per cent that for manufactured products shows a rise of 5·9 per cent. However, if the food products group (which includes edible oils and sugar, khandsari and gur) is eliminated, the price rise in manufactured goods would be only 4·0 per cent.

It will thus be seen that higher prices of raw materials have not resulted in any undue increase in the prices of finished products, nor should they have exerted any adverse influence on industrial production. Industrial output has been affected to a certain extent by shortage of coal and electricity and bottle necks in rail transport. These are being tackled and, with improvement in these sectors industrial production should do better. In the meantime, Government has been undertaking sizable imports of critical items like iron and steel, cement, soda ash and rubber to relieve shortages.

Guidelines regarding cash in hand by a company

764. SHRI S S DAS: Will the DEPUTY PRIME MINISTER AND MINISTER OF FINANCE be pleased to state:

(a) what are the rules and guidelines, under the Income-tax Act or Company Law as to how much "cash in hand" a company can keep; and

(b) what is the system to check that the so called cash in hand, is actually in possession of the company and not used for illegal purposes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ZULFIQUARULLAH) : (a) Under the Income-tax Act or Company Law, there are no rules or guidelines as to how much "cash in hand" a company can keep.

(b) Under the Income-tax Act, 1961, and the Company Law, there is no system to check that the so called cash in hand is actually in the possession of the company at any given point of time. The only exceptions to this under the Income-tax Act are when search and seizure or survey operations are carried on in the case of a company under section 132/133A of the Inocme-tax Act, 1961 when actual cash balance could be taken and tallied with the position reflected in the books of accounts. In case of any difference in the cash balance as per the books of accounts and the cash balance found on actual tally necessary enquiries and investigations are made to find out how the difference is accounted for. Under Company Law, the only check on cash balance is as per the established auditing practice at the time of audit when cash is physically verified by the auditors.

Assets of Indians and Companies seized by Pakistan

765. SHRI KIRTI BIKRAM DEB BURMAN: Will the Minister of COMMERCE, CIVIL SUPPLIES AND CO-OPERATION be pleased to state:

(a) what percentage of the Indian Nationals/Companies whose assets were seized by Government of Pakistan during indo-Pak conflict of 1965 as "enemy property" ad hoc grant of 25 per cent of the value of verified claims has so far been paid;

(b) the total amount of such grants paid so far; and

(c) in how many cases the claims have not so far been verified and the reasons for the delay?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE, CIVIL SUPPLIES AND COOPERATION (SHRI ARIF BAIG): (a) So far payments have been made in respect of, approximately, 10% of the claim cases of Indian nationals/companies whose assets in Pakistan were seized by the Government of Pakistan during Indo-Pak conflict, 1965.

(b) The total amount of ex-gratia grants paid so far is Rs. 23 80 crores.

(c) The number of claim cases pending verification are 26475. For computing the verification of claims, location of property, area of the property, the year of construction of the building, nature of forest, bank balances etc. are taken into consideration. Hence the verification of claims is a complicated and time consuming process. However, all out efforts are being made to verify claim cases, expeditiously.

Dagli Committee report on control and subsidies

766. SHRI VASANT SATHE: Will the DEPUTY PRIME MINISTER AND MINISTER OF FINANCE be pleased to state:

(a) whether Vadilal Dagli Committee on control and subsidies have submitted its report to the Government;

(b) if so, what are the important findings and recommendations made by the Committee;

(c) details of action/decision by Government on the repor ; and

(d) the names of the Ministries involved in follow-up action and their reaction to the recommendations made by the committee?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATISH AGARWAL): (a) Yes, Sir.

(b) Important findings and recommendations made by the Committee are summarised in the statement enclosed.

(c) & (d). The report is still being processed in consultation with the concerned Ministries/Departments. All economic ministries and other concerned organisations including Planning Commission and Reserve Bank of India will be involved in the processing of the report.

Statement

The Vadilal Dagli Committee has observed that both controls and subsidies helped promote a number of policy-objectives and that in the context of present unequal distribution of wealth and income together with imperfections in market systems in India, controls and subsidies are necessary.

The Committee, which was constituted by the Government of India, submitted its report on May 15, 1979, to the Deputy Prime Minister and Finance Minister, Shri Charan Singh. The Committee has concluded that many war-time controls, introduced to meet an emergency situation, were gradually absorbed into a system devised to meet the need of long-term planning. There has been a multiplicity of controls to meet various objectives and there are instances where controls have remained long after the need for them had been over. The control system today has become so complex that even the executive authority responsible for implementing them are unaware of the exact control system which they have to implement.

