

Shri H. N. Mukerjee (Calcutta—Central): Sir, I want one clarification. These officers are under an obligation to intimate to you the fact of having taken some Member of Parliament into custody. In this case, the leader of a major group in opposition happens to be arrested and he is on hunger strike. Now, could I please submit to you in all modesty that perhaps it is the obligation of the officers concerned to let you know the condition of Shri Gopalan so that you, in your discretion, might inform the House?

Shri Tridib Kumar Chaudhuri (Berhampur): Sir, only one word. It is not clear from what has appeared in the press and from what you have read out whether Shri Gopalan was first arrested and then refused bail and then he went on hunger strike or whether he first went on hunger strike and he was arrested by the police on that account. That is not very clear and there seems to be some contradiction between what has appeared in the press and the telegram that you have read out.

Mr. Speaker: I may say that I have got another telegram as well. I will find out the facts.

12-19 hrs.

GENERAL BUDGET, 1964-65—
GENERAL DISCUSSION—
contd.

Mr. Speaker: We will now take up the general discussion of the budget. The Finance Minister may continue his speech.

The Minister of Finance (Shri T. T. Krishnamachari): Mr. Speaker, I have listened with great care and attention to the speeches made by hon. Members on the budget, including those of my colleagues. Where I did not listen, I have gone through the text of the speeches as recorded.

The overall impression of the reaction of the hon. Members to the budget has, to my mind, not been disappointing. Nevertheless, it seemed that the considerable time and length taken by me in trying to outline the basic policies of Government and fit the proposals within their framework have not paid any great dividends. It may be that my budget speech was not, perhaps, clear enough to enable hon. Members to understand the basic policies and objectives behind the proposals.

While my gratitude is due to the Members who have supported the Budget proposals generally, I would, if I may be permitted, express my thanks for the critical appreciation of the budget by an hon. Member from Kerala, an hon. Member from Rajasthan and an hon. Member from Uttar Pradesh. In mentioning particularly the contributions of these Members, it should not be understood that I am not appreciative of the support of the other Members to all of whom I am very grateful.

It must be perfectly obvious to the House that no Government can ever bring in a budget with an overall expenditure running to the order of Rs. 4000 crores without casting some burden on society. What matters is how that burden is cast. Is the incidence of the burden fair and equitable? Is that burden cast in such a manner that there will be continued progress so far as the economy is concerned? Is the overall effect calculated to make the economy move forward or to move backward? I must in all humility submit that the answers to these questions as they relate to the budget proposals before the House should be favourable.

Again, in all humility, I must express my regret that many of the criticisms that have been levelled at the proposals miss these main points, but go on to side issues, some unrelated

to the Central budget, some having no connection with any of the budget proposals. It is perfectly clear that the political overtones that have dominated the speeches in the general debate have to some extent blurred the principal issues, but I cannot complain; the budget session is the time when the Opposition seeks to drive the Government out of power, and any attempt at a straightforward hit on the bull's eye is a thing that we on this side of the House should not complain about. But I do not think that even the Opposition Members have tried to hit the bull's eye and put the Government out of power. Apparently, since they were not able to do so, they tried the other alternatives of political strategy left to them. Primarily, the attempt on the part of the Opposition was to divide the party in power to play on some imaginary differences in the party...

Shri Nath Pai (Rajapur): Is such an attempt really necessary?

Shri Hem Barua (Gauhati): It is already divided. Why should he accuse the Opposition of that charge?

Shri T. T. Krishnamachari: The hon. Member who has just interrupted would concede that there are real differences in his party...and the so-called differences amongst the Ministers themselves, and to say that the budget does not reflect the views of the hon. Prime Minister or that advantage was being taken of certain circumstances to bypass the Prime Minister's policies, to refer to the Congress Party's resolutions and to say that Government were not living up to them and so on; all these may be legitimate in political warfare.

Shri Surendranath Dwivedy (Kendrapara): His own party Members have done it.

Shri T. T. Krishnamachari: None-the-less they are not valid in any proper consideration of the proposals

that are before the House, nor is it the charter of the Opposition or any part of it to advise us on this side of the House on what we as a party should do or to point to individual proposals as not being in consonance with the party's principles. No man would seek to take medicine for curing his ills from a physician who wants to kill him. In this case, the Members of the Opposition who seek to give advice to us are not even qualified physicians, apart from the fact that their *mala fides* in relation to the Government and the party in power are well known. It will, therefore, be futile for me to go further into this aspect of the criticism. Like close companies in which the public are not substantially interested, there are also some political parties in which the public are not substantially interested. I shall not devote too much attention or time to them.

There were other criticisms that ranged over a wide field. It is rather difficult to classify them. Apart from the criticisms of certain of the specific proposals which on the whole were fewer in number than the general ones, the attack ranged over the following groups of subjects—neglect of agriculture in the budget, lack of relief to the common man, rising prices, the budget does not indicate any specific action against concentration of economic power, opposition to foreign investment in Indian industries, absence of mention in regard to rehabilitation of refugees from East Pakistan, and no evidence of economies in administration. Added to all these were criticisms of a personal nature directed against me in particular, which unfortunately were indulged in both by Members of the opposition as well by some of my hon. friends on this side. I do not propose to deal at length with any criticism aimed against me personally.

The criticisms that my budget does not represent the views of the party and that it is a personal budget of

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mine are, to say the least, infantile, and have been put forward for lack of criticisms of substance. On the other hand, the hon. Member from Rajkot, representing as he does a singular point of view, felt that this budget was not mine at all.

