

About the journalists, as I mentioned, I did not have prior notice. Otherwise, I would have come with a longer statement. Mr. Chandramouli has been appointed to go into this whole thing. It will be enquired into. Government has taken a serious view of this matter. There is nothing to hide. If anyone is found responsible, we will take strong action.

MR. DEPUTY-SPEAKER: The question is:

"That this House approves the continuance in force of the Proclamation, dated the 9th February, 1974, in respect of Gujarat, issued under Article 356 of the Constitution by the President, for a further period of six months with effect from the 11th September, 1974."

The motion was adopted.

15.20 hrs.

INTEREST-TAX BILL

The Minister of FINANCE (SHRI YESHWANTRAO CHAVAN). Sir, I beg to move*:

"That the Bill to impose a special tax on interest in certain cases be taken into consideration".

Sir, while introducing the Finance (No. 2) Bill, 1974, in the Lok Sabha on 31st July, 1974, I had mentioned that, as a part of the anti-inflationary package, Government proposed to levy a tax on the gross amount of interest received by scheduled banks on loans and advances made in India. I had also briefly explained the broad features of the new levy and had informed the hon'ble House that a separate Bill to give effect to this proposal would be introduced shortly. The present Bill seeks to implement this proposal.

The proposed levy, to be known as "interest-tax", will be at the rate of 7 per cent on the total amount of interest accruing to scheduled banks on loans and advances made in India. The levy will thus extend to the State Bank of India and its subsidiaries, 14 nationalised banks, 40 non-nationalised scheduled commercial banks, 13 foreign banks and 14 State cooperative banks.

Interest-tax will be levied on interest accruing to the schedule banks in any account year relevant to the assessment year 1975-76 and subsequent assessment years. Interest is accruing before the 1st August, 1974 will, however, not be included in the tax base. For the purposes of the levy, interest will include commitment charges on the unutilised portion of any credit sanctioned for being availed of in India, as also discounts on promissory notes and bills of exchange drawn or made in India. Discounts on treasury bill will, however, be exempted from the levy. Interest on Government securities and on debentures and other securities issued by local authorities, companies or statutory corporations will also be outside the scope of the proposed tax.

Interest received on loans and advances made by a scheduled bank to other scheduled banks will not be chargeable to tax. This exemption is proposed on the consideration that such loans and advances represent temporary accommodation granted by one bank to another and interest received by the borrowing bank from its constituents will be chargeable to tax in its own hands. Any bad debt in respect of interest charged to interest tax in any earlier year will be deducted in computing the chargeable interest. Interest-tax paid by scheduled banks will be deducted in computing their taxable income under the Income-tax Act, 1961.

Interest-tax will be payable in advance in two half-yearly instalments

*Moved with the recommendation of the President.

[Shri Yeshwantrao Chavan]

on the 15th September and 15th March of the financial year immediately preceding the assessment year. During the current financial year, only one instalment of interest-tax will become payable by scheduled commercial banks on or before the 15th March, 1975 and this will cover interest accruing during the period of five months from August to December, 1974. In the case of scheduled cooperative banks, accounts are closed on 30th June every year. Since interest accruing before 1st August, 1974 is being excluded from the tax base, no tax will be payable by cooperative banks for the assessment year 1975-76.

The Bill provides for the imposition of a penalty in cases where interest-tax paid in advance falls short of 85 per cent of the interest-tax assessed on regular assessment. The penalty shall not be less than 10 per cent, and may extend to one and one-half times the amount by which the interest-tax paid in advance falls short of 85 per cent of the tax determined on regular assessment. The banks will also be liable to a penalty in cases where interest-tax is not paid in advance. In such cases, the penalty will vary from 10 per cent to one and one-half times of 85 per cent of the interest-tax determined on assessment.

The scheduled banks will be required to furnish to the Income-tax Officer a return of the chargeable interest before the 30th June of every assessment year. The provisions in the Bill for payment of interest-tax on self-assessment, regular assessment and re-assessment, as also for appeals, rectification of mistakes, etc. are broadly on the lines of the corresponding provisions contained in the Income-tax Act, 1961 and the Companies (Profits) Surtax Act, 1964. The Bill also provides for penalty for delay or default in furnishing the return of chargeable interest, failure to comply with notice requiring production of evidence, as also for concealment of chargeable interest, Arrears of interest-tax and penalty imposed

under the Bill will be recovered in the same manner as arrears of income-tax.

As indicated in my speech in the Lok Sabha on the 31st July, 1974, the scheduled banks would be excepted to adjust their functioning to the new tax and reimburse themselves to the extent necessary by making appropriate adjustments in interest rates charged from borrowers. This would result, on an average, in an increase of about 1 per cent in the cost of borrowings from scheduled banks. The proposed tax will thus have both a monetary and fiscal impact inasmuch as it will serve the purpose of raising the cost of borrowed funds and of supplementing Government revenues.

