

NOMINATIONS TO THE BUSINESS ADVISORY COMMITTEE

MR. CHAIRMAN: In pursuance of the provision contained in Rule 28B of the Rajya Sabha Rules, I hereby nominate the following Members to fill the vacancies in the Business Advisory Committee caused by the retirement of four Members of the said Committee from the Rajya Sabha on April 2, 1956, and their consequent ceasing to be members of the said Committee from that date: —

1. Shri S. V. Krishnamoorthy Rao.
2. Shri H. N. Kunzru.
3. Shri M. Govinda Reddy.
4. Shri B. C. Ghose.

ALLOTMENT OF THE TIME FOR THE CONSIDERATION OF THE TRAVANCORE-COCHIN APPROPRIATION (VOTE ON ACCOUNT) BILL, 1956.

MR. CHAIRMAN: I have to inform Members that under rule 162(2) of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I have allotted 30 minutes for the completion of all stages involved in the consideration and return of the Travancore-Cochin Appropriation (Vote on Account) Bill, 1956, by the Rajya Sabha, including the consideration and passing of amendments, if any, to the Bill.

THE APPROPRIATION (NO. 2) BILL, 1956—continued

MR. CHAIRMAN: Dr. Katju.

THE MINISTER FOR DEFENCE (DR. K. N. KATJU): Mr. Chairman, yesterday I am very sorry I could not be present to hear and afterwards congratulate the hon. Member who made a very valuable contribution in the debate and who raised many points

on the Defence Estimates or rather the Defence Provisions. It is desirable that public attention should be drawn to these matters.

I should like to say at the outset that there is no question of the Defence Ministry keeping anything behind from Parliament. It is only the question of security which sometimes motivated us in keeping, say, what seemed to be relevant information. Otherwise it is the responsibility of Parliament, namely, the defence and security of the country, and I quite agree that it is urgently necessary that the people of this great Republic should take the utmost interest in the preservation of safety, security and integrity of the country. I should also like to say that I would ask both Parliament and the people outside to have a little confidence in the Government and do feel assured that we are doing our very best within the limits that Parliament gives us, within the funds that Parliament provides us, to keep the Armed Forces of all kinds in the very best conditions possible, namely, their good morale. We want to equip them well. It would be most unfair and unjust that we should put them into jeopardy without giving them weapons which should be provided for them within our limits. At the same time, I should like to make the widest appeal to every Member of the House for support in keeping the morale of the country.

There was something mentioned about civil defence. Now, when there is any emergency or any contingency, I have no doubt that people will realise it and Government will give them all adequate assistance to protect themselves. But these are matters which need not require any particular attention merely on the off-chance, because they may create a little scare. At the same time, I should like to mention that we have got sufficient scope for the display and also for the development of patriotic fervour for the defence of the country. We have—I think the lady Member mentioned it—the National Cadet Corps. It is

[Dr. K. N. Katju.] doing wonderful work. I am anxious to expand it to the highest extent possible. I am anxious that every college student should have the opportunity of serving in the National Cadet Corps and undergoing the necessary military training. Similarly, we have the Territorial Army. Then, we have the Lok Sahajak Sena. The House is familiar with that. They are holding camps; lakhs of people go there and camps are held all over the country. I want these things to be utilised and expanded as much as possible. Then, we have this scheme for rifle clubs practically at every police station. I want hon. Members, here, other public workers and leaders of the community who are anxious that people should be able to defend themselves whenever there is any occasion, to go and take advantage of these opportunities. They can get themselves trained in the urban areas in the Territorial Army, and they can get themselves trained.....

DR. RADHA KUMUD MOOKERJI
(Nominated): Will they be cannon-fodder?

DR. K. N. KATJU: Well, I am tempted to give an answer, but I do not give it.

MR. CHAIRMAN: That is good.

DR. K. N. KATJU: That is because I hold the hon. Member in great esteem and veneration. Then there is the Lok Sahajak Sena which serves the rural areas, and which, I submit, is quite sufficient for training people in the art of self-defence. Now that, I think, is quite sufficient, and no further civil defence measures are necessary apart from what we know of—air raid shelters and all that. That may be done a little later, and the Government, of course, keeps them in mind. But we do not talk about these things.

Then, Sir, reference was made to some Audit Report. That is how the

Lady Member started. She said that the Defence Ministry was not doing its job quite well, there was over-provisioning, there were lapses, and so on and so forth. She also said that the money which could have been spent for very many beneficial projects was locked up in the defence estimates and was ultimately given back. Now, as a matter of curiosity, I think, the House ought to know that these comments were made mostly on the Audit Report which dealt with the accounts of 1953-54, namely, two years back, and which dealt with many cases which arose in the years 1950, 1951 and 1952, when conditions were not normal. We were then just recovering from the effects of the Second World War, and these cases of over-provisioning came up before the Audit. Now, these are the points which have been raised in this Audit Report. And as you are aware, Sir, there is a Public Accounts Committee whose function is to go into the details of all these matters and to examine them. And I am told that the Public Accounts Committee is at present engaged in the task of going into all these questions and taking steps to see whether the comments, made by the Auditor General are satisfied or not, and whether there is a sufficient explanation forthcoming or not. The Public Accounts Committee has also got to devise the steps so that those irregularities should not occur and there should be no over-provisioning.

I may say one thing in passing, because it will rather be tedious for me to take the House through the merits of each particular thing in detail. Please remember that there is no question of over-provisioning. Whenever an estimate is made, the Finance Ministry takes very great care to see that there is no over-provisioning. Sometimes, it so happens that the money is not spent for certain reasons. For example, we may have got to pay Rs. 5 crores for a certain equipment which may have been ordered from abroad and which may be due to be delivered in the

financial year, that is to say, in 1956-57. But when the dates of deliveries approach, the contractors or the suppliers may ask for a little extension of time, and the result is that instead of the goods being delivered by March 1957, they may be delivered in May 1957, or in July 1957. This may result in the money being held back. Now such things do happen but that does not indicate any lapse on our part or any mistake on our part. Similarly, sometimes it happens like this. In the beginning, say, in October 1955, we find that something is necessary and we hope that the whole process of placing the contract and providing funds and everything else will be gone through and we will be able to get the deliveries by the end of the year. But negotiations take a lot of time, the contract is signed much later than we had imagined it could be signed, and the result is that the goods are not forthcoming by the end of the year and the money is held back. So, that may occur, but that does not indicate any fault or any deliberate over-provisioning on the part of the Defence Ministry. It would be stupid to do so. Why should we do so? There is no motive for that. My hon. friend referred particularly to one item of Rs. 2 crores, recoverable from the Central Ministries and the State Governments. It was asked: Why don't you recover this amount and spend it? Now I went into all the details and I found that most of this money was under recovery from the Central Government and the State Governments. It pertained to certain buildings and other premises which had been rented out to the State Governments for rehabilitation purposes and some other purposes, but the rents had not been realised. And this amount of Rs. 2 crores represents the rents to be realised. Now I submit, Sir, that the House should take this assurance from me that we are most anxious to prepare our estimates as accurately as possible and on the basis that the money estimated should be spent. In the Defence Ministry, we have got a Financial Adviser who keeps a strict watch over these things.

My hon. friend said that we were spending 50 per cent. As a matter of exactitude, that is not quite correct I think, if you only take the revenues, then it may be about 40 to 41 per cent. But that makes no difference, because if any necessity arises, I am sure that Parliament would provide all the necessary funds. So, it is not 50 per cent.; it is substantially much less than that.

