

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): You may continue after lunch.

The House stands adjourned till 2.30 P.M.

The House then adjourned for lunch at one of the clock.

The House reassembled after lunch at half-past two of the clock, THE DEPUTY CHAIRMAN in the Chair.

ANNOUNCEMENT RE GOVERNMENT BUSINESS

THE DEPUTY CHAIRMAN: I have to inform Members that the Business Advisory Committee at its meeting held today has recommended allocation of time for Government business as follows:—

	Time allotted	
	Hrs.	Mts.
1. The Unit Trust of India Bill, 1963, as passed by the Lok Sabha	3	..
2. The Central Boards of Revenue Bill, 1963, as passed by the Lok Sabha	1	30
3. The Indian Tariff (Second Amendment) Bill, 1963 as passed by the Lok Sabha	1	..
4. The Companies (Amendment) Bill, 1963, as passed by the Lok Sabha	3	30
5. The Preventive Detention (Continuance) Bill, 1963, as passed by the Lok Sabha	3	30
6. The Banking Laws (Miscellaneous Provisions) Bill, 1963, as passed by the Lok Sabha	2	..
7. Fifth Report of the Commissioner for Linguistic Minorities	2	30

The Committee has further recommended that the Rajya Sabha should

also sit on Saturday, December 21, 1963, for the transaction of Government business.

THE UNIT TRUST OF INDIA BILL, 1963—Continued.

SHRI K. SANTHANAM: Madam Deputy Chairman, I was saying that unless the units are available to every investor at their face value, the purpose of the Unit Trust will be largely defeated. If the Board is allowed to sell the units at a premium or at a discount, then all kinds of evil will flow from it. It is said that this is intended to help the private investor, specially the small investor. A man with a hundred rupees must always be sure of getting one unit of that face value. On the other hand, if one man today gets it at Rs. 100 and another man is asked to pay Rs. 125, then it will become a matter of pure speculative interest. It will not be a source of secure investment.

The second issue is: Should the people connected with the Unit Trust be allowed to buy and sell these units without any kind of restriction or limit? If the Unit Trust sells it only at the face value and buys it at the face value or at a small discount, then it does not matter if the trustee invests Rs. 10 lakhs or Rs. 1 crore or if any rich man invests Rs. 1 crore or so. It is like putting it in fixed deposit in a bank and taking it out. But if the value of the units is allowed to fluctuate, then everyone in the knowledge of it will buy cheap and sell dear. They will buy it today from the Unit Trust at Rs. 100 and sell it back to the Unit Trust at Rs. 120 and make a profit. Then, in order to cover up the losses or mistakes in buying securities and shares, the Unit Trust, which is a monopolistic concern of the Government—we must remember that it is not a competitive concern but a monopolistic concern which will have a high reputation—would like to sell its units at a premium. All profits and losses of the

[Shri K. Santhanam.]

Unit Trust should be the profits or losses on its investment and not due to speculation on its own shares. Therefore, I want the Deputy Minister to make it clear: Will it be open to the Unit Trust to sell its units or buy its units at prices far different from the face value? Will it become a source of speculation for the Trust, for the trustees of the Trust and for all those people who have inside knowledge like the officers of the Reserve Bank, the State Bank of India, L.I.C. and others, who are on the Board of management? Should they become speculators in the units? If they should not be allowed to become speculators in the units, how is the Government to control it? As the Bill stands, they can corner all the units and sell them at a premium. Then, when the poor man, the poor investor, is in difficulties, they will buy it at a discount. Therefore, it will become a case of the rich people always selling at a premium and buying at a discount and the poor man buying at a premium and selling at a discount. Therefore, the purpose will be absolutely distorted and this must be provided for. That is why I have given an amendment to say that it shall not be open to the Unit Trust to sell its units at more than its face value or to buy back at more than its face value.

Then, there is another provision here which says that the Trust shall not take on lease, purchase or otherwise acquire except for its own use, any immovable property or any interest therein. The general idea is that it should not become a speculator in immovable property. It is right. In these days, we know that it is not possible for any business concern to build a house only for its own use. Even the Reserve Bank of India leases part of its premises and makes some profit out of it. Is it intended that in every big capital the Unit Trust should, in the name of building for its own use, build sky-scrapers costing crores of rupees, use five or

six rooms or one flat for its own purposes and let out the other flats and make a profit or not? If it is not, it can easily come to an arrangement with the L.I.C. which has got huge properties and houses all over the country. It must arrange with the L.I.C. to keep its offices and we should prohibit the Unit Trust from purchasing or acquiring immovable property. We should confine its power to leasing immovable property for its own use. Therefore, the object of this clause is not being properly served by the draft as it is.

Then, I entirely agree with my friend, Mr. Dave, that there should be a limit to the ownership of the units by an individual. Of course, if my previous suggestion is accepted that the units must be sold and bought at their face value, then much of the objection will disappear. Even then, cornering of all these units by rich men will create a bad odour about the whole Unit Trust and it will give rise to other scandals. I would like to avoid any kind of scandal about the Unit Trust and, therefore, there should be a maximum limit to the ownership of these units by any individual concerned.

Then, I wonder whether the Government has carefully calculated the financial effects of clause 32 (1) (b). It says that the first thousand rupees of any income shall be excluded from the total income. That means, every super tax payer in this country gets a present of Rs. 250 from the Government at the expense of the treasury. I wonder whether even for the legitimate purpose of promoting the Unit Trust, the Government of India should lose. Assuming there are one lakh of people of that type, super tax payers, then it comes to Rs. 2.5 crores every year.

SHRI T. S. AVINASHILINGAM CHETTIAR (Madras): May I refer him to clause 32 (1) (b) which says:—

“Where the income received by a unit holder, being an individual,

from the Trust in respect of units does not exceed one thousand rupees....”

It does not refer to super tax at all.

SHRI K. SANTHANAM: No. The point is this. If a man, who does not pay income-tax, deposits, say, Rs. 13,000, assuming that it pays 8 per cent dividend, then he will get Rs. 1,000 in the form of dividend. If a super-tax payer invests Rs. 13,000 and if he gets Rs. 1,000 . . .

AN. HON. MEMBER: He will not get.

SHRI K. SANTHANAM: It will be deducted from the total income of the income-tax payer. I have read it very carefully. Therefore, every super-tax payer, if he chooses to invest whatever amount is needed to give him Rs. 1,000 income from this will get a tax relief of at least four annas; that is if he is just in the Rs. 20,000 limit, he gets four annas. Therefore, everybody gets Rs. 250. The additional advantage which the rich people get is that the tax is not deducted at the source. Because the tax is not cut at the source, if a man invests Rs. 1 lakh and the dividend is paid to him, it is only when the assessment comes in, he has to pay tax over it. It may come after six months or one year or two years and he saves interest on this particular dividend for that period. That is to say, the rich people get Rs. 250 by way of reduction of income-tax plus all the interest between the date of payment of the dividend and the date of assessment. Therefore, I think almost every rich man in this country is sure to invest enough to give him Rs. 1,000 income from this Unit Trust. It may be a good thing for the Unit Trust to have such an auspicious start but in the long run, it is the people of India who have to pay for all the benefits of these concessions. So, either you lose

income-tax or you have to put up again the rates of income-tax. Therefore, I think, as it is, it is not so desirable. That is why I have tabled an amendment that at least this concession should not apply to anybody whose total income is more than Rs. 50,000. I have put in this limit of Rs. 50,000 on the ground that it is the salary of the highest official of the Government of India. Therefore, all the fixed income groups will come under that. Those people who have got more than a total income Rs. 50,000 will be largely financiers. I do not see why the financiers should get any benefit out of these concessions.

As the Bill stands, unless the points that I have mentioned are covered, it will become a plaything, a speculative plaything of the financiers and the officials concerned. The people for whom it is intended are not likely to get the benefit, and therefore I want a specific and categorical answer from the Deputy Minister. I deeply regret that the Finance Minister has not thought fit to come and explain the implications of this Unit Trust. He thought probably that the Rajya Sabha was not sufficiently important.

SHRIMATI TARKESHWARI SINHA: Actually in the Lok Sabha as the business was put on the Order Paper, after the Planning Minister's reply there, the Companies (Amendment) Bill was to be taken up. Therefore, the Finance Minister conveyed to me that I should come here and be present in the House and if he could get away from the Company Law debate, he would certainly try to come and appear before this House. But unfortunately . . .

SHRI K. SANTHANAM: I have no snobbery. I am quite content with the Deputy Minister, but my fear is that she will not be in a position to answer these points. For instance, is she in a position to say whether the unit will be sold at its face value or it will be sold at a premium?

SHRIMATI TARKESHWARI SINHA: I will try to answer the points raised by the hon. Member and certainly I would consult the Finance Minister in my own way as to what I should do in the matter.

SHRI K. SANTHANAM: But she will have to reply just now.

THE DEPUTY CHAIRMAN: If the Finance Minister is free, he will be here.

SHRIMATI TARKESHWARI SINHA: I do not see much possibility of that because the Companies (Amendment) Bill is there, possibly it will come up there any moment.

SHRI K. SANTHANAM: I have no objection. I do not accept the principle that the senior Minister concerned should always be present only in the Lok Sabha and only the Deputy Ministers or subordinates should be present in the Rajya Sabha. It is a question of the importance of the subject and issues involved. If it is the hon. Deputy Minister's idea that this Bill does not involve any issue of principle, then she is mistaken.

SHRIMATI TARKESHWARI SINHA: I have not said that.

SHRI K. SANTHANAM: Then what is the explanation? Why should she not be present in the Lok Sabha and the Finance Minister be present in the Rajya Sabha?

THE DEPUTY CHAIRMAN: You may continue. I think the Deputy Minister should convey this to the Minister.

SHRIMATI TARKESHWARI SINHA: Madam, it was put before the Minister to conduct this. As per the Order Paper of the day it happened that the Companies (Amendment) Bill would come. The Bill has come as reported by the Select Committee and contains many important amendments on which Government has different viewpoints,

and it was coming up before the other House and it was proper for the Finance Minister to be there because some of the amendments were important. Meanwhile, because this was not such a controversial Bill, the Minister conveyed his desire that I should really move this Bill and that, time permitting, he would come here himself.

THE DEPUTY CHAIRMAN: I hope, time permitting, he would be here.

SHRI K. SANTHANAM: I have no personal prejudices in this matter. I am only saying that there should be somebody here who can effectively answer the points raised. That is all. If she is ready, she can do that.

THE DEPUTY CHAIRMAN: We have conveyed that to the Government.

PROF. M. B. LAL (Uttar Pradesh): It is not a question of replying effectively but it is a question of considering the points carefully.

SHRI K. SANTHANAM: I would earnestly urge upon this House that whatever may be the views of the Deputy Minister, they should pass my amendment saying that this Unit Trust should sell and buy them only at the face value, because unless it does so, the entire purpose of the Bill will be defeated.

THE DEPUTY CHAIRMAN: Shri Avinashilingam Chettiar. May I say that there are quite a number of speakers and the time allotted in three hours? The hon. Members who speak will bear that in mind.

SHRI T. S. AVINASHILINGAM CHETTIAR: Madam, one of the reasons that we were given why this Unit Trust Bill is brought in this form is that the experiences of the investment companies today are very disappointing, and it has been said that many companies have no capital at all, that their investment policy is not

sound, and therefore the Government have thought fit to bring this Bill. But may I say that these investment companies are under the Companies Act? They are not mutual funds as has been pointed out earlier. They are a different category altogether. We do not have any legislation today based on this idea which has been accepted by the Unit Trust Bill of a mutual fund. Now what has happened is that there will be only one Unit Trust Act, and according to the Act it does not provide for other unit trust institutions coming into existence. Here the investment involved is Rs 5 crores. Our business investment is about Rs. 1,500 crores. And is it imagined that a Unit Trust Bill of this dimension can really contribute towards diversifying, democratising the capital investment in this country?

SHRI K. SANTHANAM It can get units for over thousand crores and repay these five crores. There is nothing to prevent it from getting an investment of one thousand crores.

SHRI T. S. AVINASHILINGAM CHETTIAR. Another matter which I would like to point out is this. I agree that in an investment corporation like this, some limit must be placed on the number of holdings, on the number of units, which any individual or a company can hold. Admittedly, as has been said in the opening speech, we want to avoid the concentration of capital, the concentration of investments in certain hands. It has been pointed out to us while discussing the Companies Bill that in these one thousand five hundred crores, a few families control seven hundred crores. It is true that there is concentration of wealth in a few hands. We want to avoid that, and if we are to do it by the very instrument which wants to implement that, there must be a limitation on holdings, and that has not been provided for in this Bill, and I think that is a very serious defect in this Bill.

