

regard to Housing Schemes has revealed that the progress has been too slow; and

(b) if so, the main reasons therefor?

**The Minister of Works, Housing and Rehabilitation (Shri Mehr Chand Khanna):** (a) Yes.

(b) This is mainly due to the low priority accorded to Housing Schemes by the State Governments, particularly after the Emergency.

12 hrs.

#### MESSAGES FROM RAJYA SABHA

**Secretary:** Sir, I have to report the following messages received from the Secretary of Rajya Sabha:—

(i) 'I am directed to inform the Lok Sabha that the Rajya Sabha at its sitting held on Monday, the 2nd December, 1963, adopted the following motion:—

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do agree to nominate five members from the Rajya Sabha to associate with the Committee on Public Undertakings."

(ii) 'In accordance with the provisions of sub-rule (6) of rule 162 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to return herewith the Income-tax (Amendment) Bill, 1963, which was passed by the Lok Sabha at its sitting held on the 21st November, 1963, and transmitted to the Rajya Sabha for its recommendations and to state that this House has no recommendations to make to the Lok Sabha in regard to the said Bill.'

12-01 hrs.

#### UNIT TRUST OF INDIA BILL— contd.

**Mr. Speaker:** Further consideration of the following motion moved by Shri T. T. Krishnamachari on the 4th December, 1963, namely:—

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

together with the motion for circulation.

Out of 4 hours, 1 hour and 55 minutes have been exhausted.

Sari U. M. Trivedi may continue.

**Shri U. M. Trivedi:** (Mandsaur): Yesterday in offering my criticism on this Bill, I pointed out that this Bill was aiming at entering into business in the stock exchanges of India and, therefore, suggested that the title of this Bill should be "The Stock Exchanges Trading Corporation Bill". However, apart from the name, there are certain facts which must be taken note of.

I will draw the attention of the hon. Minister to the provisions of clause 35(1) and (2). At one place, a provision has been made this Trust shall have 10 trustees. Here it has been provided:

"No act or proceeding of the Board or of any committee of the Trust shall be questioned on the ground merely of the existence of vacancy in, or defects in the constitution of the Board or committee".

I cannot see the implication of such a provision, unless some limitation is put as to what is the minimum or

maximum number of vacancies which can be condoned. It will also mean that one man may be able to act for all the 10. So a provision should be made to the effect that unless the vacancies are more than a certain number, the act cannot be questioned.

The second provision is:

"No act done by any person acting in good faith as a trustee shall be deemed to be invalid merely on the ground that he was disqualified to be a trustee or that there was any other defect in his appointment".

This means that an insolvent may be appointed, a man who cannot be appointed. An insolvent can be appointed to carry on the work till it is pointed out by somebody that he is an insolvent. An insolvent trustee may do certain things and still he will be able to say that it was *bona fide*.

So I should think there must be some limitation upon this omnibus power being given by virtue of these provisions.

Then I draw attention to clause 37. Somehow or other these days the Government machinery is afraid of legal proceedings being launched against it. There are so many safeguards provided.

**Mr. Speaker:** Order, order. There is too much of talk on all sides. So long as Members remain inside the House, they have to remain silent and listen to the speech that is being made. Any talking that is done is illicit, and therefore it must be subdued.

**Shri U. M. Trivedi:** Clause 37 says:

"No suit or other legal proceeding shall lie against the Trust or the Reserve Bank or any trustee or any officer or other employee of the Trust or the Reserve Bank...."

That means a long latitude is being given in respect of acts which can be

challenged in a court of law, and the protection is by a very wide word "*bona fide*". What is *bona fide* or not should be a matter for judicial determination. It is not proper to take shelter like this particularly when the Trust will have numerous transactions every day, and those who deal with it may have complaints that certain acts are not *bona fide*.

I have pointed out only the legal defects. Apart from that I feel this has political colour, that it is meant for exercising power over the destinies of so many people, and I think the Bill should not be passed.

**Shri Heda (Nizamabad):** I welcome this Bill, and I have no doubt that this is a step in the right direction.

Shri Morarka said that it was good that this trust was being started in the public sector, but he hoped that after gaining experience, the private sector would also be allowed to start similar trusts. I do not think it will be a good thing to allow the private sector to enter the same field at any time. I fear that the competition would be unhealthy and various questions would come in. It should be in the public sector alone. If the size of the trust becomes gigantic or unmanageable, we may have another trust, but again it should be in the public sector and not in the private sector.

I am doubtful about the optimistic estimate of the Finance Minister that he would be able to get Rs. 100 crores a year in this Trust. Replying to the criticism that money would be invested in this Trust only by the rich men and not by poor men, Shri Morarka pointed out yesterday that rich men were quite capable of investing their money in their own concerns, or those of their colleagues or counterparts. Therefore, I do not think we will get sizable investments in this trust from big business or rich men. In fact, everybody is short of finance. The money market is tight, and even today in this city of Delhi there are

[Shri Heda]

people who are accepting deposits at 12 per cent even small amounts of one thousand rupees, and they promise to pay Rs. 10 every month and return the capital within a day or two of receiving notice. These firms are working very well, because there are very safe investments particularly because of hire purchase and various monopolies that we have created in the road transport and other businesses. Thereby one can earn easily between 20—25 per cent. Therefore, it will not be so easy to get money for this Unit Trust. I have no doubt that the money from the rich people would not be forthcoming. The low-income group has hardly any money left, particularly after the compulsory savings. Therefore, they would not be in a position to buy any units. Even among the middle income group, hardly five per cent of these people would like to invest any money. This Trust will have a fair competition even as it is from new companies that are floated and the middle income group may be tempted to purchase the issue of a new company with two hopes. He knows very well in the first year or the next year, or even for five years, he may not get any dividend but once he starts getting dividend, it will not be less than 10 per cent. Another hope is that there will be better appreciation of the price of share itself. There are instances where prices have gone of a share worth Rs. 100, even up to Rs. 200. So that the middle-income group would like to invest with a view to earn appreciation of the value. You would have noted such a big agitation among the Members who put supplementary questions yesterday about the land prices in Delhi. Investment in housing sites, not only in Delhi but in any metropolitan area, even an area with a population of 50,000 is very good and sound investment. In the course of five years, there are instances where prices had gone by 500 per cent or even 1000 per cent. A middle-income group man would like to put his savings in housing sites and secondly, in new issues. I therefore doubt very

much whether the ambitious target of Rs. 100 crores as set out by a very intelligent and understanding Finance Minister would be fulfilled.

Now, how will this trust invest money? It can invest in two ways. It can give loans to the industrial concerns in the private sector or public sector or the corporate sector and gain interest of, say, 7 to 9 per cent. I do not think they will be able to bargain more than 9 per cent and if they do so there will be the charge of exploitation. Another way would be to buy shares of present issues in the open market. In the case of these shares, the appreciation would not be more than 5 per cent or 6 per cent in certain cases. In course of time certainly there will be appreciation of the new share prices but till then there will be no interest or dividend forthcoming and for the first few years the trust will be facing a hard time. So, from both the angles, whether the investment is in the shares of old and new companies or the investment is in the shape of loans to various industrial and other projects, the income would not be very attractive.

Again the Finance Minister has done two things which would rather discourage the investor to come forward. The one thing that he has done is that he has stated that he will return the money to the unit-holders, namely, 90 per cent, after the expenses have been deducted. What would be the expenses? The idea is not clear. It should not be much. But even then, the idea is not clear.

**Shri Morarka (Jhunjuna):** Not more than five per cent of the gross income of the unit-holder.

**Shri Heda:** Yes; I now remember it. So, it would be 90 per cent of the remaining 95 per cent. Therefore, they would keep five per cent as a sort of reserve. 90 per cent of the income that the Trust as a whole would be getting would not be so attractive. That is the first point. The

second point is, the Finance Minister has not given any guarantee of any minimum. He has not stated that this much would be the minimum which every unit-holder would get year after year. Had he given this guarantee, I think that would have been more attractive. Otherwise, there are other schemes where there is some guarantee or the other. There are banks which are giving as high as 4½ per cent and smaller banks are giving even five per cent. Dr. M. S. Aney says that even six per cent is given on the fixed deposits. So, this will be another competition for the Unit Trusts. Therefore, unless the practical acumen and a sound banking experience is applied, the prospects for this project do not hold very bright.

But I have no doubt that the experience that the Finance Minister has, and the guidance that he would be giving at least in the initial years—and these initial years may not be more than ten years, and they may be from five to 10 years—the Trust may prove successful. But I would like to sound one word of caution: that the success of this Trust will be very important for the encouragement and healthy growth of the public sector. If the Trust does not earn a good name, the entire psychology of the public sector may get a setback. Therefore, a heavy responsibility has been asked for by the Finance Minister and I wish him well in that.

With these words I support the Bill.

**Shri Surendranath Dwivedy** (Kendrapara): Sir, any effort made to encourage savings in the middle income group in this country is to be welcomed. This can be done in various ways and special efforts should be made to see that they not only participate but also share in the profits of economic development. Looking from that point of view, this Bill seems to be a move in the right direction. But I have my doubts about the purpose for which the Bill

is actually being introduced in this House. The Finance Minister has stated that this is an adventure on small savings, and he expects that the middle and lower income group would be the main shareholders. Looking from that aspect, I feel that the Bill is ill-timed and premature. Probably, no serious thinking has been done on the present economic conditions in the country. If we look at the figures, we will see that there has been a decline in 1961-62 in the deposits of small savings and postal savings. What is it due to? Because of rising prices and rising cost of living, there is hardly any saving among these classes of citizens. Therefore, although they would like to deposit in these trusts and banks, there is nothing left with them to deposit at the present moment. It is well-known—probably it will be brought out more clearly when we discuss planning—that the entire effect of planning in this country has not brought any significant improvement in the conditions of these classes from whom we expect mostly this Unit Trust would be financed. Therefore, I have a fear that actually most of these unit holders would be big monied-men, big industrial enterprises or people with a large purse, because I find there is no limit put as to the number of shares that a person can hold, although it is said that the value of a share cannot be less than Rs. 10 and more than Rs. 100. If the monied-class in this country would like to control this, they can easily invest the entire amount of Rs. 100 crores or to begin with Rs. 10 crores or whatever it is. From that point of view, the lower middle-class who are expected to take a pre-dominant share will not be able to do so at the present moment.

Secondly, I feel there is room for changes in the clauses of the Bill. Although I do not like to support the move for circulation, I would have liked and it is not too late even now—I do not know what the Finance Minister is consulting with his off-

[Shri Surendranath Dwivedi]

cials now—if it is possible for him to refer it to a Select Committee, he should consider it. We should not be in such a hurry. The Select Committee can go into details, of the different clauses and in the next session, we can pass this Bill. That would be perhaps a better method than hastily passing this Bill, because many Members feel that they have not actually been able to study this present Bill in its proper perspective.

I also do not agree with the view that this should not have been a public sector effort. In view of the socialist economy we are aiming at, I think it is necessary that a trust like this should be in the State sector. There are many reasons for people to complain about the working of the State sector enterprises—corruption, maladministration and all that. In spite of that, I do not think in this country people have very great faith in private banks and other investment institutions. Comparatively speaking, I have a feeling that people have more assurance in the banking and other investment institutions if they are in the public sector. But there is one thing that should be avoided, because we have experience of these things and I think the Finance Minister would give more serious thought to it. Let these institutions be not bureaucratically controlled. That is one aspect of the question which should be looked into. Even in regard to purchase of shares, even in regard to deposit of money and withdrawal of money, if one goes to the counters of the State Bank and other institutions, one can easily find out the difference between the private banks and the State Bank. There should be some simplified procedure so that an ordinary man with small means—a rural man—can easily purchase shares and invest his money. He should have the opportunity to easily go there and do his work. Therefore, from the very beginning itself, it would be better if in the Trust Board there is provision for representatives of the unit holders. There is an amendment

proposed by my hon. friend, Shri Morarka, and I think the Government should accept that amendment.