The Bill also seeks to make a consequential amendment to the Central Board of Revenue Act, 1963 to specifically provide that interest-tax levied under the proposed legislation will be regarded as a "direct tax" for the purposes of that enactment. This will enable the administration of the new levy by the Central Board of Direct Taxes.

Sir, this is a short, simple and non-controversial Bill and I am confident that it will receive the full support of the House.

Sir, I move.

Mr. Deputy-Speaker: Motion moved:

"That the Bill to impose a special tax on interest in certain cases, be taken into consideration."

SHRI SARJOO PANDEY.

श्री सरजू पांडे (गर्वाङ्क) : एगारस जी, माननीय मंत्री जी ने जो बिल बनाने के बारे में कहा है उससे, इन्टरनेट एक्ट रीजल्ट में बिना है जिसको मंत्री जी ने भी कहा है

"The object of the Bill is to impose a special tax on the total amount of interest received by Scheduled Banks on loans and advances made in India."

शंती जी ने अपने भाषण में यह कहा भी है कि इस टैक्स को वसूल करने का तरीका यह होगा कि देश में लोग कर्जा कम लेंगे बैंकों से और मुद्रा स्फूर्ति भी रहेगी। मैं समझता हूँ यूँ देखने में यह बिल बहुत अच्छा है, सरकार कानूनों के जरिए जो बात भी करती है वह सब कुछ देखने में अच्छा लगता है। जहाँ तक इस कानून का ताल्लुक है, यह मालूम होता है कि टैक्स उनसे लेंगे जो बहुत ज्यादा कर्जा लें रहे हैं, उनसे 7 परसेन्ट टैक्स लेंगे। यह कहते हैं इससे इन्फ्लेशन भी नहीं होगा और वह कर्जा भी कम लेंगे लेकिन मैं मन्त्रों जा से पूछना चाहता हूँ कि आज भी बैंक्स जो एडवांस कर रही हैं तब बड़े-बड़े उद्योगपतियों को ही कर रही है और वह लोग हमेशा टैक्स से बच जाते हैं। मन्त्र इन्फ्लेशन को रोकने के लिए आपने कितने ही नये नये टैक्स लगाए हैं। 252 करोड़ के टैक्स अभी आप ला चुके हैं जिस पर इस सदन में चर्चा हो चुकी है।

श्री यशवन्त राव चव्हाण : यह उस में भी है ।

श्री सरजू पांडेय : उस दिन भी मैं ने अपने भाषण में कहा था कि आप इन्फ्लेशन के नाम पर नये नये टैक्स लगा रहे हैं लेकिन मेरी समझ से इतना कोई प्रभाव नहीं पड़ रहा है। दुनिया के तमाम पूँजीवादी देश यही रास्ता अपनाते हैं लेकिन इससे वह चीज शकती नहीं है, बल्कि बढ़ती चली जा रही है। हम देखते हैं बाजार दिनों दिन मंहगा होता चला जा रहा है। दिल्ली में गेहूँ तीन रुपया किन्तु बिक रहा है और चीनी साढ़े 6 रुपया किन्तु बिक रही है। आखिर आप किस प्रकार से इसमें रूपावट कर पायेंगे ? बैंकों से जो कर्जा लेने वाले होते हैं वह छोटे छोटे लोग तो होते नहीं हैं। बड़े लोगों को ही वहाँ से कर्जा मिलता है और

वही लोग टैक्स को चोरी भी करते हैं। इस टैक्स को न लगाने के बजाय आर, जो टैक्स बकाया है उसको वसूल कर लें तो आपका बजट पूरा हो जायेगा और फिर नये टैक्स लागू करने को जरूरत नहीं रहेगी इन टैक्सों को लगाने के लिये आप नए नए अफिसर बनाने हैं, नए दफ्तर खोलते हैं और फिर उन टैक्सों की नयी नयी चारियाँ होती हैं। इनारे देश में रोजाना यही चलता रहता है। यहाँ चारियों का रोज भण्डाफाड़ होता है। आप कोई भी अखबार उठा कर देखें, आज खबर है आगरा और के एक्सपोर्ट में चोरी हो रही है, बैंकों में चोरी हो रही है, हमारे देश का रुपया बाहर के बैंकों में जा रहा है और इस प्रकार आप के सारे कानून धरे रह जाते हैं। तो देखने में यह बिल अच्छा है लेकिन इस से आपका उद्देश्य पूरा होने वाला नहीं है और न इस से कोई ज्यादा बात ही बन पायेगा। कर्जा लेने वाले आज भी कर्जा लेते हैं बैंकों का रेट तो आप ने पहले से ही बढ़ा दिया है। और इस के बाद भी वह कर्ज ले रहे हैं और सारा का सारा पया सरकार से ही लेते हैं। बहुत सारे उद्योगपति ऐसे हैं कि लाइसेंस लेकर के बाजार में बेच कर लाखों रुपया कमा लेते हैं। तो मैं कहना चाहता हूँ कि जो बिना आप लाये हैं। मैं बहुत ज्यादा इस के पक्ष में नहीं हूँ। हजारों त्रिल हमें पास कर चुके हैं और बार बार उन में संशोधन होते रहते हैं लेकिन फिर भी महंगारी बढ़ती चली जा रही है। उस का मुख्य कारण यह है कि जब तक भारत में पूँजीवाद अर्धव्यवस्था रहेगी यह स्थिति बनी रहेगी। आप या तो पूँजीवाद का रास्ता पकड़ लीजिये या सोशलिस्टों का रास्ता पकड़ लीजिये। यह चूँ चूँ का मुरबबा हमारी समझ में नहीं आता। यह तो वही मसल है जैसा कि रामायण में है कि गाल भी फुलाव और हंसे भी, यह सम्भव नहीं है। इस देश

