

SHRI M. N. GOVINDAN NAIR: Confusion is on that side.

SHRI O. V. ALAGESAN: I beg to submit that it is not so. I shall explain presently to show that I have not handed over my money to anybody.

SHRI ARJUN ARORA: You will, in due course. You are yet *to* do it.

SHRI O. V. ALAGESAN: No, I will not. On the other hand, I am getting American investment for the sake of my farmers.

SHRI ARJUN ARORA: American investment controlled by Americans and your investment also controlled by them.

SHRI O. V. ALAGESAN: If Mr. Arora will not interrupt me, I shall carry conviction to him.

SHRI ARJUN ARORA: If you do it in a straightforward manner and truthfully, I will not interrupt you.

SHRI O. V. ALAGESAN: Kindly do not interrupt and I shall carry conviction to you. What is the equity participation of the American company? Their equity capital participation is less than Rs. 5 crores. Even if they earn a net profit of 20 per cent on this, they will be repatriating a sum of about Rs. 1 crore. That is the maximum that they can repatriate. Now, as against that, what is the value of the production that we shall be making in this factory? The value of the production of fertilisers that will be made in this factory will be Rs. 25 crores, when it is in full production per year. There will be a saving of Rs. 25 crores in foreign exchange per year. Otherwise, I will have to spend my hard-earned foreign exchange to the tune of Rs. 25 crores to import this fertiliser. As against a net foreign exchange saving of Rs. 25 crores, I shall be allowing the American panic, to repatriate only Rs. 1 crore. These two things should be taken together. Then you will know whether I am giving him my money or we are taking the help of his money for a definite purpose.

SHRI ARJUN ARORA: Anybody who knows anything about the industrial management knows that in these matters, it is not the investors, not the shareholders

THE VICE-CHAIRMAN (SHRIMATI TARA RAMCHANDRA SATHE): No.

He has replied to you. We go on to the next item.

THE UNIT TRUST OF INDIA (AMENDMENT) BILL, 1966-*connt*

PANDIT S. S. N. TANKHA (Uttar Pradesh); Madam Vice-Chairman, while I support the measure before the House, I am sorry I have to say that I am not at all satisfied with the performance of the Trust so far. It is true that the Trust was created only about a year back, but all the same it has to be seen what it has done during this period and whether it has succeeded in drawing money from the small investors, which it was expected to do. I am afraid the hopes which were raised in the public mind when the scheme was started have not been fulfilled, because the rate of interest which this Trust has been able to give on the units has been very low. It is for this reason that the public participation has not been to the extent that it was expected to. From the figures, which were supplied to me by the Ministry of Finance, in a brief which I had asked for from the Department at a meeting of the Informal Consultative Committee of the Finance Ministry, I find that the initial response to this scheme was very encouraging and that between July 1964 and November, 1964, that is to say, within five months the value of the units sold amounted to as much as Rs. 18-22 crores, but since then there has been a decline in the sale of the units. Further, from the figures supplied I find that during the period September 1965 to February 1966 sales of the units were to the extent of Rs. 86-52 crores whereas units, which had been purchased earlier by the public and which were sold later to the Trust amounted to as much as Rs. 61-78 crores, which therefore means that during the period September 1965 to February 1966 there was a net gain of sales of only Rs. 1-21 crores during a period of five months, which is indeed most disappointing. It goes to prove that the scheme has not attracted the public.

We find, Madam, that during the last year the Trust has been able to give on the units a dividend of only 6-1 per cent, while at the time the scheme was initiated it was expected to yield somewhere about 8 per cent. That perhaps accounts for the

[Pandit S. S.N. Tankha.] fact that in the initial stages the response from the public was very good. We were also told at the time the scheme was brought forward by the Ministry that in other foreign countries where this scheme was in operation the income on the units was somewhere between 8 and 10 per cent, which I dare say is a fairly good dividend on investment. And, it was for this reason that the hopes of the public from this Trust which were very high have not actually been fulfilled as they should have been.