Then, there was some reference made about the structure, and there was some comment, what about the establishment of an Army Council? Now this is really a reference to the structure which exists in the United Kingdom. I am not saying anything about the official structure there. Probably it is very good. But so far as we in India are concerned, we went into this matter and we came to the conclusion that our existing structure performed really the same functions. As you are aware, Sir, for the purpose of deciding high policy matters, we have got the Defence Committee of the Cabinet presided over by the Prime Minister. It is not confined only to the Cabinet Ministers, or a few of them, but the Heads of the three Services, namely, the Chief of the Army Staff, the Chief of the Naval Staff and the Chief of the Air Staff, and all other senior officers are the members of that Defence Committee. So, everything is discussed there and decisions in respect of high policy matters are taken by the Defence Committee in consultation with the Heads of the Armed Forces. Then, we have in the Defence Ministry four Committees. We have got the Defence Ministers' Committee consisting of what is called the allied services. Whenever there is any question in which all the three branches of the Armed Forces, the Army, the Air Force and the Navy, are interested, a meeting is arranged. And please remember that it is not confined merely to the Secretaries and the Joint Secretaries of the Defence Ministry. We have got all the Heads of the Armed Services and their Advisers, and we all assemble, discuss the matter thoroughly and then we come to a

[Dr. K. N. Katju.] decision. Similarly, if it is a matter which concerns only the Army or the Navy or the Air Force, then we have got the Defence Ministers Committee* dealing with Army matters, the Defence Minister's Committee dealing with Navy matters, and the Defence Minister's Committee dealing with Air matters. And then again the Chief of the Army Staff, or the Chief of the Naval Staff, or the Chief of the Air Staff, attended by his Advisers comes there, and there is complete collaboration between all the officers. The whole matter is thoroughly discussed before any decision is taken.

Now, this is I understand, the essence of the Army Council in England, and we have got the same procedure here. It may be that the name is different. Otherwise, the essence of the matter is this that in regard to these questions of high policy relating to the Army, the Navy and, the Air Force, there should be constant and continuous consultation between the Army Headquarters, the Naval Headquarters and the Air Headquarters and the Minister in charge. I can assure the House that this process continuously goes on in committee meetings and outside committee meetings, and there is continuous discussion between the various Headquarters and the Ministry, and I submit that no other use can be served by the appointment of an Army Council.

I should like to make just one passing reference to a matter raised by the hon. lady Member. She said that the Army should be well-equipped. I entirely agree. We want to be self-sufficient in the highest degree and in order to be self-sufficient, we say we are prepared to have equipment which may be 99 per cent, or 98 per cent. Indian, because we do not want to depend on others, but within this small limit, it is our utmost anxiety to give our troops, to our ratings and to everybody, the very best arms and ammunition that can be given.

There was some discussion about rifles. Now, I do not want to go into details here, but it was said that the

rifles we have got are not of the latest type, and some reference was made³ to new designs. I just want to refer to one matter, viz. that in Western Europe, where you have the North Atlantic Treaty Organisation, N.A.T.O. in existence, I understand that steps have been taken to standardise arms, particularly rifles, and therefore whatever might have been used in America or in England or in France, they want to standardise, and there may have been some change, but I can assure the House that, so far as we are concerned, our troops, our armed forces, are as well equipped as it can be done.

Then came some comment about the M.E.S, Military Engineering Service.

SHRI H. C. DASAPPA (Mysore) : You have got the .303 rifles going on even now.

DR. K. N. KATJU: I do not know whether there is any doubt whether these rifles are capable of shooting people.

DR. RAGHUBIR SINGH (Madhya Bharat): They are not as speedy as the latest rifles.

DR. K. N. KATJU: The hon. lady Member referred to the American practice. I should like to make it quite clear that we are not following that. Maybe in America or in England the M.E.S. is over-staffed, they have got lots of engineers and technically qualified people, and the result is that they do not know what they can do. Therefore they take contracts of civil works—Here, our Military Engineering Service is strictly limited for the performance of their military tasks viz. to keep barracks and military buildings and to supervise their construction. Therefore, their number is much smaller. Indeed, I think, it is a little too small and we are taking steps to increase the number. It is an expensive job but still we want to increase it to some extent, because in the coming two or three years we are going to spend a lot of money in providing what is called married accom-

modation for officers and men and covered accommodation for our vehicles in the next Five Year Plan and they may require about Rs. 50 crores or so. We want to have a little extra staff so that this work can be done. Otherwise, there is no question of the M.E.S. being inadequate for the job that they have got to do.

There was another comment that our sappers and miners are not adequate. I should like to differ from that, because according to my information, they are perfectly adequate for all the jobs that they have to do. There has been no complaint, and I am perfectly certain that our Army Headquarters, if they had the slightest ground for thinking that they should have some increase in the M.E.S., they would have been the first to say so. These sappers and miners deserve the gratitude of the country because they are doing a lot of fine work. They are constructing roads in the N.E.F.A. area, in Nepal, etc. and airfields. Their strength is quite sufficient. There is no difficulty about that.

The hon. lady Member probably knows Bombay conditions very well, and she referred in passing to the Naval Dockyards at Bombay. She said that there was one European Engineer there.

SHRI H. N. KUNZRU (Uttar Pradesh); Architect.

DR. K. N. KATJU: The situation is this that this is our construction. It is a very important work. Our man is in charge. Our M.E.S. is there, but in the normal manner we have had to employ what is called a consulting architect inasmuch as this is a work which requires high technical skill. Consulting architects have been selected from suitable firms in England and their representative lives on the spot. But so far as measurements and signing of bills are concerned they are done by our men. They are taking the assistance or seeking the advice of that consulting architect. I may assure hon. Members here that we are

Indianising the Services with the utmost rapidity. Some reference was made to the Ordnance Factories. It was said that out of 20 officers, ten are Europeans. That is not quite correct. Please remember that the number of European officers gazetted and non-gazetted, in the entire Ordnance Factories was about two to three thousand. It may now be twenty to thirty. What am I to do? They were there before the advent of independence. They were Government servants, permanent and confirmed. Some have gone away, I do not know how many, but some have remained, and they are doing their work. We have no complaint against them. Otherwise, unless there is the strongest motive, the strongest ground for engaging European officers because of their technical knowledge and all that, the practice has been to Indianise the Services from the Chief of Staff downward. You may have read in the newspapers that the Flag Officer (Flotilla) ¹ndian Fleet is going to be an Indian in another four or five months. Therefore, I suggest that there should be no anxiety on this score.

Then, lastly, something was said about the manufacture of goods, and it was suggested that our Ordnance Factories are not fully employed. Now, that again is a mistake. Some reference was made that orders were being placed abroad for goods which may be manufactured in our Ordnance Factories. On that point I should like to make a categorical statement that no order is ever placed with any outside factories for any goods which can be produced or manufactured in any Ordnance Factory in India. Please remember that it is not a question that you can develop it with five or ten years. That is a different matter. I am talking of goods which can be manufactured today by way of mass production, and whenever we need them, we manufacture them at once.

Therefore there should be never any suspicion, never any doubt about, the matter that any goods are being brought from abroad which can be manufactured here.

DR. RAGHUBIR SINH: What about army boots?

DR. K. N. KATJU: My hon. friend is thinking of boots.

SHRIMATI VIOLET ALVA (Bombay): I pointed out last year also about boots that the lot was brought from abroad at higher costs.

DR. K. N. KATJU: Then there is one thing more which I would like to mention here, namely, about the use of specialist machinery. That cannot be done because there is some machinery which cannot be properly adjusted.

Then some reference was made by the hon. Lady Member—a rather important point—to the National Defence Academy and admissions and it was thought that the Bombay boys were rather quite suffering. What is the rule? Now today, the age of admission is between 15 and 17½; the military authorities are rather, what shall I say, a little concerned about. They want the young people to go at an early age because they say they don't want young men who have already formed impressions and I should have thought that the age of 17½ was quite high to allow any boy to pass the matriculation examination but I shall look further into this matter.

Finally the hon. lady comes from the coastal area and she said that some preference should be given to the men living there—the fisherman. I am personally most anxious but one thing which does me personally the greatest good and causes the greatest joy is, whenever I go to a Naval Establishment, I am delighted to see among the ratings and among our Petty Officers, the naval officers represent every State in the country. There is the gallant Punjabi, then you get the Madrasi, the Bengali—I don't know what they call themselves—coastal people and all that. Therefore I should like to have representatives from all over India.