Then, Sir, the Finance Minister has said that 90 per cent of the net income would be distributed amongst the unit holders. That is good so far as it goes. But the whole idea should be that the rural population should be attracted to this sort of an institution. To do that, I would suggest that instead of yearly distribution of this income, probably, it would be better if this net income is distributed quarterly. That will attract the rural population more, because even if it is a small investment they would actually have an experience of getting their profits as soon as possible.

I would also suggest that regarding these shares there should be some simple procedure adopted so far as transfer of shares to the heir of a person who dies is concerned. There is a legal procedure which is very cumbersome and sometimes it may be difficult for an ordinary person to get his shares transferred because of these legal difficulties. I would, therefore, suggest that from the very beginning it should be laid down that if a person dies, his shares could easily be transferred to his legal heir without much difficulty.

**Shri Tyagi (Dehra Dun):** The common device in the case of shares might be adopted here also.

**Shri Surendranath Dwivedy:** These are, Sir, few things which should be borne in mind, and, as I have said, I would again request the Finance Minister that this Bill be referred to a Select Committee.

**Shri Tyagi:** Sir, I am entirely in agreement with this Bill. It is surprising that my friends on the opposite benches should be raising one objection or the other against such an innocent measure. Actually, the idea of circulation of such a Bill is not in the least justified because there are

not many controversial matters. I can understand their reactions to Bills which deprive somebody or some sector of some privileges, but this Bill is a positive measure by which nobody is touched. It is just to give benefit to the people who cannot invest, who cannot enter into the market for investment because their means are not so big as to start some industry or some business. Therefore, this is only a facility which is being offered. I think the Parliament which is represented by all sections of the people in the country can decide this issue. The best brains are here and they might just contribute their wisdom and decide.

I think there is a radical change in the attitude of the Finance Minister these days. I hope I may be excused for making a personal remark. He seems to be extraordinarily accommodative these days. Previously, he used to be very hard and would not listen to views of others, but now he is quite accommodative. I do not know what change has come about in his life. Anyhow, Ministers accommodating or accepting good suggestions coming even from opposition benches is a good thing and it should be our ideal. I am quite sure that all the good suggestions made on this subject will be readily accepted by Government.

Quite a few objections have been raised against this Bill, and it is not for me to answer them because the Minister will himself deal with all those objections. But it is surprising that Shri Masani should have come forward with objections against this proposal. There are certain parties who are wedded to opposition to every proposal, whether reasonable or unreasonable. I could understand opposition from such a quarter. But for people who believe in Socialism and Communism. I thought it would be a welcome measure but even they seem to be opposed to this proposal.

What is it that we are doing or creating? We are not creating any vested interest of a very big order. We are

not creating any big monopoly. If socialism means division or distribution of wealth, giving some wealth to everybody, literally speaking, it can also be termed as capitalism because every one is vested with some wealth, however small it may be. But, really speaking, it is not capitalism.

Here what is being sought is just to enable even men of small means to go into the share market and invest his money in industrial shares. The idea is not quite a new one. May I remind this House that even as early as 1931 the Indian Central Banking Enquiry Committee went into this problem? May I first read a little from the Shroff Committee report of 1954? It said:

"Investment trusts are a common feature of the capital markets of Europe and America, and have in recent years emerged as major institutional savers and investors. However, for successful operation of investment trusts, considerable initial capital will be required. Otherwise, it would be difficult to secure the benefit of a sufficiently widely spread investment portfolio."

They have themselves suggested that such type of trusts must be started because they have several advantages. The Report further says:

"They are eminently suited for catering for the middle and poorer classes, whose individual savings may not be large enough to facilitate direct operations on the stock exchanges. Also, since each unit represents a fraction of a number of securities, the risk undertaken by an investor in a unit is spread over a number of securities and is thus minimised."

It is very difficult for lay men of small means to invest money in the share market. Sometimes they are misguided by brokers or even swindled. Further, they invest money with the allurement of quick or increased

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return and they lose in the bargain. In the case of the Unit Trust, since it will not invest all the money only in one industry but spread over many industries, even if some of the ventures may fail, as it is more than compensated by the success of several other ventures, the ultimate loss to the unit holder may at the most be a fraction of a rupee. Because, once the units are purchased, there is no distinction between one unit and another unit and they do not keep a separate account as to where the money of a particular unit is invested. The total benefits or profits will be distributed among all unit-holders equally. Therefore, the chances of risk are very much reduced, if not eliminated. This alone is a sufficient guarantee for the small investors to invest their money in the share market through the Unit Trust. If there is no Unit Trust, it is only the shares of big business people, who have concentration of wealth, that will be sold in the market because they have credit in the market and the shares are sold in their name. Therefore, in the absence of an organisation like this, the concentration of wealth goes on increasing.

**Shri Surendranath Dwivedy:** How do you prevent them?

**Shri Tyagi:** By this means quite a lot of spare money would come. We want investments today. India needs investments, but if the spare money goes into the hands of those people who have already concentrated a lot of wealth, they become bigger. So much of wealth has been concentrated in their hands and if further investments also go in their hands and they alone command the market because their credit is high, they are known to be well off and, therefore, people would generally like to invest their money with them as there is no chance of any failure or losses, they become bigger every day. This step, I think, is another very effective step towards the establishment of a socialist state

because this capital would be invested in a way by the public sector.

Not only this, but there is also another report.

**Dr. M. S. Aney (Nagpur):** The same year.

**Shri Tyagi:** In 1931 there was a Central Banking Enquiry Committee where in Manu Subedar's Minority Report, Shri F. E. Dinshaw had remarked—my hon. friend knows it very well—

"I see no reason why investment companies should not be as successful in India as in other parts of the world. Judging by the course of events on the Bombay Stock Exchange, I should say that would be very successful. Shares and stocks are often quoted at much higher or lower prices than the intrinsic value of the scrip, and the prospects of the trade or industry justify. There are constant bull and bear raids and these affect not only speculative securities but others, which do not fall in that category. The operations of sound investment companies will have a steadying and beneficial effect."

This is what was said as back as 1931. This is not quite a new idea. It further says:—

"An immeasurable benefit to India is bound to grow from the establishment and proper working of investment trusts and the assistance, which they will give to the investor in the creation of intermediate securities which do not exist now in providing a channel for investment in industrial and other fields, where the primary investor would be too scared or too ignorant. The investment trust would also assist in carry-over for industrial and other concerns, particularly on issue of additional

capital in the form of preference shares or debentures where banks cannot, and do not, venture now."

These were the views expressed then. The idea had been hanging fire, I must say, because the British did not want it. The Britishers, the foreign investors, were scared of this idea and, therefore, it was not encouraged then. But now we have got independence and have our own government. Why should we not support it?

An objection has been raised as to why it should not be allowed in the private sector. This Bill does not ban the private sector coming out with any such organisation. They might also put it up if they choose to. There is no objection. They are already floating there. The share market is there and they are receiving them in the private sector always liberally. But then in that case they cannot thrive because such organisations which will be in private hands will not be paying. They will have to pay income-tax and everything. They cannot be exempt from income-tax and therefore this is the best device. Here the small depositors will not be burdened with income-tax liability etc. This will be another incentive.

Seeing the income-tax register one would come to the conclusion that out of 1,97,807 assesseees there are 81,000 assesseees who are getting refunds. Even now smaller people are depositing in some concern or the other and their bonus goes to them every year. Out of 1,97,000 shareholders, 80,000 are such who do not pay income-tax because they are small ones. Their incomes are too below the level of income-tax. Therefore, refunds are to be made to them. Already there are 80,000 shareholders who are below the income-tax limit. Therefore, to say that small men would not come forward is also wrong. They will be happy. Their dividends will be income-tax free.

Another point is this. Every middle-class man who has a saving of five

or six or ten thousand rupees is afraid of inflation. Well, inflation is very sure—one sees it. So, his money gets without any value; it may be half next year and two years after it may be one-fourth. I can well see it. During the days of my boyhood, when I was a student in a very small boarding house, my total expenditure was Rs. 10 a month and I was getting good food in the hostel. Now it is not possible on account of the money losing its value. So, this Trust will be a hedge against inflation. After all, the value is there. He will go on receiving his income. That will be another advantage. Otherwise, in the old days, for investment one was either to have some gold or hoard money or bury his small treasure for his security and needs in future and for his children.

**Shri Surendanath Dwivedy:** Those days are old days.

**Shri Tyagi:** I am talking of those small people who have no other means of investment. Everybody cannot be a usurer. One can give money at a higher rate of interest. But again it becomes difficult to realise either the interest or his own principal also. These difficulties also come in. So, this will be a good investment for a man with small means.

It is not only here. In the United Kingdom, both the Conservative and the Labour Parties are committed to this ideal and in U.S.A. also there is such a machinery where investments are gathered. In U.K., they are all in favour of it. It is not at all a new idea.

Then, some friends have taken objection to the reconstitution of this Board. This is very natural. After all, if there are millions of people investing in these Trusts and buying these units. They must also get some representation sometimes. In the beginning, it is not possible because there is no owner of these units. So long as there are no unit owners, they cannot be represented. Whole of the money comes from the banks, the scheduled

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banks or the Reserve Bank, etc. Therefore, after a time when the whole money of these banks, etc. had been paid back and the whole Trust belongs to the unit-holders, then surely reconstitution has to take place and, therefore, reconstitution should not at all be feared or scared against. My friends attributed motives to Government. Well, by that time God alone knows whether we will be in power or other friends will come into power. There is democracy.

**The Minister of Finance (Shri T. T. Krishnamachari):** You will continue to be in power.

**Shri Tyagi:** If you give me your seat, I am prepared to hold it.

**Shri Surendranath Divedy:** You occupy immediately it is vacant.

**Shri Tyagi:** Thank you, Sir. With these words I support the Bill.

**Mr. Speaker:** That is very tempting!

**Shri Maniyangadan (Kottayam):** Mr. Speaker, Sir. I welcome this measure. Several criticisms have been made against this Bill. But I am afraid, most of the criticisms have ignored the object of this Bill or of the Corporation that is going to be constituted by this measure. In the Statement of Objects and Reasons of the Bill, it is clearly stated:

"The question of establishing an institution in the public sector for carrying on the business which is transacted by unit trusts or mutual funds in other countries...."

That is the main object indeed. In countries like America, and United Kingdom, there are unit trusts or mutual funds. By experience, it has been found that it is more attractive to the investing public and so it has been decided to introduce that system here also. I do not know why there should be so much of criticism against

this. To encourage savings by providing for various classes of investors the facility of investing their money in unit trusts is the main object. There is no denying the fact that the savings of the people should be mobilised and should be utilised for the public benefit and for developmental purposes. Investments in unproductive concerns should be discouraged. There is no denying the fact. So, my submission is that this is a venture which is most appropriate to the times.

Now, the actual question that has to be looked into is whether such a trust is necessary and if it is necessary whether it serves the purpose that we have in mind. My submission is that it is absolutely necessary in the present circumstances. It has been said that this is not a public sector venture because individuals are going to gain. It is not possible to expropriate all the profits that are made by individuals. If individuals or other concerns are to be made investment-conscious, there must be some incentives for them. Savings must be made and they must be invested in profitable concerns. Then only people will come forward for investment. For the purpose of mobilising the savings and utilising them for developmental activities, it is necessary that the maximum profit that could be made available is made available. That is what this Bill does by the creation of this Trust. It has been said that because the officials are controlling this Trust, it is not going to be a good concern. It has been said that officials should not be allowed to control this Trust because they do not know anything. Then, as regards other persons who have some connection with business or business management, if they are allowed to control this, it is said that it is a bureaucratic concern. I fail to understand who is to be in management of such concerns. Neither officials who are well-versed with administrative affairs nor person who have some knowledge in business

management should be entrusted with the management of these things. Then, who else is to run these institutions is a matter which must be elucidated.