There is another unsatisfactory feature which I get from the figures of the Ministry and which is as, I have pointed out that during this period of five months, September 1955 to February 1966, there have been repurchases of units, which had been formerly purchased by the public, amounting to as much as Rs. 61-78 crores. What is the reason for this and why should people who invested their money in this scheme be compelled to sell such a large amount of their holdings? It seems to me that they did not find the investment sufficiently remunerative and therefore they sold them out. I cannot understand any other reason because if the people had no money to invest, they would not invest in it. To invest borrowed money and then be compelled to sell the holdings would be difficult to believe. Therefore, I think that the main reason for this selling out of their investment by investors is that they did not find it lucrative enough. Therefore, Madam, it is essential for the authorities of the Trust to find ways and means constantly to make the scheme more and more attractive for the public, because, as we know, the intention at the time we passed this Bill was that this scheme should attract middle income and small income people's money and place it on a sound footing where they could earn sufficient interest. And I am glad to find that this Bill which has been brought forward has been brought forward with this main aim in view, namely, to so devise and create new schemes which would be more attractive to the public. The amendments also aim at providing opportunity to the investors to leave the monies which they earn from these units in the hands of the Trustees again for further investment so that their income may be increased by the investment of additional units which they will be buying from their investment income.

There is yet another scheme called the savings-cum-investment scheme which will be brought out in co-operation or in conjunction with the Life Insurance Corporation in order to ensure a degree of protection to the investor. These new schemes which are proposed to be brought forward, I am sure, will attract the public, and I have no doubt that in course of time the Trustees of the Unit Trust may be in a position to attract greater capital.

There is one matter, Madam, which I cannot understand and it is this that the authorities of the Unit Trust have fixed a price for purchase of new units at a price which is not at par value, but is a price above the par value; that is to say, it carries a premium. Madam, when the unit scheme is not paying good dividends I fail to see why a premium should be placed on the purchase price of units which are now being made available by the Trust to the public. I think the present purchase rate of new units is Rs. 10-50 while the par value of the unit is Rs. 10 only. With the addition of 50 paise to the price of the unit the rate of interest which the public would get would be reduced further. Last year also for some period, I believe the value of the unit has been more than Rs. 10-50 and hence the rate of interest will have further been reduced thereby. Unless it is found that the Trustees have made this scheme more lucrative and are paying a greater dividend to the public, I see no reason why the sale value of the units should not remain at par and why it should be increased with a premium added to it. In the same manner I have not been able to appreciate as to why the repurchase price of units has been fixed by the Trustees at a figure lower than their sale value, namely, if a person sells or is compelled to sell, his unit investment there, why should not his units be valued at their current prices? If Rs. 10-50 is the current price, for their sale, then why should the repurchase price be only Rs. 10 or thereabout? I think the repurchase price is Rs. 10-25 or Rs. 10-20 these days. But why should it at all be a lesser price than their sale price, I fail to understand. If the same investment had been made in public company shares, then the sale price of the shares, whether it may have been higher or lower than the par value of the share will be the price the public will be able to get at their sale. But in the sale of the units by the public, I do not

see why, for the repurchase of the units by the Trust, it should demand that they should be sold at a price lesser than what has been fixed for their sale to the public by it. It may not be forgotten that the interest which the ordinary banks, even the State Bank, pay for investments made with it for a period of two or three years is as much as 7 to 8 per cent, while the Scheduled banks have been paying even more and public companies pay as much as 10 or 12 per cent. Therefore, Madam, I say that if investments, like investments in companies or deposits with the State Bank, for three or four or five years can fetch an interest as much as 8 per cent and above, then why should a man hold or invest in units at all? Why should the investor not go and invest the money in the State Bank? So, unless the interest rate is made attractive, you cannot expect the public to come forward to purchase these units.

With these few remarks, I support the Bill and I expect that the Trustees will look into this matter carefully and will also keep an eye on the fact that their own overhead expenses are controlled within reasonable limits so that the burden of high expenses may not fall on the unit-holders and thus reduce their income further.