Finally Dr. Kunzru, whom I consider as a great authority on military matters, referred to the question of salaries and all that.

SHRI H. N. KUNZRU: I referred to the question of recruitment of the proper type of officers and the question of salary came in incidentally—

DR. K. N. KATJU: He referred to both questions. It is a matter of great importance. I can only say this that the matter is engaging attention. Please remember that this question of salaries and recruitment and all that has been continuously under consideration since the advent of Independence. I am not only referring to the Varadachari Report but there has been a report on which the military authorities themselves were represented in 1948-1949 and conditions of service were determined, salaries were determined, pensions were determined but even then I quite recognise the importance of the matter because we are all anxious to have the best men in our Services, best young men and I want to keep them contented, I want to keep their morale high and I will not go into the details of it but I may assure my hon. friend there and everybody else that the matter is engaging the attention very actively.

DR. RADHA KUMUD MOOKERJI: He has not answered the question about the quality of military equipments.

MR. CHAIRMAN: Dr. Mookerji talks about the quality of military equipment. Dr. Kunzru.

SHRI H. N. KUNZRU: I wanted to know whether the Government or the Commander-in-Chief had enquired into this question of the quality of the officers recruited. If so, would it be possible for the Defence Minister to place a copy of the report of this committee in the Library of this House or to supply it at least to those Members who are interested in Defence matters?

DR. RAGHUBIR SINH: On a point of information. I want to know-as to what has been done by the hon. Minister to carry out the promise made by him last year in answer to my speech in this very House on the Appropriation Bill to produce a more informative report. I find that the report of this year on Defence Ministry is not a whit different from those of last so many years.

DR. D. H. VARIAVA (Saurashtra): Is the hon. Defence Minister thinking of introducing prohibition in the army?

SHRI JASWANT SINGH (Rajasthan): The hon. Minister just now-referred to the Sikhs as gallant soldiers. About others he spoke only as Madrasis, Bengalis and so forth. Does he think that the others are not gallant?

DR. K. N. KATJU: I am only sorry that he should have made this remark. So far as my friend Dr. Raghbir Singh is concerned, I think that the report gives all the necessary information.

DR. RAGHUBIR SINH: He promised to improve it. That is why I said "promised in this House" and he has not done it.

DR. K. N. KATJU: I have improved it as much as I possibly could. As far as Dr. Mookerji is concerned, the army equipments are very good in quality. Everybody is satisfied with it and also the armed forces. For the army equipments which cannot be manufactured in India, we are trying to secure them. So far as my hon. friend Dr. Kunzru is concerned, I did not quite appreciate what he is referring to because so far as the standard of the young people who are coming out of our Defence Academy and Service ranks are concerned, no one has said to me that they are in any way inferior or in any way not of the requisite standard. Enquiries

are being made. I cannot promise to lay before this House any par lie mar paper unless I look at it myself and if I think that it is desirable that it should be placed before the Parliament I will do so.

Then the last question was about prohibition. I am very happy that this question has been put because I should like to assure you that our armed forces have people of whom the country may well be proud of. So far as the Other Ranks are concerned, they are very abstemious, very austere and men of very decent character. So far as our officers are concerned, that is also so. Of course if you go to those officers, they say, as Dr. Kunzru said, "Look at our salaries. Even if we want we cannot do it." Therefore, the Army, from every point of view—the officers and men—are behaving well. They are very decent fine lot and please remember that before the Prohibition Committee three senior most officers went and said that whatever may be the policy which the Government decides upon in so far as prohibition is concerned, they will find the armed forces foremost in complying with it and carrying out that policy.

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): Sir, I have heard with care and attention the speeches of the hon. Members who participated in this debate. Many of the speeches were very interesting and instructive. Various points were raised with regard to various administrative Ministries and I am happy that my task has been made lighter by the intervention in the debate by the Prime Minister, by the Defence Minister, by the Health Minister, by the Minister for Communication and by the Deputy Minister for Education.

[MR. DEPUTY CHAIRMAN in the Chair]

Sir, this debate has been rather an interesting one. My hon. friend Dr. Raghbir Singh went as far back

[Shri M. C. Shah.] as the year 1621 when a surgeon was appointed to shave heads at the rate -of two pence per head.

DR. RAGUBIR SINH: Not to shave, but to cut the hair.

SHRI M. C. SHAH: And then he went to the year 1836 when there was some wedlock between the western and eastern systems of medicine and then he complained about the loss of some letters here and there and to this the hon. Minister for Communications has already replied. My hon. friend Dr. Raghbir Singh spoke also about other matters like defence and these points have already been answered in detail and so I need not refer to these things, to the missing of some letters or cuttings from newspapers. The hon. lady Member rather complained that the Defence Minister was not here, but she has been fully replied and so I do not think she will have any grievance about the points that she has made. Much time has naturally been taken by all these hon. Ministers in replying to the various points raised and so I think I will not have much time left in which to reply to the various interesting points that have been raised here, specially by my hon. friend Mr. Sapru who made a very valuable contribution with regard to the question of the functions that should be discharged by the Government to achieve the socialist pattern. The question of unemployment was also raised. My hon. friend Mr. Sapru also raised the question of the direct and indirect taxations and asked us whether the fruits of the rise in the national income have gone deep into the lower classes or the lower income groups in the country. Shri Kishen Chand raised the question of the rates of interest on the loans given to the States and my hon. friend Shri Sinha raised the question of the price parity between the agricultural produces and manufactured goods. All these points, Sir, will require a detailed reply and I

am sure hon. Members will be indulgent to me if I tried to give in brief the picture as the Government sees it on these points.

My hon. friend Shri Saksena—he is not here in the House just now—complained about the taxes on food grains. I submit that at least taxes on foodgrains do not come within the purview of the Central Government Budget. He must, I think, have referred to the sales tax recently imposed on foodgrains and on things like gur and kerosene and other commodities by the Uttar Pradesh. But the best forum to discuss this matter, I believe, is the floor of the Legislative Assembly of Uttar Pradesh.

SHRI RAJENDRA PRATAP SINHA (Bihar): But the Finance Minister agreed to their proposal. The Centre's sanction was required and it was quite legitimate for Mr. Saksena to have raised that point.

SHRI M. C. SHAH: Of course, the Central Government acts on the advice and recommendation of the Taxation Enquiry Commission; but it is for the Government of Uttar Pradesh to consider whether such a tax can be borne by the people of that State or not. Therefore, the Central Government is not at all responsible in the matter.

SHRI RAJENDRA PRATAP SINHA: But it is a question of policy.

SHRI M. C. SHAH: But my hon. friend did not raise that point and I don't know why he should unnecessarily take away by these interruptions even the few minutes that are left to me. I have only a few more minutes at my disposal. I do hope the Chair will kindly be indulgent and give me a few more minutes.

As I said, the various Ministers have replied to various questions; but so far as the Finance Ministry is concerned, let me have a little time to give replies to the points raised which concern the Finance Ministry.

I am sure hon. Members will be indulgent to that extent.

Now I will take up my first point. Shri Sapru raised the question that in a socialistic economy the direction of investment and the control of investment must rest in the hands of the State and that in a socialistic economy, the public sector must dominate the private sector. Sir, Government do recognise that in a socialistic pattern of society, the direction and control of investment must rest in the hands of the State. We are entirely in agreement with the view put forward by my hon. friend. The Draft Outline of the Second Five Year Plan, for example, say on page 9:

"Major decisions regarding production, distribution, consumption and investment—and in fact the entire pattern of socio-economic relationships—must be made by agencies informed by Social purpose.

Further on, it says:

"The public sector has to expand rapidly and the private sector has to play its part within the framework of the comprehensive plan accepted by the community."

