

fact, our Ministry has been taking the position that our scientists should be on par with scientists in the Atomic Energy Commission or elsewhere. Therefore, we would like to give them all encouragement.

18.00 hrs.

He also said that no promotions are given to scientists. The ICAR Inquiry Committee under Dr. Gajendragadkar went into this problem. They have made certain recommendations. One of the reasons that we found was this. As you know, it arose out of the suicide committed by late Dr. Shah. The Committee came to the conclusion—and Government was also of the view—that frequently subjecting themselves to interviews for promotions led to frustrations. Now we have taken a decision that the scientists would be making periodical assessments of their work and they would be eligible for automatic promotion. Therefore, this problem is no longer there. We are trying to have an equitable personnel policy in regard to our scientists.

MR. CHAIRMAN: What about the case of the person whose gratuity has not been settled for two years?

SHRI ANNASAHAB P. SHINDE: If you bring it to our notice, we will go into it, we will examine it.

Shri Darbara Singh made a statement—of course, he complimented our scientists—that the growth rate, instead of 4.5 per cent, should be six per cent. Nowhere in the world in a country that of our size has six per cent growth rate been possible easily 4½ per cent itself under our conditions is quite a reasonable growth rate and therefore, we need not have any complaint about it. If possibly a higher growth rate can be brought about, we should have no objection. If there are any suggestions for that, we would welcome them.

There are many other points also which have been raised. Two of my colleagues are yet to speak and they would meet the remaining points. I am thankful to you and this hon. House for having given me this opportunity.

SHRI RANABAHADUR SINGH (Sidhi): Mr. Chairman, Sir, I thank you for your kindness...

MR. CHAIRMAN: The hon. Member will continue tomorrow.

18.03 hrs.

HALF-AN-HOUR DISCUSSION

TAX EXEMPTION TO INDUSTRIES IN BACKWARD AREAS

MR. CHAIRMAN: The House will now take up the half-an-hour discussion.

Mr. N. K. P. Salve.

SHRI N. K. P. SALVE (Betul): Mr. Chairman, Sir, my purpose in raising this discussion is mainly to focus the attention of the Government on this important question of giving some tax exemption to backward areas with the ultimate intent and purpose of eradicating regional imbalances, economic imbalances, a dream which we seem to be having for the last 2½ decades—eradication of imbalances, economic imbalances. It is a happy augury, Mr. Chairman, that you are in the chair because, as far as I know, you represent an otherwise backward area but politically very conscious—you would not have been elected if it was not very politically conscious—and that backward area of yours is not in the Eighth Schedule of the proposed Direct Taxes (Amendment) Bill, 1973.

MR. CHAIRMAN: That has been my grievance.

SHRI M. SATYANARAYANA RAO (Karimnagar): What about Telengana?

SHRI N. K. P. SALVE: The Bill has gone to a Select Committee and when the report comes, we will know about it

There is another point to which I want to draw the attention of the hon. Minister. While in the Eighth Schedule you are keeping whichever areas are there, good, bad or indifferent, I wish to point out to the Minister—and I want an assurance from him on the floor of the House—that the districts which are included in the Eighth Schedule do not seem to have been determined or enumerated on any rational basis or any uniform criteria. That is the reason why when you peruse the Eighth Schedule, speaking of my State I find some areas which are by no stretch of imagination, backward—backward in the sense, comparatively, the whole country is backward that way—but comparatively backward areas are left out of it. Therefore, in fact, a very careful review of the entire approach is needed to formulation of areas to be included in any eighth or ninth or tenth schedule or whatever schedule it may be, any schedule in which backward areas are sought to be enumerated for the purpose of being given certain tax concessions with the intent and purpose of ensuring a rapid industrialisation so that some day the regional imbalances and the economic imbalances may disappear. Be that as it may, that is so far as the basis of inclusion of various areas in the schedule is concerned.

The real point to which I wish to draw the attention of the Minister is to the very anomalous situation which this concession to backward areas is creating and in fact this situation has come about that with one type you are filling the fountain and with another one you are draining it out. It is this that out of these backward areas mentioned in the Eighth Schedule some of the areas are entitled to subsidy from the Planning Commission on the basis of the recommenda-

tions of the Planning Commission to the extent of 10—15 per cent for all new industrial undertakings which may start an industry in that area with the result what is happening is that amongst these backward areas, some backward areas are really becoming forward and the others are getting still backward.