SHRI K. SUNDARAM (Madia,¹): Madam, Vice-Chairman, I agree with the hon. Member when he said that in the first five months they have sold quite a lot of units, worth Rs. 18-22 crores. But after the initial period, during the next 15 months, they have been selling on an average for Rs. 10 lakhs per month. No doubt, the propaganda machinery of the Government of India, to start with had given these false hopes to the people. People were carried away by the propaganda and they invested money. At the end of the year they got a return of 6·1 per cent and later on they found that it was not remunerative. Therefore they sold away their units. The return that these units were expected to earn was in the vicinity of 10 per cent. The administrative expenses must have been within the range of 4 to 5 per cent. Therefore the Unit Trust is unable to pay anything more than 6 per cent return. That is why they have come out now with an amendment. In one place it says: to return back the initial capital to the various institutions. And in another place,

! they come forward with an amendment to receive gifts or donations or contributions from the Reserve Bank solely for meeting the losses arising out of, or any additional amount required in connection with, any variation made by the Trust in the sale or repurchase price of a unit.' Therefore, I conclude that the Trust has no money to maintain even this 6 per cent dividend. Therefore the Reserve Bank has come forward to help them by a liberal donation or contribution so that their part of the initial capital need not be repaid and it will be paid to the other institutions.

The new proposals that have been made here are nothing but another piece of propaganda to reinvest even the 6 per cent return that comes out of the investment capital to put it back in that, so that the Unit Trust may retain it, and towards that, the present Finance Bill has provided some concessions of supertax

I do not believe that these changes or amendments will attract any more investment from the public. Not only that. The investors who number 1,34,000, are all small investors and the amendments are not going to help them. Therefore, I oppose this amendment.

Thank you very much.

SHRI M. C. SHAH (Gujarat): Madam Vice-Chairman, I have only a few remarks to offer.

When this Act was passed there were great expectations and they were justified in the initial stages, as the hon. Minister has said. But after that initial stage was passed, the Unit Trust has not fared better. On the contrary, it has gone down and therefore it is very necessary to find out the reasons why the initial response of the public has not continued and why there has been a slackness in investment. The idea was to mop up the savings of that class of investors who had available means of investment but no readily available place of investment and this Trust was expected that this class of investors, say, from the rural areas would be in a position to invest their funds which were otherwise lying idle with them. One cannot fail to realise that in spite of all our efforts the economy of the country has not become stable. The foreign exchange crisis still continues.

[Shri M. C. Shah.] The capital market has not also revived. The stock exchange also continues to have the same difficulties. Therefore it is difficult to say when such an economic climate will come up. This Trust also has to suffer from those conditions.

The hon. Minister said that the dividend given was 6 per cent. But we know that all round higher rates of interest are available from other industries. When that is available, who will be inclined to invest here with this 6 per cent? At least the dividend should be 8 per cent. Otherwise there is no scope for attracting investors to invest their money in this scheme.

In the first instance, there was, as I said earlier, a good response from the investors. But these conditions have combined to make this scheme not effective or not much attractive and therefore I feel that even though the Minister has said that this amending Bill has been brought forward as a result of the experience gained by the working of the scheme, I am afraid it is not going to help us in attracting more and more investment from that sector of the investors who were expected to invest in it. I would also like to know from the Minister how much investment was available from this Unit scheme and how it was invested. I want to know whether the small-scale industries and the medium-scale industries were helped in any way by more investment from this source. Therefore, we have to be very realistic and see that the economic condition improves. Recently we passed the Finance Bill and expectations were raised that some of the measures adopted in the Finance Bill would improve the economy of the country. But in spite of the fact that the Budget was presented on the 28th February, the economic condition in the country has not improved. It is, therefore, very necessary for the Government to think as to how the economy of the country could be revived. Unless that is done, all these efforts at more and more investment in the Unit Trust are not going to help.

SHRI R. S. KHANDEKAR (Madhya Pradesh): Madam Vice-Chairman, here is another instance of a grand failure on the part of the Central Government in regard to a very good scheme. When the scheme was initiated here some two years ago, high hopes were raised that the scheme

would be a great success. But the speeches of the hon'ble Member who preceded me show that there is a complete failure on the part of the Government in working out the scheme.

The report of the Unit Trust says that initially, in the first year, the investment was large by the small people which went up to Rs. 18 crores. But after that, it dwindled down. In fact, the investment of Rs. 20 crores is not at all satisfactory. When that scheme was introduced, it was introduced on the Western pattern. It was thought that this scheme would attract the savings from those people who could not invest in big shares, in shares of big companies or in Government securities where the interest was too low. There cannot be any argument that we need savings very much these days. The prices are already rising very high. There is a lot of money in circulation on account of the three Plans. Crores of rupees are in the market. And if one has to curb the prices, one of the methods is to invest the savings in profitable concerns. Since the Government could not control the big monopolist, the big industrialist, they thought that success would be met partly by attracting small savings from small investors. Therefore, this scheme was introduced.