Coming to another matter referred to by my friend, Shri Santhanam,

regarding clause 32 (1) (b), I see the objection that he has raised about even super-tax payers getting the benefit of these thousand rupees. And I do not see under what moral obligation we are asked to give that concession. I can understand people, who get only an income of Rs. 1,000 or Rs 5,000, getting it but the provision that to a man getting an income of Rs 1 crore or Rs 5 lakhs or Rs 10 lakhs also this concession should be given, is against all canons of taxation, and I should think that what is against any canons of taxation should not be implemented under this Bill.

There is one other matter to which I would like to refer while I am on this Bill. Our investment today in industries is about Rs 1,500 crores. Our currency in circulation is supposed to be of the order of Rs 3,000 crores. Recently, I read something in the newspapers, about which I would like to get a small clarification. It was said that the American funds invested, that is American funds which we get through P. L. 480 and others, were Rs 1,500 crores and this amount formed part of the circulation of Rs 3,000 crores. That means that the American funds, as it was reported in the newspapers, are roughly half of the amount of money circulated in this country. This is something which was widely and very prominently put up in some of the newspapers. I know that P. L. 480 funds are being deposited in our country. They cannot be taken out, they are kept here for the expenditure of the American Embassy and for the American programmes here and for certain common programmes that can be evolved in joint consultation between the Governments of the United States and India. It has been mentioned that half of the amount in circulation is American money, and I would like to know whether it is true, and if it is true, what are the consequences of such a situation.

Generally, as everyone has said, we welcome this measure. This is a good measure. But about one mat-

[Shri T. S. Avinashilingam Chettiar.]

ter which Shri Santhanam mentioned, I have certain doubts. He said that a provision must be made in the legislation that the units could be sold and bought at par prices. When this Unit Trust distributes profits to the extent of 20 per cent., for example, on paper this transaction will be on par, but in fact, it will not be on par. You know what is happening in this country. Blackmarketing is there. You know, in this country what is actually sold is not what the record actually shows. So, in my opinion, if this Unit Trust works properly and if the investments made by the Unit Trust are profitable, if 90 per cent. of the dividends that are to be distributed are real or are on good business, then the people who invest in this, will be able to get a good profit. I imagine that that was the case.

SHRI GOPIKRISHNA VIJAIVARGIYA (Madhya Pradesh): On a point of information, if any loss occurs, what will happen?

SHRI T. S. AVINASHILINGAM CHETTIAR: If it is a loss, it will not be distributed. Only when there is a profit will it be distributed. When there is a loss, nobody can distribute the loss. But we believe that the Unit Trust will be managed by a board in such a way as there will be no loss, because there will not be any sort of speculation. The people who are in the Trust, people who are in the Executive Committee, will not go in for speculation, they will go in for good shares. I believe that it will do good business. I do not doubt that aspect of the matter. But I do say that if the business is good, 90 per cent. of the profits are distributed. These are very different from the ordinary investment corporations. That means, people who invest in these units must have good profits and once they can get good profits, whatever provision you may make in the Act, it is bound to have a higher value. While there is something in what he

says, the implementation of the idea is a very difficult one.

SHRI K. SANTHANAM: May I explain to my friend that I never said that private sale and purchase by the Unit Trust should be on the basis of the face value? It was not at all my point. My point was only that the Unit Trust itself, if it sold shares, should sell them at the face value and if it bought shares, it must be on the face value, perhaps with a small discount. That is all my point. How it will be sold and bought in the private market, that is something different, and I agree with him that it is not possible for anybody to control it.

SHRI T. S. AVINASHILINGAM CHETTIAR: These are some of the matters which are worth considering. I would suggest to the Government to consider at least these two matters which have been mentioned. Limitation on the number of units, I think, is a fundamental matter, because having in view the fact that there can be very good profits, large industrial undertakings and big individuals can go in for a large amount of share—it is possible—and the very objective of the Bill may be defeated. It is a possibility which is worth considering. And clause 31(1) (b) is also something which is against all canons of taxation which we have accepted. At least in these two matters, I feel that amendments are necessary.

SHRI LOKANATH MISRA (Orissa): When I was told that the Unit Trust Bill was coming forward, I was happy about it because I thought that it would be a lovely and pleasant baby coming in the family of Indian economy. But what I see now is a monster, an all-devouring monster, with a curse, not to tolerate a sister concern or a brother concern, whatever it is. It will be the only one of its kind. And the justification given by the Government is that the socialist pattern of society admits of such a Unit Trust in the public sector alone.

3 P.M.

Now, as has been mentioned by Mr. Santhanam, from the practical

point of view, the value of shares appreciates and the poor people will have to go in with a premium to be paid along with the price of the share. Then it will not be possible for the poor people to go in for these shares out of their savings. Naturally it would be the rich people again who make benefit out of this.

Coming to the theoretical point of view, a socialistic pattern of society cannot go along with a speculative market; there would be speculation resorted to by the Unit Trust and we, at the same time, think of a socialistic pattern of society; who would be doing it? Naturally, theoretically and practically these two things cannot go together—a speculative market along with a socialistic pattern of society. So, instead of having the Unit Trust in the public sector alone, Government should have allowed many more such Unit Trusts in the private sector, particularly when the present Government admits that they have a mixed economy system, and in the mixed economy system, monopoly should not exist. Of course, while initiating the debate the Deputy Minister has given some statistics about private companies which did not function well in this particular sphere. But I would point out that the same concessions, the concessions that have been given in the case of this public sector corporation in this Unit Trust Bill, were not given to those private companies. They developed on their own and they are struggling hard still to establish themselves in the market. When it is a Government undertaking, the Government goes out of its way in providing much greater facilities than are afforded to any private sector enterprise.

Now, Madam, coming to the Bill, out of the ten nominees, eight would be of the Finance Minister. Naturally, it would be the Government of India, or in other words the ruling party, who would be controlling this Unit

Trust. We know the level of corruption that exists in the country. Even the Home Minister has gone to the extent of condemning this corruption, which he somehow hopes to eradicate within the coming two years. I do not know how far he will be successful in doing it, but all the same, now the ruling party has agreed with the Opposition that there is corruption prevalent in the country. And what is going to happen? The investments would be done in different companies by this Unit Trust while the ruling party would be holding the reins in their own hands. Therefore it would be only the companies which would be in the good books of the Government, that would be getting the benefit out of this Unit Trust; other companies belonging to persons who are against the ruling party will not get it. So it would be in the hand of this Trust either to appreciate the share value of a particular company, or to get it depreciated in the share market. Even this Unit Trust can go to the extent of rejecting some applications made by new companies and thereby even putting an end to them just in the beginning. So having only one company in the public sector would not very much be helpful to Indian economy as a whole; there would be patronisation, nepotism and all that and that would stand in the way of a healthy economy.

Now, Madam, this has been brought forward against the background of Government securities, the National Savings Certificates, and so on, which have been easily sold. The Government has an idea that once these shares go into the market, they will sell like hot cakes but, probably, they are mistaken; the mistake lies here that whereas the securities and the National Certificates have an assured rate of profit, the dividend here would be one of speculation. A man who takes a particular number of National Savings Certificates or Securities, gets four per cent. or five per cent. as the return every year—he is

[Shri Lokanath Misra.]

assured of that—from the day he purchased them. But here it would be an indefinite dividend, depending upon how it works; and from the experience that we have of public sector undertakings, the future does not look very bright.

Of course, when I mention any time about the public sector undertakings, some of my friends from the ruling party come out with the example of the Hindustan Machine Tools. But behind that they do not know to what extent monopoly exists. A 'Citizen' watch which sells in Japan for Rs. 40 is being sold here for Rs. 97, and nobody is there to restrict the price limit since it is a Government undertaking. With a difference of Rs. 57 in between, a profit of 10 per cent is being given as dividend. So that should not be the example of all public sector undertakings, primarily because it is protected by a monopoly, and anything protected to such an extent with a monopoly would make more returns than the Hindustan Machine Tools is doing. This is all because the personnel in the management is not the right type of persons that it needs.

Here again, in this particular Unit Trust Bill we have men—they may be from the Reserve Bank; they may be from other banks—but out of ten, eight are nominees of the Finance Minister, and they will be bureaucrats again and naturally the same efficiency would be there as exists in all other public sector undertakings today. So, with that efficiency of management, I do not think many of the intending shareholders would be lured to purchase these shares. Of course, for this there is a great allurements, remission of income-tax; that might lure some to invest their money, but the greatest allurements would go to the rich again; the poor people, many of them would not be paying income-tax at all and so they would not get this benefit. The middle income group, then, once the shares go to the speculative market, they will not be in a position to pay

the premium and purchase the shares, and even if they go to purchase them, they will be getting only some remission. On the other hand, it affects the economy of the country. The money which is now being used for more productive economy will be turning, because of this allurements, to the Unit Trust, and that would be an impediment to the productive fields in existence or which would be coming up in the near future. But if the Unit Trust would have been extended even to the private sector along with the public sector, then these anomalies, these difficulties would not have arisen, because the people who have already experience in the market, they would have developed it to a certain extent, and if the Government saw how much development they are making in the field, they would have come as competitors. Open competition is always advisable in the field of economy. And what was wrong in allowing the private sector to develop this with the same remissions that are being allowed now to this public sector enterprise?

Finally, Madam, since the Government says that this is a good thing, I would use their own argument. Anybody would welcome a good thing. But why not have an open door for a good thing? If it is beneficial to the country, if it is good to the country, why not have an open door? Why restrict it? Why close the doors to the private sector? If this is something wanting, if this is something desirable, if this is something which is going to help the economy of the country, why not have its door open and allow the private sector to come in along with the public sector?

SHRI SURESH J. DESAI: Madam Deputy Chairman, I welcome the Unit Trust of India Bill which is before the House. It is a well-drafted document and the more carefully we look into it, we find in it certain features which are very desirable. The unit trust idea is a new idea in our country. But in the Western

countries, especially in the U.S.A., in the United Kingdom, Canada, France and even in certain developing countries, in Latin America, the idea has been taken up and has since become a very popular one. Unit trusts there have developed very well since the end of the last world war. In the United States of America, at the end of last year, there were 6 million accounts in the unit trusts and the total investment in the unit trusts was 21,000 million dollars, that is, more than Rs 10,000 crores. In the United Kingdom the assets of the unit trusts or what are called the mutual funds were at the end of 1962, Rs 343 crores. This is a very desirable development in our country also and we must congratulate the hon. Finance Minister for bringing the Unit Trust of India Bill before the House.

Madam, the idea of an investment company was first discussed as early as 1931 by the Central Banking Enquiry Committee in our country also. In those days there was no unit trust or mutual fund. The Central Banking Enquiry Committee in its main report did not make any recommendation but the minority report suggested that investment companies could very well function as intermediaries between the uninformed investor, who had got capital to invest on the one hand and the entrepreneur on the other hand who wanted to start industries. So taking the recommendation into consideration, the Government of India gave a small concession by way of relief from super-tax on income received by the investment company by way of dividend from companies. This concession was given years back and it is still continuing. Anyhow, investment companies have not developed well in this country, neither they have been able to mobilise savings nor they have been able to invest in varied and diversified portfolios.

There is an essential difference between an investment company and

a unit trust. An investment company functions on its own capital, paid-up capital, reserves or borrowed capital, capital which is borrowed from banks. Moreover, there is no requirement about the distribution of profits also. It may distribute profits, it may not distribute profits, as it likes. It may distribute 10 per cent or 20 per cent or 50 per cent only while a unit trust idea is an absolutely different idea. Unit trusts are nothing else but intermediaries or agents of the investor. They go on investing in wide, diversified portfolios and they provide, what is called, expert knowledge, expert service and efficient management. That is the main business of a unit trust. On the one side, there are uninformed small investors, millions of them, in our country especially, and on the other side there are people who want to start industries. The unit trust is an intermediary or an agency, nothing else but an agency, to provide expert knowledge, expert management and efficient service so that the money lying with the small investor can be better utilised for the benefit of the industries.

Thirdly, in a unit trust practically most of the profits are distributed, while an investment company does not distribute these profits. So a unit trust provides unlimited, easy facilities to the small investor. That is the main difference between an investment company and a unit trust. I regret that many of the speakers who preceded me have mixed up this very idea of what is a unit trust. A unit trust wants to mobilise as much capital as possible from the small or big investor in the country and wants to invest it in industry so that the pace of industrial development can be accelerated. That is the very idea of a unit trust.

Now, Madam, as I mentioned, there are many desirable features of this Bill. The Trust will have complete discretion in its day-to-day operation, of course, subject to whatever

[Shri Suresh J. Desai.]

directions the Reserve Bank or the Government of India may give. There will be no obstruction in the day-to-day operation of the Trust and the Trust will operate on behalf of the investor. Secondly, even firms and companies will be able to invest in the Unit Trust and there is no limit on the amount of investment of any individual or any firm or any company.