The face value of the units is stated to be not less than Rs. 10 and not more than Rs. 100. So, middle income group people can take advantage of this. There is no doubt about that. Of course, it was stated that—I also to some extent agree with that—with regard to lower income group people, it may not be possible for them to invest much because there is not much left behind with them as savings. But when they find it is profitable and when they find that they could safely invest something out of their earnings, there is the inducement to save and invest. There are certain investment companies now existing and they have been incorporated under the Companies Act. From experience it has been found that those investing companies are not serving the purpose which we are aiming at through this Bill. Their role has not been a significant one in mobilising savings or in getting them invested in a wide and diversified range of securities for the benefit of the country.

Experience in other countries has amply proved that these unit trusts or mutual funds as they are called in some countries are more attractive for the investing public, and so, this system is going to be introduced here also.

A question was raised why competition was not being allowed by allowing other trusts like this to be created in the private sector. If we take into consideration the conditions as they now prevail in India, my submission is that we shall find that there is no necessity for that, and there is no scope for that, and it is absolutely necessary that Government should by themselves run such institutions.

There were several assumptions made in regard to this unit trust. It was said that there might be corrup-

tion, there would be autocracy and so on. My submission is that it is a new venture, and we are going to experiment on that. As Shri Tyagi has said, let there be no criticism before the institution which we have in mind is born. Let us see how it will function. The speeches made by some of the hon. Members here would indicate that everything in the public sector is running lopsided, and there is only corruption and, therefore, by creating this unit trust we shall be adding another institution where corruption will be rampant. My submission is that that is going too far. Can anybody say that in the private sector there is nothing wrong with the concerns that are run by them? Are they running absolutely correctly and on the right lines? There are mistakes, there is corruption and there are failures in the private sector also. Of course, I do not claim that everything in the public sector is going on cent per cent correctly; there may be mistakes, but there are ample provisions for correctives also.

My submission is that this institution which is going to be created under this Bill is a good venture and it is going to do a lot of benefit to the people. The Reserve Bank has authority over the banking and financial systems in the country has full control over this institution. Government also have a certain control over it to some extent. This body will be autonomous, but the Reserve Bank has to dictate whatever policies are to be followed and so on. So, there is no need for any sense of fear at present.

With regard to investments by this unit trust, I would suggest that certain limits should be fixed for the investments to be made by it in any particular concern. It must be varied and diversified. It should not appear as if a particular concern has been favoured or has been given special consideration. So, some limit must be fixed for investment in individual concerns. The funds of this trust must be made available to as many concerns as possible and must be helpful in a varied way.

[Shri Maniyangadan]

A suggestion has been made that the scheme under clause 21, after it is formulated, should be placed before each House of Parliament. I am also of the view that that should be done. At present it is only provided that it will be published in the Gazette. I submit that provision must be made for placing it on the Table of each House of Parliament.

As regards the motion for circulation of this Bill, I do not find any necessity for circulating this Bill. It is not at all controversial. Nobody has seriously objected to the principle of the Bill. The provisions made in the Bill are very clear. So, what is the purpose of circulation? If it is a Bill which takes away the rights of certain individuals or certain concerns, then there would be necessity for having public opinion. As regards public opinion, it is clear that the people's thought has been directed already towards the aim of this Bill. The only question that remains to be considered is with regard to the details of the Bill, whether a provision here or a provision there should be modified to any extent. And that can be done in this House. So, there is absolutely no necessity for circulation of this Bill.

I wholeheartedly support the Bill.

**Dr. M. S. Aney:** I appreciate that the hon Finance Minister is actuated with the best of motives in bringing this Bill forward before the House. I do not agree with those who want to attribute some motives to him, either party motive or some other motive. I think that here is a new idea to which he has been making an effort to give a legislative form so as to make it a practical affair for the acceptance of the country. The fact that it is a new idea which is being broached for the first time is itself a matter which requires to be considered not only by the Members of this House before whom it is broached for the first time but also by the large number of persons whose interest it is the intention

not only of the Finance Minister but also of this House to safeguard.

My hon. friend Shri Tyagi has read out some extracts from an old report of 1931. That report itself had suggested the setting up of an institution of this sort. A unit trust of this kind was one of the things that was recommended by them. From 1931 up to this day the matter has been lying before the Government of India. There were many occasions for them to consider the various ways in which they could try to attract the idle capital lying with a large number of persons in the country and make it more fluid and make it available to Government and for better purposes. But during all this period, none of them has thought of touching that old idea at all. One reason, which has been mentioned in that report itself is this. They thought that in order to give effect to this idea, a very big fund must be available with the person who wants to start such a kind of unit trust, and they thought that it would not be possible for them to have such a big fund at all available at that time, and, therefore, the idea of starting such a unit trust has been practically left behind and not cared for. That is my impression about it.

A few minutes before, my hon. friend Shri Surendranath Dwivedy had made a statement to the effect that so far as the tendency of the middle-class people to deposit their savings is concerned, it was showing a decline, and he quoted some figures, which are very material, to show that year after year, the amount of the deposits has been coming down as compared to what it was before. If that is correct, then that is a point for the hon. Finance Minister to consider, namely whether something more is not needed to make the proposal which he has embodied here more attractive and more acceptable to these middle-class people who should voluntarily come forward to deposit their moneys in a trust of this nature.

13 hrs.

I know there are only two ways of dealing with this. One is to make suggestions to improve the Bill. In a matter of this kind, it requires some time to consider and formulate concrete ideas and present them in a manner acceptable to the Finance Minister and the legislative body that has ultimately to pass it. Therefore, had there been a motion for reference of the Bill to a Select Committee, I would certainly have voted for it, and not for the motion for circulating it for eliciting public opinion. Even now if the hon. Minister thinks that he can take a little time and accept the suggestion made here by some hon. Members to refer the Bill to a Select Committee, giving them some 8 or 10 days to consider the Bill and report, I have got nothing to say, because then the suggestions can be very well formulated and discussed by the Select Committee. In a big body like the House, the way amendments to Bills are disposed of is very peculiar. We allow all amendments to be moved along with the motion for consideration and after the discussion is over all the amendments are put together and disposed of. Only if the Bill was previously considered properly by a Select Committee—that would be the proper thing to do in this case—would it be possible for this House to give due consideration to it and implement it, unless the matter be of a drastic nature to be considered and disposed of solely by the House. For that reason also, it would have been proper to refer the Bill to a Select Committee. If the Finance Minister is not agreeable to this proposition, I shall vote for the motion for circulation, because I believe that in spite of the fact that we are here, so many persons, representatives of the people, people of small means, small income outside will expect us to take their views into account. I think there is more wisdom outside than the collective wisdom here in this House. So when a new idea is put forward, we shall have to look up to them and get their advice before

we make up our minds and say that this is the correct thing to do. From that point also, I support the motion for circulation of the Bill.

If both these suggestions are thrown out as unacceptable then I will certainly vote for the idea embodied in the Bill as it is.

श्री उवा० प्र० ज्योतिषी (सागर) :

प्रधक्ष महोदय, यह जो बिल इस सदन के सामने आया है मैं इस का समर्थन करना चाहता हूँ। ऐसा लगता है कि कंसट्रेशन और वॉल्यू को रोकने और सोशललिस्टिक आइडर को आगे बढ़ाने में यह बिल निश्चित रूप से सहायक होगा।

इस तरह से मैं ने यहां वहां जो बात सुनी, मित्रों ने कहा कि यह सरकार कैसी हो रही है, यह उस बत्तख को खत्म करना चाहती है जोकि सोने का अंडा दिया करती थी। मुझे ताज्जुब होता है कि इस बिल के द्वारा हम कौन सी बत्तख खत्म करना चाहते हैं? हम किसी बत्तख को खत्म नहीं करना चाहते। हमारा सिर्फ अगड़ा है इस बात का कि बत्तख जो सोने का अंडा देती थी वह अंडा खुद खाने लगी। हम उस व्यवस्था को बदलना चाहते हैं जिस व्यवस्था के अन्दर वह मुर्गी जोकि सोने का अंडा देने वाली है, जिस अंडे का देश के लिए उपयोग होना चाहिए या वह अंडा देश के लिए खर्च न हो कर उस मुर्गी के चूजों के लिए या मुर्गी की परिपुष्टि में ही खत्म हो रहा है।

यह बिल जो है यह उस से वह बत्तख या वह मुर्गी जिस की कि अपना अंडा खाने की आदत पड़ गई है, वह नाराज होते हैं, वह भयभीत होते हैं, कारण है कि शासन इस बिल के द्वारा धन हम से खींच लेना चाहता है, या उत्पादन के जो स्रोत हैं उन स्रोतों पर आहिस्ता आहिस्ता कब्जा कर लेना चाहता है। यह बिल उस दिशा में

## [श्री ज्वा० प्र० ज्योतिषी]

एक थोड़ा सा माइल्ड क्रदम भले ही हो लेकिन दूसरे धनपतियों, उद्योगपतियों को परेशान करने वाला यह बिल नहीं है। इस बिल की मंशा तो सीधी साधी है कि जो जन-साधारण है या कोई भ्रादमी है जिस को कि स्वयं उद्योग करना नहीं आता और जो अपनी थोड़ी सी बचत को किसी उत्पादक इनवैस्टमेंट में नहीं लगा सकता है उस के लिए यह व्यवस्था की जाय कि शासन की तरफ से इस तरह के उत्पादक स्रोतों की छानबीन की जाय। इस ट्रस्ट के पाम ऐसे सामान्य व्यक्तियों का धन पहुंचे। १०-१० रुपये से ले कर १००, १०० रुपये तक की यूनिट्स के रूप में और वह यूनिट्स के रूप में इकट्ठा की हुई राशि को बोर्ड या ट्रस्ट आवश्यक उद्योगों में लगायें। आवश्यक उद्योगों की वृद्धि हो और साथ ही साथ जो बचत करने वाले लोग हैं उन को उन उद्योगों से या उन व्यापारों से होने वाला मुनाफा मिल सके।

एक खास मंशा जो इस बिल की है वह यह है कि छोटी रकम वाला भ्रादमी है या सामान्य भ्रादमी वाला भ्रादमी है उस में बचत करने की वृत्ति पैदा हो और उस की बचत की राशि इस देश के उत्पादक और उपयोगी कार्यों में लग सके।

इस तरह से यह आरोप किया गया मेरे जनमंडल के एक मित्र के द्वारा कि यह शासन बनिया शासन हो रहा है। शासन का काम तो क्षत्रित्व का काम है। देश की रक्षा करना उस का काम है। कौन इस बात से इंकार करता है कि शासन का काम देश की रक्षा करना नहीं है? मैं समझता हूँ कि देश की रक्षा के काम की दिशा में ही यह एक क्रदम है। देश की बचत के धन को, पाई, पाई को इकट्ठा किया जाय और उसे ऐसे उत्पादक कार्यों में लगाया जाय जिस से कि यह देश मजबूत हो। मैं समझता

हूँ कि यह देश की रक्षा की दिशा में ही एक मजबूत क्रदम है। यह कहा गया कि यह शासन बनिया हो रहा है। यह बड़ी गलत बात है। यह बड़ा भ्रम है। कोई वक्त था जब क्षत्री राज्य करते थे इस देश पर लेकिन अब न क्षत्रियों का राज्य है और न बनियों का राज्य है? हम तो इस तरह बनिये ब्राह्मण या क्षत्री के सोचने का जो संकुचित तरीका है उस तरीके को खत्म करना चाहते हैं। इस देश में समग्र जनता का राज्य है और इस देश की शासन की जो योजनाएं हांगी वह विश्व वृत्ति से भी प्रेरित हांगी, वह क्षात्रवृत्ति से भी संचालित हांगी, उन में ब्राह्मणत्व की भी भावना हांगी और उन में जन समाज की सेवा की भी भावना हांगी। उद्योग धंधे की बात यह शासन न करे यह भी गलत हांगी। एक सम्मिलित विजडम इस देश की मिल कर और हर दिशा में इस का विकास हो, ऐसा सोचे। इस तरह की व्यवस्था इस देश में लाई गई है। यह जो बात कही गई कि वैश्यत्व से यह सरकार काम करने लगी है, रोजगार धंधों में लगने लग गयी, मैं समझता हूँ कि यह पिछले दस वर्ष सोते रहे जो ऐसा करते हैं। सरकार द्वारा क्या यह कोई आज एक नया क्रदम उठाया जा रहा है? इस में पहले भी इस तरह के क्रदम शासन द्वारा उठाये गये। उद्योग और धंधे लिये गये। व्यापार पर आंशिक नियंत्रण किया गया। उस वक्त कहाँ थे वे मित्र? इस बिल के रूप में जो क्रदम उठाया गया है वह एक अच्छा क्रदम है और एक अच्छा वातावरण बचत की दिशा में यह प्रस्तुत करेगा मेरा ऐसा विश्वास है।