Further, in the Draft Outline of the Second Five Year Plan, 62 per cent, of the total investment proposed is in the public sector and only 38 per cent, in the private sector. In the First Five Year Plan the shares of the public and private sectors in the total investment were equal, roughly 50 per cent. each. So now there is this shift in favour of the public sector. Apart from the large investment that is proposed for the public sector, Government has its own powers for influencing the pattern of investment in the private sector, as for example, by the Industries Development Act, by the Control of Capital Issues, or by the import and export control and by the supervision of bank credit by the Reserve

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Bank. Again while the Government recognises that the public sector has a crucial part to play in the development of the country, it must also be emphasised that as long as the private sector also is expected to play its part within the framework of the Plan, it should be encouraged to perform its proper functions with initiative and enterprise. The accent in the socialistic pattern is positive, that is on development, enhancement of social purposes and greater equity.

A large part of the private sector in the country is in agricultural and small enterprises. For this sector the Government is doing everything to help the private producers to increase their productivity and competitive power. More and more we have to think not in terms of distinct sectors as the private and the public sectors, but in terms of the interpenetration of the two sectors in the common cause of the development of the country. So what my hon. friend Mr. Sapru advocated, he will see from what I have said now, we are in agreement with.

Another important question raised by Mr. Sapru—and it has also been referred to by other hon. Members—is that of employment and unemployment. That question comes up again and again in both Houses of Parliament. I would like to submit that the Government is seized of this problem and in fact, the provision of employment opportunities on an adequate scale has been accepted as a major objective of the Second Five Year Plan. Very soon hon. Members will have an opportunity—perhaps in a month's time or so—in the near future of discussing this Plan and its employment content.

In the meanwhile, I would like to urge the following points for the consideration of hon. Members. Employment is a long-term problem in India. It is in fact another aspect of the general problem of development, the same factors such as the limited resources of the country which limit

[Shri M. C. Shah.] the rate of growth of the economy likely to increase new employment. None-the-less, we are making a bold bid for employment and development in the Second Plan which is going to be more than twice as large as the first one. According to the Planning Commission, the Second Plan will provide new employment opportunities for 8 million persons outside agriculture. In addition, the increase in irrigation facilities and other measures such as those for soil conservation, will increase employment opportunities in agriculture. Under-employment among persons dependant on village and small scale industries is also expected to be reduced. Altogether, Sir, the prospects of the new employment in the Second Plan are good. We are also taking steps to promote the growth of village and small scale industries which are employment giving. The main point is to increase their productive capacity, their productive efficiency and reduce their disadvantages in nidi jtteting and in the supply of raw materials. The objective is not merely employment for the sake of employment but employment at rising levels of income which means better technique and more capital. That is why the problem of employment is closely related to that of raising resources. If we want more employment, if we want more investment, then we must be prepared to make the necessary sacrifices for finding the resources for this investment. My hon. friend, Mr. Sak-sena, was very critical about the taxation proposals. He said that people were tired of taxation and that they could not bear any more of taxation. We want to raise the standard of living; we want to raise the *per capita* income. For this, we will have to spend more than 4800 crores to develop and expand the economy of the country. I do not know how that can be done unless we raise the resources for this purpose. We must be prepared to face the problem very boldly and squarely; we must be prepared to tell the people that if the people are desirous of improving their lot,

of raising the standard of living, of raising the national income, then they must pay. After all, what is it that they have to pay? The generations that would follow would bless all those who make the sacrifices now, in making the country more and more prosperous and economically more and more sounder. Therefore, I believe that my friend, Mr. Sak-sena, has rather missed the bus when he suggested that the people should not face these taxation proposals. As Congressmen who have devoted their lives to the service of the country, we must be prepared to face boldly this problem. Do we want our country to be prosperous? Do we want our living standards to become higher and higher? Do we want to raise the *per capita* income of our countrymen? If we do, then we will have to take every pie from everybody. We will have to have a very bold Second Five Year Plan; we will have to have a third plan also a very bold one and in order to find the resources we will have to tax the people to the maximum limit possible.

SHRI B. C. GHOSE (West Bengal): The hon. Minister made an appeal to Congressmen. Let Congressmen pay the taxes.

SHRI H. P. SAKSENA (Uttar Pradesh): I might have missed the bus but my friend, Mr. Shah has hopelessly misunderstood me.

SHRI M. C. SHAH: I am not yielding; I will not yield. I hold the field firmly.

I now come to another important point made by my friend, Mr. Sinha. He said that there should be parity in the prices between the agricultural products and the manufactured goods. I have looked into the matter and into those figures that he had quoted from the Eastern *Economist*. Taking the figure 100 as base for the year ended August, 1939, he will find the price index for the major group of commodities to be as follows:

All commodities 391 as against IOO base in 1939.

Cereals 459 as against IOO base in 1939.

Pulses 351 as against IOO base in 1939.

Industrial raw materials 471 as against IOO base in 1939.

Semi-manufactures 375 as against IOO base in 1939.

Manufactures 376 as against IOO base in 1939.

He will find from the figures given just now that the manufactured and semi-manufactured goods have risen by 275 per cent, only, cereals by 359 per cent, the industrial raw materials by 371 per cent., and so on. When he contended that the agricultural products were getting lower prices and that the manufactured goods were getting higher prices and that there should be parity in prices between the agricultural goods and the manufactured goods, I think he was not right. He also knows that whenever the agricultural prices go down, the policy of the Government is to support the prices; likewise, if the prices go high, it is Government's duty to see that they do not go very high. Therefore, the point raised by Mr. Sinha is not very correct.

Then there were points raised by Shri Dasappa and Shri Sapru about direct and indirect taxes as also whether the rise in the national income by 18 per cent, was truly reflected in the standard of living of the common man, or the people with low incomes. Regarding direct and indirect taxation, this question has been raised in this House as well as in the other House; practically for the last two or three years, I am hearing the same point. Regarding direct and indirect taxation, it has been said that the incidence of indirect taxation which falls on everybody is high when compared with the incidence of direct taxes which has been declining in recent years.

Now, Sir, this question, as I said, of direct and indirect taxation is referred to in both the Houses of Parliament in every Budget discussion and it has been already dealt with by the Finance Minister here as well as in the Lok Sabha. Here it was replied to on the 8th March, 1956 and there it was on the 16th March 1956. It has been dealt with by the Finance Minister and I do not think I should read out from that speech, because it is a very long one and perhaps it may take some time. It has been printed and circulated to the hon. Members, I believe. I refer hon. Members to page 16 of the Finance Minister's speech delivered here on the 8th March 1956 where he has said, "Next I come to this question of taxation and there all the old matters have come up, the distribution between direct and indirect taxes, the question of ceiling on income as distinguished from...." I am not concerned with the ceiling on income here because that point was not raised. He then goes on, "With regard to the distribution of taxation also, I have given figures in the past which show that, generally speaking, in the few years, if certain fortuitous circumstances or certain violent variables like export duties and so on, are omitted, then we have for the stage of development of our country, a reasonable distribution of taxation between direct and indirect. The figures, without these allowances, are these. In 1955-56, in the revised estimates, they are, direct 39 and indirect 61. According to the Budget they should be 41 and 59. For 1954-55 they are 39 and 61 and for 1953-54 they are 43 and 57. That is because some of the export duties were still in existence and they were yielding a lot of income. Export duties are not recovered, so to speak, from the people so much. 1952-53 and 1953-54 were years in which we secured considerable revenue from export duties, and the figures were 45-55 and 48-52 and so on and so forth. Then there are various complicating factors like recovery of arrears of Excess Profits Tax and so on. I, do not think it is worthwhile paying so much attention

[Shri M. C. Shah.] to the precise distribution between direct and indirect taxation and it is no criterion of the socialistic pattern in a country. Indeed one would find that in countries which are under an authoritarian regime, there is hardly any direct taxation. In U. S. S. R., I think it is about 10 per cent.; the rest of the taxation is necessarily indirect. On the other hand, in countries which are recognised as socialistic countries, the proportion of direct taxation is quite high. In Canada it is 62 to 68 per cent.; in U.S.A. 70 to 78 per cent. If you come to backward countries, relatively speaking, in Brazil it is between 38 and 39 per cent.; in Chile 25 to 32 per cent.; Burma 15 to 16 per cent.; Ceylon 30 to 38 per cent; Japan 51 to 63 per cent.; Pakistan 19 to 22 per cent., and so on and so forth."

