

PROGRAMME OF ELECTIONS TO—(1) THE CENTRAL ADVISORY COMMITTEE OF THE NATIONAL CADET CORPS, (2) THE CENTRAL ADVISORY BOARD OF EDUCATION, (3) THE ALL INDIA COUNCIL FOR TECHNICAL EDUCATION, AND (4) THE COUNCIL ESTABLISHED UNDER THE INSTITUTES OF TECHNOLOGY ACT, 1961.

MR. CHAIRMAN: The following will be the programme of election to (1) the Central Advisory Committee of the National Cadet Corps, (2) the Central Advisory Board of Education, (3) the All India Council for Technical Education and (4) the Council Established under the Institutes of Technology Act, 1961:

1. Last date and time for receiving nominations. 22nd June, 1962 (Up to 3 P.M.).
2. Last date and time for withdrawal of candidature. 23rd June, 1962 (Up to 3 P.M.).
3. Date and time of election. 25th June, 1962 (Between 3 P.M. and 5 P.M.).
4. Place of election. Room No. 63, First Floor, Parliament House, New Delhi.
5. Method of election. Proportional representation by means of the single transferable vote.

PROGRAMME OF ELECTIONS TO—(1) THE CENTRAL ADVISORY BOARD OF ANTHROPOLOGY (2) THE COUNCIL OF INDIAN INSTITUTE OF SCIENCE, BANGALORE (3) THE CENTRAL ADVISORY BOARD OF BIOLOGY, AND (4) THE GOVERNING COUNCIL OF INDIAN SCHOOL OF MINES, DHANBAD.

MR. CHAIRMAN: The following will be the programme of election to (1) the Central Advisory Board of

Anthropology, (2) the Council of Indian Institute of Science, Bangalore, (3) the Central Advisory Board of Biology, and (4) the Governing Council, of Indian School of Mines, Dhanbad:

1. Last date and time for receiving nominations. 23rd June 1962 (Up to 3 P.M.).
2. Last date and time for withdrawal of candidature. 25th June, 1962 (Up to 3 P.M.).
3. Date and time of election. 26th June, 1962 (Between 3 P. M. and 5 P.M.).
4. Place of election. Room No. 63, First Floor, Parliament House, New Delhi.
5. Method of election. Proportional representation by means of the single transferable vote.

THE LIMITATION BILL, 1962

THE MINISTER OF LAW (SHRI A. K. SEN): Sir, I beg to move for leave to introduce a Bill to consolidate and amend the law for the limitation of suits and other proceedings and for purposes connected therewith.

The question was put and the motion was adopted.

SHRI A. K. SEN: Sir, I introduce the Bill.

THE FINANCE (NO. 2) BILL, 1962

THE MINISTER OF FINANCE (SHRI MORARJI R. DESAI): Sir, I move:

“That the Bill to give effect to the financial proposals of the Central Government for the financial year 1962-63, as passed by the Lok Sabha, be taken into consideration.”

When I replied to the general discussion on the Budget last month I had assured the House that I would very carefully consider all the points which had been made in the course of the discussion. I have also since had the benefit of discussions with some of the members of both the Houses as well as deputations of the industries affected which met me and the officers of the Ministry. All the difficulties which have thus been brought to my notice have been very carefully considered.

In the light of all the facts brought to my notice in the course of these discussions and enquiries, I announced certain reliefs, both in direct as well as indirect taxes last week in the Lok Sabha. All the reliefs relevant to the Bill announced by me have been incorporated in the Bill as passed by the Lok Sabha. The remaining reliefs have been given effect to by issuing necessary notifications. All the reliefs in the field of indirect taxes will have retrospective effect, that is, from the 24th April 1962. The main trend of these reliefs is to assist the small-scale sector in the industries affected by the excise duties. This is in keeping with the general policy adopted by the Government heretofore and approved by the House. Relief has also been given in respect of yarn in hanks up to 40s used by the handlooms. The rates of duty and the compounded levy applicable to the powerlooms have also been reduced. It was also found necessary to give some relief in respect of mercerised and rubberised cloth. This has also been done. Duty on processing of cotton and woollen fabric done by independent units has also been reduced. As I have explained in the Lok Sabha, the changes in rates of duty in respect of cotton yarn and cloth will not affect the estimated additional revenue as after the presentation of the Budget it has been found that a larger quantity of cloth is mercerised. The further additional revenue on this account will be balanced by the reduction on account of

the reliefs given which amounts to about Rs. 7 crores in the current year. The reduction on account of reliefs in the excise duty on other items amounts to Rs. 1.16 crores in a full year and to Rs. 1.09 crores in the current year.