Shri M. R. Masani (Rajkot): The hon. Minister himself had admitted this to his own party last Saturday when he took shelter behind the Prime Minister.

Shri T. T. Krishnamachari: We make so many admissions which are genuine.

Shri U. M. Trivedi (Mandsaur): Which are not genuine.

Shri T. T. Krishnamachari: On the one side, it is said that the budget is not mine and on the other side it is said that the budget is mine and that it is a personal one. I shall leave it to hon. Members to settle their quarrels between themselves.

There is no personality cult about the budget. There is really no need for me to claim that the budget is a Congress Party budget and whoever presents it represents the Congress Party. I have no objection to anybody criticising the Congress Party as such, and we can meet them on their ground, but that would be a different matter. However, if any Member of the party wishes to criticise the budget on those grounds, the proper forum for that is the party platform and not this House.

Shri U. M. Trivedi: Why not?

Shri Ranga (Chittoor): It is for them to answer.

Shri T. T. Krishnamachari: I shall come now to some specific criticisms. The complaint that no mention has been made of Agriculture is beside the point in any Central budget. The Centre has broadly two methods of stimulating agricultural production, one through the Plan, by means of

providing incentives to production and by subventions to agricultural programmes, to minor irrigation works etc.; and secondly through the medium of the Central Ministry of Food and Agriculture which helps the State Governments in shaping their policy in regard to procurement and support prices, the provision of fertilisers, the reaching of the results of agricultural research to the farmer and the like. Besides these two, through the co-operative organisation, the Ministry of Community Development and the Reserve Bank help in the provision of credit for agriculturists and also to finance the marketable surpluses. The provision in the Plan to State Governments is of the order of Rs. 559 crores, of which the expenditure on agriculture and co-operation as such is of the order of Rs. 45 crores; on minor irrigation Rs. 48 crores; on other irrigation projects Rs. 136 crores; and that on power projects which have a very intimate bearing on agricultural production Rs. 267 crores. There is also the provision for other types of help and stimulation in the Central Ministries' Demands for Grants. Besides these, I have referred to the taking up of intensive production programmes in 80 districts for which there is already a provision of Rs. 3 crores, and further amounts will be provided as the scheme gathers momentum. Apart from these, there is nothing which the Central Government could do by making any special mention of it in the budget.

Mention has also been made of the need to reduce the price of fertilisers by hon. Members who certainly ought to know more about it than myself, perhaps. The provision of foreign exchange year after year for import of fertilisers has been increasing, while local production has also been going up, though not quite as fast as we wish it. However, there is an overall shortage of popular types of fertilisers and the use of the less popular varieties needs to be stimulated. Price is not the factor which is standing in the way of the increased use

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constituent of the banking system in the country before the co-operative sector assumed these proportions in its transactions. The impressive growth of the State and Central co-operative banks is in no small measure due to the massive support that they are getting from the Reserve Bank of India which provides assistance by way of: (1) short-term loans to State co-operative banks for seasonal agricultural operations and marketing of crops; (2) medium-term loans for specified agricultural purposes; (3) short-term loans to State-co-operative banks for production and marketing of handloom products; and (4) loans to State Governments from the National Agricultural Credit (Long-term Operations) Fund for participation in the share capital of the co-operative credit institutions at all levels. The assistance provided by the Reserve Bank has shown a sharp increase. Short-term loans sanctioned in 1962-63 amounted to Rs. 163.94 crores against the limit sanctioned of about Rs. 12 crores in 1951-52. The outstandings of these loans at the end of 1962-63 were of the order of Rs. 124.28 crores; outstandings of medium-term loans on the same date were Rs. 10.56 crores, as against nil in 1952-53.

It may be pointed that the Bank provides short-term loans for seasonal agricultural operations and marketing of crops at 2 per cent below the bank rate, and for the production and marketing of handloom products at 1½ per cent below the bank rate. Similarly, medium-term loans for agricultural purposes are provided at 1½ per cent below the bank rate. No such concessions are available to any of the commercial banks.

The rapid progress achieved in the operation of the co-operative banks has also an important bearing on the currency and credit situation in the country. The continuation of the pre-

sent policies will lead to a greater impact in this direction. The Reserve Bank as the Central Bank of the country is vested with responsibilities in the matter of monetary stability and the development of banking on sound lines. For enabling it to discharge these responsibilities satisfactorily, it has been vested with wide powers under the Banking Companies Act, 1949, of regulation and control over joint stock commercial banks which are an important source of credit for commerce, trade and industry. This Act, however, specifically excludes co-operative societies from its purview and hence is not applicable to co-operative banks. The progress made in the last 15 years or so has made it increasingly clear that the present position under which the co-operative banks are outside the statutory control of the Reserve Bank needs to be reviewed.

On the question of prices, several hon. Members had made some comments. Considering that the main reason for this, as the House is aware, was the decline in agricultural production, the scope for action through budget proposals is necessarily limited.

Shri Ranga: Question.

Shri T. T. Krishnamachari: I have tried to keep deficit financing at a moderate level; and the monetary policy weapon will also be used as and when necessary and kept in proper gear.

In the case of foodgrains, the only solution, to my mind, is to increase government control over the system of distribution at strategic points. The State Governments must be prepared to enforce the various regulations affecting transactions at the wholesale traders' end and those engaged in the

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The break-up of the increase in civil expenditure of Rs. 191 crores is as follows: Rs. 62 crores is on account of self-balancing items matched by a corresponding increase in revenue receipts, and do not represent any net outgo. There is an increase of Rs. 53 crores on account of grants to States, both for Plan and non-Plan purposes, and an increase of Rs. 36 crores for the servicing of public debt, most of which has been for developmental purposes.....