Every now and then it has been said that we are not raising direct taxation, but we are raising taxes by indirect means. I think that that bogey should be abandoned now. As a matter of fact, if we just look to the number of income-tax assesseees, maybe about 6 lakhs or so, they have to pay, if their income is above Rs. 4,200, and the proportion of the direct tax which these half a million people pay, to the total income they earn taxes is about 16 per cent. Therefore, Sir.....

SHRI H. C. DASAPPA: Are the corporations and companies also included in these income-tax figures?

SHRI M. C. SHAH: Well, that is the proportion of their direct tax to the total income they get. They are half a million people and they each paid as individuals. I have already spoken of the position in Russia where direct taxation is only about 10 per cent. In England the ratio of direct to indirect taxes is 54 : 46. The number of direct tax payers in this country is less than one-fourth per cent, of its population. The exemption limit of Rs. 4,200 here for income-tax should be compared with

the small income relief given on incomes up to Rs. 250 in the United Kingdom, where the national income is very much higher. So we have given relief to all those people who have an income of less than Rs. 4,200. Of course the Taxation Enquiry Commission has recommended that we should bring it down to Rs. 3,000. That matter was considered and we thought that looking to the administrative burdens and at the same time looking to the revenue we may get, it is not desirable that we should bring it down from Rs. 4,200 to Rs. 3,000 this year.

SHRI H. C. DASAPPA: My simple question has not been answered. When he talks about the probable.....

SHRI M. C. SHAH: I am just coming; wait for some time. Now the limit of Rs. 4,200 is of course not unalterable. Government are considering this question. The choice, however, lies between collecting the same money directly or indirectly, not only from the economic point of view but also from the administrative point of view. The greater the increase in tax revenues desired, the larger is the part that indirect taxes may have to play in bringing out such result. It is wrong to say that all indirect taxes fall on the poor or even equally on the rich and the poor. For instance, export duties do not fall on the local people at all. Even in respect of other indirect taxes, duties such as on motorcars, imported liquor, cigarettes, cosmetics, etc., fall mainly or wholly on the richer classes of people. In the current Budget also we have had a judicious blending of the two. We have raised direct taxation by about Rs. 10 crores and indirect taxation by about Rs. 25 crores.

SHRI B. B. SHARMA (Uttar Pradesh): Hitting all.

SHRI M. C. SHAH: The direct-tax payers are only one-fourth per cent, of the population, that means four-hundredth part, that is half a million out of a population of 36 crores.

SHRI B. B. SHARMA: Out of these who are paying the direct tax in the form of land revenue, agricultural income-tax, etc.?

SHRI M. C. SHAH: Now, Sir, the income from direct taxation has been raised this time and it will just give us 10 crores of rupees more whereas indirect taxes will give us Rs. 25 crores more. Now, Sir, if you want

SHRI B. B. SHARMA: With your permission, Sir, I will put a pertinent question on this question of income-tax

SHRI M. C. SHAH: I will give all replies to the income-tax question. There is going to be the Finance Bill now soon after this Appropriation Bill is passed. There are so many clauses on income-tax and my hon. friend, if he will keep patience now and speak on those income-tax clauses or in the general discussion on the Finance Bill, on income-tax matters, I am prepared to give a satisfactory reply. I do not know whether he will be convinced by that reply. If he has an open mind I am sure he will be convinced, but if he has got certain set views formed in his mind, I am sorry that it will not be possible for me to convince him even if I speak for hours together.

Now, Sir, the position is this. As I said, the Second Plan is a Rs. 4800 crore Plan. Therefore it has been already stated that we would have to resort to Rs. 225 crores by way of additional taxation during this Plan period. Still there will be a gap of Rs. 400 crores, and this Rs. 4800 crores is not also the final figure. There will be an additional expenditure to the extent of Rs. 300 crores or more, for Defence, coal etc. We want to subsidise the Ambar Charkha, which will take about Rs. 80 crores. All told that will be about Rs. 300 crores or so. Therefore in order to find the resources we will have to raise more and more money by taxation, and when we are just having deficit financing to the extent of Rs. 1200

crores, it will not be difficult to mop up 10 per cent, of the money that will be injected into the people or rather the money incomes that will rise in the hands of the people by these developmental works financed from this deficit financing also. So, Sir, these Rs. 225 crores additional taxes will have to be raised in the next five years if we want to get through the Second Five Year Plan. Now the choice before us is whether we want to have this Second Five Year Plan, which is a very bold one, or we want to curtail the expenditure on the developmental works. If you want to curtail, well and good. In that case the pace of progress will be rather slow. Do you want to have the pace of progress a slow one or a rapid one? I for one always want to have rapid progress and therefore I am prepared to support higher and more and more taxation in order to get the necessary finances, the necessary resources.

MR. DEPUTY CHAIRMAN: How much more time, would you take, Mr. Shah?

MR. M. C. SHAH: I will take about twenty minutes.

MR. DEPUTY CHAIRMAN: So you can continue in the afternoon.

SHRI M. C. SHAH: Just one minute, Sir.

Now, Sir, a question was raised about direct and indirect taxation and the number of half a million who are subjected to direct taxation. They are all individuals.

MR. DEPUTY CHAIRMAN: You can resume after lunch.

The House stands adjourned till 2-30 P.M.

The House adjourned for lunch at one of the clock.

The House reassembled' after lunch at half past two of the clock,

MR. DEPUTY CHAIRMAN in the Chair.

SHRI M. C. SHAH: Sir, before we dispersed for lunch I was just saying something about direct and indirect taxation. There were certain points made by some hon. Members that we were having more through indirect taxation and less through direct taxation. I mentioned that there has been a judicious blending of both. In this Budget the revenue through direct taxes is Rs. 10 crores and through indirect taxes Rs. 25 crores. Under direct taxes, I mentioned that half a million individuals were paying income-tax and they were paying 16 per cent, of their income. A question was raised whether that half a million included corporations or whether they were individuals. Sir, they are all individuals. Then I was mentioning that in the Second Five Year Plan we want to have an outlay of Rs. 4,800 crores. I was also mentioning that an additional sum of more than Rs. 300 crores. Perhaps Rs. 400 crores will be required for Defence, coal, petroleum, Ambar Charkha etc. As regards Ambar Charkha I stated that the subsidy according to the present calculations would be of the order of Rs. 80 crores. Of course the investment for the Ambar Charkha will be about Rs. 200 crores as was stated by the Prime Minister yesterday, and all those questions will be decided later on as was indicated by the Prime Minister after going into all the factors concerned. I was also, saying that if we want to raise the resources required to implement the Second Five Year Plan it is impossible to confine exclusively or even mainly our attention on direct taxes. Those who have gone through the Taxation Enquiry Commission's Report will find that we will have to fall back more and more on indirect taxes. I was also making a point that indirect taxes do not fall entirely on the common man as has been made out by some hon. Members. I mentioned some of the items in which these import duties fall on the

richer classes of people. Export duties do not fall on the common man. Therefore we have to leave alone now the question often raised about the distribution of taxes into direct and indirect taxation. Of course we have that ideal of socialist pattern of society before us and so we will have to see that disparities in wealth and income disappear slowly and slowly and for that measures are already being taken and will be taken. We have already had the Estate Duty though yet the income that we derive from that is not very satisfactory. This year we will collect about Rs. 1,70,00,000 which is of course a great improvement on the collections during 1954-55. Then we have had the new Companies Act wherein we have tried to bring down the remuneration of the managing agents and others concerned with the management of the companies. We have had the nationalisation of the Imperial Bank and now we have got the State Bank of India and the latest to be nationalised was insurance. So in order to achieve the socialist pattern of society all necessary measures are being taken one after the other. The moment we consolidate one step, we take another. Therefore I was just appealing to my hon. friends not to concentrate too much on the question about the percentage of direct and indirect taxation.