मुझे जो एक चीज लगती है वह यह है और मैं समझता हूँ कि उस का आगे ध्यान रक्खा जायेगा। आज तो रुपया बैंकों का ही ज्यादा लगने वाला है। रिजर्व बैंक, दूसरे बैंक्स, और स्टेट बैंक का ही रुपया लगेगा। चकि उन का ही रुपया ज्यादा लगेगा इस-

लिए उन के ही प्रतिनिधि ट्रस्टीज में रहेंगे लेकिन यह बात सच है कि जब जनता का अधिक धन लगे तब जनता के लोगों का भी इन ट्रस्टीज में प्रतिनिधित्व होना चाहिए। जैसा त्यागी जी ने कहा इस दिशा में आगे चल कर एक क्रम उठाया जाय, यह जरूरी है।

एक बात और मेरे मन को लग रही है कि ऐसा न हो कि उद्योगपति यह देखें कि चूंकि यहां पर जो राशि लगाई जाती है उस पर इनकमटैक्स नहीं देना पड़ेगा, कहीं ऐसा न हो कि दूसरे उद्योगों से वे हाथ खींच लें और अपनी अधिक राशि को इन ट्रस्ट्स में लगा दें। मैं समझता हूं कि सीमा इस तरह की होती कि इस राशि से अधिक यूनिट्स के रूप में कोई मदद नहीं लगा सकता है। अगर इस तरह की कोई एक सीमा की व्यवस्था इस बिल में रख दी जाती तो ज्यादा अच्छा होगा। मैं आशा करता हूं कि मेरे इन दो मुझाबों पर शासन ध्यान देगा।

**Shri V. B. Gandhi** (Bombay Central, South): This is a good Bill, and I am sure it will receive the support of the whole House. What is contemplated here is not just some programme of promoting savings. It is something more than that. It is something tremendously more important. It is going to bring into existence a new class of investors, the class of the small investor including the wage-earner. What we are doing here today is going to have wide social implications. It is going to lead towards a larger dispersal of the ownership and control of industries, which in its turn, will mean some step towards economic and industrial democracy.

In India, the Unit Trust is somewhat of a new idea. We all know that our Finance Minister is a man of ideas, and some of us look to him to give new ideas and new directions in relation to the financial problems of the country. This is India's first Unit Trust and I hope that it will receive support irrespective of my amendment.

In fact, I have some misgivings about my amendment. I am not quite happy over its wording. Of course, it will be for you, Sir, to decide its admissibility.

I shall briefly state some of the considerations behind my amendment. There is room for other such trusts in this country. Room for such other trusts should be provided either under this or some future legislation.

In other countries, on this subject there is some kind of an enabling legislation that has a wider applicability. The idea of the present Bill is to set up a single institution in the public sector. Perhaps it requires some modification. This idea of a single institution naturally means some kind of a monopoly, and monopoly, after all, as we know, should be resorted to only where it is unavoidable. Some of us still have some belief in, and I think this country too is still wedded to, a mixed economy wherever it is appropriate.

Then there is something said about the investments that would be required being too large. I do not think on that ground there will be much against the idea of having more than one corporation.

Finally, my plea, in short, would be that we should leave the door open to other corporations to be started now or later.

Dealing in a little more detail with some of these points, I would say that in other countries where this idea of Unit Trusts has proved very successful, there is a special legislation on the subject with a wider and more general applicability. For instance, in the United States there is the Investment Company Act of 1940. In the United Kingdom there is a specialised Act called Prevention of Fraud (Investment) Act of 1958. These are enactments of general applicability. They are governed by rules and instructions of their national associations consisting of the mutual funds and the unit trusts themselves.

[Shri V. B. Gandhi]

I still feel that it is possible to have a very useful instrument in the shape of future unit trusts by a slight modification of the position taken by Government. There is certainly some need for the basic premise of Government's thinking to be changed on this subject.

Coming to monopoly, we know that competition is not all bad where competition can be had and can be channelled along healthy lines. Monopoly, as we all know, is a kind of appetite that grows on what it feeds. I need not elaborate on the subject of mixed economy.

We in this country have some kind of a theory or idea as to what the respective spheres of the public and private sectors should be. There are definite guide lines laid down through various pronouncements and through the Industrial Policy Resolution.

13.10 hrs.

[MR. DEPUTY-SPEAKER in the Chair.]

On the ground of the unit trust requiring too large an investment, I do not think I need say much more. After all, what is required? Here is a proposition of having an initial capital of Rs. 5 crores, out of which Rs. 4 crores will come from what we can consider as public sector institutions. One crore will be contributed by the private sector scheduled banks. I am quite sure that all that we have to do is to leave the door open to make it possible for other corporations to come into existence and let them take their own chance.

I have said something about enabling legislation already and I need not repeat it. When I say that we should leave the door open, it should be understood that the two sectors should receive equal treatment or nearly equal treatment. For instance, there is this question of income-tax concession and other matters. We shall thereby be

promoting healthy competition and I am sure it will do our country's economy some good. It will also give us an opportunity to test whether the private sector has any special skills in the world of investment which they claim. Leaving aside this matter of competition or rivalry or putting to test the respective merits of one sector or the other, we have to look at it from the larger interests of the community. I think we should take this as an opportunity for us and as an invitation. I am glad that my hon. friend, Mr. Masani has expressed his support to my amendment. Shri Masani and I hail from Bombay and are old friends. Of course, I must say that he has done a good turn to me. However, I am not quite sure if I shall be able to reciprocate and do a good turn to him in return by supporting his motion for eliciting public opinion what I am pleading here is for the limited objective of keeping the door open, making it possible for other corporations to be brought into existence in either sector, public or private sector. There should of course be proper safeguards and strict regulations to be enforced by Government under special legislation. That is all I have to say. Thank you.

**Shri P. C. Borooah** (Sibsagar): Sir, I wholeheartedly support this Bill. It is a simple Bill but it has far-reaching effects. It provides scope for investment by small investors and also provides money for major plan projects. I thought that it would receive the support of all corners of this House. My hope was belied and the Opposition parties put up some opposition for opposition sake. That is why they take shelter under sending this Bill to the Select Committee or for eliciting public opinion. However, our Finance Minister told the House that the unit trust had made progress in advanced countries like U.K., U.S.A. and Japan and that in America such trusts are managing 600 million accounts involving an investment of 21 billion dollars which is equal to Rs. 10,000 crores,

almost our entire Third Plan outlay. These trusts have got enormous potential to help build the economy of our country. Our Finance Minister hopes that by this trust it will be possible to raise Rs. 100 crores annually and during the remaining two years of the Third Plan we could have at least Rs. 200 crores. It is not a small sum compared to our resources.

Investment habit is confined to moneyed classes in India and the smaller investors go only to L.I.C. or small savings. The investment companies do not play any significant role in mobilising savings or investing that in diverse range of securities for the benefit of the country. This trust will enable ordinary people to invest their spare money in units and will give them a sense of partnership in building the economy of our country. Since it will be in the public sector, there is no fear or scare about the operation of the bulls and bears in the stock exchange. In our country capital is getting shy and private investments are not coming forward. The public sector is feeling the dearth of adequate financial assistance and our industrial progress and productivity are hampered thereby. If we do not take adequate steps to go ahead with our Industrial progress and raise productivity the establishment of democratic socialism will remain a far cry.

Having said so, I would support some of the suggestions made by some of my hon. friends who preceded me. There should be a limit to the number of units that can be held by an individual. Secondly, the unit holders should be given representation on the board of directors. This was emphasised by Shri Morarka and I hope the hon. Finance Minister will agree to it. Thirdly, as far as possible the Unit Trust should transact business through the stock exchange. Lastly the Unit Trust should also be allowed to be set up in the private sector with similar tax concession. There are many who say that this should be confined only to the public sector. But then the charge

will come that the Government is going to take a monopoly. The inspiration for forming these Trusts has been drawn, or has come from whom? It has come from the achievements of the private sector of the countries like the United States, the United Kingdom, Japan, etc. In all these countries such Trusts are being formed and managed in the private sector. While we are profiting at the results of the success of the Private sector of these countries and are going to have these Trusts in the same as theirs, what is the harm in our extending the same to the private sector also? After all, we are a country where we have mixed economy, with both the public and the private sectors. I request the hon. Finance Minister to consider this aspect. Yesterday, in his speech, the hon. Finance Minister had turned down this proposal, but I hope that on a second consideration, he will be able to see sense in it. If not immediately, at least in a not-too-distant date, he should see that the private sector also is allowed to form such Trusts. If in the United States and the United Kingdom and other countries these Trusts have proved a great and remarkable success, and are making great progress, I do not see any reason why in our own country also these Trusts will not achieve the same results.

Some hon. friends were saying—and this has always been said—that since there has been some mismanagement in the public sector, we must see that these Trusts are managed by the Government cautiously and efficiently, bearing in mind that if the public sector does not fulfil the needs and does not satisfy the interests of the public in this measure, it will have a very bad effect upon the public sector, and it will go to the great detriment of the country and the people.

Viewed in this context, I support the Bill, and I thank the hon. Finance Minister that he has been able to

[Shri P. C. Borooah]

bring this good measure, for bringing in the resources of the investors, big and small, for utilisation in the building the economy of our country. With these words I support this Bill.

**Shri Gauri Shankar Kakkar (Fatehpur):** Mr. Deputy-Speaker, Sir, this attempt to bring this Bill in order to create Unit Trusts like this is laudable, but my apprehension is whether this will go to an extent to let the common man and the small investor participate in actual business in the public sector. The reasons are, there are certain basic things which cannot be ignored before creating such sort of Unit Trusts. In this country, in the presence of the huge problem of rural indebtedness, and again the huge problem of indigenous banking side by side, on account also of the fluctuation in prices, there are other ailments for the small investors to invest their money and earn the maximum profit and interest or dividend out of it. Unless those things are controlled and rooted out, I apprehend how the hon. Finance Minister will be able to attract such small investors or to call the common men to make an investment in these units.

As has been said, these Trusts have been created on the pattern of such trusts in the United Kingdom and other countries. My submission is that the circumstances and conditions of economy in those countries stand on a different footing or level from those prevailing in our own country. Simply to follow blindly those patterns without actually studying the basic things which are to be rooted out in order to create such healthy institutions called the Unit Trusts, in the right sense, will not be good.

My apprehensions are, with the targets given by the Finance Minister, whether it will be possible at all, under the conditions which I have just now referred to, for the actual small investor, for the actual common man, or

the actual masses, to just contribute and pool their resources in these public units. It might be that in case such an attempt is not successful, as has been submitted by certain hon. Members, the resources that are pooled in these units might serve only to finance some other sources, or financing some interested persons in the private sector or the public sector. And that aim will never be ruined, namely, the aim of checking the accumulation of money in the hands of a few persons and seeing that the common man also is benefited out of the usufruct or dividend or profit in the public sector. Once all these things are kept in mind, there arises the question of the actual management of these public unit trusts. If it is the intention of the Government to create a socialist economy, the attempt should not be half-hearted. It should be whole-hearted and with all sincerity. Really, if you are going to create these units, then there should be sufficient scope for the non-officials who contribute to the units to have a say in the administration. That is possible only when you can make a genuine and real appeal to those persons to be attracted to invest their money and let them think that the terms are more alluring than what they are actually having in other places.