[श्री सरजू पांडेय]

की अर्थ व्यवस्था को आप ने तबाह कर दिया है और काला बाजारी को रोकने के लिये कोई एक बिल आप नहीं लाये। गरीबों पर हमला करते हैं, कीमते बढ़ रही हैं, ला एण्ड आर्डर प्रोबलम बिगड़ रही है, आज आदमी की जान सुरक्षित नहीं है। आप इस बिल को तो पास करा ही लेंगे, और हमारा भी इस का विरोध करने का कोई खास इरादा नहीं है, लेकिन इस देश की अर्थ व्यवस्था का सुधारने के लिये आप वही कदम उठाये जा दुनिया के समाजवादी देशों ने उठाये हैं। पूँजीवादी कदम चाइना में, अमरीका में इंग्लैंड में फेल हो चुके हैं। इसलिये आप कुछ आमूल परिवर्तन इस दिशा में लाइये जो आप कर रहे हैं तभी देश का कल्याण हो सकता है।

हिन्दुस्तान में काला धन रोकने के लिये जब तक आप कुछ नहीं करेंगे तब तक कुछ नहीं होगा। कल, परसों मैं बम्बई गया था मालूम हुआ कि समुद्र के नीचे की जमीन में खोरी हो रही है एक एक गज जमीन का दाम लाखों लाखों रुपा लिया जा रहा है, बड़े बड़े हॉटल भर हुए हैं। आखिर यह पैसा कहाँ से आ रहा है। आप इस तरफ ध्यान दीजिये, देश की हालत बहुत खराब है, हम लिये कोई ठोस कदम उठाये जिन से काला बाजारी रुके तभी आप मुद्रा स्फीति रोक सकते हैं और देश का सही दिशा दे सकते हैं।

SHRI Y. S. MAHAJAN (Buldana):
 Sir, I welcome this piece of legislation. It provides for a tax on the gross amount of interest earned by the scheduled banks in India after the 1st August 1974. The tax will be at the rate of 7 per cent and while computing the chargeable interests, a deduction will be made in respect of the amount of interest which is established to have become a bad debt during the pie-

vious year and also in respect of interest on loans and advances made to other scheduled banks or interest earned on Government securities or debentures and other securities issued by local authorities, companies or statutory corporations. The first 12 clauses of the Bill deal with definitions and substantive provisions of the Bill whereas the remaining clauses are concerned with procedures in connection with appeals and penalties. Since the tax is a direct tax on a species of income, the relevant provisions of Income-tax Act have been made applicable by clause 22. The other clauses are adaptations of the same Act for purposes of this Bill. The tax paid will be allowed as a deduction in computing the taxable income under the Income-tax Act 1961. The Bill is simple and well-drafted and there should be no difficulty in its implementation.

Its main objectives are two: First, it will supplement Government revenues to the extent of Rs. 60 crores per annum. Secondly, it hopes to raise the cost of funds borrowed from the banks.

Increasing the revenue was necessary in view of the large gap between income and expenditure of the Government, a gap which is still increasing, so that nobody can say what it would be at the end of the financial year. Further, this measure was necessary in view of the Government's determination to confine deficit financing within the limit of Rs. 128 crores as postulated in the Budget for 1974-75. How far this objective will be realised will depend on the total effect of all the measures in the policy package which is still in the process of unfolding. But there is not the slightest doubt that this measure is in the right direction and it will contribute towards the achievement of that objective, and ultimately in reducing inflationary pressures in the economy.

The ground for this hope is due to the fact that this tax has been levied

at a sensitive point in the credit mechanism. The scheduled banks are the main purveyors of credit to the industrial and commercial sector of the economy. They will naturally shift the burden onto the shoulders of their customers. Further, as a result of the recent hike in the bank rate, the total burden will be increased considerably.