OBJECTIVES FOR CONTROLS

The Committee recommends following objectives for controls in the country:

(a) that scarce national resources get directed to priority sectors as per national plan and public policy;

(b) that the basic consumption needs of the people are met, in particular, the needs of the weaker section of the society, are provided at prices within their reach;

(c) that disparities in income and wealth are reduced and undesirable concentration of power prevented;

(d) that employment and income for large masses of people are protected by promoting growth of the decentralised sector; and

(e) that self-reliance is pursued by promoting technological capability, import substitution and exports in tune with the resource endowment of the country.

The Committee recommends that controls and regulations should have limited period of validity and these should be reviewed periodically, say once every five years. The control system should be simple and the points of control should be as few as possible.

All subsidies should similarly have a validity of no more than three years and before any subsidy is extended beyond its stipulated life, a review of its costs and benefits should be placed before Parliament by concerned Departments. The target group likely to benefit from any subsidy should be clearly identified and the fact should be adequately publicised to ensure that subsidies do reach the target group. The Committee also recommends that subsidies should be overt, so that costs and benefits thereof can be identified.

DISTRIBUTION SYSTEM

According to the Committee, price controls by themselves are of no value unless accompanied by an effective distribution system and control of Government over an adequate share of the supply of the controlled item for public distribution. Moreover, control over prices should not be such as to discourage production of controlled items. The Committee recommends that control over prices should be limited to articles which go into the consumption of common man, or to intermediate goods which are either basic or necessary for manufacture of consumption goods required by common man, or are essential inputs for the decentralised sector affecting large employment.

In the matter of agricultural prices focus of attention should be relative prices of competitive crops so that optimum utilisation of land may result from support prices. The Committee further recommends that an adequate buffer stock should be built up, to help management of supply of all items, the output or supply of which is subject to large fluctuations

INDUSTRIAL LICENSING

In regard to industrial licensing, the Committee finds that types of integration between industrial licensing and overall planning which had been achieved during the Third Plan has not been followed lately and guidelines for industries issued by the Ministry of Industry do not have the same organic link between plan and licensing policy. In consequence, the industrial licensing system has not ensured development of industries according to plan priorities, has failed to prevent growth of capacity in non-essential industries, has not been effective in securing proper regional dispersal of industies, and has not succeeded in containing monopolies and concentration of plant power. The Committee, therefore, recommends that a list of totally banned industries should be announced from time to time. Among other industries, some should be reserved only for the village and cottage sector and some others opened for small-scale industries with an investment limited at Rs. 10 lakhs The Committee wants an open list of industries for which no licence should be required. The Committee recommends further that a penalty should be prescribed for both under-utilisation of capacity as well as pre-emption of capacity without full utilisation of the capacity already licensed

MINING

In the field of mining, the Committee recommends that no area should be kept reserved for exploitation by the public sector for more than five years and any such area so reserved should be explored and exploitation commenced within a period of five years, failing which the area should be dereserved.

In regard to essential commodities, the Committee observes that the Indian economy is subject to temporary imbalances between supply and demand of both essential consumer goods and key industrial raw materials, so that the Essential Commodities Act is a necessary piece of legislation for commodity regulation. However, its indiscriminate use has made the system unavoidably complex and difficult to understand. The Committee, therefore, recommends that Essential Commodities Act should remain on the statute book and orders issued under the Essential Commodities Act should have a limited life of not more than three years, which should automatically lapse after the stipulated period. Even the statute should be reviewed every five years.

IMPORT AND EXPORT

The Committee recommends that import and export policy should have a validity of three years to permit available adjustments in production structure. It recommends that all cash assistance rates should be reviewed and such assistance limited to a refund of the direct tax element in the process of production of an export item.

As regards exchange controls, the Committee feels that the present policy of managing exchanges by having a realistic exchange rate should continue. It recommends simplification of rules regarding foreign travel.

The Committee does not favour rent control in respect of commercial and office premises. The Committee finds that the Central Government subsidies at present amount to about Rs. 2,000 crores per annum. The Committee observes that the subsidy tends to snow-ball and becomes sticky. Three subsidies, (namely, subsidies on food, fertilisers and exports) amount Rs. 1,431 crores and constitute 70 per cent of budgetary subsidies of Rs. 1,712 crores by the Central Government. It is recommended that subsidy on food-grains which is partly for buffer stock maintenance and partly owing to distribution cost should be broken up into two elements. The Committee regards the cost of buffer stocking as justified but recommends that the cost of distribution should be subsidised only to the extent that beneficiaries comprise people below the poverty line. The Committee recommends that fertiliser subsidy should be phased out in three years and a new subsidy given for promotion of organic fertiliser. Increased subsidy for use of fertiliser should be given to smaller and weaker farmers under various programmes within the ambit of the integrated Rural Development schemes. The Committee recommends increased transport subsidy in favour of hilly and far-flung regions, so as to make all essential commodities available to people in those areas at reasonable prices. It also recommends increasing subsidy for housing for low income people.