In each State six districts have been nominated by different Chief Ministers which will be entitled to this sort of a subsidy. I do not want to go into the question of what an amount of unprincipled political ruthlessness has been shown by different States in selecting these six districts. That is not a matter which is covered by my question. I am leaving it out of it.

What is happening in my own constituency which happens to be a backward area in the Eighth Schedule is that a small paper plant of 10 tonnes was proposed to be installed by an entrepreneur. After the machinery was ordered, the site was chosen and every other formality was completed, one fine morning I learnt that the plant has been taken to Chandrapur in Maharashtra. If it has gone to Chandrapur in Maharashtra which is a backward area, as anyway it goes to a backward area it is my country and in that sense, I have no grievance. The question is: is it not an anomalous position? What is going to happen? These six districts in the Eighth Schedule are going to be districts in which there is going to be a tremendous saturation of industries and the rest of them are going to be again excluded with the result that there is going to be a fresh lease of disparities amongst the backward areas themselves. Therefore, I would request the Minister to evolve some rational basis in giving this subsidy and I request him to consider the possibility of either spreading the entire subsidy which the Government wants to give to the backward area over all these districts or to ensure that these subsidies in relation to each of the backward districts will not be for more

than two or three years. That is the only way you will be able to rationalise it.

Therefore. I would like to know of the Minister:

Firstly whether some steps would be taken by him to rationalise the Eighth Schedule as such, and

Secondly, what steps would be taken by him to ensure that we do not, amongst the backward areas themselves, again creat to give a fresh lease of disparities in the same.

MR. CHAIRMAN: I would like to know from you about this. There are backward areas *par se* where there is no infra-structure for any industrial growth at all and backward areas where there is infra-structure facility but where there are no industries, because, there is no incentive to go to the backward area. Are you not going to distinguish between these two types of backward areas?

SHRI N. K. P. SALVE: That is a very valid point Sir. In the remote areas, in the jungle areas, even if you declare some area as a backward area and give subsidy, nobody is going there. In such backward areas where it is reasonably possible to have infra-structure with comparatively lesser expense, it is in those respects that Planning comes in. That is how the approach ought to be; in fact I am inclined to consider that this whole approach of selecting 6 districts for subsidy is utterly understandable and the approach is ridiculous, if I may say so. How can you choose only 6 districts? Take the Bastar area. Undoubtedly it is the most backward area. Adivasis are there. It is very very thinly populated area. If you declare that in an area in which you go, you will get subsidy some of the industries will go, and even in Bastar also, it will go only on the fringe, on the towns which are on the forward area or close to the forward area and the real remote corners of Bastar

would continue to remain undeveloped and underdeveloped. Therefore, Sir, what you have stated is extremely important and I do hope some day somebody will look at this matter more rationally and ensure that only such backward areas where infra-structure can be created without very heavy expenditure or the areas in respect of which some impetus some incentives are given are selected. Our Minister brings to bear a matured approach to these problems and I am sure he will be able to satisfy us in this regard.

MR CHAIRMAN: Chandrika Prasad—absent.

Shri Giridhar Gomango.

SHRI GIRIDHAR GOMANGO (Koraput): Mr. Chairman, Sir, now the question is whether there should be tax-exemption for setting up the industries in the backward areas or not. The question is whether these things would be able to solve the regional imbalance of the country or not. Mr. Save has rightly said about the development of the backward areas. I would like to remind the hon. Minister that the Pande Committee had identified the backwardness of areas of the country. The Wanchoo Committee recommended for the implementation of the recommendations of the Pande Committee. Though a number of recommendations and reports have been submitted, we still find, so many areas are yet to be developed and industries set up in backward areas. Rightly, as Mr. Salve has said, there are infra-structure facilities lacking in the backward areas. But my point is this. The Finance Ministry is the main responsible Ministry which comes in regarding the development of the backward areas. Not only finance but there are so many factors which are responsible for the development of industries. This is therefore a very relevant question and an important question to discuss here, namely, about the tax exemption

[Shri Giridher Gomango]

of the industries in these backward areas.

Whether the government will propose or will come forward soon to exempt small industries from taxation in the backward areas that is a different thing. I am not asking you that we should exempt the industries—private or public. I only want the small industries to be helped which are facing certain problems.