Shri Ranga: Question.

Shri T. T. Krishnamachari: an increase of Rs. 10 crores to cover the payment of increased dearness allowance to low-paid employees, an increase in the statutory grants to States besides grants for agriculture, medical, public health etc., all amounting to Rs. 18 crores. This explains, by and large, the reason for the increase of Rs. 191 crores in civil expenditure.

I may mention here that the Ministry of Home Affairs is being strengthened with an Administrative Reforms Division. The hon Member from Orissa, Shri Dwivedy, and a few other Members made the point that many recommendations made by the Estimates Committee and other Parliamentary Committees, as well as by committees set up by Government, from time to time, were yet to be implemented. The intention is that the Administrative Reforms Division should comprehensively examine the recommendations of the several Committees that have, over a period of years, gone into the question of economy and efficiency in administration, and process them quickly for implementation.

Two other criticisms which have an economic bearing are those relating to concentration of economic power and private foreign capital. The criticism, from the opposite side and

from their sympathisers on this side, in regard to concentration of economic power has by now become an oft-repeated one. It is significant that free use should have been made of alleged references in the Mahalanobis Committee's report, which, I understand, is not yet a public document. I do not propose to explain further the nature and content of the concentration of economic power. I am not here to disprove that concentration has taken place to some extent. In a developing economy a certain amount of proliferation in industrial activity on vertical lines can be permitted, both from the point of view of the advantage of economies of scale and of efficiency in manufacture operations. It means that companies engaged in manufacture of one item may proceed to manufacture articles of a related variety. Even here, when I was Minister for Commerce and Industry, I discouraged the big producers from taking up production of ancillaries for the reason that ancillaries for all users, as for instance the ancillary equipment for motor vehicles, should be produced at one place, so that each producer does not have to go in for the limited production of ancillaries. But, unfortunately, in some cases, motor manufacturers have also taken up the manufacture of ancillary equipment. The type of concentration which is pernicious in its effects is the horizontal projection in which one group of producers extend their activities to a number of non-allied lines so as to get a big coverage. How this concentration of power operates in the matter of keeping prices at a high level, in the matter of cornering essential supplies and in ultimately exercising some kind of political patronage are all today matters of opinion, not always based on facts. So far, any expression of opinion on this question has amounted merely to a mention of the fact of concentration without throwing any light on its effects or on the devious ways in

which they are felt over the entire economy. So much so, in assessing the effects, there is an element of guess-work, or there is an element of fear, which more often than not, is being turned to propaganda purposes.

As the first systematic step for combating the ill effects of such power, I have proposed the appointment of a Monopolies Commission. It seems to be a matter of some amusement to hon. Members, oftentimes amusement mixed with unfair criticism, that such a Commission is proposed to be appointed under the Commission of Enquiries Act. Hon. Members who have criticised the proposal for the appointment of such a Commission, and have equated it to one more of the several committees that Government appoints, have done so without a knowledge of the facts. There is at present no law covering monopolies on the statute-book. The present laws, including the Companies Act, do not provide any method by which there can be a straightforward reduction of concentration of power for specific purposes in view. These laws will have to be framed. I could have brought in a Monopolies Commission Act before bringing into being the Commission proposed in the Budget, but that would be, in a sense, putting the cart before the horse, and I would have had then to draw largely on the experience of foreign countries in this regard. That might or might not be suitable for our purposes. The intention is that this Commission of Enquiry, after going through the collected facts and making certain enquiries thereon, should give us a draft law and if Parliament could be persuaded to pass it quickly, the Commission itself may sit down to exercise the law on the basis of their acquired experience in regard to the existence of concentration of economic power and the abuses connected therewith. It is not necessary for this Commission of Enquiry to take years to give us

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a draft law. The time factor would of course, depend really on the extent and the nature of information available and not on Government's wishes to expedite this type of work, or its alleged desire to retard the bringing into being of a law for this purpose. This is all that is intended to be done, and I cannot see how anybody who is at all serious in his approach to this problem, can with fairness criticise Government's proposals in this regard.

Supplementing what I have already said, I may draw attention to the substantial increase in the assistance that Government have extended to new entrepreneurs and to small industries, the most important objective in which is to encourage competition and reduce the dominance of large groups. Apart from certain now measures like the Unit Trust to which I referred in my speech, the establishment of the National Small Industries Corporation, Small Industries Service Institutes, various Boards for different cottage and handicrafts industries, for Governmental, technical, financial and marketing assistance, establishment of State Financial Corporations, institution of the State Bank of India schemes of lending and the Credit Guarantee scheme for encourage-ment of commercial banks' lending to small industries, are measures to increase decisively the participation of medium and small industry in the process of industrial development and to offset the natural advantages enjoyed by larger enterprises. Largely in response to these measures the quantum of assistance given by banks to small-industry has more than doubled in the course of three years, increasing from Rs. 21 crores in June 1960 to Rs. 43 crores in June 1963, the annual rate of increase being more than 25 per cent per year. These sums no doubt are small, but commercial bank lending as such to the organised

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small-scale industrial sector has to be considered in the context of the very smallness of this sector. Thus, the paid-up capital of small public limited companies, below Rs. 5 lakhs each, formed barely three per cent of that of all companies.