Now, my hon. friends, Mr. Rohit Dave and Mr. Santhanam, both of them pointed out that big business will step in. There is no question of big business stepping in because neither in clause 10 nor in clause 41 is there any representation given to the unit certificate holders. It is only the experts from the Government, the L.I.C., the State bank, the scheduled banks who will manage the Trust. There is no idea of giving any representation to any small or big man. The main idea of a unit trust is to provide expert knowledge. No big businessman can corner shares. As many units as necessary will be available. A man can buy one or five million units. More and more capital will come because the very idea is to attract as much capital as possible. In the U.S.A. it is functioning like this. In the United Kingdom also it is functioning like this. They have to attract more and more capital. So we cannot put any restriction on the holding of units. There is an essential difference between a Government bond and a unit trust unit. The former when exempted from income-tax requires a limit for holding. The income from the Unit Trust will be exempted up to a limit of Rs. 1,000. A big company holding a million rupees worth of units will hardly have any income exempted. The very idea of a unit trust is to attract as much capital as possible. There should be no limit, and very rightly the Bill does not put any limit over any investor, company, firm or individual to invest as much as possible in the Unit Trust. That is a very desirable feature of the Bill, I should say.

Even about distribution of profits also, 90 per cent. of the profits will be distributed. Five per cent. may be retained for administrative expenses. If the administrative expenses are more than 5 per cent., then they will be charged to the income attributable to the initial capital subscribed by the contributing institutions, and not to the income which is attributable to the unit fund capital. That is the idea.

Now, I would have liked one more improvement here. If the initial capital, which is subscribed by the contributing institutions, had been treated as redeemable preference share capital, 8 or 9 per cent. interest could have been given to them. They will have no participation in the profits of the Unit Trust or the income of the Unit Trust. Because the initial capital is Rs. 5 crores, a large amount will go to these institutions also out of the profit. If they were to be treated as preference shareholders at 8 or 9 per cent. only, then the profits of the unit fund would have been larger and this would have made the whole unit scheme more attractive. But in any case, 90 per cent. of the profits attributable to the unit fund capital will be distributed and only a very small amount will be kept for administrative expenses. That is the whole idea of the Unit Trust for they are intermediaries or agents, and nothing more than that.

What I was saying was, Madam, firstly, the Unit Trust will provide an easy opportunity for the small investor to own shares, securities without the danger of any loss, capital depreciation or erosion of his savings or securities. When there is inflation in the country, if a man has saved Rs. 10,000, after some time he will find, because the purchasing power of the rupee will be less because of the inflation, he will find that his capital is worth only Rs. 5,000. So in order to prevent this erosion of capital from the savings of the small man, this Unit Trust idea will be very helpful, because

the capital will go on appreciating according to the value of the Unit Trust assets—there will be evaluation from time to time—and the units can be sold even back to the Unit Trust at the price which the Unit Trust will fix according to evaluation from time to time. So the whole capital will go on appreciating and the erosion of capital, which usually takes place in the case of the small investor, will be stopped. This is the most desirable feature of the Unit Trust Bill.

Secondly, a very important point about the Unit Trust is, and I would particularly commend it to my friend, Mr. Dave, that this will bring about dispersal in the ownership and control of industries in the country. That is the idea also that in the ownership and control of industries a dispersal will be brought out. Even a small man will find that he owns some shares and gradually the Unit Trust can have crores and crores of rupees as capital. Even the initial capital will be Rs. 5 crores and after a few years it will have about a hundred crores of rupees. It will be holding securities in so many companies. So a dispersal in ownership and control of industries can also be brought about by the Unit Trust.

My last point is that the whole idea is to mobilise savings from the small man. In India only a few big people have large incomes. Most of the people are small people with small incomes. Millions and millions of such people are there. What is the way of taking out the savings? The Compulsory Deposit Scheme was one but that has application now only to the Income-tax payers. But there are crores and crores of small income people. They have no knowledge even or no inclination even to invest in securities or shares. So this will provide an opportunity for the small investors to own securities and shares. At the same time,

the Government will be able to mobilise as much savings as possible for the economic development of the country. This is a very commendable feature of the Bill and this is the main purpose of the Bill also.

With these words, I strongly support this Bill which is before the House.

SHRI R. K. BHUWALKA (West Bengal): Madam, I will not move my amendments.

THE DEPUTY CHAIRMAN: You can speak generally on the Bill.

श्री आर० के० भुवालका : मैं इस बिल का स्वागत करता हूँ। फाइनेंस मिनिस्टर ने जो बिल पेश किया है वह ऐसा अच्छा मालूम देता है कि इस देश के लिये बहुत लाभदायक होगा। अभी मि० देसाई ने बहुत से आंकड़े, बहुत से फिगर्स बताये हैं और मैं भी ऐसा जानता हूँ कि अमेरिका में, यू० के० में और दूसरे बहुत से बड़े बड़े देशों में ऐसे बहुत बड़े बड़े यूनिट ट्रस्ट्स हैं जो कि सब को लोन देते हैं और उनके द्वारा बहुत बड़ा बिजनेस चलता है और लोगों को बहुत राहत मिलती है। इस वास्ते मैं इसका स्वागत करता हूँ।

श्री विमलकुमार मन्नालालजी चौरड़िया (मध्य प्रदेश) : उपसभापति महोदया, जो विधेयक प्रस्तुत किया गया है उसका जो स्वरूप है और उसको प्रस्तुत करने का जो इरादा है वह तो बड़ा अच्छा मालूम पड़ता है मगर जैसे बन्दर के हाथ में उस्तरा दे दिया जाय तो वह हजामत करने की बजाय अपनी नाक काट लेता है वैसे ही कहीं इस बिल का भविष्य न हो जाय इस दृष्टि से मुझे थोड़ा डर लगता है।

कई माननीय सदस्य : नहीं, नहीं।

श्री विमलकुमार मन्नालालजी चौरड़िया : ऐसा है कि सम्भवतः आप लोगों के नाक हट नहीं इसलिये आपको चिन्ता नहीं; लेकिन हम लोगों को नाक है इसलिये डर लगता है कि कहीं यह उस्तरा हमारी नाक न काट दे।

شریعی انیس قدرائی : آپ لوگوں کو یہ اندیشہ شاید آپ ہی سے ہے -

†[श्रीमती अनोस किदवाई (उत्तर प्रदेश) आप लोगों को यह अन्देशा शायद अपने ही से है ।]

श्री विमलकुमार मन्नालालजी चौरड़िया : मैं तो अपना ही डर व्यक्त कर रहा हूँ, माता जी । आपको तो डर है नहीं, मैं पहले ही कह चुका हूँ कि आपके नाक है नहीं, मेरे तो नाक है इसलिए मुझे डर है ।

जहाँ तक इस बिल का प्रश्न है यह बड़ी खुशी की बात है कि यह बिल मारे भारतवर्ष में लागू होगा और इस में "एक्सेप्ट जम्मू एंड कश्मीर" का झगडा नहीं रखा है । यह खुशी की बात है । इसका कारण यह होगा कि वहाँ से भी लाभ हो और उसी दृष्टि से ऐसा किया हो; लेकिन जो भी किया है वह अच्छा किया है ।

दूसरी अपेक्षा मैं यह करता था—जैसा कि इस बिल का मकसद है कि इसके द्वारा छोटे छोटे लोगों को आकर्षित करना चाहते हैं और वे छोटे लोग अधिकांश में ऐसे हैं जो कि अंग्रेजी नहीं समझने हैं—कि इस अंग्रेजी के कानून के साथ एक प्रतिलिपि हिन्दी की भी पेश होगी । ऐसी मैंने अपेक्षा की थी मगर वैसा किया नहीं; वैसा किया होता तो अच्छा होता । हम छोटे छोटे लोगों के लिये यह व्यवस्था कर रहे हैं इसलिए इसकी हिन्दी प्रतिलिपि भी प्रस्तुत करते तो अच्छा होता ।

जहाँ तक यूनिट ट्रस्ट की आवश्यकता का सवाल है इसमें बड़ा अच्छा बताया है कि जो छोटे छोटे लोग बड़े बड़े बुद्धिमान लोगों के ज्ञान का और इन्वेस्टमेंट की जो प्रक्रिया है उसका लाभ नहीं ले सकते और बेचारे चक्कर में पड़ जाते हैं उनके लिये यह है । जो चक्कर है वह हमने देखा, दास रिपोर्ट से वह चक्कर भी मालूम पड़ा, कि किस तरह से लोग अपनी पूँजी का इन्वेस्टमेंट करते हैं और किस तरह से कम्पनी वाले उनके विश्वास का नाजायज

लाभ उठा कर धन का दुरुपयोग करते हैं । यह भी हम ने देखा और इस हिसाब से हमारी सरकार चाहती है कि अच्छे अच्छे विशेषज्ञों का लाभ लोग ले सकें और छोटें छोटे लोग, दम रुपये या सौ रुपये वाले अपनी पूँजी का इस तरह से एक्जीक्यूशन कर के लाभ ले सकें । इस दृष्टि से हम यह यूनिट ट्रस्ट कायम कर रहे हैं ।

दूसरी चीज यह भी है कि लोग अपना १० रु० किसी कम्पनी में इन्वेस्ट करते हैं और दुर्भाग्य से वह कम्पनी फेल हो गई तो वह १० रु० उनका खत्म हो जाता है । इसलिये यूनिट ट्रस्ट अपना पैसा अनेको कम्पनियों में लगायेगी जिससे कि अगर एक कम्पनी में नुकसान भी हो तो दूसरी कम्पनियों में फायदा जो हो वह मिल जाय और आन-दि-होल जो लाभ मिलेगा उससे इन्वेस्ट करने वाले का रिस्क नहीं रहेगा । इस दृष्टि से रिस्क कम होगा ।

यह सारा इरादा अच्छा है लेकिन इन्हीं दृष्टियों में हमने एल० आई० सी० को भी कायम किया था और उसके निर्माण के साथ साथ हमने यह साचा था कि उसकी पूँजी अच्छी तरह से अच्छी जगह इन्वेस्ट होगी । मगर उसका दुष्परिणाम जो हुआ वह आपके सामने है । मून्दडा कांड हुआ और हमें माननीय कृष्णमाचारी सरीखे योग्य व्यक्ति की सेवाओं का लाभ कई वर्षों तक नहीं मिल सका उस मून्दडा कांड के कारण । तो कहीं ऐसा खतरा न हो जाय इस दृष्टि से मुझे डर लगता है और इसलिए मैं सदन को भी आगाह कर देना चाहता हूँ कि हमारे यहाँ पर जो दिखाने का काम कुछ और वास्तविक करने का काम कुछ, ऐसा चलता है वह ठीक नहीं है ।

अब, इस बिल में लोगों को आकर्षित करने के लिये कुछ विशेष लाभ दिये गये हैं ताकि वह इसमें धन दे, क्योंकि अगर बराबरी के

आधार पर खड़ी हो कर पैसा गवर्नमेंट मांगे ता जनता बहुत कम दे पाती है क्योंकि अभी तक का अनुभव यह रहा है कि हमारी सरकार ने करोड़ों, अरबों रुपये कारखानों में और कई सस्थाओं की सेक्यूरिटीज में और कई कम्पनियों में लगा रखे हैं जो कि प्रति वर्ष घाटे में चलती है और हमारी अरबों, खरबों की पजी लगी हुई है लेकिन उसका रिटर्न ०.५ प्रतिशत भी नहीं है। तो जनता इन योग्य व्यक्तियों की सेवा से लाभ ले लेगी ऐसा लगता नहीं है। इतना ही नहीं, लग धबडाते हैं और समझते हैं कि सरकार से जितना बचे उतना ही अच्छा है। तो हमारी सरकार ने इसके लिये दूसरा तरीका यह निकाला कि लोगों को इस तरफ आकर्षित करे। और हमारी जनता बड़ी भोली है कि नजदीक का लाभ देख कर के दूर का लाभ भूल जाती है और इसी दृष्टि से हमारी सरकार ने अविलम्ब लाभ देने का प्रावधान किया है और यह कहा है कि जो बाड्स इश्यु किये जायेंगे उन बाड्स की गारंटी सरकार करेगी, चाहे दिवाला हो जाय, कुछ भी हो जाय, तुम्हारा पैसा सरकार देगी ही और इसलिये इसमें यह प्राविजन किया है कि बाड्स अगर इश्यु किया जाे उसकी गारंटी रहेगी।

दूसरी व्यवस्था इसमें यह की है कि इन्कम टैक्स, सुपरटैक्स और सुपर-प्रॉफिट टैक्स से मुक्ति दी है। एक हजार रुपया जिसको लाभ मिलेगा उसको इनसे मुक्ति दी है। मेरी समझ में नहीं आता है कि जब आप व्यापार कर रहे हैं तो फिर व्यापार की तरह क्यों नहीं करते और क्यों आप इन्कम टैक्स से आमदनी का जो जरिया है उसको समाप्त करना चाहते हैं और इस तरह से यह चाहते हैं कि नजदीक का लाभ दे कर—जो लोग यह जानते हैं कि हमारी सरकार इस तरह से धन का दुरुपयोग कर रही है उनको यह छोटा सा लाभ दे कर—लोगों को आकर्षित कर ले। तो इसी दृष्टि से हमारी सरकार इसको करने जा रही है। और इसका भयंकर दुष्परिणाम निकल सकता है।