I come from a State which is very rich in minerals—rich in forestry and rich in other natural resources. But there is no development. You know very well that there are backward areas in my State. Pande Committee, for example, have pointed out that Koraput District is having all the natural resources but the area is backward. In that district a big industry is located in my constituency, namely, Sonabeda HAL. This is for the country as a whole and, not, for the people there. A number of people of my area have been employed in that industry. Here the question is how to eradicate the regional imbalance or regional disparity. How is it possible for the economic development of that particular area? We want big industry; we also want small-scale industries. What we have to consider is this. Let us look at the development of big or small scale industries. In the Fifth Plan document, there is a mention. I quote:

“Provision has also been made to allow a deduction equal to twenty per cent of the profits derived by the industrial undertakings set up in the backward areas in computing its taxable profit for a period of ten years.

It is, however, realised that the revision of such a concession or subsidy would not, by themselves, bring about the desired results.”

Here, there is a provision of tax exemption. But, the result has not

achieved as we thought of or what we desired in the scheme.

Lastly I would request the Minister to see that for the development of backward areas, that encouragement is given by the hon. Minister not only for these industries but for every other thing concerned to the industries.

In the Plan paper what all is mentioned will become true only if this is done. Lastly, I request the Minister to expedite the sanction for setting up three industries in my district—aluminium factory, paper mill and a cement factory. I would like to have an answer from the hon. Minister as to why, by giving special attention or taking special steps, the development of backward areas still remains as they are.

MR CHAIRMAN: Shri Banerjee. He is not here.

Shri Ramavatar Shastri He is also not here. Now the Minister.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. R. GANESH): Sir, as you are aware, the hon. Member was the Chairman of the Select Committee. And this question had been gone into by the Select Committee.

SHRI N. K. P. SALVE: Why do you go into this?

SHRI K. R. GANESH: All right I am not going into it.

MR. CHAIRMAN: He only says that he is an actor and he can play double role very well.

SHRI K. R. GANESH: I do not know why the hon. Member has raised this discussion after all the discussions have gone round. Another difficulty that I have is this. He referred to the tax concession and so on. The whole discussion, the way it has gone round, though very briefly

indicates that this is a matter which concerns mainly the Planning Commission which is to coordinate, indicate and work out the criteria for the various districts included in the Eighth Schedule as well as in the Planning Commission's Plan documents and various other papers. However, with whatever material I have got I shall try to answer. The first question he asked was that were the criteria for identifying the backward areas. This question of identification of backward areas for various concessions for removing economic and regional imbalance was taken up by the Planning Commission. A working group headed by Shri B. D. Pande was entrusted to identify backward areas and certain terms of reference were given to this working group. This working group presented its report to the National Development Council in 1969. After discussions in the National Development Council and discussion with the Chief Ministers and all State Governments certain pattern emerged out of which decisions were taken. The areas were divided into four or five categories—districts which are both economically and industrially developed; districts which are economically developed but industrially backward; districts which are economically and industrially backward but which do not possess the minimum infra-structural facilities essential for industrial development, and districts which possess the minimum infra-structural facilities essential for industrial development. It was decided that districts which are both economically and industrially developed were to be left out and districts which are economically and industrially backward and possess the minimum infra-structural facilities essential for industrial development were to be given priority over districts which were economically developed but industrially backward.

It was also thought that in regard to districts which did not have the minimum infra-structural facilities, whatever concessions you may give

them, no industry will go there whether or not there is Central subsidy or State subsidy or tax concession or transport subsidy. This ought to be part of the general development of the country, that is, the State giving priority to development of infrastructure so that industries in these backward areas could be attracted by utilising the various concessions that are available. This was the main reasoning on which these districts have been located. It was as a result of the report of the working group done by the Planning Commission in consultation with the Chief Ministers, discussed at the meeting of the National Development Council and also with the State Governments, that these districts have been located. Maybe there is room for improvement. It is not my contention that there is no room for improvement. But the fact is that this has been done on the basis of certain criteria.

MR. CHAIRMAN: You know, the experience of most of the Members is that the criteria indicated by you does not apply to most of these districts. Can you explain how this thing has happened?

SHRI K. R. GANESH: It is very difficult for me to go district by district. You yourself in your basic capacity have been raising this question and you had put this question to the Secretaries who came there. It had been discussed thoroughly. All that I can do is to indicate the broad criteria on the basis of which these districts have been located.