On the direct taxes side, it has been decided to allow capital losses assessed for the assessment years up to 1961-62 to be carried forward for the full period of eight years and long-term capital losses from the assessment years from 1962-63 to be carried forward for a period of four years. The reduction in revenue as a result of these changes has been estimated at a nominal figure of Rs. 10 lakhs. On the other hand, the countervailing duty at the rate of 5 nP per kilogram on imported newsprint will bring in a revenue of Rs. 52 lakhs in a full year and Rs. 42 lakhs in the current year. The countervailing duty is being levied with effect from the 13th June. In the course of the representations that I received after the presentation of the Budget it was brought to my notice that the price of imported newsprint was substantially lower this year. As a result of this, the disadvantage of using Indian newsprint was all the greater. In view of this position, it was decided to reduce the excise duty on Indian made newsprint from 22 nP per kilogram to 5 nP kilogram and to impose countervailing duty at the same rate on imported newsprint, in keeping with the general practice. If the countervailing duty had not been imposed, the Indian newsprint would have been at a very great disadvantage and there would have been no incentive at all to use it. I am satisfied that the imported newsprint can well bear the countervailing duty imposed which is less than the reduction in price. The net result of these reliefs is a reduction in the estimated revenue of Rs. 77 lakhs in the current year.

I hope the reliefs which have thus been given will be considered satisfactory by the House. As I men-

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tioned in the Lok Sabha, if any further difficulties are brought to my notice, I propose to go into them, particularly from the small-scale sector of the industries newly subjected to excise duties. I had specifically mentioned the small-scale sector in plywood industry. I would, however, like to mention that the purpose of the reliefs would be to reduce the hardship and not to give large-scale incentives which might give undue advantage to the decentralised sector over the organised sector.

Sir, I move.

The question was proposed.

SHRI ROHIT M. DAVE (Gujarat): Mr. Chairman, Sir, the Bill which has just been moved deals with the revenues which are likely to be raised during the current Budget year and which have been estimated at Rs. 1320 crores from the old revenues and nearly Rs. 60 crores from the new revenues. Sir, this is a fairly large sum and when the House is considering the Finance Bill which seeks to incorporate the proposals that are to be given effect to during the present Budget year, it is but proper that some attention should be given to the principles that are involved in the present measure, and also to take into consideration the reading of the economic situation by the Government in making these proposals. Sir, these items of discussion come before this House and the other House on a number of occasions and we have to carry on the debate with the ruling party on the issues that are involved in these matters which are very vital to the health of the economy and also to the growth of the economy. Unfortunately, at times we on this side have a feeling that the points that we are making are not taken in the spirit in which they are made and at times even certain motives are ascribed to what we are saying. Or at least we are told that the effect

of the points that we are making here is likely to demoralise the people and to make them lose faith in the development of our economy. Sir, with all the emphasis at my command I would like to point out that it is not our intention in any way to slow down the rate of growth of our economy or to come in the way of any measures which are of vital importance in order to accelerate the growth of our economy. Nor, Sir, is it our intention in any way to demoralise the people whose participation we realise is absolutely necessary if the economy has to grow? At the same time we consider it our duty as the representatives of the people to bring to the notice of the Government some of the important elements that are involved in the fiscal policy of the Government, the hardships that are being caused to the people and if we find that some reading regarding some aspects of the economic situation in the country by the Government as definitely expressed in their statements or in their speeches is not according to our information up to the mark, we consider it our duty to point out that perhaps another interpretation of the statistics that are available and that are made available by the Government itself is possible and if those interpretations are accepted then perhaps the consequences of the fiscal policy which is being followed by the Government might do more harm than good to the development of our economy. And it is in this spirit and with this objective that I would like to examine some of the aspects that are involved in the present Bill which is before us.

Sir, the first question which has again and again been debated in this House and in the other House relates to the trends in our economy. As far as the concentration of the economic power goes, it has been our contention that there is not a very clear evidence to suggest that the social objective of bridging the gap between the maximum and the minimum income group is being achieved

as a result of the development policy and the fiscal policy that the Government is following and on the other hand there are indications enough to suggest that perhaps we are moving in quite the contrary direction. This particular point of view was examined by the hon. Finance Minister in the other House. I have very carefully gone through the speech which he made in the other House and as far as I could see he had made the following points in order to show that actually the income tendencies are reversed. There he made five points. The first point was:—

“The total income of all income-tax assesseees in 1953-54 was Rs. 410 crores while in 1959-60 it has increased to Rs. 626 crores.”

which suggests that there is a general increase in the income of the assesseees who are subject to income-tax.