SHRI SURESH J DESAI May I point out to my hon friend, Shri Chordia, that that is not the idea The Unit Trust will not pay any income-tax or super-tax or any tax itself The tax will not be deducted at the source also on the income of the unit holders When the income comes to the hands of the unit certificate holder, then only Rs 1,000 will be exempted from income-tax and not from super-tax That is the idea

श्री विमलकुमार मन्नालालजी खीरडिया :

यह मेरी तो अच्छी तरह समझ में आता है सरकार। इसी बात को मैं कह रहा हू कि उस १००० रुपये की आय को, जो पूजी मैंने अपने नाम से या अपने भाई के नाम से या अपने रिश्तेदार के नाम में लगाई हुई है, उसको प्राप्त कर सकता हू और उसका लाभ ले सकता हू। तो उसकी जो मुक्ति दी है और यह जो आकर्षण लोगों को दिया गया है उसका दुष्परिणाम होने वाला है। हमारी जनता ने अपना धन इधर उधर इन्वेस्ट कर रखा है—चाहे देसाई साहब की कम्पनी में हो, चाहे बाबुभाई चिनाई जी की कम्पनी में हो, चाहे बिडला साहब की कम्पनी में हो इन्वेस्ट करने वाला व्यक्ति कहेगा कि बिडला कम्पनी में इन्वेस्ट करता हू तो मुझ को इन्कम टैक्स से मुक्ति नहीं मिलती इसलिये जो सरकार ने नयी कम्पनी खोली है उसमें अपना पैसा लगाकर कम से कम १००० रुपये की रकम पर टैक्स की मुक्ति तो प्राप्त कर लू। तो यह इसका विकल्प होने वाला है कि जो वर्तमान में कम्पनीज है उनकी तरफ से तो पैसा खींचना प्रारम्भ होकर इस युनिट ट्रस्ट में आकर गिफ्ट होगा और धीरे-धीरे एक स्टेज यह आ सकती है—वैसे तो अभी इस ऐक्ट को इम्प्लीमेंट करने वाले क्या करेंगे यह उनके विचार करने की बात है—अगर एक स्टेज आ सकती है कि हमारे यहाँ की जितनी प्राइवेट कम्पनीज हैं उनके सारे शेयर या मैजारिटी शेयर हमारा युनिट ट्रस्ट खरीद करके, अपना बाध्या करके, सारा मैनेजमेंट अपने हाथ में

[श्री विमल कुमार मशालाल जी चौरड़िया]

ले सकता है। एक दिन ऐसी स्थिति आ सकती है, इसमें दो मत नहीं। तो इससे सरकार की मोनोपोली की जो व्यवस्था होती जा रही है इसको मैं ठीक नहीं समझता, यद्यपि मैं यह पक्ष नहीं लेता कि केवल प्राइवेट सेक्टर ही चलता रहे। प्राइवेट सेक्टर और पब्लिक सेक्टर दोनों से काम चलता रहना चाहिये और यह हमारे देश में निर्माण की दृष्टि से, प्रगति की दृष्टि से लाभदायक है। हम को मून्डड़ा डील से सबक लेना पड़ेगा और श्री के० डी० मालवीय के कांड से सबक लेना पड़ेगा कि पब्लिक सेक्टर की डीलिंग में हमारे इतने ऊँचे स्तर पर बैठे लोग क्या कुछ कर सकते हैं। जब तक हम यह अपेक्षा न करें कि हमारा सब काम ईमानदारी से चलेगा और जब तक हमारा नैतिक स्तर अच्छा न हो जाय तब तक इसमें सन्देह है कि शासकीय मोनोपोली कर के हम सब चीजों की ठीक तरह से व्यवस्था कर सकेंगे।

इसके अलावा इसमें भ्रष्टाचार भी फैलेगा—व्यक्तिगत भ्रष्टाचार भी फैलेगा, कौटुम्बिक भ्रष्टाचार भी होगा, व्यापारिक भ्रष्टाचार भी फैलेगा, दलीय भ्रष्टाचार भी फैलेगा। व्यक्तिगत भ्रष्टाचार की बात तो हम देखते आ रहे हैं। यदि किसी का कोई गिस्तेदार युनिट ट्रस्ट में रहता है या युनिट ट्रस्ट के बोर्ड में है अगर उसने कोई कम्पनी प्रारम्भ की और उस कम्पनी को कहीं ने पसा न मिले और वह किसी तरह ट्रस्ट के बोर्ड के मेम्बर को प्रसन्न कर दे तो चाहे उस कम्पनी का आगे चल कर कुछ भी होने वाला हो, उसको रुपया दिलाकर एक न चलने वाली कम्पनी को भी चलने देंगे, चाहे बाद में उसका दिवाला क्यों न हो जाय। वैसे हमारा लक्ष्य यह होना चाहिये कि आया हमारे युनिट ट्रस्ट में पूँजी किम के हाथ में सुरक्षित रहेगी और उसका अधिक से अधिक कमाई से क्या लाभ होगा। तो मैं कह रहा था कि एक तो इससे आगे व्यक्तिगत भ्रष्टाचार चलेगा, दूसरे कौटुम्बिक भ्रष्टाचार वगैरह चलेगा।

जिन कम्पनियों में बहुमत के शेयर हो जाने वाले हैं उनमें नियुक्तियों के मामले में भी पक्षपात होने वाला है। दलीय भ्रष्टाचार की दृष्टि से ये कम्पनी, जैसा कि हमारे यहां कम्पनी ला में प्रावधान है कि कोई भी कम्पनी जिस किमी को चाहे चन्दा दे सकती है, किसी को भी दान के रूप में धन दे सकती है—इसलिये जो कम्पनी इस ट्रस्ट से पैसा प्राप्त करना चाहती है वह चाहेगी कि इस दल को खुश करने के लिये अधिक से अधिक चंदा दिया जाय और इस तरह से भी भ्रष्टाचार बढ़ता जायेगा।

आय कर से जो आमदनी होने वाली है उसमें डाइरेक्ट रूप से और इन्डाइरेक्ट रूप से पूरी तरह से कमी होने वाली है जो कि कभी अच्छा नहीं रहेगा और इस दृष्टि से भी हम को विचार करना चाहिये। तो मैं यह प्रार्थना करूँगा कि जब आप यह अच्छा इरादा रखते हैं कि छोटे-छोटे इन्वेस्टर्स मिल कर लाभ ले सकें तो क्यों नहीं यही बात आप प्राइवेट सेक्टर के बारे में प्रारम्भ कर दें। मंत्री महोदया ने अपने प्रवचन में यह बताया था कि कुछ इन्स्टीट्यूशन्स हैं जो इस तरह से इन्वेस्ट करते हैं मगर उनकी सारी वकिंग खराब, उनकी सारी हालत खराब है। लेकिन अगर आप जो सारी सुविधाएँ अपने ट्रस्ट के लिये दे रहे हैं, वैसी ही दूसरों के लिये, प्राइवेट सेक्टर वालों के लिये भी दे देते हैं तो आप को कौन सी कठिनाई आ रही है। दो हाथ बराबर होने चाहियें। अगर हमारा उद्देश्य ठीक है तो प्राइवेट सेक्टर भी करे, पब्लिक सेक्टर भी करे। अगर प्राइवेट सेक्टर में अच्छे बुद्धिमान लोग होंगे तो जरूर उधर लोग आकर्षित होंगे और यही बात पब्लिक सेक्टर के लिये है। हर आदमी अपनी बुद्धि का उपयोग करेगा। इस दृष्टि से बराबरी का काम हो तो ज्यादा अच्छा रहेगा।

जहां तक कानून का सवाल है, युनिट ट्रस्ट में पूरी तरह, यानी $\frac{1}{4}$ हिस्सा गवर्नमेंट

के नामिनेशन्स से ही काम चलने वाला है और ऐसी स्थिति में इतना ज्यादा अधिकारों का केन्द्रीयकरण हमारे जनतंत्र में हो, यह उचित नहीं कहा जा सकता। इस बोर्ड आफ ट्रस्ट में हमारे यूनिट होल्डर का प्रतिनिधित्व ज्यादा से ज्यादा करने की व्यवस्था करनी चाहिये जिससे उसके इन्टरेस्ट को सेफगार्ड किया जा सके।

खंड १० में यह बताया है कि चेयरमैन अगर फुल टाइम का नहीं हुआ तो एक्जीक्यूटिव ट्रस्टी वहां पर कायम किया जायेगा। तो मेरी यह प्रार्थना है कि जब हम इतना बड़ा काम प्रारम्भ कर रहे हैं और उसमें भी पार्ट टाइम चेयरमैन की कल्पना कर के चलें तो कुछ न्यायसंगत नहीं प्रतीत होता। अगर हमें ठीक तरह से काम करना है तो फुल टाइम चेयरमैन की ही व्यवस्था करके काम चलाना चाहिये। यह नहीं होना चाहिये कि चेयरमैन अलग हो, एक्जीक्यूटिव ट्रस्टी अलग हो। यह दो, दो अलग पदों की आवश्यकता इतना बड़ा काम करने के लिये मेरे को ठीक लगती नहीं। इससे कॉम्प्लिकेट होने की संभावना है और समय पर काम नहीं होगा। एक चेयरमैन अगर पार्ट टाइम रहेगा तो आधा दिभाग उसका दूसरे काम में और आधा इम काम में रहेगा। हम को पूरी तरह, एक्स्क्लूसिवली, अलग से चेयरमैन पूरे टाइम का रखना चाहिये।

इसमें बैलेन्स शीट और आडिट के बारे में कुछ उल्लेख है और आडिट के बारे में इतनी गड़बड़ की व्यवस्था रखी है कि कुछ समय में नहीं आता कि हमारी सरकार केवल बैलेन्स शीट को ही ठीक मान कर और उसी की आडिट रिपोर्ट देने की बात क्यों चाहती है या और भी कुछ चाहती है। खंड २७(४) में जो प्रावधान रखा है उससे केवल बैलेन्स शीट को ही वह देख ले और यदि कभी उसने कोई चीज पृष्ठी हो और ट्रस्ट ने नहीं बताई हो तो उसके खिलाफ कुछ लिख सकता है, इसके सिवाय कुछ

नहीं है। मेरा नम्र निवेदन है कि इतने करोड़ों रुपये के व्यवसाय के बारे में जब तक हम आडिट की ठीक से व्यवस्था नहीं करते तब तक कैसे हम सब हिसाब किताब सही रख पायेंगे, इसमें मुझे शंका है। वैसे भी कई आडिटर इसलिये दबे रहते हैं कि वे अगर डाइरेक्टर के पक्ष में रिपोर्ट नहीं देंगे तो उनकी आगे से नियुक्ति होने वाली नहीं है। इसके बावजूद भी अगर हम इस कानून में इस प्रकार का रिस्ट्रिक्शन करते हैं तो उचित नहीं कहा जा सकता। इस दृष्टि से भी इसमें कुछ संशोधन होना अत्यन्त आवश्यक है।

इसमें जो प्रोटैक्शन दिये हुए हैं कि किस के ऊपर सूट नहीं दायर कर सकेंगे, वगैरह, जैसा कि पूर्व के विधानों में भी दिया जा चुका है, तो मैं यह प्रार्थना करता हूं कि आपको साधारण जनता की बराबरी में आकर काम करना चाहिये। अपना गुनाह माफ, पराया गुनाह माफ नहीं, इस प्रकार की कार्यवाही जनता के साथ करते हैं तो उचित नहीं मालूम देता और जैसा कि लोक सभा में प्रस्ताव रखा गया था कि इसको सेलेक्ट कमेटी में भेजा जाय, इतना बड़ा मेजर है, इतना इम्पोर्टेंट काम आ करने प जा रहे हैं, इसमें भी आप अपनी मनमानी कर रहे हैं। आपको इम बिल के बारे में पूरी तरह से विचार करना चाहिये जिससे कि और संस्थाओं को भी पनपाने की, उनको अपने समक्ष लाने की व्यवस्था कर सकें और फिर दोनों की इफिशियेंसी बतलानी चाहिये कि किसमें कौन सी विशेषता है वरना सत्ता के आधार पर, अपनी मर्जी के आधार पर जैसा मन आये करते जाय यह कुछ न्यायसंगत नहीं है।

दूसरे हमारी सरकार का व्यापार की तरफ ज्यादा लक्ष्य होता जा रहा है। कैसे कैसे काम सरकार को करने पड़े हैं—चीनियों को भगाना नहीं हो सका, पाकिस्तानियों के हमलों से रक्षा नहीं कर सक रहे हैं, हमारे यहां रात दिन बम विस्फोट हो रहे हैं उसके बारे में कार्यवाही नहीं कर पाते हैं, इन सब बातों

[श्री विमलकुमार मन्नालालजी चौरड़िया]

को देखकर यही लगता है कि हमारी सरकार की व्यापारिक बुद्धि ही हो रही है और कुछ समझ में नहीं आता यह हम को किस गर्त में ले जायेगी। यह जो उस्तरा जो आप अपने हाथ में ले रहे हैं यह नाक काटने के काम न आये, यह मेरी प्रार्थना है।

SHRI T. CHENGALVAROYAN (Madras): Madam Deputy Chairman, I should have contended myself with casting a silent vote in support of this Bill, but for the fact that this Bill contains some very laudable provisions, provisions of momentous importance with far-reaching consequences. I venture to submit, Madam Deputy Chairman, that though this Bill may be unique and singular so far as our latest attempts in our country are concerned, in fact, it has had a long process of growth both in the United States of America and in the United Kingdom where the formation of such unit trusts has been found to be a phenomenal success. And I should most respectfully congratulate the hon. Finance Minister who is now working, if I may, with great respect—and with no reflection on any contemporary—say, a miracle in the Finance Ministry.