MR. CHAIRMAN: No satisfactory answer came there also. I thought that it would come from the hon. Minister at least here.

SHRI M. SATYANARAYANA RAO: We are not interested in those private conversations going on elsewhere. We are interested in the true picture.

SHRI K. R. GANESH: Even this morning, you, Sir had raised this question....

MR. CHAIRMAN: I am trying to get an answer for the benefit of the hon. Member.

SHRI K. R. GANESH: Even this morning, you, Sir, had raised the question....

MR. CHAIRMAN: Let him not refer to what I had said there.

SHRI K. R. GANESH: After you had raised this question, I tried to get myself prepared; I did not know that you would be presiding over the House during this discussion. I was trying to prepare myself with all these facts about how these districts had been located and what the criteria were and how it had been done

Regarding the question of subsidy, it was decided in September, 1971 that a Central scheme of an outright grant or subsidy amounting to 10 per cent of the fixed capital investment of new units and existing units undertaking substantial expansion having an investment of not more than Rs. 50 lakhs each should be introduced in two districts each of the States identified as industrially backward and one district each of the other States and Union territories. This scheme was existing. Then, in March, 1973, certain other changes were made in terms of the quantum of subsidy available as well as in the other spheres. In 1972, this scheme was extended to six districts each of the States identified as industrially backward and to three districts each of the other States. The entitlement to the subsidy was also extended to units having a fixed capital investment of more than Rs. 50 lakhs. subject to a ceiling of Rs. 5 lakhs. It was further improved with effect from 1st March, 1973 when the ceiling of investment eligible for subsidy was raised from Rs. 50 lakhs to Rs. 1 crore and the percentage of subsidy has been raised

from 10 per cent to 15 per cent. This scheme of subsidy has been an expanding one and from September, 1971 to March, 1973 a much larger coverage has been done.

About the general question, I would like to give certain information since this discussion has been raised here. Since the last five years, the industrial licences and the letters of intent issued for establishing industrial units in backward areas have been as follows: In 1970, the number of licences granted was 59 and that of letters of intent issued was 42, while in 1973, it rose to 103 licences and 127 letters of intent issued.

There are various schemes for the development of backward areas. One is the scheme of concessional finance available to all the districts which are located as backward districts. There are various parts of the scheme of concessional finance, the basic one being that the rate of interest on loans is 8 per cent as against the normal rate of 9.5 per cent. Then, there is an extension of the initial grace period for payment of loans from three years to five years, and there are various other concessions available in relation to concessional finance.

I have already referred to the Central outright subsidy scheme which is given to the various districts. the number of districts has increased; the quantum has increased and the investment also has increased up to Rs. 1 crore. Then, transport subsidy is also given. Then, tax incentives are available. Already under section 280ZA of the Income-tax companies shifting their industrial undertakings from an urban area to any other area are entitled to tax credit certificates, and the capital gains which accrued there are adjusted with the new investment that they might make.

The Direct Taxes (Amendment) Bill, which the Select Committee has finalised under the learned chairman-

ship of the hon. member, Shri Salve, further gives a concession of 20 per cent deduction from profits. This will be available to all those districts which have been identified by the Planning Commission as districts entitled to concessional finance. Each State Government has got various schemes which are now known to the House.

MR. CHAIRMAN: You may reply to Shri Gomango also.

SHRI K. R. GANESH: It will also be necessary to state here that the concessional finance sanctioned by the financial institutions upto December 31, 1973, amounted to about Rs. 67 crores and the Central subsidy allowed upto October 1973 amounted to Rs. 2.25 crores. Applications numbering 660 for the grant of Central subsidy have already been disposed of and about 2,000 applications are still under consideration.

These figures about the quantum of concessional finance available, about the quantum of Central subsidy already given, about licences having

been sanctioned and about letters of intent having been issued to indicate that some impact has been made in making a breakthrough in going to the backward areas. The country is very large and as the hon. member has said, here it is only a question of relative backwardness. The fact remains that much more impact will have to be made.

Then the liberalisation of these concessions and various other things, a point which hon. members raised, are constantly under the review of Government and the Planning Commission. Apart from the development under the Plan and apart from other efforts that State Governments might be making, these concessions which are there, which may not have made a complete impact, have at least resulted in a breakthrough and certain results are seen.

18.33 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, April 23 1974/Vaisakha 3, 1896 (Saka).