So, I submit that when the whole House is unanimous that this purpose and the aim of the Finance Minister to create such sort of public unit trusts is laudable, and when everybody is welcoming this measure, the whole question is about the attempts to be made for the implementation of the measure and for really creating such public units. For that, I would submit that this Bill should be circulated for eliciting public opinion, since it goes to a great extent in attracting the small investor, as is mentioned, in the aims and objects of this measure. Or, even if it is referred to a Select Committee, I do not think there will be any harm. We must mobilise public

opinion and find out ways and means in order to give it a real and genuine shape and in order to attract the common person, as is aimed at, and enable him to come forward and contribute towards these public units. That object would be possible only when the common man actually feels that you are going to benefit him with his small investment in these units and convince him that it would be a better investment than any other investment which he is having at present.

So, in the end, I would simply say that I welcome this measure and it is a most laudable measure for the Finance Minister to introduce such Bills. But it is necessary that this Bill should be circulated for eliciting public opinion or at least a Select Committee may be appointed to go into this Bill, in order to find out, as I have submitted, the real ways and means to make it popular and allow the common man to come forward and invest his small savings in these units, and have the opportunity to be actual partners in the big business and in the private sector and in the public sector.

With these words, I welcome this Bill.

**Shri Sham Lal Saraf** (Jammu and Kashmir): Sir, while welcoming this Bill, I would like to make a few observations on some of the salient points about it which strike my mind. Firstly, the initial capital is to come from a few leading financial institutions in the public sector. Also, allowance is being made to get capital raised from scheduled banks also. So, in order to float this Unit Trust, it will not be difficult because the initial capital will be forthcoming.

But the actual point is to attract the money of the small investor. No doubt the attempt is to attract as much money as possible from small investors, from the small people and lower middle-class people, more particularly those living in the rural areas, because compared to those who live in urban

areas, people living in rural areas have very little opportunity to invest their savings in trusts like the one that is being floated now.

I understand that no further liability beyond the value of the units paid for, will fall upon those who might save and invest in these units. Will there be any further liability on the persons who purchase the units in case this Trust is a failure tomorrow or it runs at a heavy loss? What will happen then? One thing would be very important. I absolutely agree with the Finance Minister when he suggested that his attempt is to draw as much money as possible by way of savings.

But to my mind, the main purpose from the social point of view is that people with small earnings who are not educated and who cannot understand the benefits of saving and investment, should be goaded and persuaded to make savings and purchase these units. For them, certain incentives are needed.

This very Parliament has passed laws about finance corporations. In the finance corporations, you have given this guarantee to the subscribers of share capital that their capital plus a minimum of 4 per cent interest per year, is guaranteed, in case anything untoward happens. Keeping that in view, it is natural that they should have attracted a good amount of investment on the part of investors. But my humble experience is, in some of the States, I do not know perhaps even now whether money has been fully subscribed. Even if it has been, it took years to be subscribed, in spite of the fact that there were alternative incentives. Even the monied class or investing financial institutions could subscribe to the share capital, but from such concerns also, money was not forthcoming in the way it was expected. So, keeping that in view, some such attraction should be there. I would like to know from the hon. Finance Minister in his reply how this is going to be done.

[Shri Sham Lal Saraf]

There is another thing. What will be the scope of investment of its funds? As my hon. friend from this side said this morning, the funds of this Trust will be invested under a policy that will be framed by the Board of Directors who will come mostly from the Reserve Bank, the LIC and so on. Keeping that in view, I want to ask whether this may not afford more and more opportunity—I do not say they should not be given opportunity—to those who are already in the field, who are already big or small capitalists spread all over the country. Keeping in view the benefits that will accrue to the small man, the small industrialists and the investor himself, what is going to be the scope of the Investment?

This certainly is an opportunity provided to the small class of people. But one thing has to be kept in mind. I would personally like that people living in far-off areas, cut off from the sophisticated city life, take this opportunity to invest in this Trust. I want to know what attempts will be made to see that even people in the farthest areas who can afford to save money and invest in these units? In spite of the fact that our land policy is not an ideal policy and it has not yet reached the stage when we can say that we have done the last thing on the subject, all the same the steps that we have been taken so far have certainly helped the farmers, peasants and peasant-proprietors to make some savings. But, for them today, there is no opportunity to invest their savings just near their home. They can be educated as to how they can keep their money safe and invest it in a manner that would firstly help them save and also give them some income. For that also, you have to create agency or agencies spread out in the country, so that those persons are benefited. It is also absolutely necessary that Government should attract money from small labourers, skilled, semi-skilled and even unskilled, labourers working in the fields, factories and mines. That is the section of the community that needs to be help-

ed to save in a better manner and brought into these trusts. It has to be seen how money is going to be attracted from them.

I read from the speech of Mr. Masani that he would have welcomed this trust if it would have been in the private sector. I do not agree with him. I agree with Mr. Morarka and Mr. Heda, who welcomed its being kept in the public sector. Equally I do not agree to these units being set up tomorrow in the private sector. After all, as we understand it, these unit funds will not be subscribed or rather should not be subscribed in a manner that very rich people can buy many many units. At the moment, the Bill is silent on the point whether there should be a restriction on the number of units sold to a person or to a single concern. There is no limit. What might happen hereafter, I cannot say.

**Shri Gauri Shankar Kakkar:** That is our apprehension.

**Shri Sham Lal Saraf:** I would very strongly urge that units like this are set up in the public sector which alone can certainly attract the attention of the people and create confidence among them. Naturally this co-operation will be forthcoming from them provided one or two things are there. Firstly, the people should feel confident about the safety of the investment and about a minimum return that will be possible. I would like to know how the Finance Minister will explain it in his reply.

Another facility that would be helpful to my mind is that in the case of people who subscribe single units, the certificates issued to them should be negotiable in this sense that they are able to pledge them to banks or other financial institutions and borrow money against those share certificates that they may purchase. As I have just now mentioned, the shareholders in financial corporations are given this concession. The shareholder of a Financial Corporation can pledge his share

certificates with any bank or other financial institution and draw money against them. In regard to this, though there is something mentioned in this Bill about negotiating the shares, rules may be made hereafter and it may be made clear as a matter of principle that people who purchase these units can, and it will be open to them to do so, pledge them with any financial institution and borrow money from such institutions. This will be a very helpful provision and it will prove very very popular.

It is certainly an additional attraction that interest or dividend earned by any person on these units will be free from income-tax up to a limit of Rs. 1000. I very much welcome that step and it will certainly create a very good feeling among the people to come forward to invest.

Now, in case of liquidation what will happen? Supposing something happens to these Unit Trusts that are set up and they go into liquidation. What will happen at that time? Are the subscribers to suffer equally with the initial capital subscribers or is it expected that by that time the initial capital subscribers will have drawn their share money? I want to know whether the subscribers will suffer proportionately or some other arrangement is contemplated. I would like the Finance Minister to explain that point also.

On the whole, Sir, it is a very welcome step and I wholeheartedly welcome it. Not even in the foreseeable future can these units be entrusted to the private sector, because the private sector has not got the confidence of the people and it will not serve the purpose behind this Bill with which the hon. Finance Minister has brought this before the House.

With these few remarks, Sir, I support the Bill and I would like to hear Finance Minister when he replies back to the Debate.

**Shri Warior** (Trichur): Sir, there are a few things which, I hope, the hon.

Finance Minister will be pleased to clarify. First of all, I want to know how he is going to have these Rs. 100 crores.

**Shri T. T. Krishnamachari**: I said that is my ambition.

**Shri Warior**: That is the ambition, that is the perspective you have. The Finance Minister, when he puts it at Rs. 100 crores, must have some idea as to wherefrom these Rs. 100 crores will be mopped up. Is it from the small holders, small income and middle income groups that he is going to get it. It is worthwhile examining as to from where these Rs. 100 crores will be taken. Is it from the reserves of these firms or is it from the other funds which these companies are keeping? Will the Finance Minister tell us whether he will not be bringing a new legislation in order to get these investments?

Secondly, why not place a ceiling on the holding of these units? If it is the idea to have these small income and middle income group people, why not restrict, just as in the case of co-operative societies and other institutions, the number of units? What we fear is that the small income and middle income group are not at all in the picture. They are only just put there. I do not say it is to camouflage the whole thing, but the thing is not clear and some explanation should be given by the Finance Minister to this point also.

I shall illustrate my point. As a small income man, supposing I have Rs. 1000, do you think I will invest it in this Trust? I will better invest that amount and purchase some land somewhere near Kutub Minar at Rs. 5 per square yard. Sir, in Bombay, Madras or Delhi, if anybody invests Rs. 1000 in land today, he is assured of Rs. 10,000 within five years. A friend of mine who invested Rs. 7000 in Bombay some years back sold his land for Rs. 56,000. What is the rate of profit that he got? Therefore, why should I invest my money in this Trust? There

[Shri Warior]

are many other arguments, but I do not mention all of them here. The Finance Minister is a better businessman than myself, and I leave it to him to decide.

Then, Sir, I would request the hon. Minister to clarify what are the operations of this Trust. The Statement of Objects and Reasons and the notes on clauses conceal rather than reveal the objects. Is it the object of this to go into the stock market? We must get an assurance from the Finance Minister in this respect. Supposing some stocks are falling in the stock market and it is necessary in the interest of certain sections of the society to boost up those shares, and the Government goes into the market and announces the purchase of those shares it will create an appreciation in respect of those shares. But what will be the effect of that on the other people who are in the market? All these things have to be made clear. If it is only "profits and gains accruing to the Corporation from the acquisition, holding and management and disposal of securities..." the profits are limited. I do not know by how much the securities will appreciate in the market, how much profit will accrue from speculation in the market or by doing some other business which gives a higher margin of profit. I should like to know, in this respect, what is the current rate of profit which the investors are anticipating at present in the Indian market? Is it 10 per cent, 20 per cent, 30 per cent, or what is it? Has the Government made any assessment of that? If the Government has made any assessment of that, what is the rate of profit that is anticipated by this Unit Trust. When the Finance Minister says that he anticipates an investment of Rs. 100 crores, I should like to know what is the profit that is anticipated, because in the case of every other project we are told that a return of 12 per cent or 15 per cent is expected. Also, I would like to know, how does this profit compare with the profit that the

ordinary investors in the market expect today?

Again, I should like to know whether, apart from the amount that is taken from the governmental financial institutions, the Government will take finances or credits from the scheduled banks and also from private companies or private investors? If such credits will be taken from them I would like to know whether such amounts will be taken from them either voluntarily or through a legislation?

These are the main points on which I would like to have some explanation from the hon. Finance Minister. I do not say that I do not welcome this institution. But it all depends upon a clear, definite and precise objective that is placed before the House. If that is not forthcoming, then I can support this Bill only with lukewarm interest and not wholeheartedly.

Anyway, there are many things to be cleared in regard to this and, therefore, in the end, I will support the amendment that this be circulated for eliciting public opinion or at least sent to a Select Committee so that these points may be clarified and a solid foundation placed for an institution like this.

14 hrs.

Finally, the argument that either UK or USA have got these institutions does not hold good always. I do not say they will not hold good in certain circumstances or situations, but they do not hold good because the expectation of return varies from country to country. For instance, what is the profit anticipated by the American investors today? It is not less than 20 per cent inside America. If it is outside, perhaps, they expect a return of not less than 30 per cent. They are expecting a return of not less than 30 per cent in their investments in the Far East. India may be a very secure country for investment from their point of view, at least for the present, but what is the

profit or return they expect? Not less than 30 per cent, I am told, by people who know the market conditions. What will be the condition of our investors? What will be the profit they expect? Now, in the case of some shares, the profits go to about 100 or even 200 per cent. How the profit can swell up like that is the crux of the problem. Therefore, it will not be enough to quote USA or UK in every case. Perhaps, the Finance Minister has something more in his mind. I hope he will be pleased to take us into confidence in this matter.