This Unit Trust Bill, Madam Deputy Chairman, has got three fundamental fascinations, if I may use that word. In the first place, the Unit Trust Bill gives us a wide range for capital formation in our country. We had been told and told repeatedly, that so far as capital formation in our country is concerned whether it is on the impulse of our Plan or by the inspiration of certain economic development, it has been very slow and if this Unit Trust Bill is designed, in my respectful submission, it is for the purpose of giving a wide canvass for the formation of capital for many of our ameliorative purposes.

The second aspect which certainly draws our very pointed attention is with reference to the advantage that it could give to several of our millions of people who have not enough capital to invest in some of these

conventional corporations where either by the constitution or by the function they will not be able to attract and much less to inspire. There are two advantages so far as the small investor is concerned. In the first place, he has got a trusted and technical agency to advise upon a fruitful investment of his meagre capital that he can gather for the purpose of investment and I am sure that this Unit Trust which is to be created under this Bill is going to afford that technical and trustworthy agency for the purpose of suitable advice on proper climate and conditions of investment. The second advantage which I visualise, Madam Deputy Chairman, with reference to the small investor is that there is a balance for his investment of the meagre capital between rewards and risks. In many cases, we have known there have been fat rewards and in some cases we have known that there have been fatal risks. But so far as the Unit Trust Bill is concerned and so far as the design is concerned, I see in it that this kind of balance between reward and risk is made very very little, thereby giving ample security for the small investor.

The third point, Madam Deputy Chairman, that particularly fascinates me with regard to this Bill is that it has a terrific impact upon the progress of our Plan resources. We have seen that in the experience of our First Five Year Plan or, even for the matter of that, in the Second and the Third, we have tried several methods and means to attract investment for the purpose of Plan projects. We tried this, Madam Deputy Chairman, with reference to the Small Savings Scheme and it proved philosophical but not yielding good results. We have tried it in the Compulsory Deposit Scheme. It proved pernicious and it had to be abandoned; and this Unit Trust Bill is a consequence of that trial of gathering momentum of popular investment for Plan resources. I submit that this Unit Trust Bill affords an ample opportunity for that purpose.

Madam Deputy Chairman, in regard to such an assessment of the importance and utility of this design that is contemplated in the Unit Trust Bill, I also visualise one other important feature and that is with reference to the operation of the investment. There is going to be no traditional consideration, no conservative calculations of a cautious investor, whether he is going to invest in this or that improvement scheme or in that venture. That kind of cautious conservatism will not be at all available so far as the functioning of this Unit Trust is concerned.

There have been some criticisms, Madam Deputy Chairman, and I am sure, in the ultimate design of this Bill we shall have to take into consideration some of those criticisms which I should, with your permission, try to answer, if I may. The first criticism that has been levelled and levelled as a very valuable criticism, is that the initial capital is rather meagre. It has to be in the very nature of things because we are now trying to start the Unit Trust, and the way in which we could gather that capital formation must necessarily, in the very nature of things and in the very condition in which we are trying to inaugurate it, be meagre but we have to realise that it is only an initial capital. What is the likely capital, we are not in a position now to assess but if I am allowed to say, ambitious though it is, sky is the limit and the response of the millions of our countrymen is the limit, and I wish most respectfully to submit that there cannot be a very reasonable criticism that the Unit Trust starts with a very meagre capital.

The second criticism which has been levelled, a very valuable criticism and with considerable weight is that there must be ceiling with reference to taking of the units in respect of investment.

May I most respectfully submit, Madam Deputy Chairman, if you analyse the very purpose underlying the bringing forward of this Bill, you would find that it is for the purpose not to condition the existing investment but to draw new investment, and the way in which we are going to draw that must be such that there must be an onrush of investment. The question of ceiling may have to be taken up at a very late stage. It is rather premature, if I may say so with great respect, to level the criticism against this Bill that there is no provision for ceiling with reference to holding of the units.

The third criticism is that the constitution of this Unit Trust is rather overweighed with the official element but my submission and request to this hon. House is to consider the clause with reference to participation in the initial capital. Those institutions, which contribute the initial capital, are considered to be members of the Board of Trustees. I should realise that there is a connection between these two, those who come to pay the initial capital and the trustees. Those who pay must be the founders and must be the first functionaries in this Board of trustees and I, therefore, see no serious criticism or any weighty objection that the composition and the constitution of the Board of trustees is all one-sided. But, even apart from that, Madam Deputy Chairman, who are those persons who are to be on the Board of trustees? The Reserve Bank of India which has shown its phenomenal financial foresight in regard to several of our policies and programmes—this institution is on the Board of trustees. Next comes the Life Insurance Corporation which has now become the standing monument of our venture with reference to the mobilisation of the popular resources—this is participating and functioning as a trustee and the State Bank of India is there. All these institutions, Madam Deputy Chairman, have shown and have got financial status, stature,

[Shri T. Chengalvarayan.]

strength and the stamina and I am sure that in the initial working of this Trust the participation and functioning of these participating units will augur well for the future of the Unit Trust.

There has been another criticism, Madam Deputy Chairman, that with reference to clause 32 there is to be a certain amount of rigidity and this will have to be considered with reference to the exemption of the tax limits. As an hon. friend has pointed out, the exemption is not to the total return; it is an exemption for a certain scale and I submit, Madam Deputy Chairman, here again if we appreciate the basic purpose of this Bill, the exemption that is contemplated under clause 32 is a reasonable exemption and I am sure it will be an inducement for a very big onrush of investment in this.

One word more, Madam Deputy Chairman, and I have done. There has been a fairly strong criticism of the Government, and the public sector alone, taking charge of this Unit Trust and not, as in the United States of America or in the United Kingdom, throwing it open for exploitation, if I may use that word in a very good sense, by the private sector. My answer to that criticism is two fold. The private sector has had this opportunity to do so. There was no legislation preventing the private sector from inaugurating such unit trusts and all these years we have been waiting, watching and wailing for such a venture for the amelioration and progress of our constructive and developmental programmes. We have not had any good response and when the Government in the field of public sector comes up with this Unit Trust Bill, this criticism is raised and we are asked to at least have the door open. The door was open all along. Madam Deputy Chairman, nobody prevented any person from entering that door but when the Government comes with a far-sighted policy of inaugurating this Unit Trust Bill for obviously important purposes, I should submit that

this question of the private sector availing itself of this benefit is not a valid criticism in my respectful submission.

One other point we can consider and that is this. The private sector has got its own philosophy; it has got its own view; it has got its own bias; it has got its own predilections and the idea of the Unit Trust Bill, as I understand it, is to open up a new vista of financial venture for the small people who can repose their trust and confidence only when there is Government inauguration. Therefore, Madam Deputy Chairman, the question of giving this to the private sector will have to depend on the policy decision that we will have in regard to investment. Investment by the private sector is motivated by various other considerations—conventional, conservative and sometimes personal. But so far as Unit Trust goes, I submit that that consideration will not be the only consideration. Therefore, the Unit Trust Bill, coming as it does in the wake of development programmes, I most respectfully submit, has not come too early or too late. It has come at the most opportune time and I am sure, Madam Deputy Chairman, that this House will endorse this with certain suitable marginal modifications with reference to certain aspects of the working of the Unit Trust and certain functions of the Unit Trust, and by and large, the philosophy, the plan and the policy underlying this Unit Trust will receive not only the unanimous acceptance of this House but even the approbation of the vast millions of our people.

DR. A. SUBBA RAO (Kerala): Madam Deputy Chairman, I am sorry I have got to disagree with hon. Members who have spoken before me in support of this Bill. The hon. Mr. Santhanam and some other hon. Members have raised the pertinent fear that the richer sections might utilise this Unit Trust for their own advantage. That is the main thing. The organisation of the ruling party has recently in Jaipur reiterated its resolu-

tion of working for a socialist society and so the Government belonging to that party, whenever it brings forward a measure, should not bring forward any measure which contradicts the resolution that their party has passed. I would appeal to the Members opposite to dwell upon this aspect and see whether this Bill, whether this measure, will help the establishment or, at least, will create the conditions for the establishment of a socialist society or whether this measure is going to perpetuate or create conditions which will perpetuate free enterprise.

SHRI LOKANATH MISRA: But they have added the word 'democratic' this time in Jaipur.

DR A SUBBA RAO: Democratic socialism does not in my opinion prevent bringing about certain conditions for the fulfilment of socialism.

Now, Madam Deputy Chairman, let us take the main purpose of this measure. They say that the purpose of this Bill is to mop up the savings of the people at large, especially from the middle and lower income groups. Nobody can object to this laudable objective. But the question arises, what are you going to do with the resources that are mopped up, what are you going to do with the savings of the people and how are you going to utilise them? Are they to be utilised for the nation-building activities, are they to be utilised for the purpose of creating conditions for bringing in socialism or are they to be utilised for perpetuating private enterprise? That is the question. The very principle of the institution that is going to be set up under this Bill is against the spirit of socialism. The Trust is going to enter into the share market; that is, it is going in for speculation. Now, the very idea of entering the share market, of entering the speculative field is against the spirit of socialism. You should create certain conditions among the people wherein people are ready to sacrifice or to devote their entire energy and their resources for the development of the society as a

whole forgetting, or at least putting aside, their desire for individual profit. But the Trust that is going to be set up and the resources that are going to be utilised by this Trust will be entirely for speculative purposes. Mr. Santhanam has explicitly brought out in his criticism that even the Trust certificates might be utilised for speculative purposes.

Now, Madam Deputy Chairman, the examples of the U.K. and the U.S.A. are bandied about and we are told that in these two countries such trusts have made a tremendous impact on the development of the economy. But are we to take the example of the U.K. and the U.S.A.? I do not think that these two countries have accepted the principle of establishing socialism. They do not believe in socialism; on the other hand, they do believe in free enterprise. We believe—at least we say that it is our belief—in establishing socialism. So what is the use of bringing the examples of the U.K. and the U.S.A.? Let us take their economy and when did they establish these unit trusts? The establishment of unit trusts in these two countries are of very recent origin and when you take into consideration their economy, they have a very well developed economy. Only when they have reached that stage, they have started these unit trusts. Here we are an under-developed country and we are just trying to develop, and I do not think it will be feasible to establish this type of trust.

Then I have got my own doubts with regard to the expected resources, resources that are expected to be raised by this unit trust. If I remember right, the Finance Minister in the other House said that he expected about Rs. 100 crores every year to be raised by this institution. I do not know how he is so optimistic about it. If we take into consideration the recent trend in the savings from the public, especially from the middle class and the lower middle class, we find that the net savings in the Post Office Savings Scheme have dropped recently and again the total small savings in

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1961-62 shows a substantial decline of Rs. 16 crores over the figure of 1960-61. 4 P.M. There may be an increase in the recent past, in the present year but then it was more due to the patriotic sentiments of the people when we are facing a national emergency. At the same time, the cost of living is steeply rising and the resources in the hands of the middle and lower income groups are very limited. That being the case, I am afraid I do not know how we will be able to achieve the target of Rs. 100 crores, if the idea is to get savings mainly from the lower and the middle-classes. If it is thought that the resources mainly can be had from the richer section, then it is obvious that it will be subscribed to to that extent. My main fear is that this institution might be utilised by the richer sections of the people rather than by the lower and the middle income groups. Of course, the savings of the middle and lower income groups will be attracted to this institution, but a greater share of it will naturally come from the richer section. By utilising all the dubious ways, by purchasing units in *benami* names or in the names of their own family members, the richer section will try to corner the greater part of the units of this Trust. Once they have cornered a good portion of the units, then naturally they will hanker after getting control over the Unit Trust.

SHRI LOKANATH MISRA: There is no provision for that.