Now, there was one important point made by my friend Mr. Dasappa who is not here. He asked whether the increase in the national income during the First Five Year Plan was reflected in the standard of living of the lower income groups. Firstly the statement that he made that there was an increase of 18 per cent, *per capita* during the First Five Year Plan is not correct. There is an increase of 18 per cent, in national income but in *per capita* income it is only 11 per cent. We have to take into account the increase in population which is about 1.25 per cent, per year. There is an increase in population of about 7 per cent, and therefore the *per capita* income comes to 11 per cent. So the statement that the *per capita* income had gone up by 18 per cent.

is a fallacy. It is only about 11 per cent. Now, he was not rather correctly interpreting what the Finance Minister had stated in his Budget speech, Part B. He had not perhaps looked at the reply that he gave on the Finance Bill in the Lok Sabha or to the general discussion of the Budget in this Rajya Sabha. The Finance Minister put a poser on the problem of distribution of increases in the national income achieved in the first Plan period. He made this statement in the Lok Sabha on the 17th April:

"I doubt whether any very definite conclusions can be drawn in a country in which the statistical apparatus has not yet been fully developed. We know the overall figures that national income is estimated to have increased by 18 per cent, and that in *per capita* terms the increase works out at 11 per cent. Therefore not the most unkind critic of the Plan could deny that there has been a general improvement in the economy. Unfortunately, the available data do not permit of an analysis of income increases in terms of economic classes or social groups. It is possible that some classes or groups may have benefited more than others. But I doubt if there is any warrant for the conclusion that the common man had been left entirely in the cold. Moreover, the common man is not very easy to locate in this country, because almost everyone is a common man. Nevertheless, it is hard to believe that the increases that have taken place in the production of foodgrains raw materials and industrial products have not benefited, shall we say, the mass of the people."

We know that the consumption of sugar has gone up from nearly ten lakh tons. The production will be about seventeen lakh tons. And it cannot be said that all this increase in production has been consumed only by the richer classes or by the upper classes. Consumption by the common man has increased. And how can the con-

sumption increase unless he had the means to pay? Now, consumption of cloth also has gone up. From ten yards per head it has gone up to 15 yards or so. Now, I may say that in that way production has gone up in other fields also. . Production of even consumer goods has gone up in the country and, therefore, it is safe to conclude that a certain percentage of this increase in income has gone to the common man. And so when my friend, Mr. Dasappa, posed the question as to whether the common man was benefited at all—and he tried to put out the Finance Minister by his argument—his argument was a fallacious one, as I have shown.

Now, Sir, I would not like to go at length into this matter because I have to see to the time also and have to reply to some other points made by other friends. Now my friend, Mr. Saksena, was very critical about the payment of privy purses to the prin-cai. He said that the payment of privy purses to the princes be discontinued and the money utilised for the welfare of the inhabitants of the States concerned. This question also has been raised very often and it has been replied to. Still I will attempt again *to* reply *to* the criticism of *my* friend, Mr. Saksena. The merger or the integration agreement executed by the rulers of former Indian States provided for the payment of a fixed annual privy purse free of taxes to the rulers and their successors. The covenants and the agreements do, however, provide for reduction of privy purse amounts in certain cases. Also, in the case of rulers whose privy purse amounts have been fixed at a figure exceeding rupees ten lakhs per annum, there is provision that these amounts should be payable only to the present rulers and not *to* their successors for whom provision will be made by the Government of India subsequently. For the rest payments of privy purse amounts are charged on the Consolidated Fund of India under article 291(1) of the Constitution. These payments *cannot*, therefore, be stopped unless the Constitution is amended. We know of ins-

[Shri M. C. Shah.]
 tances where the amount of the privy
 purse has been reduced. In the case
 of the Maharaja of Baroda, the
 privy purse was—I speak subject to
 correction—if I remember rightly
 Rs. 26 lakhs. When the Maharaja
 was deposed, his successor or his heir
 was given only Rs. 10 lakhs. The
 other day, in the case of the Maha
 raja of Bikaner also, it was reduced
 to Rs. 10 lakhs. So, wherever the
 privy purse was more than Rs. 10
 lakhs it had to be reduced according
 to the circumstances

SHRI JASWANT SINGH: It is in
 accordance with the agreement and covenant,
 not an arbitrary thing.

AN HON. MEMBER: That is an old
 agreement.

SHRI M. C. SHAH: Now, we have provided
 it in the Constitution and it is charged on the
 Consolidated Fund of India. At the same time,
 when we gave them some solemn promises
 when we took over those States and integrated
 with the rest of India, it behoves us to honour
 those solemn assurances and, therefore, I
 think if we raise this point year after year to
 my mind it does not look good. After all they
 had made sacrifices when, they gave over
 their princely States and in return for their
 sacrifices these sums were fixed after taking
 into consideration all the circumstances then
 existing. Mr. Saksena wanted to raise this
 point and I hope that he must have been
 convinced that the time is not yet opportune to
 amend the Constitution and to do away with a
 solemn promise given by the Government.
 Perhaps he is already aware that already the
 Prime Minister had appealed to effect
 voluntary cuts. We must leave it to them and
 at least we must consider that they are also
 patriotic citizens and they will rise to the
 occasion whenever any sacrifice is demanded
 of them.

Now, Sir, Mr. Kishen Chand raised the
 question of the national laboratories and their
 work. After all that ought to have been replied
 to by my friend, the Minister for Natural
 Resources. I will only point out that his
 apprehensions are not correct. He referred to
 the establishment of national laboratories all
 over the country at considerable cost and
 wanted to know what work was being done by
 them, apart from the invention of solar cooker.
 Practically he was in a carping mood and it
 appeared to me that he tried to ridicule the
 work of the national laboratories by stating
 that only solar cooker was invented. He is
 ignorant perhaps of the researches made by
 these laboratories and also what valuable work
 those laboratories are doing today. I wish the
 hon. Member had gone through the
 administrative report of that Ministry and if he
 had taken the trouble to go through that report,
 perhaps he would not have made this criticism.
 There the achievements of the laboratories are
 mentioned and I may mention to him that the
 number of inventions which have already been
 reported for development ranges between
 eighty and ninety and that negotiations are
 afoot for the commercial exploitation of every
 one of them. With regard to the scrutiny of
 expenditure also, the accounts are audited by
 the Accountant General, Central Revenues,
 and every care is taken to see that there is no
 waste in the moneys allotted to these
 laboratories. There is also a representative of
 the Finance Ministry on the governing body of
 these laboratories and he takes enough care to
 see that there is no waste and every pie that is
 allotted is being used in the best interests of
 the country. My friend, Mr. Bisht asked about
 the officers for the emergency recruitment. He
 said that police officers were not allowed to
 compete or to apply for that emergency
 recruitment when it was done earlier. But his
 information is not correct. Then—it was four
 or five years ago—too, members of the Indian
 Police Service—officers were eligible and
 they could apply. This time also, if they fulfil
 the qualifications and other

conditions prescribed and they forward their applications, they will be eligible to be taken up as officers in that emergency recruitment.

There was a question raised by my friend, Mr. Dasappa. He is not here. He was very keen about the provision for rural housing.

MR. DEPUTY CHAIRMAN: He is sitting in front of you.

SHRI M. C. SHAH: He was saying that only Rs. 5 crores were provided for rural housing in the Second Five Year Plan. But he must note that these Rs. 5 crores are provided only to supply model housing in consultation with the Commissioner for Scheduled Tribes and Scheduled Castes. It is not possible to provide huge sums for rural housing. Even if we provide only Rs. 200 or Rs. 300 being the bare necessity—Rs. 100 for huts or Rs. 250 for just reconstruction of the houses—then too we will require more than Rs. 900 crores. Is it impossible for us to find Rs. 900 crores for rural housing? At the same time, this question of rural housing really rests with the State Governments. With the help of the State Governments, schemes may be formulated and whatever is possible can be done. The provision of Rs. 120 crores made in the Second Five Year Plan is for industrial and urban housing. So, I say that it is a very gigantic problem which cannot be solved by the Central Government in the Second Five Year Plan and these Rs. 5 crores are only to have model housing to be prepared—as I stated—in consultation with the Commissioner for Scheduled Tribes and Scheduled Castes.