**Shri S. N. Chaturvedi** (Firozabad): Mr. Deputy-Speaker, Sir, I welcome this Bill. It is intended to mobilise the savings of the people to the maximum possible extent and to enable the small investor to share in the profits of industry and get the benefits of capital gains that are accruing as a result of rise in prices. Even for capital investment of the Five Year Plans we need much more than what the country is at present able to save.

Some suspicions have been aroused about the constitution and formation of this Unit Trust. I am surprised that the Communist Party should have taken the stand that it is not in the public sector and that it is likely to be used for showing favour to one particular party or industry by diverting the investments to that company or industry. I do not know how it fits in with the cry of nationalisation that is being raised here time and again. The Board that is going to manage this is constituted by the representatives of the Reserve Bank of India and the State Bank of India and only two representatives of the scheduled banks will be in the Board. So, I wonder how anybody could take exception to a Board of this nature. The Reserve Bank of India is managing the finances of the entire country and neither the private sector, nor those who advocate nationalisation, should have any cause for grievance or complaint about it. Until the composition of the Board is changed, and that can happen only when the

entire amount that is invested by these institutions is repaid, this objection will remain absolutely groundless.

As regards the question that probably big investors would come and take advantage of the income-tax remission that is given here, I would only submit that although probably a ceiling might have been desirable on the total amount invested, there is a disincentive, and that is this that howsoever heavy an investment any party makes in this Trust, apart from deriving the dividend from that share, it will have no control over the management. I think the bigger parties are more interested in power and control over the management than in a mere return for which they have the avenues. So, that will serve as a sort of disincentive for bigger people to come in. Even then, the limit of income-tax remission would apply only up to an income of Rs. 1,000 and beyond that everything would be taxable. Even in regard to that Rs. 1,000, it will be reckoned for purposes of super-tax.

So far as the small investors are concerned, so far opportunity has been afforded to them to make deposits which will carry a fixed interest. But a small investor has neither the knowledge, nor the opportunity, for investing in the industrial development of the country. This Trust will afford him this opportunity and will enable him to participate in the development that is going on and enjoy the benefits that accrue therefrom.

After we have gained sufficient experience of the working of this Trust, it may be considered whether it is desirable or not to establish a similar trust in the private sector. This is a non-controversial Bill and I think it should be passed without any reference either to the Select Committee or to the general public for eliciting public opinion.

**Shri T. T. Krishnamachari**: Mr. Deputy-Speaker, Sir, I am very glad that circumstances have afforded me an opportunity of hearing a large number of Members express their opinion on

[Shri T. T. Krishnamachari]

this Bill, which would have been denied if the time limit had been strictly enforced. I am most grateful to the hon. Members on my side for the intelligent support they gave to this measure. I am particularly grateful to my friend, Shri Tyagi, who is not here, for his having delved into the past and got the information that this idea was mooted as early as 1931 by the Banking Enquiry Committee.

The criticisms that have been made about this Bill have not touched very much the body of the Bill. May be, a few hon. Members might suggest certain variations in order to provide some refinement in the clauses of the Bill but, basically, excepting one hon. Member, nobody has gone into the clauses of the Bill and said: these were wrong, wrongly framed, the wording was wrong, the purposes are not indicated or are not clear. To that extent, I owe my thanks to the hon. Members. At any rate, I can lay the flattering unction to my soul that the people who are responsible for framing the Bill have used all diligence and care in enabling me to put a measure before this House which has practically no flaws of drafting. I may tell the House what I should have said before, that a considerable amount of care was taken in regard to the framing of the Bill, every provision of the Bill, the initial funds to be provided, the type of management to be provided and also the flexibility that is necessary for the changes in the management once there is a broadbased popular support for this institution that is to be created and when the initial capital will be retired. Hon. Members who have any doubt in regard to the representation on the Board of Trustees of the unit holders would please read clause 41 again where they will find that sub-clause (2) gives power for rules to be framed with the permission of the Central Government in order to provide representation of the different interests who have and who would be contributing towards the corpus of this institution.

Therefore I fail to see how an examination by a Select Committee even with a microscope would reveal defects in the Bill or would be able to provide refinements of such a nature as could not be remedied by the operation of clause 41 of the Bill at the appropriate time.

I have no doubt that my hon. friend opposite, if he had thought that the Select Committee would be a better measure, would have adopted that as a motion rather than a dilatory motion of the nature that he has placed before the House. I must say, I have the good fortune of enjoying his friendship and he has said a few good words about me. I would also like to tell the House that a very shrewd person and able parliamentarian and an industrial consultant of the stature of my hon. friend opposite, Shri Masani, surely would have snatched at an opportunity of modifying the Bill considerably if such opportunities were provided. Therefore, since I have not provided him any loophole to catch hold of me by the scruff of my neck, he has started with the club with which he can destroy me altogether, namely, by making a dilatory motion for having it circulated for eliciting public opinion.

Sir, the game of politics is something which nobody could clearly comprehend. Many of us, including you, have been in it. It has taken various shapes. Tactics that are adopted from time to time are different. I remember, about 20 years back in the very same premises, how much I had endeavoured almost as a single man to stop the Juggernaut of the British Government from moving. My hon. friend here, in his new incarnation, has come to fill the role that we, and he too, filled at that time, but as against the British Government against this monolithic organisation called the Congress Party which wields power and has wielded power since 1946. He says that no good can come out of this Bill. He has to say that even though he does not speak out. I am sure, he would not say that to me in private, but he has to say that because his intentions are

that he should drive out this Party and sit in my chair assuredly if that chance happens. It may happen in 1972 perhaps.

**Shri M. R. Masani** (Rajkot): Nothing wrong with 1967!

**Shri T. T. Krishnamachari**: Nothing wrong with it. He might occupy this position that I am occupying and, if I were alive, I would be most happy. Probably, I might come and sit on the opposite side and give him a few lessons.

**Shri M. R. Masani**: The country needs, sometimes, a change.

**Shri T. T. Krishnamachari**: Apart from the frivolities of the situation, does it not strike hon. Members here that this strange combination of the Communist Party with their ideologies, though somewhat confused at the moment....

**Shri Vasudevan Nair** (Ambalashusha): At least you have no confusion.

**Shri T. T. Krishnamachari**: One thing which the Communist Party never lacks....

**Shri Warrior**: . . . is confusion.

**Shri T. T. Krishnamachari**: No;.... is trying to be not pertinent. That party has joined hands with another party here which stands solely for the inauguration of a regime in this country which would be completely controlled by a section of people to whom the profit motive is the main thing but, I would say, perhaps who would like to rule this country in a paternalistic way determining what is good for the people of the country and give them that. A very respected leader of mine in the past and a very good and respected friend of mine often accuses us of being very near the Communists. I do not know if we can ever get near them. The nearer we go, probably the farther they will go.

**Shri M. R. Masani**: No, no.

**Shri T. T. Krishnamachari**: But it seems that there is a polarisation of forces today.

**Shri M. R. Masani**: They back you in every by-election.

**Shri T. T. Krishnamachari**: That happens in every by-election. Every by-election is fought on principles which have no principles at all. If a Communist could support my hon. friend, Shri Masani....

**Shri M. R. Masani**: He never would.

**Shri T. T. Krishnamachari**: You never know; it may happen.

**Shri M. R. Masani**: It is yet to happen.

**Shri T. T. Krishnamachari**: At any rate, it is happening today. My hon. friends on his right think that they should support the motion for circulation not because they think the Bill is bad, not because they even feel that the capitalists will control this particular institution but because they are in a slightly petulant frame of mind. They are angry with Government and, therefore, they will support Shri Masani. We will find another measure coming before the House very soon in which these two opposite forces will join again. That is the basis of the opposition of hon. Members opposite to this Bill, a pretty innocuous measure, certainly not trying to deprive anybody of his rights, certainly not putting into the hands of the Government more power than what they have and certainly not intending to help us for our party funds in the next elections.

Sir, let us examine the Bill *de novo*. This measure seeks to persuade people to invest money in perhaps units of Rs. 100/- and the Board of Trustees will again invest that money, maybe, in existing industries if the securities are available at prices which are considered to be economic, in preference shares of new companies, in preference shares of new companies perhaps even in new companies

[Shri T. T. Krishnamachari]

where the trustees feel that it has a potential for increasing its yield which would be substantial so that the aggregate income of the Trust which is divided among the unit holders would be something attractive. The fact is that the Board of Trustees will be appointed by the Reserve Bank, by the LIC, by the IFC and some scheduled banks for the time being but when the Unit Trust gathers momentum and there is a substantial amount of investment by the public, the funds of these institutions will be retired and a new set of trustees will come into being undoubtedly with very large nomination from the Reserve Bank. What will they do if they invest the monies in the manner that I had suggested? They are not interested in controlling any company. They would not be interested in controlling economic power. Assuming that we do not put a limit on the amount of investment in the trust funds, even then what happens? I have certainly a higher opinion than some of my hon. friends here seem to have of the friends of Shri Masani. They will not invest any money over the utilisation of which or over the investment of which they have no control. I can assure hon. Members that it is not only not unlikely that it will not happen that the interest in this country which have money power will ever be able to control this institution. Of that I have no doubt whatever. While I cannot give an assurance—in regard to many things I can only set my ambition but not give an assurance—even in regard to the quantum of funds that will be coming into this institution, I can give the assurance here and now that it is impossible for any group or vested interests to control this institution.

**Shri M. R. Masani:** Except the ruling party.

**Shri T. T. Krishnamachari:** They might benefit by it. They can take shares and benefit by it. They cannot control it. I do not mind if they

benefit by it. At the present moment, I do not think there is any need for a ceiling because so long as the unit does not give them money power, I am sure vested interests are not interested in merely the return—the return may be 7 or 8 or 9 percent., may be 10 per cent but may not be very much more. But they are not interested. Their money rolls quickly, much more quickly. If it is in the bank, it rolls slightly slowly. If it is not in the bank, it rolls much more quickly. Therefore, I am perfectly certain and I can give the hon. Members of this House an assurance that vested interests in this country will not be interested in this institution, not that they will be prevented but they will not be interested in this institution. I have no doubt about that.

Then, what is the reason behind my friend's wanting the circulation of the Bill? Does he want me to collect signatures and enlist the support of his friends on the right to collect signatures that they would support this Unit Trust? Supposing, I do collect all the signatures, will I be able to trace the persons who put down the signatures? Oftentimes, we are not able to trace the persons who put down signatures in petitions because they are not attested before somebody responsible. What do they expect me to do by circulating this motion?

**Shri M. R. Masani:** I asked you for an assurance to bring in enabling legislation which you refused to give yesterday. You said, 'No'.

**Shri T. T. Krishnamachari:** I will come to it. My hon. friend is giving away his case. I do not know if he was a barrister. Perhaps, he was; but then probably he never practised; he had no need to practise probably because he never had the need to earn money. So, he is giving away his case. His whole anger against this motion is now very clear.

**Shri M. R. Masani:** Monopoly.

**Shri T. T. Krishnamachari:** His anger is that it does not lead to monopolistic control.

**Shri M. R. Masani:** It is a monopoly.

**Shri T. T. Krishnamachari:** His anger is that we are not allowing private sector to float such institutions with advantages similar to what are being given to investors in this institution so that they can exercise a monopoly control over investments in this country.

**Shri M. R. Masani:** Competition is monopoly? Wonderful logic!

**Shri T. T. Krishnamachari:** My hon. friend says it is monopoly.

**Shri M. R. Masani:** You want monopoly.

**Shri T. T. Krishnamachari:** Monopoly apparently is defined differently by different people. I am afraid it is a question of an error of the hon. Member's vision. I would suggest that he should go to an oculist and correct it.