A good deal has been said in the course of the debate about private foreign capital. There have been a number of policy pronouncements on the subject and I may here reaffirm that there has been no change in that policy. What has been engaging the attention of Government in the recent past is a re-assessment of performance within the framework of that policy. The target for the contribution which private foreign capital would make towards bridging our foreign exchange gap had been set at Rs. 300 crores for the Third Plan as a whole. The actual level of private foreign investment in India has remained at the much lower level of about Rs. 30 crores per annum for the first two years of the Plan. Excluding retained profits, the inflow of capital from abroad will be less. While no estimates of foreign exchange requirements for the Fourth Plan have yet been made, a few things seem to be reasonably clear. Firstly, the Fourth Plan will be bigger than the Third Plan. Secondly, we cannot expect the countries which are helping us to keep stepping up the level of their aid as our Plans grow bigger. Thirdly, with the heavy increase in the burden of debt repayment for the Fourth Plan referred to in the Budget speech, we must rely only on that type of external finance which will not further aggravate the debt repayment burden in the immediate future and equity investment is one such form of finance. Finally, in the Fourth Plan, we must clearly embark in a big way in new fields of development, particularly, electronics and automation, for which even on tech-

nological considerations, collaboration with reputed manufacturers abroad would be necessary and even desirable.

The question to which we have addressed ourselves is not one of modifying our policies regarding private foreign capital, but of fulfilling them. One of the major difficulties which foreigners have legitimately complained of is delay in getting clear and decisive answers to their proposals for investment about which some questions have also been asked in this House. Obviously, the answers to such complaints must be in accord with our policies but they must be prompt and decisive. A streamlining of the administrative arrangements to deal with such proposals has, therefore, been made. So far as the budget proposals are concerned, our aim has been to remove certain disincentives. It is obvious that if a foreign firm has investment in India, it must have a number of foreigners in the undertakings in which it participates; the more so because we encourage foreign investment, particularly in fields in which the level of technology is of a high order. The level of personal taxation in this country which is geared to our own conditions and our philosophy has created problems for expatriates working here and the budget proposals give them a certain degree of relief. Incidentally, this relief extends to foreign employees in all enterprises, including the public sector. Then, we have extended the rate of taxation of royalties to payments on account of engineering fees, which again are not exclusive to firms with private foreign investment, but include other projects as well, including those in the public sector. We have also removed the disincentive to foreign firms to have their offices and representatives in India to buy goods for exports by withdrawing the business connection

principle in respect of exports. Then again we have made it possible for Government to facilitate investments by foreigners in securities, as distinct from equity, and also made the application of tax relief to foreign technicians and to interests earned on foreign loans more flexible. These concessions again are not in any sense exclusive to projects with private foreign investment. The main fiscal benefit to private foreign investment in the budget flows from the decision to exempt inter-corporate dividends from supertax. This decision again is in no sense exclusively meant for foreign companies investing in India and applies without distinction to all inter-corporate investment. Indeed the only change exclusively applicable to all foreign firms is the increase in the tax rate from 63 per cent to 65 per cent in the case of those foreign firms who operate through branches and whose dividends are declared abroad. We are not anxious to encourage foreign companies to operate in India through branches and what we are anxious to see is a growth in Indian companies which have private foreign capital in them, but the companies should be Indian companies incorporated in India and declaring their dividends in India.

The point has been raised whether our policy regarding equity investment in the public sector has undergone any change. The policy in regard to private participation in public sector projects stands today exactly as it was defined in the Industrial Policy Resolution of 1956. It is worth quoting from it. The Industrial Policy Resolution clearly states that the inclusion of certain industries in Schedule A of the Industrial Policy Resolution does not preclude "the possibility of the state securing the co-operation of private enterprise in the establishment of new units when the national interests so re-

quire. Railways and air transport, arms and ammunition and atomic energy will, however, be developed as Central Government monopolies. Whenever co-operation with private enterprise is necessary, the State will ensure, either through majority participation in the capital or otherwise, that it has the requisite powers to guide the policy and control the operations of the undertaking."

In pursuance of this policy, many public sector projects do have private foreign investment in the equity. We would certainly be glad to take in such participation in industries, particularly where technological considerations make such participation desirable, provided the terms and conditions are satisfactory.

Another question which was raised was whether we have made any change in regard to the policy of the percentage of equity stock which foreigners can hold. Clearly, in the public sector, they cannot hold anything but a minority position; otherwise the project cannot be described as a public sector project. In regard to the private sector, the policy of preferring a minority participation and making exceptions to this rule only in suitable cases and in exceptional circumstances continues unchanged.

I do not propose to deal further with the working of the public sector undertakings beyond what I had stated in my Budget speech. Hon'ble Members who doubted the wisdom of asking the public sector undertakings to make profits or in other words to create surpluses have been adequately answered by my colleague Mr. Bhagat. However, it may be worthwhile mentioning what happens in the Soviet economy. Amongst some of the observations made on the pro-

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fits in the Soviet Economy, the following has been said:

"More attention by the West to the factor of profits in the Soviet economy is advisable also because of its rapidly increasing relative importance in financing 'accumulations' in the Soviet national income. In fact, the importance of the turnover tax, which until lately was the main instrument of financing state budgetary and non-budgetary expenditure seems to have been overshadowed by that of profits during more recent years."