The second point was:—

“The number of assesses also has increased; it has perhaps even doubled.”

thereby again trying to prove that more and more people are coming into those income brackets which are subject to income-tax and therefore more and more families are getting more income and therefore the health of the economy is quite sound.

His third point was—

“The average income per assessee has actually gone down from Rs. 14,015 to Rs. 13,034; that is the average if you take all the assesseees and the total income.”

which again shows that as per family the income is going down there is greater equality of income among the various families that are assessed.

His fourth point was:—

“The post tax income has gone down from Rs. 11,527 to Rs. 11,054;

that is the difference which the taxation has made.”

thereby implying that the fiscal policy which he is following is a policy which leads to less income per family that is subject to income-tax and to that extent again there is greater equality of income.

The last point that he has made is:—

“I have given figures last time showing that the incomes of the lower grades of the income-tax assesseees were increasing and the incomes at the top were decreasing. That is actually happening and that is our function to do so. Yet that is not acknowledged.”

These are the five points which the hon. Finance Minister made in the other House in order to show that the fiscal policy is following the social objective which has been accepted by the country as a whole. I tried to go into these points one by one and I tried to find out whether the exact situation was such as has been described by the Finance Minister. I came to a very revealing conclusion. In the other House, speaking on another matter, namely, the yields from indirect taxes and the interpretation that should be given to those yields, the hon. Finance Minister very rightly pointed out that we should not take into consideration only the amounts as such and from that jump to the conclusion that the rates of duties have been increased proportionately. One has also to take into consideration the amount of consumption as far as the amounts of excise duties are concerned. When both the things are taken into account, namely, the amounts of consumption and also the rates of excise duty, a clearer picture emerges. May I remind the Finance Minister that while dealing with the picture of incomes as available to families subject to income-tax, the same policy ought to be followed and one should not only take into consideration absolute

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amounts between 1953-54 and 1959-60, as the hon. Finance Minister has done? He has also to take into consideration the rates of income-tax which have been changed during the period. From the figures that are available, one finds that the very relevant income group with which one should engage oneself in dealing with the incomes as they are moving from one income group to another, is the group which has from zero to Rs. 5,000 as annual income. When we take this particular group, which is a very relevant group, in order to find out whether the poor are becoming poorer or not, we have the following picture. In terms of figures rounded off to a thousand, in 1953-54 there were 1,50,000 families that were assessed tax in the income group from zero to Rs. 5,000. In 1954-55 this number was reduced to 1,24,000. In 1955-56 this was further reduced to 1,23,000. In 1956-57 it was further reduced to 1,20,000. This shows that from 1953-54 to 1956-57, the number of families in the income group zero to Rs. 5,000 has actually decreased. Then, suddenly in 1957-58, this number jumped up from 1,20,000 to 1,64,000. Then, in 1958-59 it jumped up to 2,94,000. Now, the hon. Finance Minister is comparing the figure for 1953-54 which was 1,50,000 with 2,94,000 in 1958-59 and then he comes to the conclusion that a large number of families have entered this particular group and, therefore, the health of the economy is very sound.

I was reading in a newspaper the other day a reference to this very point that was made by the hon. Finance Minister in the other House and the commentator there has charged us with either not understanding what the Finance Minister is saying or of understanding what he says but still sticking to our guns because perhaps that is the only hollow argument available to us. It is because of this charge and because this point has been made by the hon.