Madam, initially the response was better. But later on it was poor. Obviously, the reason is that although the Government guarantees 6 per cent, interest as has been pointed out by previous speakers, other investments are very much more attractive. Some concerns are paying interest up to 12 per cent. So this 6 per cent, in these days is nothing comparatively. So the small investor is not at all attracted towards this scheme. If the scheme is to be made a success, it ought to pay attractive interest.

Then, the scheme should be given wider publicity and popularised in small sections of the community which has not been done. Hardly once a month or once a year, we see some advertisement in some newspapers, that too mostly in the English newspapers. We have not seen any effort on the part of the Government to make this scheme popular. Other small savings schemes have been made popular by so many methods. For other schemes there are savings organizers who go to the villages and try to get savings from the small people. No such thing

is done in this case. Therefore, I say that the Government, although they have introduced a very good scheme, has failed to attract small investors. This is with regard to attracting savings.

As has been pertinently pointed out, where has this money been invested? As far as we know, from the report it appears that only a small percentage is invested in small-scale industries. It was thought that with the introduction of this scheme, small-scale industries would be encouraged and money would be provided for them. But we find that hardly 4% has gone to the small industries. The rest of it has been given to big companies or big monopolists.

[THE DEPUTY CHAIRMAN in the Chair]

In fact, they do not need help from this source. They have got so many other sources. They can find money from the banks, from finance companies, from financial corporations and so on where bigger interests are involved. The Unit Trust, it is reported, has advanced money not to the small scale people but to the big industries. Therefore, the purpose of it is defeated.

Now, we do not know anything about the managerial expenses incurred on the working of the scheme. Sometimes it is mentioned as 5 per cent., sometimes it is said it is more. We should have a clear idea about the expenditure incurred on the scheme. In fact, our effort should be to spend very little on managerial expenses and invest on sources which would yield higher dividends so that ultimately the small investor gets more interest.

Now the question was raised, and rightly too, that the value of the Unit in the market at present is Rs. 10-60. That is the purchase price. But when the investor returns his unit, he gets only Rs. 10-10. The difference of 50 paise is, thus there. If they are treated as shares, there should be one value for sale as well as purchase. Here the Government is the sole authority. They have fixed the price according to market conditions. Therefore, there should be one price for the purchase as also the sale of the Units.

Lastly, if the Government wants to popularise the scheme, and they should because it is one of the most important schemes

the present economic context, it should start selling the Units at par for some time. I do not know, but I think there is one day in a month or a year when they sell the Units at par. For the rest of the period they sell at the market price.

THE DEPUTY CHAIRMAN: Mr. Khandekar, it is 3-30 and we have the motion on the Orissa famine conditions.

SHRI R. S. KHANDEKAR: I am finishing. I would suggest that for some time the Units should be sold at par and more effort should be made to popularise them; otherwise it would be spoiling a very good scheme as they have spoiled so many other schemes up till now.

**MOTION RE SITUATION ARISING
OUT OF FAMINE CONDITIONS
AND ALLEGED STARVATION
DEATHS IN ORISSA**

SHRI LOKANATH MISRA (Orissa): Before you take up this motion, I have a submission to make. I would very much like the Prime Minister to be here because she is the only Minister from the Centre who has been to that area and who has collected some personal impressions. The courageous Mr. Subramaniam did not want to face the weather.

THE DEPUTY CHAIRMAN: That is all right. The Prime Minister would be here.

SHRI MULKA GOVINDA REDDY (Mysore): On a point of order, Madam. Just now the Constitution (Amendment) Bill has been thrown out. I would like to know whether the present Government is still enjoying confidence. It has lost the confidence of the Lower House.

THE DEPUTY CHAIRMAN: Anyway, we are not concerned with that.

SHRI MULKA GOVINDA REDDY: We are very much concerned, Madam. They are not competent to continue functioning.

THE DEPUTY CHAIRMAN: We go on to the motion on Orissa food situation. SHRI BANKA BEHARY DAS (Orissa): Madam, I move:

"That the situation arising out of famine conditions and starvation deaths in Orissa be taken into consideration."