred. The question is :

"That clause 10 stand part of the Bill." *The motion was adopted. Clause 10 was added to the Bill. Clauses 11 to 16 were added to the Bill.*

Clause 17—Insertion of new sections 85ff and SSC

THE DEPUTY CHAIRMAN : There is one amendment, No. 6 which is also barred.

The question is :

"That clause 17 stand part of the Bill." *The motion was adopted. Clause 17 was added to the Bill. Clauses 18 to 24 were added to the Bill.*

Clause 25—Amendment of section 193

THE DEPUTY CHAIRMAN : There is one amendment, No. 7, which is also barred.

The question is :

"That clause 25 stand part of the Bill."

The motion was adopted.

Clause 25 was added to the Bill.

Clauses 26 to 36 were added to the Bill.

Clause 37—Amendment of Fifth Schedule

THE DEPUTY CHAIRMAN : There is one amendment, No. 8 which is also barred.

The question is :

"That clause 37 stand part of the Bill."

The motion was adopted.

Clause 37 was added to the Bill.

Clause 38—Amendment of Act 34 of 1953

THE DEPUTY CHAIRMAN : There are four amendments, Nos. 9 to 12. All of them are barred.

The question is :

"That clause 38 stand part of the Bill."

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The motion was adopted.

Clause 38 was added to the Bill.

Clauses 39 to 53 were added to the Bill.

The First Schedule, the Second Schedule and the Third Schedule were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI SACHINDRA CHAUDHURI : Madam, I move :

"That the Bill be returned."

The question was proposed.

SHRI MULKA GOVINDA REDDY : Madam, I would like to say a few words. There is a consistent rumour in foreign markets that the Government of India is seriously considering the question of devaluing the rupee. I would very much like that the Government should assure us that they are not going to devalue the rupee. It is true that the prices of all commodities have gone up and the purchasing power of the rupee has gone down but he should take steps to see that the value of the rupee is strengthened. It should not be 70 paise but it should be 100 paise. I have a suggestion to make. He should seriously consider the question of reforming the currency. While maintaining the exchange value of the rupee with sterling or dollar he should bring down the value of money under a slab system as was done in East Germany after the War when East Germany attained independence. That means to say that if a person has one lakh of rupees, when the money is exchanged, it should be about Rs. 5,000. That way you will immobilise the black money that is with the hoarders and blackmarketeers and big business houses. This is a serious matter which should attract the attention of the Government. Currency reforms should be attempted.

SHRI LOKANATH MISRA (Orissa) : What about honest men ?

SHRI MULKA GOVINDA REDDY : Honest men earn in honest ways; the exchange value will be one rupee for one rupee.

SHRI SACHINDRA CHAUDHURI : This suggestion will be given every consideration.

THE DEPUTY CHAIRMAN : The question is :

"That the Bill be returned."

The motion was adopted.

TNE DEPUTY CHAIRMAN : The House stands adjourned till 3-00 p.m.

The House then adjourned for lunch at forty-eight minutes past one of the clock.

The House reassembled after lunch at three of the clock. The Vice-Chairman (Shri M. P. Bhargava) in the Chair.

MOTION *RE* KERALA UNIVERSITY (AMENDMENT) ACT, 1966

THE MINISTER OF EDUCATION (SHRI M. C. CHAGLA): Sir, I beg to move :

"That this House agrees with the Lok Sabha that in pursuance of sub-section (4) of section 3 of the Kerala State Legislature (Delegation of Powers) Act, 1965, the following modifications be made by the President in the Kerala University (Amendment) Act, 1966, by enacting an amending Act :—

Section 3

In clause (a) of sub-section (2) of section 3 for the words 'for the period for which it has been made' substitute the words 'for the period of one year from the date of appointment' "

This is a very short matter and I will briefly state what the position is. Under the Kerala University Act, the appointment of the Vice-Chancellor has to follow following procedure. A committee of three has to be set up, one elected by the Senate, one elected by the Syndicate and the third to be nominated by the Chancellor. If the recommendation of this committee is unanimous, then the Chancellor has to accept that recommendation and appoint as Vice-Chancellor the person recommended by that committee. If there is no unanimity, then the committee has to submit a panel of three names and the Chancellor is allowed to select any one of the three from that panel.

What happened was that in 1966 the term of office of Shri Samuel Mathai was to expire on the 28th January, 1966 and curiously although this committee was constituted, it neither recommended unanimously one name nor did they recommend a panel of three names. So no appointment could be made. Therefore, the Chancellor, namely the Governor of Kerala, was compelled to pass an Ordinance and he passed this Ordinance on the 28th January.

This Ordinance provided for the appointment of Vice-Chancellor by the Chancellor for such period as he may consider expedient, not exceeding three years. And in pursuance of that Ordinance he appointed Shri Samuel Mathai, the same Vice-Chancellor, for a period of three years. As you know, under the Constitution an Ordinance has to be replaced by an Act and the President enacted an Act. But he made certain alterations and the main alterations were these. The first one is that if the committee failed to make the recommendation as provided then another committee has to be set up which shall make the recommendation within three months. And the second provision says that . . .

SHRI AKBAR ALI KHAN (Andhra Pradesh) : Who will set up this second committee ? Will it be the Chancellor ?

SHRI M. C. CHAGLA : No, the same procedure will be there. One will be elected by the Senate, one by the Syndicate and one appointed by the Chancellor. And the second provision was that if the Vice-Chancellor's office was not filled up, then the existing Vice-Chancellor was to continue in office. Under the old Act, there was a lacuna. On the expiry of office of the Vice-Chancellor, he had to get out. There was no provision for his continuing in office.

SHRI MULKA GOVINDA REDDY (Mysore) : There is provision. It is in section 4.

SHRI M. C. CHAGLA : I will come to that and point out the position.

The other change that was made was that, as I said, the Vice-Chancellor would continue till his successor was appointed.

The hon. Member just now referred to a provision and to that I may immediately invite the attention of the House. This is section 10 (v) of the Kerala University Act, 1964 which states :

"In the case of any temporary vacancy occurring in the office of Vice-Chancellor the Syndicate shall, with the approval of the Chancellor make necessary arrangements for exercising the powers and performing the duties of the Vice-Chancellor."

The legal opinion was that the provision made for a temporary vacancy does not apply to a case like this. A temporary vacancy occurs if the Vice-Chancellor were to leave India for four or five months or if he fell ill. This was