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The budgetary revenue including allocations from profits and direct and indirect taxation in the Soviet Union between the years 1956 and 1961 has been 109 per cent of what obtained in 1955 in 1956, 129 per cent in 1957, 160 per cent in 1958, 183 per cent in 1959, 200 per cent in 1960 and 213 per cent in 1961. The net profit of the enterprises and economic organisations, on the basis of 100 per cent for 1955, has been 105 in 1956, 125 in 1957, 161 in 1958, 184 in 1959, 203 in 1960 and 218 in 1961. The most vigorously growing major items in the State revenue are the allocations from profits which during the seven years 1955—1961 increased by 101 per cent, while the revenue from the turnover tax increased by 28 per cent and that from direct taxation by only 21 per cent. As I said, these figures have been compiled from sources the origin of which is from the Soviet Government.

It will, therefore, be seen that once the State embarks on a programme of industrialisation under its aegis, it must expect these enterprises to make substantial contributions to the State's exchequer. My view, expressed in the budget speech, continues

to be the same, that the State enterprises must make increasing surpluses available or in the alternative at least finance their own expansion. I think it applies to everyone of the State undertakings including the railways. If, however, in any particular project or a public-sector enterprise, Government feels that the prices have to be subsidised in order to encourage producers to produce more or to remove distortions in the standards of living in the case of lower-income groups, then these must come out of straight subsidies from Government. It is, therefore, wise not to confuse what is the obligation of the State towards the lower-income groups and its responsibility in regard to returns from capital provided to industries or other enterprises. These are two different matters, and any mixing up of the two can only confuse us in regard to the basic objectives that we have in mind in promoting the public sector projects.

The lack of relief to the common man in Central excise duties has been the burden of the song of many of the hon. Members who spoke. This has been made a platform for agitation of certain Opposition parties. Kerosene and cloth have been highlighted as items where a reduction in the excise levy will go to reduce the cost to the consumer. But nobody has told me how this is to be ensured. These again, Sir, are commodities in short supply and the ruling prices, where distribution control is not effective, are much higher than what they ought to be. In order to ensure that cloth is being supplied at reasonable rates, what is needed is a more rigid control over distribution rather than a reduction of excise duty, which, if made, is certain to be mopped up by the middleman.

In regard to kerosene, it is known that the basic article is imported and any increase in supplies will

mean a strain on our meagre foreign exchange resources. It is also common knowledge that quite an appreciable quantity of low-grade kerosene is mixed with lubricating oil and used by lorry transporters as fuel in substitution of high-speed diesel oil. This leads to the other complaint that the common man does not get pure kerosene even for the high price that he pays for it. A mere foregoing of a part of the revenue by the Central Government will not make kerosene cheaper for the common man.

When people talk about matches, I do not know what to say. How much will the common man's burden be lightened by my reducing a few rupees on matches? It will be mopped up again by the middlemen. The removal of the excise duty on gramophone records has also caused a lot of merriment though it is not the rich man who uses the gramophone records. But people who do not know about the rural areas speak about them here, and they would realise that it is a form of amusement in rural areas. But I have not done that to benefit the common man. The income from it is so miserably low that it is not worth-while keeping it in the statute-book. My position is, I am quite prepared to forego some of the revenues from these essential commodities by way of excise duty, if only hon. Members will tell me how every naya paisa that I give up reaches the common man. I am perfectly certain in my mind not only in regard to my personal experience but in regard to the facts that face us, that any reduction now will only mean that the middlemen will benefit. And it may be that the scope of the relief afforded directly to the consumer by a reduction in excise duties, while it is limited, is likely to be abused. In fact, as I said in my budget speech, excise duties have to be raised for the purpose of mopping up that portion of prices which goes into the pockets of the middle-

men who take advantage of scarcity conditions, and also for imposing a measure of restraint on demand in period of scarcity.

That is the philosophy behind our policy in regard to excise duties. Where controls over distribution are not exercised and it is not possible to secure a direct reduction in prices to the people, it is our aim at least to reduce the middlemen's margins so that the money coming to the Government coffers can be used for the people. To use these instruments in an effective and sensitive way, we have also asked Parliament to concede powers to Government to raise the rate of duties by executive order up to a certain extent.

Broadly speaking, there has been very little increase in excise duties in this budget. The excise duty on iron and steel will yield only just a little more than what was being obtained from the Iron and Steel Equalisation Fund, which is being abolished. The increase in the revenue comes mostly from higher duties on flat products which are in short supply and command a black-market price. The adjustment of duties on yarn and cloth is again due to a short supply of fine and superfine yarn, spun out of foreign cotton, which have also a large element of foreign-exchange content in them. In the process, there has been a reduction of duty on fabrics which are manufactured out of indigenous cotton. The incidence has been shifted; this will partly counteract the poaching into excise revenue by powerlooms, assuring at the same time certain preferential support to the handlooms. The affected interests are no doubt unhappy and will continue to be so, but I have no doubt that they will in time settle down to the new rates.

I will now make a reference to the specific tax measures before I conclude. We have, during the last week,

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explained the tax proposals more fully in a series of official hand-outs, and I shall make fuller notes on the proposals available to the House by the time the Finance Bill is taken up for consideration. On the specific criticism by the hon. Member from Rajkot that there is no relief to the corporate sector since the budget proposals are expected to bring in an additional revenue of Rs. 11 crores from this sector, I will only say that to concentrate attention on the overall figure of revenue without going into specific tax reliefs is to miss the point.