DR A. SUBBA RAO: The Finance Minister is very confident that private interests will not get control of the Unit Trust at all, but then that is what he was saying. Long before he said: Beware of the man-eater, and the tiger mauled him sufficiently. Now, he says, "I have got more confidence. I am riding the tiger and the tiger cannot do anything." I am afraid, by feeding the tiger he is only strengthening it. The day will come when

the very same tiger will turn against him and throw him down.

SHRI LOKANATH MISRA: He is a ring-master.

DR A. SUBBA RAO: He may be a ring-master, but he is feeding the tiger and making it a man-eater. When the time comes that he is not in a position to feed it, when the time comes that the man-eater feels that it is quite strong to fight, it will turn against him and throw him down. In that process, it will not only throw him down, but it will also create a number of difficulties for the ordinary masses of people who are following the ruling party today.

Now, I have got only one more point and that is with regard to the utilisation of the resources at the disposal of the Trust. We know how some of the resources of the L.I.C. and others are being utilised. It is a well-known fact that the richer sections, the big monopoly sections, have got a greater advantage of the resources of L.I.C. So also, I am afraid the time will come when they will try to utilise the resources of the Unit Trust because of the various associations of the business magnates with the directors. After all, it cannot be helped. Directors do come in, even though they belong to what are called impartial institutions and other things. They are people who must have some business knowledge, etc. Naturally they will have some connections with all the business people, maybe only selected business people. Then, in the share market, when the shares of a certain company go down and when there is a distress sale perhaps those people who are interested in boosting up those shares might influence some of these directors. Therefore, there may be a possibility of some favouritism being shown by the directors. These things will have to be avoided.

Now, concluding I would only like to say that this bandying about socialism—and at the same time saying that

we are not against free enterprise, and then turn to those people who have socialist ideas and say we are quite conscious of the danger and that we are bringing about socialism—is really very peculiar. I will end my speech by quoting the 'Economic Weekly', which represents only the vested interests. In their view of the report of the debates in the Lok Sabha, they have said:

"To the Swatantra party and other spokesmen of the private sector, T. T. Krishnamachari could point out that the trust would help to bolster up the stock markets by pumping money into them from a hitherto largely untapped source. At the same time, he could tell the socialists that by enabling the middle classes and the man of small means to invest in shares, it would help to diversify shareholding."

He tells the Swatantra Party. Here is a measure by which I am helping you. He turns to the socialists and says: Do not be afraid. I am here to look after the interests of you people and to bring about socialism.

SHRI LOKANATH MISRA: Therefore, he is the best friend of Mr. Nehru.

DR. A. SUBBA RAO: I do not think that this sort of thing will in any way help us. He must be categorical in saying that he is bringing into being this type of institution only to bolster up the private sector and for stabilising the private sector.

SHRI KRISHNA CHANDA: Madam Deputy Chairman, I shall be very brief. I rise to welcome this measure. This is a very helpful measure so far as the development of industries in this country is concerned. This is an investment corporation as has been mentioned by others and such investment corporations have been very popular in the United States of America and in the United Kingdom. So, there is no doubt that it will be popular here also.

Now, with regard to the various provisions in this Bill, I have to make certain observations. The entire scheme of the unit has been kept reserved by the Government for the Reserve Bank. Now, in this Bill in clause 21 there is a provision that a scheme will be framed for the units and certain provisions have been laid down to put some check on holdings. One is that no unit will be of a value less than Rs. 10. Another is that no unit will be of a higher value than Rs. 100. Between these two limits the units can be any figure. Further, there is an initial capital of Rs. 5 crores. This capital will be subscribed to by the Reserve Bank, Rs. 2.5 crores, and the Life Insurance Corporation and the State Bank Rs. 75 lakhs each, i.e., Rs. 1.5 crores. Then, Rs. 1 crore will be contributed by the scheduled banks and other financial institutions. They are expected to contribute Rs. 1 crore. If they are not able to contribute Rs. 1 crore and if their contribution is below Rs. 1 crore, then the deficit will be made good by the Reserve Bank. So, it will mostly be the Reserve Bank's capital which will be the initial capital.

In the scheme relating to the Board of trustees, it is the Reserve Bank which will dominate it. Four trustees have been given to the Reserve Bank out of the nine trustees and the Chairman will be nominated by the Reserve Bank. So, undoubtedly for some time to come it is the Reserve Bank that will dominate the management of the Unit Trust. After some time, when the Unit Trust's capital comes up and it is found desirable or feasible to refund the whole initial capital, then under the provisions of this Bill, the Trust can do it. The Trust can refund the entire initial capital and then only the Unit's capital will remain.

Then the Board of trustees will be changed. How it will be changed is not given in the provisions of the

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Bill. There is only this provision that the Central Government will frame a scheme for the Board of the Trust thereafter. No idea is given about that. Other hon. Members have spoken and they have expressed their views that the units will be given some representation. Now my hon. friend, Mr. Desai, has said that units will be given representation but it will not be according to the number of units that they have.

SHRI SURESH J. DESAI: I would clarify to my hon. friend that I only said that both clause 10 and clause 41 would provide no representation at all for the unit certificate holders. In the amendment which I have submitted it was for one-third representation only. But even that amendment I am withdrawing. I am withdrawing that amendment for even one-third representation of unit holders on the Board. It will be left in the hands of experts only to manage.

SHRI KRISHNA CHANDRA: How that Board will be constituted thereafter is not known, and the Central Government will have full power. The Bill authorises the Board in consultation with the Reserve Bank to frame regulations for the working of these Unit Trusts. These regulations or rules will not be laid before Parliament, and Parliament will have no voice to amend these regulations or to have their say regarding these regulations. So I would have liked that as in the case of other legislations these regulations ought to be laid before Parliament, and Parliament should have been given an opportunity to revise them or to modify them if it was found necessary and desirable.

Secondly, on the scheme that will be prepared for the Board of trustees after the initial capital is refunded and the Trust begins to work on the unit capital, regarding that also an idea should have been given in this Bill. If it is not given in this Bill, at least after the scheme is framed Par-

liament should have an opportunity to modify it or to put their suggestions before the Government. At present nothing will be put before the House in order to enable Members to make their suggestions regarding the constitution of the Board of trustees.

Then, Madam, as the hon. Mr. Santhanam has pointed out, I am also of the opinion that the Unit Trust should sell its own units at face value. It has power to evaluate the units from time to time. The value that it will fix for the units, at that value the sale and purchase would be done by the Unit Trust. I would like that as there is no limit to the unit capital and it may go to any amount, the scheme should provide that the Unit Trust would sell these units to newcomers at the face value. If the units have appreciated in value, then the new units which the Trust issues should be issued at the face value so that people, who are newcomers and who want to participate in the share capital of this Unit Trust, may be able to participate by buying at the face value and without any disadvantage to themselves. I think this can be easily done because there is no limit to the unit capital in this Bill.

At the end, Madam, I think that this Unit Trust Bill has come at a very opportune time and it will go a long way towards the development of this country. As has been observed by my hon. friend, Mr. Desai, it will help in the dispersal of the ownership of the industries which will be in line with our socialist thinking.

With these words, Madam, I support this Bill.

THE MINISTER OF FINANCE
(SHRI T. T. KRISHNAMACHARI):
Madam Deputy Chairman, may I offer my apologies to the House for not having been present at the time the motion was taken up, though I must say it is not a reflection on my young colleague who is competent to do the work that I am doing? In fact, Madam, I had to make a statement in

the other House. That is why I could not come, and far be it from me to entertain any idea of discrimination or disrespect to this august House. We people, when the two Houses are sitting, have also other work to do. That is my only excuse, and I hope hon. Members will accept my apologies.

In regard to the Bill, the hon. Members who spoke have by and large supported it excepting with regard to certain provisions. One provision about which my hon. friend, Mr. Santhanam is very keen is that the Unit Trust should sell units at a particular price and buy back the units at the same price. Frankly, Madam, I do not think it is a possibility. The whole idea is that the investment of the money of the Trust should be so made that it will yield more than what the normal investments do, and because of its very large coverage, that would ultimately become a fact. It will be able to equalise risks by prudent investment and by buying at the proper time. It will be able to pay a dividend or interest higher than the normal bank deposit rates or the Government security rates. Now the block capital of the institutions in which these are invested grows in value as time goes on. Therefore, there is no erosion of capital. If as it happens, as I hope it would, the Unit Trust declares a dividend of about 7 or 8 per cent., the value of the unit will appreciate. Even though the Unit Trusts operating in England are not governed by a statute of this nature so rigidly, they are governed by one statute, namely, the Prevention of Fraud (Investments) Act. What they do is to quote the value of the shares from week to week in some cases and from month to month in other cases. They have got one particular unit trust, the M. and General Trust Fund, which is one of the biggest trusts in England, where the highest offered price for a 5s. unit in 1951 was 5s. 3½d. In 1963 its highest offer was 14s. 2½d. If such a situation occurs, as I think it should, in this case, what is proposed is that

the Unit Trust should post the prices week by week or month by month, and at the posted prices they will buy or the Trust or their agents will buy back. They need not necessarily go to the market. The persons whom we want to own the units are common people who will not know the operations of the Stock Exchange, who do not want to go to a banker.

It is the intention of the Government that the State Bank or the other agencies that are available to Government, which the Unit Trust will make use of, should be able to offer on the counter at the posted price if anybody wants to sell, and also when fresh units are issued from time to time, they will only be issued at the posted price. The value of the unit goes up. A person who enters it as a new member will have to buy it at the posted price and wait for a time for it to appreciate further, so that he makes a benefit out of it.

SHRI K. SANTHANAM: I understand what the hon. Minister says. May I ask: If the posted price is intended to equate the income to the normal deposit rate, what is the advantage of any middle class man in investing except at the initial stages?

SHRI T. T. KRISHNAMACHARI: As a matter of fact, everybody who comes at the initial stages has to take the average but after a time he becomes a participant in the increment that comes. It is unfair for any person who comes in later, say five years hence, when the Unit Trust has become a reality, to come and say, "Well, I must get the same advantage as the person who took advantage of the Unit Trust at the beginning." It is how the unit trusts have worked. The logic of it is what you might call a refinement of the position, even which is not applicable all the time, because I may enter into the Unit Trust as a member in 1969—if I am alive—and I may buy a unit at Rs. 114 instead of Rs. 100. I expect that in the following year it

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will go up and my income will also go up. Instead of Rs. 14, I should be getting at that time Rs. 6 per unit. Maybe the next year, I will get Rs. 7. What happens is, if the investments of the Unit Trust are wisely made, they will certainly appreciate in value, and the dividends will be more because production will be more and the dividends will be more. We are all calculating on the basis of these being properly invested and the advancement and progress in this country will certainly make the investments profitable. So, the condition that is now imposed or that is to be imposed that the Unit Trust must buy and sell at the same price is not a possibility nor is it fair.

SHRI KRISHNA CHANDRA: Suppose the value of the unit appreciates and the Unit Trust sells it at the appreciated value, what will be the capital appreciation? Will it be put to the profit? Will the capital be only at the face value?

SHRI T. T. KRISHNAMACHARI: The advantage is for the man who has purchased it before. The other man will have to wait for the appreciation to take place later on. He cannot have the same advantage by entering into it in the middle stages. That is the whole position.

SHRI KRISHNA CHANDRA: When the Trust is selling at the appreciated value, will the appreciated value be adjusted towards the capital or it will go towards the profit?

SHRI T. T. KRISHNAMACHARI: The point of it is, there are two factors which appreciate. One is the income which is the main basis on which sales will be made. The second thing, which is tangible but which is not revealed, is the appreciation of the block. The investments in the various companies increases as the block appreciates. Take, for instance, Indian Iron and Steel. The share value of Rs. 10 is today selling at Rs. 25 and it works somewhere about 6 per

cent. The return is about 14 per cent. or so on Rs. 10. Therefore, it works somewhere at 6 per cent, but in reality, if the company goes into liquidation and the moneys are divided up on the basis of a break-up value, the break-up value will be not twice, but four times. Similarly, the break-up value of the shares the Unit Trust will hold, provided the investments have been wisely made, would probably be four times. So the base is not eroded; on the other hand, the base appreciates. So, there is a double advantage. The refinements of it may not be easily understood but the fact is there. And why have I loaded this idea not merely of paying them 90 per cent, allowing them to sell to the Unit Trust itself or its agencies at an appreciated and posted price, allowing the Unit Trust itself an income tax benefit and non-deduction of tax on the dividend at the time when the dividends are distributed and then an income-tax benefit of a thousand rupees to the man who has a holding in the unit? The intention of all of it is to attract the lower income groups to invest money in this Unit Trust. The basic objective, as I might repeat here, as I have mentioned in the other House also, is that it is an essential part of the saving drive for the lower income group because my experience has been that almost since 1954, Government loan applications are not being subscribed to in cash. We have to go to the institutions, to banks and to other corporate sectors, for the purpose of investment in our loans, and it is becoming an increasingly difficult proposition because our loan needs are greater and the resources of this sector are not rising *pari passu*. So, we are trying these various saving schemes, very attractive schemes, that we are offering and they are getting a certain amount of response. But that is not enough. The future cannot depend either on an institutional or a chance investor in Government loans for the purpose of investment. You have got to tap the lower and fixed income groups' sur-

pluses, or at any rate, make them have a surplus.