SHRI P. S. RAJAGOPAL NAIDU (Madras): I would like to ask a question at this stage. The hon. Minister has said that rural housing is a State subject and as such, it is the responsibility of the State. I would like to know whether urban housing is a Central subject and not a State subject.

SHRI M. C. SHAH: Urban housing, industrial housing, is a State subject as well as a Central subject. So far as the income from industries mainly comes to the Central Government, it becomes rather, to an extent, a liability of the Central Government.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): No, no. Non-industrial urban housing. What about that? Why do you spend more over it?

AN HON. MEMBER: On the low income groups.

SHRI H. C. DASAPPA: He provides houses for only urban areas. This is a new philosophy, Sir, which I am afraid my friend the Minister for Revenue and Civil Expenditure is putting forth.

SHRI M. C. SHAH: It is not a new philosophy. That philosophy must be obvious to the ex-Finance Minister of Mysore State. From these Rs. 120 crores, we provide a good sum for giving loans to housing schemes for low income groups. In the First Five Year Plan Rs. 38-5 crores were provided for housing—industrial housing. But from that amount, a good sum was provided for giving loans to States to help the housing of the low income groups. Nearly Rs. 22 crores have been given as loans to these States who asked for loans to help the low income group housing. Therefore, I say

SHRI H. C. DASAPPA: What is low income group?

SHRI M. C. SHAH: Low income group is people who get less than Rs. 500 per month. They will take loans to the extent of Rs. 8,000. So, low income group people may be getting Rs. 10 per month or Rs. 50 per month, but the maximum limit is Rs. 500 per month. (Interruption.) That is the low income group housing and for that recently—during the last year—we have given loans to those States who had asked for them, to the extent of Rs. 22 crores.

[Shri M. C. Shah.]
With the availing of this sum, this problem can be solved to a certain extent. (*Interruption.*) But perhaps, if he has heard me—I do not know whether he was there—I would say that, if we take up this rural housing problem

SHRI H. C. DASAPPA: You know I was here.

SHRI M. C. SHAH: I am sorry. You have changed the seat. I can only look to the seat which you were occupying. I do not know if it pleases him to change seats so often.

Therefore, it is not possible—it is rather practically impossible—to provide Rs. 900 crores. There is a modest estimate in the Second Five Year Plan. We have to give priorities and we have to see where to spend this sum in order to raise the standard of living of the people of this country. Therefore, we have to pay the greatest possible attention and care to allot priorities. In view of this, Rs. 5 crores have been allotted in the Second Five Year Plan for having model housing to show to those people in villages that they can have these houses reconstructed, these huts reconstructed, by spending small sums. That is what I can say.

(Interruptions.)

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. C. SHAH: Now I go to Mr. Kishen Chand's points. I will take only ten minutes. He talked about the resettlement of refugees from East Pakistan. He complained that proper attention was not paid to the rehabilitation of refugees from East Pakistan. Perhaps, he is not aware of the progress that has been made with regard to the rehabilitation of East Pakistan refugees. And not for his information alone, but for the information of all Members of the House also, I give some figures.

It should be borne in mind in this connection that the problem of rehabilitation of displaced persons in the east is for more complex than in the west. This is because, in the east, the movement has been more or less in one direction only and there are no urban or rural evacuees properties on which to rehabilitate the displaced persons. The problem has also been accentuated because of the fact that the rate of influx has, during the last 12 to 15 months, assumed very serious proportions. However, Government have been fully alive to the requirements of the situation and have done everything possible for the rehabilitation and resettlement of these displaced persons. As the House is well aware, Government have been treating it as a human problem and have also accorded it high priority. They have so far been able to settle 3,88,000 rural families, to construct about 3,15,000 houses in urban areas and to grant loan and advances to the tune of about Rs. 14 crores to East Bengal refugees. A large number of train-ing-cum-production centres have been started. Sixteen industrial schemes have been sanctioned and about 42,000 persons have been placed in employment through Employment Exchanges, etc. It is estimated that up to the end of 1955-56, we would have spent Rs. 86 crores on the rehabilitation of displaced persons from East Pakistan—about Rs. 37 crores in the shape of grants and Rs. 49 crores as loans.

After having heard about this work, I am sure that my friend, Mr. Kishen Chand, will admit that his criticism was not fair.

He again questioned about the interest charged on loans to State Governments. There too, his reference was about the exodus and the loans advanced for the construction of river valley projects at fixed rates which led to over-capitalisation of the projects and consequent heavy burdens on the States' financial position.

He suggested that either no interest should be charged during the , construction period, or some relief should be assured if a particular project does not eventually earn a sufficient return. I say, Sir, that this position is not correct. Government have got to find finances; they have got to raise loans, and they have to pay interest, and if the loans are given without any interest, that means that the burden will fall on the taxpayers of the whole country, which is not justifiable. At the same time, Sir, these river valley projects are always productive projects. All these projects are drawn up on that basis. It may be that the States which participate in these projects may not be in a position to pay interest on the loans given to them during the construction period, because their finances may not permit them to give the accumulated amount of interest to the Central Government. Therefore, the best remedy is to capitalise the interest, and when the projects begin to give results, they can return the capital along with the interest to the Central Government. That is, I think, the best way of returning the moneys, because all these projects are productive projects. Therefore, it will not be fair on the part of the Central Government to say that the States should keep all those yields with themselves and not to give anything to the Central Government. Therefore, Sir, that point is disposed of that way.

Then, Sir, there was one point made about the Pakistan debt also. My friend, Mr. Kishen Chand, raised the point that in the Budget of 1954-55, we had provided for Rs. 18 crores, and he wanted to know why this debt was not recovered from Pakistan, Sir, he knows fully well that it cannot be recovered by issuing any warrants of arrest against the Heads of the Pakistan Government. After all, we have got to come to some settlement with Pakistan, and therefore, efforts are being made to arrive at some kind of settlement. In this connection, I may point out that there is a proposal for the Finance Ministers of both the Gov-

ernments to meet and settle all outstanding financial issues between India and Pakistan. We estimated the debt due to us at about Rs. 300 crores. And that debt is payable in 50 annual instalments beginning from 1952. But the unfortunate position is that the Pakistan Government does not accept the position that it owes, us Rs. 300 crores. They also advance some claims against the Government of India. And therefore, the matter requires to be settled between the two Governments. The Finance Minister of India has already invited the Finance Minister of Pakistan to come over here in order to settle this matter. But the present position is that up till now, the Finance Minister of Pakistan has not given any definite date when he would be in a position to meet the Finance Minister of India. Meanwhile a meeting at Secretariat level is proposed to be held shortly to prepare the ground for the meeting between the two Finance Ministers. So, at that stage the matter rests. But I can assure the House that the Government of India will try to get the settlement of these dues as early as possible and will try to recover these dues from Pakistan by all possible means.

Sir, then there was the question about tax-evasion. That was raised by my friend, Mr. Bisht. The question of tax-evasion is raised very often, whenever there is any Budget discussion. And that is proper also. I do not say that such a question should not be raised. Sir, I may submit that we have not got any statistics to show what amount is actually being evaded. But on a rough estimate, I think, the amount of tax-evasion is to the tune of about Rs. 30 crores. Rs. 10 crores may be at the lowest level. Rs. 4,200 is the exemption limit, and it may be that in the marginal cases, people getting Rs. 4,500 or Rs. 4,600 may be trying to put it at Rs. 4,100 and they may not be filling the returns. Rs. 10 crores may be in the middle slabs, and may be, Rs. 10 crores in the highest slabs. But that is simply a guess. But we are just trying to tighten up our machinery.