FOODGRAINS

The Committee recommends that the focus of attention should continue to be on reasonable support prices on foodgrain in line with reasonable parities *inter-se* as between different crops and buffer stock operations. While cost of buffer stock maintenance should be a legitimate charge on revenues for achieving food security subsidy to most distribution costs should not be a charge to revenue except to the extent required to meet essential needs of people near or below poverty line.

For edible oil, the Committee recommends continued import of cheaper edible oils to fill in gap between demand and supply. It recommends that STC should be asked to go in for long-term supply contracts and arrange for requisite quantities of available oil imports. In order to introduce some stability in availability and price of edible oils, a buffer stock of at least two months requirements should be built up through additional imports, if necessary.

TEXTILE INDUSTRY

According to the Committee, as major problem of textile industry arises from fluctuations in output and prices of raw cotton and neither control on ceiling nor support price of cotton has worked successfully. Although Cotton Corporation of India was set up with a view to stabilising prices of cotton through effective intervention in cotton market, it has never been provided the necessary fund with which to achieve the above objectives. The Committee, therefore, recommends that Cotton Corporation of India should be freed from bureaucratic control, given necessary funds and general guideline and authorised to buy 30 per cent of the cotton crop and also build up a buffer stock. The Committee further recommends that control on weaving capacity of mill sector should continue; price stamping of mill cloth withdrawn except on janata cloth and reservation of spare production by handloom should be enlarged.

COAL

The Committee recommends that price of coal should be determined by an independent authority with a view to discouraging its imprudent use.

STEEL

The tight administrative control over steel prices should be relaxed. There should be no licensing control in respect of cement expansion and a special allowance of at least Rs. 20 per tonne of cement should be allowed to producers. To the extent controls are considered necessary on cement prices, distribution, etc., the same may be exercised under Essental Commodities Act instead of Industrial Development and Regulation Act.

The Committee recommends amendment of Gold Control and total prohibition on manufacture of gold ornaments above 19 carate purity. To meet demand for 18 carate gold, the Committee wants Government to import gold. It also suggests revival of gold bonds with suitable modifications.

The Committee feels that there is a need for a separate list of reserved items for decentralised sector, especially for artisans and cottage industry type workers. This list will include all dhoties and sarees with border, all carpet weaving, shawls, blankets, etc. The Committee further recommends, that there should be separate list for Government and public sector purchases exclusively from cottage and village industries.

CREDIT CONTROL

In regard to credit control, the Committee recommends steps to make available adequate credit speedily to small producers at reasonable commercial rates of interest. It recommends that 20 per cent of the additional credit should be deployed to decentralised sector.

The Committee feels that controls, particularly on price without an adequate machinery for distribution, leakages in distribution system, rent control, etc., are the main sources of black money. To check the expansion of black money, the Committee recommends that to the extent possible other alternative policies like buffer stock operations and fiscal policy should be used. There is need for a small list for restricted items involving individual discretion.

The Committee recommends that at the national level all controls and subsidies should be monitored in Planning Commission by a monitoring unit to be set up, so that required adjustments could be made from time to time. Similar monitoring of controls should be undertaken by State Planning Boards. The Committee further recommends that monitoring of prices and distribution control should be made easier and should be made more efficient by organising citizen councils in each area and also by involving organisations like chambers of commerce and industry for undertaking voluntary regulation of the conduct of their members.

राष्ट्रीयकृत बैंकों तथा भूमि विकास बैंकों द्वारा किसानों को दिए गए ऋणों की वसूली

767. श्री दया राम शाक्य : क्या उप प्रधान मंत्री तथा वित्त मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि राष्ट्रीयकृत बैंकों तथा भूमि विकास बैंको द्वारा किसानों को सिंचाई प्रयोजनों के लिए दिये गये ऋण उन से 9 वर्ष के भीतर वसूल किये जाते हैं और उस राशि पर चक्रवर्ती ब्याज वसूल किया जाता है तथा किसानों से पहली अथवा दूसरी किस्त वसूल करने के बाद भी उनसे मूलधन पर लगातार 9 वर्ष का चक्रवर्ती ब्याज वसूल किया जाता है ;

(ख) क्या जिन डेरियों के लिए ऋण दिया जाता है उनसे सरकारी एजेन्सियां दूध खरीदती हैं और दूध की किस्म का निश्चय कर्मचारियों द्वारा अपने स्वविवेक द्वारा किया जाता है तथा इस किस्म के आधार पर किसानों को उनके दूध का मूल्य अदा किया जाता है जिसके फलस्वरूप किसान बड़ी मुश्किल से ऋण पर केवल ब्याज ही अदा कर पाते हैं तथा अपना गुजारा भी नहीं कर पाते हैं; और