**Shri M. R. Masani:** Very funny!

**Shri T. T. Krishnamachari:** I want the hon. Member to understand the point. The motion has been initiated for circulation of this Bill merely for the purpose of stalling it for the main reason that this Bill does provide private sector an opportunity for floating similar institutions and for getting the same advantages that we seek to give them. I may lay the flattering function once again to my soul that at the age at which I am in now, there is no room for anger. There is no attempt to destroy anybody. But all the same, we cannot deny the fact, a fact that has been mentioned times without number in this House, the conclusions of which fact I have denied as being valid, that anything that we do here puts more money, more power

into the hands of people who have money. Hon. Members do remember that some time back a Congress Member moved a resolution for the nationalisation of banks. I do not say she was right. The nationalisation of banks will not achieve what she wants to achieve. This has got to be done by other means. But a suspicion of money power is unfortunately ingrained in the minds of people who really represent the people of this country. I do not think anybody can deny it, and that comes up times without number, and if I pander to the desire of the vested interests without examining whether those desires are legitimate, whether they would be approved by masses of the people of this country, take it from me—I will say in all humility—that I am doing the vested interests the most serious harm that I can possibly do. I may be here, I may be gone tomorrow but the vested interests will be doomed for ever. In a society in which we want the maximum amount of benefit for the community as a whole, we do want the people who are in charge of these institutions to play ball, to produce more, to distribute more evenly, to treat their workers better, to contribute to the public exchequer and probably some time later even to contribute to social security measures that we might bring forward. So, they have a place to fulfil so long as they play ball. They are recognised. The poor in this country will not remain poor for all time. They are not prepared to hand over their destinies to a Party which is determined to keep power in the hands of vested interests.

**Shri Vasudevan Nair:** This is Jalpur socialism or what?

**Shri T. T. Krishnamachari:** I would, therefore, ask this House to reject this motion because it is based primarily on a very negative attitude but in reality based on anger because Government have not given these facilities to other interests which in all conscience I will not be able to do. There

[Shri T. T. Krishnamachari]

must be some other Finance Minister to pilot a Bill, to make a provision of the nature desired by the hon. Members opposite.

My friend Dr. Lohia—he is not here—had something to say. I accept whatever he said in the spirit in which he had said it. There is absolutely no question of his having any personal rancour against me. He had to say what he had to say and he says it so often. I could assure him—if he had been here—that the intention of the framers of the Bill, the manner in which it has been framed, the provisions of this Bill will certainly not enable me or him, if he is in power, to utilise this as an instrument for collecting funds for any purpose, good or bad. The hon. Members will also see that the Government will not interfere with the investment. We will not give any directions to this institution. It will be watched and supervised by the Reserve Bank and, therefore, there is absolutely no chance of its being utilised by any Party in power for an end which is not proper and which is not for the benefit of the community.

I would like to dwell very briefly on my expectations. Where we are, we expect this year to get roundabout Rs. 100 crores net by way of small savings—perhaps a little more—because as I said the other day, we will touch the 53 crore mark which is roughly about 75 per cent more than what we got last year. The present indications are that we may probably go beyond the hundred crore mark and I do not see why, if we can do that in the case of national savings where the base is really the value of the rupee, we should not get a better response for this Unit Trust where the base will be the assets which will be covered by the securities that they hold. It would want a lot of work. I do not say that having passed the Bill, if I go and sit with folded hands, people will come and

invest money. We will have to popularise it. It may be that it will not be possible to popularise it out of its own funds, because the expense ratio will go up, but this is a thing in which we are interested. The Government is interested in making people to save and invest so that we will have more money for the needs of the economic development of the country. Therefore, I think, we will have to make it a part of our savings drive to encourage people to put money into this institution. That, I think, we would do. To the extent we can, the Government can help this institution for gathering momentum and for doing propaganda amongst our people. The national savings movement will take a part of the burden on itself. Because, the objectives are more or less the same. And unless we go on mopping up the money in the hands of the people and not allow them to spend it on shopkeepers, capital formation is a thing which is not going to happen.

I am sure that while there are no unit trusts of this nature in the east European countries, still the savings drive is always there. I thought therefore that my hon. friends opposite, the Communist Party, would perhaps support this measure. For some reason or other they have not chosen to do so. But basically it is something which normally everybody would support, provided we carry the message, the purport, the intention and the ultimate benefit to the community of this measure being successful, to the people and the country, to the workers, to the white-collared workers, to the shopkeepers, to people who have a little money to spare, so that they can put it in this trust.

Sir, hon. Members made suggestions in regard to the free convertibility of this Trust bond. We shall endeavour to the extent it is possible that government institutions at any

rate, namely institutions like the State Bank, would be able, if necessary, to buy these on behalf of the Unit Trust if somebody wants to surrender them. Of course, the rate at which it will have to be bought may after a period of time vary because as the base increases and the return is appreciating the value might go up. Therefore, the new issues will have to be on that value. But the difference between the unit and the amount that is collected will go to the benefit of all people concerned.

These suggestions that have been made here for purposes of popularising this measure, I accept in good faith, and I would certainly bear them in mind and transmit them to the Reserve Bank authorities when they frame their bylaws.

Sir, as I said, one point that was made by my hon. friend Shri Morarka, Shrimati Sharda Mukerjee and many other Members was about this question of the representation of the unit holders. As I said, the position is covered by clause 41. But I do not know if we can carry a large number. Suppose the Unit Trust becomes as successful as I hope it would, it may be carrying a large list of people. Sending them the voting papers and all that might probably commit the Unit Trust to an expenditure far beyond the 5 per cent we have in mind. But we will endeavour to see that these people have a representation. We would like to see the common people to be represented, the labour unions to be represented. In fact the sets of people whom we want to have interests in it will be labour unions; they must be represented, the labour movement has to be represented here. So all that would be done once we repair the basic fund that is being provided by this institution.

As regards the amendments, the main amendment I oppose. As I have said before, nobody had made any suggestion pointing to defective drafts

or defective thinking which makes it necessary for it to go to a Select Committee. It is not a controversial measure, excepting politically. From the economic point of view I do not think it lends any room for controversy. The amendments are there. I might forestall some of the amendments. My hon. friend Shri Morarka has suggested that even Super-tax must be exempted. But I think that will be exactly walking into the parlour of my hon. friends who say, "You are benefiting the capitalists." I propose to stick to the Income-tax benefit. He has pointed out in his speech about a marginal consideration. Well, a marginal consideration might mean Rs. 80. If that would satisfy him I have no objection. But again there will be another marginal consideration. People who get Rs. 21,000 will have to be saved from the operation of the Super-tax. The person who gets Rs. 22,000 will, again, be asked to pay on the one thousand rupees below that figure. So the marginal considerations will always remain, and in a matter like this it is not possible to provide for every contingency. But if that would satisfy my hon. friend, the immediate slab of thousand rupees above the Super-tax rate can be exempted; there is no difficulty.

Some hon. Members have thought fit to refine it by saying that this must be placed on the Table of the House and all that. Ultimately the Parliament owns the country and they can ask for any information they want and we will have to place that information before them. But we are following a pattern, the pattern of the Reserve Bank Act and the State Bank Act in which we have not been asked to place the accounts on the Table. Here there is no share contribution by Government, no risk by Government, no expenditure excepting the tax concessions that are being given. Therefore, while all information will be vouchsafed to the hon. Members:

[Shri T. T. Krishnamachari]

of this House through the Reserve Bank from time to time, I think we might follow the pattern of the existing Acts and leave it as it is.

Sir, there might be many points which I have missed, but I have got the proceedings before me, of yesterday and I shall get the proceedings of today's discussions and shall send it to the Reserve Bank for taking note of the suggestions that have been made by hon. Members.

Thank you, Sir.

**Mr. Deputy-Speaker:** I will now put Shri Masani's amendment to the vote of the House.

**Division No. 9]**

The question is:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 29th February, 1964."

*The Lok Sabha divided.*

**Shri Y. S. Chaudhury** (Mahendragarh): I want to vote for 'Ayes'. My vote has not been recorded.

**Shri Krishnapal Singh** (Jalesar): I want to vote for 'Ayes.' My vote has not been recorded.

**Shri Kesar Lal** (Sawai Madhopur): My vote also has not been recorded. I want to vote for 'Ayes'.

**Shri S. N. Chaturvedi:** I want to vote for 'Noes'.

[14.40 hrs.

### AYES

Aney, Dr. M. S.  
Bade, Shri  
Banerjee, Shri S. M.  
Berwa, Shri Onkar Lal  
Chakravartty, Shrimati Renu  
Chaudhary, Shri Y. S.  
Gupta, Shri Indrajit  
Himmatsinhji, Shri  
Kakkur, Shri Gauri Shankar  
Kapoor Singh, Shri  
Kesar Lal, Shri

Krishnapal Singh, Shri  
Masani, Shri M. R.  
Misra, Dr. U.  
Mukerjee, Shri H. N.  
Nair, Shri Vasudevan  
Omkar Singh, Shri  
Ranga, Shri  
Reddy, Shri Narasimha  
Shashank Manjari, Shrimati  
Singh, Dr. B. N.  
Singh, Shri Y. D.

Singha, Shri Y. N.  
Swamy, Shri Sivamurthi  
Trivedi, Shri U. M.  
Umanath, Shri  
Utiya, Shri  
Vijaya Raje, Shrimati  
Vishram Prasad, Shri  
Warior, Shri  
Yashpal Singh, Shri

### NOES

Achuthan, Shri  
Alegesan, Shri  
Alva, Shri A. S.  
Azad, Shri Bhagwat Jha  
Bakliwal, Shri  
Bal Krishna Singh, Shri  
Basappa, Shri  
Baswant, Shri  
Bhagat, Shri B. R.  
Bhanja Deo, Shri L. N.  
Bhattacharyya, Shri C. K.  
Bisat, Shri J. B. S.  
Borooh, Shri P. C.  
Brajeshwar Prasad, Shri  
Brij Basi Lal, Shri  
Chandrasekhar, Shrimati  
Chaturvedi, Shri S. N.  
Chavan, Shri D. R.  
Chavda, Shrimati  
Chuni Lal, Shri  
Das, Shri B. K. J

Dasappa, Shri  
Dass, Shri C.  
Deo Bhanj, Shri P. C.  
Deshmukh, Shri Shivaji Rao S.  
Dhuleshwar Meena, Shri  
Dighe, Shri  
Dubey, Shri R. G.  
ElaysPerumal, Shri  
Gahmari, Shri  
Ganapati Ram, Shri  
Gandhi, Shri V. B.  
Guha, Shri A. C.  
Gupta, Shri Shiv Charan  
Hajarnavjs, Shri  
Haq, Shri M. M.  
Harvani, Shri Anwar  
Hem Raj, Shri  
Jadhav, Shri M. L.  
Jadhav, Shri Tulshidas  
Jedhe, Shri  
Jena, Shri

Jyotishi, Shri J. P.  
Kanungo, Shri  
Kappen, Shri  
Keishing, Shri Rishang  
Khadilkar, Shri  
Kindar Lal, Shri  
Koujalgi, Shri M. V.  
Krishnamachari, Shri T. T.  
Kureel, Shri B. N.  
Lalit Sen, Shri  
Mahananda, Shri  
Mandal, Shri J.  
Mandal, Shri Yamuna Prasad  
Maniyangadan, Shri  
Marandi, Shri  
Maruthiah, Shri  
Masuriya Din, Shri  
Matcharaju, Shri  
Mehrotra, Shri Braj Bihari  
Mehta, Shri J. R.  
Melkote, Dr.