We believe that this will succeed. You may say that I am living in a fool's paradise. It is an opinion that any hon. Member can hold, but I am convinced that the in-built advantages of this particular organisation are such that inevitably it is bound to succeed, and as it succeeds, there will be more resources for investment. You may ask: "Will Government get it?" Yes, Government can get it. We charge 5½ per cent. interest rate for steel companies' investment. Probably, Government is prepared to pay for their own public sector corporations 6 per cent. or something like that. The Unit Trust might take it. So the attraction to save is there. After all, man is gregarious. A lady in a town may put in a hundred rupees and if that lady goes to some common place where there are other ladies and says, "I am not going to spend the money this time. I have bought a unit for Rs. 100. I have invested it in the Unit Trust," that catches on. May I tell you that even as it is, I have found a considerable amount of interest on the part of the Government servant who does not save? He says, "Well, I would like to put in a hundred rupees whenever I can get it." It is our intention to make the trade unions take an interest in it. Probably, as I said in the other House, some time later when we alter the composition of the Board, we will have a trade union representative. We will have a representative for the fixed income groups. We will probably have a Government servant, perhaps, a lawyer or a doctor. These are the classes of people who have to come in, who will be the representatives of these investors. And a shopkeeper would also like to put his money.

I might be poetic and imaginative but the point about it is, as in anything like that, it may fail. I do not say it won't. There is probably an odd chance of its failing. But I do not think it will. The advantages that

have been built in are so many that I feel confident that it will be a success. Therefore, I do not want to forestall now possible abuses and then put a check on them.

My hon. friend, Shri Avinashilingam Chettiar, said, why don't you put a limit? I do not want to put a limit for two reasons. One is that this Unit Trust will not be advantageous to a speculator, a rich man, would like to have his money and roll it. When he puts it in the Unit Trust, he cannot order the investment; it will not go into his company. Investments will be made by other people. So, from the point of view of power, this would be of no interest to him, if he wants to invest a large amount of money. He will get a benefit only of a thousand rupees and nothing more. And he does not get a tax benefit. But even so, if he feels that there is an advantage, it is good because it is anti-inflationary. I have taken the money from his pocket and put it here. I do not want to put a ceiling therein because any man may have in it, say, Rs. 20 lakhs—which is extremely unlikely—and if he does not put it in some place, the money does not operate freely. So, I do not want to put a check on any type of investment so far as the Unit Trust is concerned.

And since the question of composition has been mentioned, I would refer my hon. friends to clause 41. The idea now is that at the present moment this baby will be nurtured by a few people who know about it, who are also contributing merely to provide the fund for it to start off, to start operating. Once the money comes in a sizeable form, and this five crores of rupees which has been taken from various institutions happens to be retired—and you cannot retire it unless you get a five crores initial capital there—then clause 41 will operate. There is no point in saying, "Well, let us have a list of Unit Trust holders. Ask them to elect." Election is very good, but it is a very costly

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weapon. Since we want money, as much money as possible, to be saved for the purpose of distributing to these people, we must leave it to the Reserve Bank to find out the representative people. As I said, Government can issue directions.

My hon. friends say, "it shall" etc. Why should you say "shall". "Shall" means immediately after a particular thing happens you must do it. But you may have to wait for some time. Let it become seven crores or eight crores. It does not mean that the whole lot of it should go out. You might probably make a change in them, split them into bits. Supposing there are six or seven or eight trustees, we change them in twos every time. So the question of any mandatory injunction under clause 41 is neither feasible nor necessary. And that is the time, we would like to make it broad-based; we would like the common people to feel that they are operating in it; he should operate in it.

One other thing I would like to mention is this. I do not propose now to ask them to go out and do their publicity. My Savings Division will undertake a lot of publicity for this purpose, and my young colleague here, who happens to be the Chairman of the National Savings movement, of the Committee thereof, I think, will take upon herself the added task of devising ways and means of popularising this institution, because it will serve the same purpose as National Savings. Therefore in my view the Government should undertake the publicity purpose even though it is expensive; but it does a good thing for us; it brings in money for investment. Therefore I am not going to throw that responsibility on this institution to begin with—may be later on; when it becomes bigger, we can withdraw from it, and it can do its own publicity. Therefore I would suggest to hon. Members that an amendment to clause 41 putting a mandatory injunction on them to do a particular thing is not necessary,

because the purpose would be best served by appreciating the fact that it will be done, and Government have powers to ask them to do it. That is where clause 41 comes in.

Madam, the question was asked whether this is going to be utilised for the benefit of the private sector. It may be, well, if the Government wishes to operate a company, as they do in certain cases, for instance, in Italy. In Italy, nobody knows, very few Italians really know that the total amount of securities that the Italian Government own run to a figure of 2,700 odd million pounds. Now, they do not go and acquire these interests themselves. They do it, most of it, as salvage operations. Anyway, today they hold a very big stake in industry. Well, when we start doing like that, when a veil of anonymity is drawn over the public sector and each public sector unit is allowed to operate by itself, borrow loans by itself, pay dividends by itself, yes, the public sector will command a certain amount of support and attention of this Trust. It does not mean that the private sector should stop. We have allotted a certain sphere of activity to the private sector, and in that sphere they are not doing very well, for some reason or other; for instance in the various consumption industries the production is not going up. Very many of them say, "We do not find local capital." This will be another source of capital, and it may be, since it is a consumption industry, they may pay better dividends.

The real idea of a unit trust is also a growing consensus of opinion in the country, of consciousness also, that public ownership is a thing which is recognised today. When the ownership becomes public-management of the private sector—if it is good management, I do not see anything wrong. In fact, Madam, whatever people might say about or object to my socialism, my socialism is of my own and I am not going to change it for the benefit of anybody else. But the fact really is that, when owner-

ship is spread over a wide area, when public ownership is recognised, the management is not the main thing I am telling many people today—foreign capital people who come—“Bring in your capital for the purpose of foreign exchange element I am willing to become a partner. The Unit Trust might become a partner. Some bank may give you money.” And I do not mind giving a contract of management if you are a wise person, if you can manage well, if you can produce results, if there is increased production. What we are trying to aim at is to produce a managerial class, not a dynastic empire of industrialists. So I do not see why we should not lend to a private sector, which is not a managing agency, which is a director-managed company for every director is a person who comes right up from the bottom and it is a possibility.

May I tell you, one of the few things that has given me great pleasure in life is a boy whom I picked up at the age of about 23, some thirty-five years back, I paid him a salary of sixty rupees, just picked him up in some place—he wanted a job—and I said “All right, you get into this.” And I find that boy is Vice-Chairman of one of the big companies today, drawing a fantastic salary. It gave me a lot of pleasure that I had picked up a man who, by sheer dint of merit, rose to a very high position. That is the type that we want in the future. If that is not socialism, I have nothing to do with socialism, I mean men who come up, who have the opportunity to rise from the bottom. Well, if that is the private sector the Unit Trust will support it.

Therefore, there is undoubtedly a mixture of motives but they are all good motives, Madam. And hopes are there and ambitions are there. Here is a baby, Madam, which I have been thinking of for a long time, of which, during the time when I was in exile as one of the sinners, I have been thinking of very much, and I had suggested it to my predecessor who,

I had made an announcement about it I am glad that I have been given the opportunity of putting this proposition before the House, and I have every hope—I hope hon. Members will concede that I have some intelligence, therefore my hope is an intelligent one—I have every hope that this institution will succeed and I beg of hon. Members to admit the fact that this Bill has been very carefully thought of, and I am very happy, even my vanity at this age was tickled when somebody told me that this is a perfect Bill. So let us give it a trial. If it does not succeed, well, it would be one of those things where human endeavour, human intelligence has failed. If it succeeds, you can take an equal share in the credit that you have also helped in bringing this baby into being.

Thank you,

THE DEPUTY CHAIRMAN The question is

“That the Bill to provide for the establishment of a Corporation with a view to encouraging saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities, 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.

Clause 2 was added to the Bill.

Clause 3—Establishment and incorporation of Unit Trust of India.

SHRI R. K. BHUWALKA Madam, I move

7 “That at page 3, line 10, after the word ‘Bombay’ the words ‘or Calcutta’ be inserted.”

[Shri R. K. Bhuwalka.]

उपसभापति महोदया, मुझ को यह कहते बहुत दुःख होता है कि कलकत्ता को बराबर हमारी भारत सरकार ने ओवरलुक किया है। पहले रिजर्व बैंक के हैड आफिस को वहां से हटाया, फिर स्टेट बैंक के हैड आफिस को वहां से हटाया और एल० आई० सी० के हैड आफिस को भी वज्ररे ले गये। ये तीनों इन्वेस्ट-मेंट इंस्टीट्यूशंस हैं। कलकत्ता ऐसी बड़ी नगरी है भारतवर्ष में कि यह कहा जाता है कि वहां पापुलेशन का दुनिया में छठा नम्बर है। दूसरे कलकत्ता के द्वारा सारे भारतवर्ष में व्यापार चलता है और सरकार को वहां की इंडस्ट्री द्वारा काफी एक्सचेंज मिलता है। फिर जट की इंडस्ट्री वहां है, टी की इंडस्ट्री वहां है, कोयले की इंडस्ट्री वहां है, और इतना सारा कारोबार होते हुए भी कलकत्ता की क्यों उपेक्षा की जाती है, यह समझ में नहीं आता है। सरकार के ख्याल में जो कुछ हो वह मुझे मालूम नहीं था यह हो सकता है कि कलकत्ता से रिप्रेजेंटेशन आपको न मिला हो लेकिन कलकत्ता का लेंडिंग ग्राउंड सारे दुनिया में छठे नम्बर का है और वहां सब से ज्यादा अदमी बाहर से आते हैं। इसके बाद भी कलकत्ता को एक्चुअल करना ठीक नहीं है। मैं समझता हूँ कि शायद कलकत्ता का ध्यान फाइनेंस मिनिस्टर को नहीं आया हो। यह हो सकता है। लेकिन कलकत्ता बहुत बड़ी नगरी है, वहां बड़ा व्यापार होता है और जितनी पापुलेशन आज कलकत्ता में है उतनी भारत में कहीं नहीं है। तो उसको क्यों छोड़ दिया जाय इस मामले में, यह मेरी समझ में नहीं आता। इसलिये मैं अपना अमेन्डमेंट आपके सामने रखता हूँ, इस पर आप विचार करें। इसके बाद मैं इसको विद्वान करता हूँ।

The question was proposed.

SHRI T. T. KRISHNAMACHARI: Madam, we are not thinking that Calcutta is any the less important. In fact, I have a great deal of interest in

Calcutta. But this institution is to be managed by the Reserve Bank whose headquarters happen to be in Bombay.

SHRI R. K. BHUWALKA: Madam, I beg leave to withdraw my amendment.

**Amendment No. 7 was, by leave, withdrawn.*

THE DEPUTY CHAIRMAN: The question is:

"That clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

Clause 4.—Initial capital of Trust.

SHRI R. K. BHUWALKA: Madam, I move:

8. "That at page 3, lines 30-31, after the words 'financial institutions' the words 'including stock exchanges' be inserted."

उपाध्यक्ष महोदया, कलकत्ता और बम्बई दोनों ही जगह शेयर मार्केट हैं और एल० आई० सी० या कोई भी जो शेयर परचेज करता है वह शेयर मार्केट द्वारा ही होता है। इसलिये मैं चाहता हूँ कि इसमें स्टॉक-एक्सचेंज का नाम हो।

The question was proposed.

SHRI T. T. KRISHNAMACHARI: Stock exchange is not a financial institution. It is a credit association where they sell and buy stock. It is not a financial institution within the meaning of this particular measure. There is no point. How could I include an institution which is not a financial institution?

SHRI R. K. BHUWALKA: Madam, I beg leave to withdraw my amendment.

Amendment No. 8 was, by leave, withdrawn.

**For text of amendment, vide col. 3292 supra.*

THE DEPUTY CHAIRMAN: The question is:

"That clause 4 stand part of the Bill."

The motion was adopted.

Clause 4 was added to the Bill.

Clauses 5 to 18 were added to the Bill.

Clause 19.—Business of Trust

SHRI K. SANTHANAM: Madam, I move:

2. "That at page 9, after line 13, the following proviso be inserted, namely:—

'Provided that the Trust shall sell the units only at their face value, and shall not purchase them at more than their face value.'