The new structure in personal taxation has been explained in the press and it may not be necessary for me to go into it again beyond pointing out that at income levels below Rs. 15,000, even in the few cases in which there is an increase in the income-tax, after deduction of the compulsory deposit, the increases are marginal. In fact, in the case of incomes where the tax element itself is small, the relief cannot be indicated by any sizeable figure. The new structure is a considerably simplified one and has a smoother progression, in arriving at which there has been a marginal amount of higher incidence at a few levels of income. It should be understood in the proper perspective.

In the course of the debate, a few suggestions have been made about the Annuity Deposit Scheme. One of the suggestions has been that the scheme should be optional. I am afraid it is not possible to agree to this suggestion except in the case of old persons. I am prepared to make it optional for persons above the age of 70. I am also prepared to consider giving of option to a person who does not want to make the annuity deposit for any special reasons of his own of opting out of it by paying tax which would be higher than the tax that would have been normally payable on this portion of

the income. Such opting out will have to be made unattractive as it would not be in keeping with the objective of leaving a reduced expendable income in hand. The rates to be applied will require fuller consideration. On the other hand, it has also been suggested that persons may be given the option of not receiving the annual repayment when it falls due. I am afraid it is not possible to agree to this either. Whether the payment is taken or not, as the amount will have accrued to the person concerned, it should be treated as income in that particular year.

There are two points on which the Finance Bill introduced by me is at variance with what I have stated in my Budget Speech. The first relates to the failure to indicate the first slab which will attract gift tax, namely, gifts above Rs. 5,000. I am taking steps to move an amendment to the Bill to keep the exemption limit at Rs. 5,000 as was mentioned by me in the speech. All the subsequent slabs in the rate structure for Gift Tax have been worked out on this basis. It was through an oversight at the printer's end that the necessary provision was not included in the Bill.

The other discrepancy is largely due to a misunderstanding of my intentions,—but is not one of a serious character—between my Budget Speech and the appropriate provision in the Finance Bill. I stated in my Budget Speech that the development rebate in its present form will cease after the 1st of April, 1966. In the Finance Bill, Clause 8 in respect of section 33 of the Income-tax Act, says that the development rebate would cover a further period of three years from now which takes it to 1967. I do not propose to amend this portion of the Finance Bill and it might be taken that the present position will continue until three years from the date of notification.

It has been represented to me that I should indicate Government's policy in regard to the grant of development rebate after three years from now. At present, the development rebate applies at a uniform rate of 20 per cent, having been reduced from the previously prevailing rate of 25 per cent. In the case of one or two industries, the rate is higher. When the development rebate was reduced from 25 per cent to 20 per cent, there was a certain amount of criticism that people had already made commitments in the expectation of a rebate of 25 per cent and the plea was made that changes in development rebate should be made with due notice. This is a legitimate point and when a higher rate of development rebate was announced for the coal industry, it was made applicable for a certain period of time. The implication of the statement in the Budget Speech is that the existing rates will continue to be in force till the beginning of the Fourth Plan. Now it has been extended by a year. In the light of the priorities of the Fourth Plan, a fresh system of rebates may have to be introduced and, therefore, a notice had to be given to industry that such a change might be made. This does not, however, mean that the system of development rebates is going to be scrapped altogether. The budget proposals have, in fact, given fresh incentives to investment in certain key industries by lowering the rate of Corporation Tax on them and there can be no question of reducing the development rebate in respect of them even in the Fourth Plan, because they will obviously continue to be important. In the next Budget, Government hope to announce the rates of development rebate to be made applicable during the Fourth Plan period. Present thinking indicates that this will be on a graduated scale weighted in favour of the essential industries with a higher capital content.

The hon. Member from Mysore, Shri A. P. Jain, criticised the allowance of

the statutory deduction at 10 per cent of the capital base in the new surtax which includes a certain amount of loan capital on the ground that, generally, the rate at which interest payable on such loans is much less than 10 per cent. I may point out that under the provisions in the Surtax Bill, the amount of interest payable is added back to the profits for surtax in order to avoid a double deduction.

It was also said that the exemption of inter-corporate investment from super-tax would facilitate inter-locking of companies and increase concentration.

Shri A. P. Jain (Tumkur): I included preference capital and debentures.

Shri T. T. Krishnamachari: So far as preference shares are concerned, the dividend changes and nothing could be done about it. One objective in the new proposals in regard to exemption of dividends on inter-corporate investments from super-tax is to simplify the structure and to remove certain anomalies inherent in the differentiation between companies incorporated on different dates, etc. We must also remember that while inter-corporate investments may be one form in which dominant groups extend their sphere of control, such investments in the main, provide investment opportunities for corporate savings, most of which serve socially useful purposes. To the extent they do not, and lead to any increase in concentration of economic power, non-fiscal measures such as the decisions of the Monopolies Commission, and as I had indicated in my Budget Speech, the Company Law regulations will be used to combat them. Again, given the need for generating corporate savings, it is better that they lead to the formation of independent and competitive com-

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panies than to the formation of units producing unrelated end-products under a monolithic ownership and management, as would be the case if these are undertaken by wings of one big unit.

Some other points, capable of being revised, have also been represented to me, but I would like to consider them in greater detail before I express any view. For instance, it has been represented that the levy of capital gains tax on bonus shares issued out of share-premium moneys required to be differentiated. In fact, in 1957, when I introduced the tax on the issue of bonus shares, I had exempted this category because it is money found by the party. It has also been represented that the total impact of Estate Duty and tax on capital gains and other incidental costs in respect of property received by inheritance which may have to be sold to pay the estate duty should not be such as to cover the entire value of the inheritance. All I can say at this stage is that these points are under examination.