## Bill

Menon, Shri Krishna	Raghuramaiah, Shri	Shastri, Shri Ramanand
Mirza, Shri Bakar Ali	Raju, Dr. D. S.	Shivananjappa, Shri
Misra, Shri Mahesh Dutta	Raju, Shri D. B.	Shyamkumari Devi, Shrimati
Mohsin, Shri	Ram Sewak, Shri	Siddananjappa, Shri
Morarka, Shri	Ram Subhag Singh, Dr.	Siddiah, Shri
Musafir, Shri G. S.	Ramaswamy, Shri S. V.	Sidheshwar Prasad, Shri
Naik, Shri D. J.	Rane, Shri	Singha, Shri G. K.
Nanda, Shri	Rao, Shri Muthyal	Sinha, Shri B. P.
Naskar, Shri P. S.	Rao, Shri RamaPathi	Soy, Shri H. C.
Nayar, Dr. Sushila	Raut, Shri Bhola	Subramaniam, Shri C.
Pande, Shri K. N.	Rawandale, Shri	Sumat Prasad, Shri
Panna Lal, Shri	Ray, Shrimati Renuka	Surendra Pal Singh, Shri
Pant, Shri K. C.	Reddi, Dr. B. Gopala	Swaran Singh, Shri
Patel, Shri Chhotubhai	Reddy, Shri K. C.	Thomas, Shri A. M.
Patel, Shri Man Singh P.	Roy, Shri Bishwanath	Tiwary, Shri D. N.
Patel, Shri P. R.	Sadhu Ram, Shri	Tiwary, Shri K. N.
Patil, Shri J. S.	Saigal, Shri A. S.	Tiwary, Shri R. S.
Patil, Shri T. A.	Samanta, Shri S. C.	Tyagi, Shri
Pattabhi Ramana, Shri C. R.	Samnani, Shri	Ulaka, Shri Ramachandra
Pillai, Shri Nataraja	Saraf, Shri Sham Lal	Upadhyaya, Shri Shiva Dutt
Prabhakar, Shri Naval	Scindia, Shrimati Vijaya Raj	Valvi, Shri
Pratap Singh, Shri	Sharma, Shri A. P.	Venkatasubbajah, Shri P.
Puri, Shri D. D.	Sharma, Shri K. C.	Vidyalankar, Shri A. N.
Raghunath Singh, Shri	Shashi Ranjan, Shri	Vyas, Shri Radhelal

**Mr. Deputy-Speaker:** The result of the division is as follows:

*Ayes\*\** : 34. *Noes* : 135.

So, the amendment is lost.

*The motion was negatived.*

**Mr. Deputy-Speaker:** The question is:

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

*The motion was adopted.*

**Mr. Deputy-Speaker:** We shall now take up the clause-by-clause consideration of the Bill.

**Clause 2—(Definitions)**

**Mr. Deputy-Speaker:** There are no amendments to clause 2. So, I shall put it to vote now.

The question is:

"That clause 2 stand part of the Bill".

*The motion was adopted.*

*Clause 2 was added to the Bill.*

**Mr. Deputy-Speaker:** There is an amendment to clause 3, which has been tabled by Shri V. B. Gandhi. Is he moving it?

**Shri V. B. Gandhi:** I am not moving it.

**Mr. Deputy-Speaker:** There are no amendments to clauses 4 to 9. So, I shall put clauses 3 to 9 together to vote.

The question is:

"That clauses 3 to 9 stand part of the Bill".

*The motion was adopted.*

*Clauses 3 to 9 were added to the Bill.*

\*\*Ayes: Names of three Members could not be recorded.

**Mr. Deputy-Speaker:** There is an amendment to clause 10, standing in the names of Shri Morarka and Shrimati Sharda Mukerjee. Are they moving it?

**Shri Morarka:** No.

**Shrimati Sharda Mukerjee** (Ratnagiri): No.

**Mr. Deputy-Speaker:** There are no amendments to clauses 11 to 18. So, I shall put clauses 10 to 18 to vote.

The question is:

"That clauses 10 to 18 stand part of the Bill".

*The motion was adopted.*

*Clauses 10 to 18 were added to the Bill.*

**Clause 19—**(Business of Trust)

**Shri Yashpal Singh:** I beg to move:

Page 9, after line 13, insert—

"Provided that not more than twenty-five per cent of the capital of a company shall be subscribed by the Trust." (4).

यह मावधानी वर्तनी जरूरी है कि इस ट्रस्ट पर कोई एक कम्पनी पूरी तरह से काबिज न हो जाय । मिविल लिबरटीज पर कुठाराघात न हो इस के लिए जरूरी है कि २५ फीसदी से ज्यादा शेयर्स किसी के न हों क्योंकि अगर २५ फीसदी से ज्यादा शेयर्स हुए तो उस का मतलब यह होगा कि मिविल लिबरटीज नहीं रहेंगी । इसलिए ऐसी बात न होने देना आप के ही हित में होगा क्योंकि आगे चल कर यही चीज समाजवाद के विरुद्ध पड़ेगी। इसलिए मैं अपना यह संशोधन प्रस्तुत करता हूँ ।

**Mr. Deputy-Speaker:** Is the hon. Minister accepting this amendment? The amendment is now before the House.

**Shri T. T. Krishnamachari:** No.

**Mr. Deputy-Speaker:** So, I shall put the amendment to vote.

*Amendment No. 4 was put and negatived.*

**Mr. Deputy-Speaker:** The question is:

"That clause 19 stand part of the Bill".

*The motion was adopted.*

*Clause 19 was added to the Bill.*

*Clause 20 was added to the Bill.*

**Clause 21—**(Unit Scheme)

**Shri Yashpal Singh:** I beg to move:

Page 10, after line 35, insert—

"(5) The Central Government shall cause to be laid before each House of Parliament the scheme made under sub-section (1) and every amendment thereof under sub-section (3)". (5).

सर्वमैकशन (१) के अन्दर जो भी स्कीम बने और उस में जो भी संशोधन किये जाय वे सब पार्लियामेंट के सामने पेश होने चाहिए । पार्लियामेंट को इस बात को देखने का अधिकार होना चाहिए कि वहां ठीक काम हो रहा है या नहीं । अगर वह पार्लियामेंट के सामने बाकायदा न आये तो यह बड़ा अनडेमोक्रेटिक होगा । इसलिए डेमोक्रेसी को कायम करने के लिए और पार्लियामेंट की सुप्रिमेसी और पावर्स को कायम करने के लिए ऐसी व्यवस्था होनी चाहिए और इसी आशय से मैं अपना यह अमेंडमेंट मूव करता हूँ । मेरा खयाल है कि यह अमेंडमेंट इतना इम्पोर्टेंट है कि वित्त मंत्री को उसे स्वीकार करने में कोई ऐतराज न होगा ।

**Shri T. T. Krishnamachari:** I am not accepting this amendment.

**Mr. Deputy-Speaker:** Shall I put the amendment to vote?

**Shri Yashpal Singh:** Yes.

**Shri T. T. Krishnamachari:** I have already dealt with that in my speech.

**Mr. Deputy-Speaker:** I shall now put the amendment to vote.

*Amendment No. 5 was put and negatived.*

**Mr. Deputy-Speaker:** The question is:

"That clause 21 stand part of the Bill".

*The motion was adopted.*

*Clause 21 was added to the Bill.*

*Clauses 22 to 31 were added to the Bill.*

**Clause 32—(Income-tax and other taxes)**

**Mr. Deputy-Speaker:** There are two amendments to this clause, tabled by Shri Morarka, namely amendment No. 6 and amendment No. 8. Is the hon. Minister likely to accept them?

**Shri T. T. Krishnamachari:** Yes, I would like to accept the amendment which seeks to substitute, namely amendment No. 8.

**Shri Morarka:** I beg to move only amendment No. 8, and I do not move my amendment No. 6.

I beg to move:

Page 13, lines 29 and 30, for "purposes of income-tax but not of super-tax; and", substitute—

"for purposes of income-tax and in the case of any such unit holder who would not be liable to super-tax but for the inclusion of such income in his total income, also for purposes of super-tax; and". (8).

The purpose of my amendment is that if up to an amount of Rs. 1000 the income received by a unit-holder is added to his other income, and it makes him liable to super-tax because

of such inclusion, that person should not be made liable to pay super-tax simply because of the inclusion of that sum of Rs. 1000. As the hon. Finance Minister has said in his reply, this is a marginal relief, but I think that this is an important relief for the class of people who come in this category. I am grateful to him for accepting this amendment.

**Shri T. T. Krishnamachari:** I am accepting this amendment.

**Mr. Deputy-Speaker:** The question is:

Page 13, lines 29 and 30, for "for purposes of income-tax but not of super-tax; and", substitute—

"for purposes of income-tax and in the case of any such unit holder who would not be liable to super-tax but for the inclusion of such income in his total income, also for purposes of super-tax; and". (8)

*The motion was adopted.*

**Mr. Deputy-Speaker:** The question is:

"That clause 32, as amended, stand part of the Bill".

*The motion was adopted.*

*Clause 32, as amended, was added to the Bill.*

*Clauses 33 to 41 were added to the Bill.*

*New Clause 41A*

**Shri Yashpal Singh:** I beg to move:

Page 16, after line 6, insert—

"41A. After one year of the establishment of the Trust and thereafter every year, an annual report on the working of the Trust shall be presented to each House of Parliament". (7)

मैं समझना हूँ कि माननीय वित्त मंत्री को मेरे इस संशोधन को स्वीकार करने में

[Shri Yashpal Singh]

कोई ऐनराज नहीं होना चाहिए। चूँकि यह उन्हीं के हित में है इसलिए इस को उन्हें ऐक्सैप्ट कर लेना चाहिए।

**Mr. Deputy-Speaker:** The amend-stand part of the Bill”.

**Shri T. T. Krishnamachari:** I have already stated that the pattern of the Reserve Bank of India Act and the State Bank of India Act does not contemplate a measure like this. In both cases, the capital has been subscribed for by Government. But in this particular institution, the capital is not subscribed by Government at all. But, as I said, Parliament can always call for information and can get it.

**Mr. Deputy-Speaker:** Is the hon. Member pressing his amendment?

**Shri Yashpal Singh:** Yes.

**Mr. Deputy-Speaker:** I shall now put the amendment to vote.

*Amendment No. 7 was put and negatived.*

**Mr. Deputy-Speaker:** I shall now put clauses 42 to 44, the First Schedule and the Second Schedule together to vote. There are no amendments to these clauses and schedules.

The question is:

“That clauses 42 to 44, the First Schedule and the Second Schedule stand part of the Bill”.

*The motion was adopted.*

*Clauses 42 to 44, the First Schedule and the Second Schedule were added to the Bill.*

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

**Shri T. T. Krishnamachari:** I beg to move:

“That the Bill, as amended, be passed”.

**Mr. Deputy-Speaker:** The question is:

“That the Bill, as amended, be passed”.

*The motion was adopted.*

14.51 hrs.

#### CENTRAL BOARDS OF REVENUE BILL

**The Minister of Finance (Shri T. T. Krishnamachari):** I beg to move:\*

“That the Bill to provide for the constitution of separate Boards of Revenue for Direct Taxes and for Excise and Customs and to amend certain enactments for the purpose of conferring powers and imposing duties on the said Boards, be taken into consideration”.

We often say to the House that a measure which we have brought before it is innocuous. Sometimes it is not wholly true. But in this case, it is a completely innocuous Bill. At present, there is one Central Board of Revenue dealing with direct taxes and indirect taxes, that is, income-tax, customs and excise. The Bill seeks to divide the Board into two and confer the powers that have been conferred on the single Board on two Boards.

Clause 3 of the Bill proposes to set up separate Boards as I said just now. Clause 4 empowers the Central Government to make rules for regulating the transaction of business by each Board. As is usual, the rules made under this clause shall be laid before each House of Parliament. Clauses 5 and 6 are really consequential amendments in certain enactments where the words used are ‘Central Board of Revenue constituted under the Central Board of Revenue Act’. Clause 6 provides for the transfer of certain proceedings pending at the time of the enforcement of the Act before the Central

\*Moved with the recommendation of the President.