Finance Minister that I have to go into the details regarding the picture that has emerged from the figures that are available to us. The question that arises is: Why has the total number of families in the income group zero to Rs. 5,000 which was 1,20,000 in 1956-57 suddenly jumped up to 1,64,000 in 1957-58 and 2,94,000 in 1958-59? Is it because of some sudden income generation taking place at the lower levels as a result of which these families were pushed into this income group or is there some other explanation available for it? My submission is that the explanation is very simple and it is that in 1957 the minimum which was subject to income-tax was reduced from Rs. 4,800 to Rs. 3,000. If you decrease the minimum which is subject to income-tax from Rs. 4,800 to Rs. 3,000, it is quite reasonable that a large number of families will suddenly appear in the income group zero to Rs. 5,000. It has absolutely nothing to do with any sudden income generation in the lower income groups. Therefore, a total picture of what is happening to the incomes of the various families in the lower income group has to be taken into account. One has not just only to take the number of families that are subject to income-tax, but also one has to take into consideration the rate of income-tax. My submission is that when the minimum income, to which income-tax is applicable, is lowered, it is but natural that there is a sudden influx of a large number of families in that particular income group. To my mind that also explains the point which has been made by the hon. Finance Minister as to why suddenly the number of families assessed for income-tax has doubled. The doubling is due to the fact that other families are brought into the income-tax bracket, and not due to the fact that certain families have jumped from one economic level to another, as a result of which this particular income group has increased. To my mind that also explains why the average per assessee has gone down from Rs. 14,015 to

Rs. 13,034, because if families from lower incomes are brought in and they are subjected to income-tax, obviously the average income per assessee must be lower. That also explains why the post tax income has gone down from Rs. 11,527 to Rs. 11,054. My submission, therefore, is that the press commentator who was under the impression that the Finance Minister made out a telling case by quoting these figures—because these are the very figures which that commentator also had quoted in his comment—and had come to the conclusion that we are not a reasonable people that we are not amenable to argument, that despite the fact that telling figures are given to us we stick to our own point of view, is not quite correct, because the figures are not telling. The figures do not prove the case which is sought to be proved by the Finance Minister who says that a large number of families are entering those groups which are subjected to income-tax. Then there is also another question, and that is with regard to the concessions that have been given. Just now the hon. Finance Minister has assured this House—and I welcome this assurance—that he is prepared to do all he can in order to give help to the small-scale industry in order to develop. Now, Sir, he has given one concession with reference to the powerlooms which to my mind is a very important concession, not just the concession as such but the argument that he used in defending that particular concession. In the other House the hon. Finance Minister went into some detail regarding the reasons which had prompted him to make this concession, and he said that the most important point was that the fiscal policy as far as small-scale units were concerned had to follow a double policy. One policy is to give enough protection to the small-scale industry in order to enable it to stand in competition with the large-scale industry, and secondly to see that this protection is not so exorbitant that the element of competition completely dis-

appears between the small-scale sector and the large-scale sector. To my mind, Sir, his enunciation of this policy is very important and very sound, and we want him to follow this very objective of giving enough protection to the small-scale industry to stand in competition with the large-scale industry without removing the element of competition altogether, because it is only through such a policy that a healthy competition develops and as a result of that healthy competition the small-scale industry is able to be both efficient and competent to deliver the goods. But if we are giving this thing to the powerloom industry, may I just remind him that there is another industry which also calls for similar treatment? Perhaps his attention has not been drawn to that industry. Sir, I am talking of the plastic cable industry where again we have got the large-scale sector and the small-scale sector. The duties that are levied at present and which are incorporated in the present Finance Bill make the same invidious distinction between the large-scale industry and the small-scale industry which was there with reference to the powerloom industry and the mill industry also and which the Finance Minister was good enough to remove when he found that the distinction was invidious. In this particular case also it has been found that the hon. Finance Minister has reduced the excise duties on those items which are manufactured by the large-scale units while he has not touched the items that are being manufactured by the small-scale units in this industry. He has given some relief to the manufacturers of telecommunication cables and winding wires, and he has reduced the duty from 15 per cent. to 5 per cent., while in the case of other wires the duty still is 15 per cent. It has been found that telecommunication cables and winding wires are mainly produced or perhaps exclusively produced by the large-scale units in this industry, while the other wires are being produced by small-scale units of the industry, and if the same principle of

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giving enough protection to keep up the healthy competition between the small-scale units and the large-scale units is to be followed, my submission is that it should be followed in other industries also, and the Finance Minister should go into this question more thoroughly examining at each stage and industrywise what type of protection is necessary for the small-scale industry. This is a very important question. We have declared it to be our policy to encourage the small-scale industry to the best of our ability. We are giving them credit. We are giving them technical "know how". We are giving them certain preferences. As far as the Government is concerned, when it goes to purchase things in the market, it gives certain preferences to the small-scale units, and even gives them some price preference. If on the one hand we are spending so much money by way of having a large establishment to deal with the problems of the small-scale industries, to help the small-scale industries, to give them the technical "know how", and so on, if we give them enough credit and in certain cases even guarantees by the Government regarding those credits, if we follow the price policy also in order to help the small-scale industries, and if on the other hand through our fiscal policy we create a situation whereby the small-scale industries are at a disadvantage with the large-scale industries, then all the concessions that we have given, all the advantages that we have given and all the money that we have spent in order to encourage the small-scale industries would be of no avail. Therefore, our fiscal policy should be in line with our social policy so that both may go hand in hand and ultimately it will be possible for us to realise the objective of giving as much protection as is possible under the circumstances to the small-scale units in the industry.