The complaint made by those interested in industries about there being no concession at all would perhaps require some answer. I may tell the House that in the process of framing my tax proposals, I had these proposals tested on the balance sheets of some of the bigger companies. In doing so, I did not take into account the concessions given in respect of rebates on corporate tax or on surtax to certain industries. But I did take into account the surtax and the dividend tax on the basis of dividends distributed in the past year. Out of 31 companies examined, 19 companies were paying super profits tax in the previous year. In the case of all these 19 companies, the tax as a percentage of the total income that would be levied according to the budgetary

proposals would be less. In the case of some of the companies which were not liable to pay super profits tax, the position will be different. It only reveals that the operation of the super profits tax was somewhat uneven, and put an additional burden on many of the companies, while some got away with the advantages.

In the same way the criticism which I find not only voiced in the House but outside in the Press about there being no relief is not correct. In the case of a married person with more than one child in the Rs. 4,200 bracket, after deducting the compulsory deposit where earned income other than salaries was concerned, he was paying Rs. 60.90; he will now pay Rs. 36.00. That is all that you collect from them. In the next bracket of Rs. 5,000 he was paying Rs. 93.10; now he will pay Rs. 84.00. In the next slab of Rs. 6,000, he was paying Rs. 176.60; he will now pay Rs. 184.00. In the case of the next bracket of Rs. 7,500, he was paying Rs. 338.73; he will now pay Rs. 334.00. In the Rs. 9,000 bracket, he was paying Rs. 549.91; he will now pay Rs. 559. In the Rs. 10,000 bracket, he was paying Rs. 690.00; he will now pay Rs. 709.00. As against this, including compulsory deposit, they were paying in the case of Rs. 4,200 bracket Rs. 185.90; in the case of Rs. 5,000 bracket Rs. 242.10; in the case of Rs. 6,000 bracket Rs. 352.60; in the case of Rs. 7,500 bracket Rs. 544.17; in the case of Rs. 9,000 bracket Rs. 782.19 and in the case of Rs. 10,000 bracket Rs. 940.00. It cannot, therefore, be said that the changes have not benefited the 'take-home-pay' for these people, an advantage which has been denied to the upper slabs by reason of the introduction of the 'Annuity Deposit Scheme'.

Quite a number of other matters, not wholly relevant to the Budget, or

even for that matter within the purview of Central Government, have been mentioned by hon. Members. I have no doubt the appropriate Ministries have taken note of such points as affect them and I am sure the House does not expect me to go into those matters here. These points will be brought up again during the consideration of the Finance Bill and also at the time the Demands for several Ministries are taken up. I can assure the House that Government will take note of whatever is being said and furnish replies if it is within their competence to do so.

As I said at the outset, several hon. Members have criticised the Budget, some negatively, some positively, each one from his own angle. Many have high-lighted some of the features of this Budget and to all of them I am grateful for having thrown some light on the Budget positively or negatively. I do not claim, and I did not claim in my Budget Speech, that this is a perfect budget. But I do claim and fairly emphatically that this is a budget which has taken into account the defects in the fiscal structure and has tried to remedy them with a view to make the economy move forward smoothly. Whatever may be the ultimate politico-economic structure of the country and our own desires in that matter, in fact no sector of the economy can move forward unless there is a constant look at the hurdles in the way of progress and the changes that are taking place in the *infra* structure of the economy from time to time which not merely produce distortions in it, but also in the process create road-blocks. Critics speak rather lightly of the carrot and stick to the donkey. I am afraid, Sir, I have too much respect for the people of this country to think they will be goaded to run forward to get at a receding carrot, or permit the stick being used. I had no intention of doing either of these things in presenting this Budget. The defects in the economic structure which inhibit progress are generally

known. They are defects that arise all the time by the changes that take place in the human society in our march to progress. Since primordial interests of man always remain, the tendency in society to be acquisitive is known and even when one tries to get them away from this tendency, they are bound to revert to it again, and that is why in any country, much more in a democratic one, Government have to be all the time at the helm to move the ship away from the shoals and the rocks in the way of progress.

Sir, the goal that we have set for ourselves is clear. We shall march towards a free society in which freedom from fear, economic, political and personal, shall be assured and things that come in their way from time to time, in the way of such conditions coming into being, would be ruthlessly pushed out. That is the perspective that we have set ourselves, call it by whatever name you like, democratic socialism or mere socialism or any form of it. The word itself has no precise connotation. It is what is being built round it that indicates how far that socialism is the one that would benefit people in a free society. In any civilised country in the field of industrial and other activity big institutions become inevitable. In a big country which operates under a rather complicated federal political structure it is inevitable that the concept of anything that affects people should be big. There is no use crying out against government monopolies. It cannot be helped. This country cannot be served except by a huge centrally planned and directed railway system. It would also be inevitable that other modes of transport will have to be so planned in the future and carried out. The basic needs of the people of this country have again to be planned in a big way with an eye to serving the remote corners of the country. Power is one such—I do not mean political power. I have been devoting some attention to the energy surveys and every time I do so, the