3. "That at page 9, for lines 14 to 16, the following be substituted, namely:—

'(2) The Trust shall not purchase or otherwise acquire any immovable property or any interest therein, and shall not take on lease any immovable property except for its own use.'

The questions were proposed.

SHRI K. SANTHANAM: Madam, I have heard with the greatest care the explanation given by the hon. Finance Minister. If this Unit Trust is only one of the unit trusts to be established all over the country and not the sole Trust then I would agree with him. But this is a purely governmental, monopolistic institution and, therefore, the interests of the poorer investors should be secured. I think after the initial sale of units at the face value no middle class investor, at least a lower income investor, is going to invest in this if it is going to sell at more than the face value. People will lose interest, thinking that it is a speculative share. Instead of buying here he will buy the shares of some other company. What is the great

advantage here? He says that every time the block will increase and he must come in at the increased value. Now, it cannot be always that the block will increase because the share market might collapse one day and all the dividends might go down and this unit value also will have to be reduced. I think all the rich people, all the people who are in management of this Trust, will know exactly when the prices are going to come down, when they are going to rise, and it will become a source of speculation on the part of those who are connected with the Unit Trust as well as the big investors. And, therefore, I expect that this will become a play-thing of the big financiers and the officials concerned. I want to protect this institution. After all, what is the harm in giving it at face value? What does it matter? Let it be sold outside like the shares of every other company. The companies are not allowed to buy back their shares at all. Why this should be allowed to buy back its shares at a value different from the face value? I am not convinced by all his arguments. I think that these unit shares also will be like the other market shares. Its value will be oscillating from one end to the other. I think it will reduce the value of the units at least for the lower income classes in which both the Finance Minister and I are equally interested. At least he is equally interested as myself. I know he has deep interest in them. But I think his usual business instincts have overpowered him in facing this. I think he should take the view of a person moved purely by public interest. I think every man should be able to go and say, "I give you Rs. 100. Give me one unit at face value." Not today, tomorrow, ten years hence or fifty years hence, it must become a permanent investment centre for all the poorer people, and the investment will be real only if its value is fixed.

I am not going to press this amendment, but I think that he is making a

[Shri K. Santhanam.]

great mistake and he is undermining the scope. Of course, he will succeed. I have no doubt that the Unit Trust is going to succeed. But it is not going to succeed on the basis of investment of the poorer people but on the basis of the investment of all the super-tax payers, all the financiers and rich people. We are giving a present of one more institution to the rich people. That is how I feel.

My second amendment is only to clarify. I think here it is the actual intention of the framers that this Unit Trust should not go in for the purchase of big property. But in these days it is not possible to purchase property or acquire property only for one's use. We find that the Reserve Bank and all the other banks are building at crores of rupees and using only a part of it and renting out part of it. So I suggested that this Unit Trust should enter into some agreement with the Life Insurance Corporation of India which has got offices all over the country and it should not buy any property at all. It should only lease property for its office. I wanted to make it clear. I think this is the intention. I would like the hon. Finance Minister to say whether my amendment does not carry out his intention, whether for other reasons he wants to accept the amendment or not. I shall consider it afterwards. I want an explanation on these two points.

SHRI ROHIT M. DAVE: I would like to support the first amendment moved by my friend, Mr. Santhanam. In this particular case, the analogy of the securities of other corporations does not strictly apply for this reason that here the income of the year and a very substantial portion of the income of the year is sought to be distributed year after year after the interest and expense charges are already deducted therefrom. Therefore, as far as the advantage of some successful working by the Unit Trust in that given year is concerned, those who are the certificate holders for that year automatically get the advantage thereof.

The only advantage that might pass on as a result of which the value of a certificate might rise is that an investment of the Unit Trust may be so attractive that over a number of years its income might rise considerably and the dividends might be so attractive that they would be prepared to pay higher value for the certificates. I see no reason why any person who has saved his money, say after five years, and wants to participate in the growth of the economy and wants to take advantage of the experience and the skill of those who are managing the investment of the Unit Trust, who wants to enter the Unit Trust as the holder of a certificate, should not be allowed to have that benefit for that year and the subsequent years at the rate at which a person who has saved five years earlier and has invested in the share certificates, enjoys. Under these circumstances I think these certificates should be almost obtained, just as the hon. Minister said that any institution will be buying a certificate back at a price which will be posted, similarly any person should be in a position to buy the certificates whenever he so desires, when he has acquired certain capacity to buy these certificates and those certificates should be easily available from any source at par so that more and more money could be attracted to this Unit Trust and the real purpose of the Trust, namely, that the common man can participate in the prosperity of the nation could be achieved.

SHRI SURESH J. DESAI: Madam, I want to say a word about this amendment. There seems to be some misunderstanding about the very operation and the nature of the Unit Trust. The Unit Trust is not a joint stock company.

SHRI K. SANTHANAM: I would suggest to the hon. Member that he should credit others with the same understanding as his.

SHRI SURESH J. DESAI: I am not saying that you have not understood the functions of the Unit Trust. I

only submit that there is some misunderstanding about the operation of the Unit Trust. What are called 'Mutual Funds' operate in a different manner than the joint stock companies. Even a share of the joint stock companies appreciates in value. If a company functions well, after some five years you cannot get the share at its face value. Even the price of the share appreciates. Why should not the unit appreciate if the Trust has assets? In the stock exchanges the share values are rising every year for the last several years, if you notice it. They are rising five per cent, seven per cent and even ten per cent. Every year the share prices are rising. So, the Unit Trust will hold a diversified or wide portfolio in about 200 or 500 companies. In some companies, suppose there may be some losses, in others, in a number of companies there may be profit or appreciation of value. So the total assets of the Unit Trust will be higher and higher every year. After two years, supposing somebody wants to purchase more units, why should he be able to purchase at the face value because the face value will be very low? After two years the unit value will have appreciated.

About reselling it to the Unit Trust also, the Unit Trust will not be a company which will be listed on the stock exchange. All the joint stock companies who want to have their shares dealt in the stock exchanges have to get themselves listed on the stock exchange. The Unit Trust will not be listed. Then where is the market for the Unit Trust? The Trust itself provides the market. Of course, there may be other brokers and there may be several other dealers coming up later on but the Trust itself provides a market that after five years if you want to sell it back to the Unit Trust, you can sell it at the appreciated value.

The mutual funds which are operating in the U. K., as the hon. Minister said, under the Prevention of Fraud (Investments) Act of 1958 and in America they are operating under the

Investment Company Act of 1940, there also, they have their rules. There are associations of mutual funds in the U. K. They make out their own rules and they make out their own instructions and trusts function according to a certain prescribed manner. The very function of the Unit Trust is different from that of the joint stock companies. That is why, I submit, this amendment is not called for.

SHRI T. T. KRISHNAMACHARI: I have more or less forestalled Mr. Santhanam's arguments and I am very grateful to my hon. friend, Shri Suresh Desai, for making the position very clear. In fact, it is extremely unlikely that any speculator will come into it at all because the speculator wants much more than money. He wants the handling of the firm and if the speculator wants to immobilise his money in this, well good luck to him. He will not get the super-tax benefit at all. The hon. Member was wrong. He will only get the income-tax benefit up to Rs. 1,000 and nothing more.

In regard to the other clause, it is already provided here that they should not acquire immovable property for investment. The other point that Mr. Santhanam made, I do not think it is quite relevant. Supposing it happens that the Unit Trust builds its own offices and they propose extending it—in ten years they will expand and so they will have another floor, which, for the time being they lend, I do not think it is intended. The intention is *per se* not investment. It is unlikely they will; they will probably get something else but the L. I. C. charges such high rents that it might be cheaper to build your own property. So I would not like to put any fetter on their building their own office but it is very clear under sub-clause (2) of clause 19 that they should not buy property for investment. Therefore, Madam, I regret I am not able to accept the amendments.

SHRI K. SANTHANAM: I beg leave to withdraw my amendments.

*Amendment Nos. 2 and 3 were, by leave, withdrawn.

THE DEPUTY CHAIRMAN: The question is:

"That clause 19 stand part of the Bill."

The motion was adopted.

Clause 19 was added to the Bill.

Clause 20 was added to the Bill.

Clause 21—Unit Scheme

SHRI K. SANTHANAM: I move:

4. "That at page 10, after line 27, the following be inserted, namely:—

'(jj) the maximum face value of units which may at any time be held by any person;

(jjj) the conditions under which a trustee may buy or sell units;'"

I want here only that the Board should have power to do it. I do not want to fix any maximum value but I do believe that at a certain stage it may become purely speculative and there should be some power with somebody to say that no individual should have more than so much value. That is one part.

The other part is, I am very anxious that the people who are concerned with the management should buy and sell these Unit Trust certificates only on certain specified conditions. I am not saying that they should not buy or sell these units but they should take the permission from the management and it should be in an open manner because they have knowledge as to whether the units are going to appreciate or depreciate and I do not want that they should use this knowledge to their own personal advantage. Therefore I have suggested that it should be possible for the Board to lay down conditions under which a trustee may buy or sell units. I think it is a most salutary thing; otherwise all kinds of suspicions about the manipulation of

these units by these trustees may come and I do not think the Finance Minister would like any such thing to develop.

The question was proposed.

SHRI T. T. KRISHNAMACHARI: I think the first one is unnecessary for the reasons that I have already adduced. Regarding the second one, if there is any abuse, it can be dealt with under sub-clause (k). If my hon. friend and myself, both, live at that time and he points out to me that there is some abuse, we will certainly ask the Reserve Bank to take action under sub-clause (k). I think it is already provided for and no further amendment is necessary.

SHRI K. SANTHANAM: In "any other matter"?

SHRI T. T. KRISHNAMACHARI: Yes, in "any other matter" in regard to implementation.

5 P.M.

SHRI K. SANTHANAM: I am not pressing my amendment and I request the permission of the House to withdraw it.

†Amendment No. 4 was, by leave, withdrawn.

THE DEPUTY CHAIRMAN: The question is:

"That clause 21 stand part of the Bill."

The motion was adopted.

Clause 21 was added to the Bill.

Clauses 22 to 31 were added to the Bill.

Clause 32—Income-tax and other taxes.

SHRI K. SANTHANAM: Madam Deputy Chairman, I beg to move:

5. "That at page 13,—

(i) in line 33, the word "and" be deleted; and

(ii) after line 33, the following proviso be inserted, namely:—

†For text of amendment vide col. 3301 supra.

'Provided that this clause shall not apply to a person whose total income exceeds rupees fifty thousands.'"

Unfortunately the hon. Minister was not present when this point was referred to. I do not want that the rich persons should get a double advantage out of this Unit Trust. One advantage, as all of us know, is that the rich man will get a rebate of 4 annas in a rupee on the first Rs. 1,000. That is to say, he will get a rebate of Rs. 250. Besides this rebate of Rs. 250 since income-tax will not be deducted at source, from the date on which the dividend is paid to the date of assessment he will gain interest on the total dividend. Suppose the dividend comes to Rs. 1 lakh. He will in that case get interest on that Rs. 1 lakh for six months or one year or it may be two years, because the tax is not deducted at source. So he will get that Rs. 250 rebate and also this benefit. I think both these privileges should not be available to the very rich people. I think if the hon. Minister's intentions are to be achieved, he should not even invite investments from these very rich people, because this Unit Trust is not meant for the very rich people. In any case, there is no necessity, whatsoever, to give them these two inducements which may cost, according to my calculations, Rs. 5 crores, because I expect there are about a lakh of such people who will get about Rs. 2 crores by way of income-tax rebate and about Rs. 2 crores by way of interest during the period between the receipt of the dividend from the Unit Trust and the actual assessment of the income-tax.

The question was proposed.

SHRI T. T. KRISHNAMACHARI: I am afraid this is extremely farfetched. Any person who will get a benefit of Rs. 5 crores will have to invest an enormous amount, very possibly an investment of about Rs. 50 crores or Rs. 60 crores.

As for the second point of the hon. Member, as he is aware, there is the tax on unearned incomes. If his intention is that these people should not get away with these profits, I may point out that even now they can do so. They can buy national certificates. If my hon. friend wants that the person should not get away with his profits, then the proper thing is to raise the tax on the unearned income. Such rich people should have to be looked after by the Income-tax Act and not under this measure.

SHRI K. SANTHANAM: I am not pressing my amendment, Madam. I beg leave of the House to withdraw it.

**Amendment No. 5 was, by leave, withdrawn.*

THE DEPUTY CHAIRMAN: The question is:

"That clause 32 stand part of the Bill."

The motion was adopted.

Clause 32 was added to the Bill.

Clauses 33 to 44, the First Schedule and the Second Schedule were added to the Bill.

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

SHRI T. T. KRISHNAMACHARI: Madam, I move:

"That the Bill be passed."

The question was put and the motion was adopted.

THE DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at six minutes past five of the clock till eleven of the clock on Friday, the 13th December 1963.

**For text of amendment, vide col. 3303 supra.*