Having said this much regarding the principles that are involved in the present Finance Bill, I would like to go on to another question, namely, the

total taxation that is involved and the new taxations that are likely to come in the following years, that is, the remaining years of the Third Plan. As I said in my Budget speech, it is possible that because of the proposals during the first year and the second year, we are likely to get an additional Rs. 800 crores by way of taxation during the full five years of the Third Plan, and because we have to raise Rs. 1100 crores in the next three years, we will have to raise only Rs. 300 crores more in order to fulfil the targets that have been prescribed under the Third Plan as far as the revenue efforts of the Central Government are concerned. But looking at the stiff proposals that are brought by the Finance Minister during the first year and during this year, it looks as if he is preparing for larger amounts accruing through the revenue efforts at the Centre than what has been prescribed in the Third Plan. In my Budget speech I tried to analyse the motivations that must be responsible for this line which the hon. Finance Minister has adopted. It is possible that the hon. Finance Minister does not expect the yield from his borrowing programme to the extent which has been provided for during the Third Plan period, and perhaps he also expects that there may be shortfalls as regards the efforts by the State Governments, and therefore he wants to keep some cushion to deal with the situation if these fears ultimately materialise. As far as the borrowing programme is concerned, the April issue of the Reserve Bank bulletin has given us a rather dismal picture. On page 508 of the Reserve Bank bulletin, April, 1962, the following small sentence appears:

"If the effect of the special factor of PL-480 funds is eliminated, the net absorption of Government securities by the public during the Second Plan period as a whole would amount to Rs. 257 crores or an average of Rs. 51 crores a year as compared to Rs. 290 crores or Rs. 58 crores a year for the First Five Year Plan."

Sir, this is the trend which the Reserve Bank has noticed regarding the subscription to the Government loans by the public. Now, it is well known that during the First Five Year Plan the national income was much lower than during the Second Plan and therefore if there was any expectation regarding the trend, it ought to have been that during the Second Plan period larger amounts ought to have been subscribed by the public to Government loans than in the First Plan period but here quite a contrary trend is noticeable. It is necessary to find out why this trend is appearing and whether something could not be done to see that this trend is reversed.

MR. CHAIRMAN: 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.

MESSAGE FROM THE LOK SABHA

THE PRESIDENT'S PENSION (AMENDMENT) BILL, 1962

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

"In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the President's Pension (Amendment) Bill, 1962, as passed by Lok Sabha at its sitting held on the 18th June, 1962.

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

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

THE FINANCE (NO. 2) BILL, 1962— *continued*

SHRI ROHIT M. DAVE: Madam Deputy Chairman, when the House rose for lunch, I was discussing the response of the public to the loan programme of the Government and was trying to point out that it was rather a serious tendency in the sense that the response of the public had been proved to be poorer during the Second Plan period than during the First Plan period and that the average contribution had fallen from Rs. 58 crores per year during the First Plan period to Rs. 51 crores a year during the Second Plan period. And I was trying to point out that looking to the fact that the national income was rising and the people were becoming more conscious of a developing economy and the need to mobilise the resources more and more, a contrary trend ought to have appeared and that in view of that this trend was disturbing. This trend is to be contrasted with the trend of the public regarding the call from the corporate sector for the investment of their moneys. Here we find that the shares of some of the new companies or of the old companies that are issuing new shares are oversubscribed at times to the extent of fifteen times the capital that has been asked for by the companies. So, here are two pictures; one, the picture of the Government asking the public to subscribe to the public loans and the other, the picture of the response of the public to the corporate sector demanding investments from the public. While on the one hand there is an enthusiastic response to the demand from the corporate sector, on the other there is a very poor response as far as the loan programme of the Government is concerned. This is a matter of some concern, and I feel that the Government should pay more attention than just exhorting the people to save more and to hand over their savings to the Government as the hon. Finance Minister has done more than once. If it would have been merely a question of diverting the money that is coming from the