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conclusion is irresistible—the central planning and direction has to be precise and continuous and one has to allocate the sphere of activity for thermal power, hydro-electric power and atomic power. What then is the object of some hon. Members in this House criticising Government and governmental activities as being monopolistic. In fact, the monopoly to serve people effectively is that of the Government of the day. In dealing with private enterprise, one recognises that they have a place and always shall have a place. It depends upon how you define private enterprise. The individual will remain an individual and will only respond to impulses that appeal to him as an individual. If we strain the compulsions in regard to directing those responses he is always aware of the opportunity he has every five years for indicating his displeasure. After all everything has to be done by the individual and the motive power behind his action is the incentive. It is different as between different individuals, groups of them, whether they be of an area, class or age. Sir, we have to take into account all these factors when we plan for economic progress. And to a certain extent fiscal policy being a handmaid for economic progress has also to take account of all these factors. I claim no credit for having introduced rather severe—I do admit they may be, in part severe—measures in order to do away with inequality in wealth and power. Such an act is basic for the sustenance of democracy and to give a positive content to a socialist economy. And it is a continuous act, continuous because we allow, to a large extent, within a limited sphere, the individual freedom, and that freedom will, always having in mind human nature, go towards concentrating in his hands the good things of life. I, therefore, want the hon. Members to view the Budget from the glimpse of the perspective that it gives. If in the process of working out the various measures we make

mistakes, let us correct them. But I think it cannot be denied that the budget takes us a further step on the road to progress, even though I, as a person who presents it to the House, have to say it.

Shri H. N. Mukerjee (Calcutta-Central): The Finance Minister has told us that even if he reduced some excise imposition the middlemen would mop up the advantage. The Government has given an assurance to this House, at the time when Parliament authorised the emergency, that the price line would be held. In that case, do I take it that that was just a stupendous bluff, and Government has no apparatus to hold the price line? If the Finance Minister contends that the imposition reduced would be mopped up by way of advantage by the middlemen, has Government an answer to it?

Shri Ranga: My question is on the same point. He said that the consumer would not be able to get any benefit if, for instance, the duty on kerosene oil is reduced. In fact, the prices of kerosene oil have gone up to the tune of the duty that was made last year and a little higher also. Would it not be possible for the Government to expect the consumers to get a reduction in the prices if by any chance he makes up his mind to reduce the duty on kerosene oil.

Shri T. T. Krishnamachari: The hon. Member has given the case away when he says that the prices have gone up to the extent of the duty and a little higher.

Shri Ranga: That does not mean it will not come down if he reduces the duty.

Shri Nath Pal: On listening to the Finance Minister one felt that he almost pleaded that the Government is helpless to do anything with regard

to the price line. One got the impression—perhaps he did not mean it—that this can be justified. That is one thing, if the impression is correct. My second specific question is, now that he has discontinued the CDS, whether he is thinking of refunding the money which was collected under a scheme which he himself has found obnoxious?

Shri T. T. Krishnamachari: The amount of money that will have to be refunded would be such as will have an inflationary effect and it will go into the shopkeepers' hands. We will have other modes of making them feel that the money is in their hands.

Shri S. M. Banerjee (Kanpur): People will get back the money already deposited under the CDS after five years. Also, before 31st March, 1964, all those who have not deposited will have to deposit the amount even by borrowing. I would like to know from the Finance Minister, when he has withdrawn the CDS retrospectively, why this amount is to be deposited now?

Shri T. T. Krishnamachari: I have not withdrawn it retrospectively except in marginal cases.

Shri Nath Pai: He did not say anything to allay the fears about the price line. We expect something more positive than merely saying that if they do this the middlemen will benefit. It is no use being rhetoric, which he can do very well and asking me what I would suggest. I will suggest when I am sitting there. Now it is his responsibility to hold the price line. May I know what he is doing about it?

Shri T. T. Krishnamachari: There is a story in my part of the country. A man heard the story of Ramayana all night and asked a question: "What is the relationship between Rama and Sita?" I have given a speech and I have told him the difficulties. Certain things have been mentioned in it. I

have also said what the Government are doing. Now he wants to know what the Government are doing about it.

डा० राम मनोहर लोहिया (फर्रुखाबाद): हर व्यक्ति पीछे हजार रुपये महीने से ज्यादा का खर्चा न हो तो मेरे हिसाब से साल भर में २०-२५ अरब रुपया, लेकिन किसी भी हिसाब से १०-१५ अरब रुपया बचता है जो कर बोझ को घटाने के लिए या नई पूंजी बनाने के लिए इस्तेमाल हो सकता है तो माननीय वित्त मंत्री इस बात पर कब सोचेंगे कि बजाय इस के कि १०, २० या ५० करोड़ रुपया इधर, उधर, नये टैंक्स, छोटे मोटे, लगा कर हेरफेर करते रहें? जब मैं हजार रुपये महीना खर्च की बात करता हूँ तो उसमें सुविधा भी जोड़ लेता हूँ, खाली आमदनी नहीं—मेरे हिसाब से २०, २५ अरब रुपया और किसी भी हिसाब से १०, १५ अरब रुपया बचता है। उस के बारे में माननीय वित्त मंत्री कब सोचेंगे, मेरा यह सवाल है।

Mr. Speaker: He feels that much economy can be effected in the administration and in other places.

डा० राम मनोहर लोहिया : माननीय अध्यक्ष महोदय, केवल सरकार में नहीं—सरकार और करोड़पति दोनों में।

Shri T. T. Krishnamachari: The only type of people who could probably submit themselves to that kind of regimentation happen to be people in the Congress Party; nobody else would.

श्री रामसेवक यादव (बाराबंकी) : हम उत्तर सुन नहीं पाये।

डा० राम मनोहर लोहिया : क्या जवाब सुना भी नहीं जायेगा ?

उपाध्यक्ष महोदय : माननीय सदस्य ने सुझाव दिया है। उस पर गौर करना मिनिस्टर साहब का काम है।