[Shri M. C. Shah.] And that can be done in two ways. There may be legal evasion, i.e. evasion by finding out the loopholes in the income-tax laws. And then there is another kind of tax-evasion, and that is by deliberate concealment. Now, so far as concealment is concerned, there is the Income-tax Investigation Commission. Unfortunately certain provisions of the Income-tax Act were declared *ultra vires*, firstly on the 17th July, 1954 and secondly in December, 1955. And we tried to amend the Act by adding certain provisions. And they are also being challenged in the High Courts. All efforts are being made to challenge these provisions of the law in the courts. And therefore, we have been obliged to come to both the Houses of Parliament to get the Act amended. And now, just after, say, 15 or 20 minutes, we shall be discussing those clauses. And I am sure that the hon. Members who always complain about tax-evasions—and I say that there are tax evasions—will wholeheartedly support the Government in getting more powers in order to enable it to tighten up the administration and in order to enable it to bring to book these tax-evaders. Now, that is so far as the question of concealment is concerned. We have already opened one Directorate of Investigation, and we have also got Special Circles. They try to find out all these tax-evasion cases, and the results are quite good. And at the same time, we are amending the income-tax law in order to bring to book these tax-evaders. And, therefore, I can assure the House and the hon. Members that we are taking all possible steps in order to bring to book all the tax-evaders and to plug all the loopholes that we come to know of. There was also some talk about corruption. I do not say that there is no corruption. Perhaps it is there, but we are trying to find out the corrupt officials and punish them.

SHRI J. S. BISHT (Uttar Pradesh): I request for a statement of the action taken by the Department.

SHRI M. C. SHAH: Will you please have patience? If you have patience, whatever you want you will get. We have got a Directorate of Investigation. There is also an Organisation and Methods Division in the Home Ministry. They have created separate departments to look into the cases of alleged corruption, and when it is found that there is corruption, then action is taken. Very high officers have been placed in charge of this in all the Ministries. They are called Vigilance Officers and they take the necessary steps. Now, so far as the Income-tax Department is concerned, I may just inform the hon. Member that the moment we get any information, even if it happens to be anonymous, we look into the cases and the results are encouraging. I may say that in 1954-55 we had dismissed from service one I.T.O. There were three cases of removal of I.T.Os. from service. There was one case where prosecutions were launched. There were two cases of minor punishment. Cases of I.T.Os. placed under suspension were seven. Thus fourteen I.T.Os. were removed from service, or dismissed or suspended. Seven cases are being enquired into. In 1955-56 again fourteen I.T.Os. were either dismissed or removed from service or suspended.

SHRI R. G. AGARWAL A (Bihar): Out of?

SHRI M. C. SHAH: The total is about 1200. It includes Commissioners of Income-tax, Assistant Commissioners of Income-tax, Appellate Assistant Commissioners, Income-tax Officers Gr. I, Income-tax Officers Gr. II. I will give you only two instances to show how difficult it is to find out corruption. One Member of Parliament complained to me that there was corruption. Immediately I got the I.T.O. suspended. Then enquiries went on. In the middle, the officer who was investigating came to me and told me that no further information was being supplied. I had to take personal interest and got more information, and the officer was dismissed, but when

the officer was about to be dismissed, people came to me and said that he was going to retire after six months and asked why I should not let him retire prematurely. I said that it was 'not possible and that even if he had to retire after six months, if he had committed a crime, he should be penalised. Again there was information from a Member of Parliament about another officer. I got the officer suspended. Then some friends of that officer came to me and said that he was an innocent officer. I said that he must stand a trial. When I explained the circumstances to them, they were satisfied and said, "Yes, it is a real case." We prosecuted him. He has been convicted and sentenced to two years' imprisonment and Rs. 1,000 fine. One officer was suspended. Enquires were made. We wanted to dismiss that officer, but when there is a Gr. I officer, we have to send the case to the U.P.S.C. and instead of being dismissed, that officer was removed from service. Further, an officer in the South was prosecuted for taking Rs. 1,000. His defence was that he took Rs. 1,000 from the assessee, whose account books he was examining as loan. It was unbelievable that an I.T.O. was taking a loan of Rs. 1,000 from an assessee whose books he was examining. It must have been bribe. He was prosecuted. The Sessions Judge convicted him. Unfortunately the High Court thought that it was a loan. The matter is being taken up to the Supreme Court. You can realise the difficulties in getting officers prosecuted and penalised. But I can assure you that we are taking all possible precautions. I invite all hon. Members: If they have got any definite information which can be proved, that definite information may be passed on to me and I can assure them that immediate enquiries will be started, and if the officer concerned is found corrupt, I will not spare him even if the Members themselves again come to me for showing him mercy.

I have finished most of the points. If there are any points which are left out and if they are points which require

the attention of the other administrative Ministries, I will convey all the suggestions and all the points to them.

One point was made by my friend, Maharajkumar Raghubir Singh. He is not here.

DE. RAGHUBIR SINH: I am here.

SHRI M. C. SHAH: He has also changed seats. He made some points. The points that he made about the P. and T. Department have been replied by my colleague, Raj Bahadurji. He was not here when he was referring to his letters.

DR. RAGHUBIR SINH: I have read the report.

SHRI M. C. SHAH: He did not hear personally when he talked about his letters.

DR. RAGHUBIR SINH: Is the hon. Minister indulging in reminiscences?

SHRI M. C. SHAH: There is only one point which I have left out, and that was with regard to printing mistakes in the questions, etc. I referred it to the Works, Housing and Supply Ministry and the following information has been sent to me:

"Owing to the large expansion in the volume of the transactions of the two Houses of Parliament, the Parliament Wing of the Government of India Press, New Delhi, which was not designed to cope with such a volume, has been working under a very severe strain. Recently a third shift was opened in that press to cope with this work and this naturally led to dilution of the staff with raw and less experienced recruits in the Composing and Reading Branches. Even with the third shift, the work has to be conducted at high pressure and in great haste. A certain amount of errors naturally occurred in the circumstances, but it was not of the magnitude or frequency as was made out by the hon. Member. In this

[Shri M. C. Shah.] connection, it may be stated that the proofs are read not only by the press proof readers but also by the Secretariat of the Sabha concerned. The expansion of the press, including machinery and plant as well as buildings, has been sanctioned and is proceeding apace. It is expected that the expanded Parliament Wing would be in production before the end of this Session. This would ease the load considerably and permit greater attention to be paid to the execution of the work which will then have to be conducted in less haste."

Then mistakes in questions will disappear and there will be no cause for complaint by my friend, Maharaj-kumar Raghubir Sinh.

DR. RAGHUBIR SINH: How can expansion of the buildings bring about increased efficiency? No good press can offer the plea that expansion of work is the cause of its inefficiency.

SHRI M. C. SHAH: I said, "Expansion of the press, building, plant, everything."

DR. RAGHUBIR SINH: How can even expansion of plant and machinery bring about efficiency?

SHRI M. C. SHAH: There will also be better people there and they will try to see that these complaints do not arise. The Secretariat of the Sabha concerned also is there, and they are also concerned.

DR. RAGHUBIR SINH: The Sabha Secretary is there.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the service

of the financial year 1956-57, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up clause by clause consideration of the Bill.

Clauses 2 and 3 and the Schedule were added to the Bill.

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

SHRI M. C. SHAH: Sir, I move: "That the Bill be returned."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned." The

motion was adopted.

THE FINANCE BILL, 1956

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH) : Sir, I beg to move:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1956-57, as passed by the Lok Sabha, be taken into consideration."

Sir, a memorandum explaining the various provisions of the Finance Bill as originally presented has already been circulated to the hon. Members along with the Budget papers. The few changes since made in the Bill by the Lok Sabha at the instance of Government are of a minor character. These changes, which are the result of a careful examination of the various suggestions made by the hon. Members of both the Houses and representations received from outside, are intended mainly to remove hardship in certain special types of cases. The reasons for making them have been already explained in the Lok Sabha.