Even before the imposition of this tax was announced, as a result of the hike in the bank rate, the minimum lending rate chargeable by banks on advances was increased from 11 to 12 and a half per cent except in the case of the specifically exempted categories and the minimum lending rate on advances against commodities subject to selective credit control was increased from 13 to 15 per cent. Further, the maximum rate chargeable by the Reserve Bank of India to the scheduled banks on their borrowings was increased from 15 to 18 per cent.

On top of this came the tax on interest earned by scheduled banks from loans and advances made in India. The effect has been to push up the whole interest rate structure to a still higher level. This is bound to have a significant impact on credit, that is, on loans and advances by the banks. Since the bank credit is money, it will have a powerful tendency to reduce the amount of money in the country unless inflation proceeds at a still higher rate than before, or hoarding yields a rate of profit higher than the rate of interest charged by the banks. According to an unofficial estimate, the increase of profitability through hoarding of goods has been ruling at about 14 per cent.

Bank credit gives control over inventories. At present, it is calculated that inventories constitute about 45 per cent or so of the value of output. Economists have suggested that the proportion of inventories to be financed by bank credit should not be more than about 33-1/3 per cent. The firms can achieve this reduction in the

ratio of inventories to sales by fuller utilisation of capacity, avoidance of waste and better maintenance of their machinery.

Before I conclude, I would like to make two suggestions, that this measure should be followed by steps to levy a similar tax on persons working in the unorganised sector of the money market, such as, money lenders and shroffs. Not to do so will be unjust to the banks insofar as it will make their task of mobilisation of savings relatively more difficult than before. Recently, the proportion of fixed deposits total deposits has been rising at a low rate. The banks function of mobilising saving is as important as and even prior to that of purveying credit. They are merely intermediaries between borrowers and lenders.

My second suggestion is to take steps to integrate the organised and unorganised sectors of the money market so that the Government can have greater control over the credit mechanism. Unless it can manipulate more effectively the levers of credit policy, in times such as these, its anti-inflationary programme cannot achieve the desired results.

With these words, I support the Bill.

श्री आर० बी० बड़े (खरगोल) : मान्य-वर, मैं इस बिल का विरोध करता हूँ और वह इसलिये कि पहले हमारे मंत्री जी ने इंटरेस्ट का रेट बढ़ाया, 11 से सठे 12 1/2 कर दिया और इधर उन्होने 7 परसेंट टैक्स और लगा दिया। इस में आबजैक्ट में लिखा है :

"...The tax will be levied at the rate of seven per cent on the chargeable amount of interest."

इस का मतलब यह है कि जो आप ने इंटरेस्ट का रेट बढ़ाया है उस को भी आप इंटरेस्ट पर 7 परसेंट टैक्स लगा कर ले रहे हैं। आप ने आने भाषण में यह कहाँ है कि मुद्रा स्फीति को रोकने के लिये आप ऐसा कर रहे

हैं। म बहना चाहता हूँ कि मुद्रा-स्फीति कितनी बढ़ गई है और उस को रोकने के लिए यह धाप एक छोटी सी स्कीम लाये हैं। पैसा मिलेगा, इस के फीगर्स धाप ने नहीं दिये। कितना एस्टीमेट एमाउन्ट हम क्रो वापस मिलेगा यह कुछ धाप ने बताया नहीं है। धाप ने कहा है कि जो इन्टरेस्ट मिलेगा उस पर 7 परसेन्ट टैक्स धाप लेगे धाप टैक्स के ऊपर टैक्स लगा रहे हैं और इन्टरेस्ट के ऊपर धाप इन्टरेस्ट ले रहे हैं। यार्न: एक हाथ से अगर धाप दे रहे हैं तो दूसरे हाथ से उस को वापस ले रहे हैं। धाप ने यह कहा है कि सरकारी बैंकों पर यह टैक्स लागू होना। इस का असर काबतवारों पर पड़ेगा और साधारण आदमियों पर पड़ेगा। साधारण आदर्मा जो पैसा लेगा उस को वह बंधेगा पड़ेगा। इस लिए मैं इसका विरोध करना चाहता हूँ। धाप ने कहा कि इन्फ्लेशन रोकने के लिये ऐसा कर रहे हैं लेकिन बाकी जो प्राइवेट बैंक है, उन के ऊपर धाप ने क्या लगाया। इस के बारे में धाप ने अपने भाषण में कुछ नहीं कहा है। मेरा विरोध इसलिए है कि इस से इन्फ्लेशन रुकेगी नहीं और धाप टै स के ऊपर टैक्स लगा रहे हैं। धाप कितनी इसमें मद्रास्फीति रोकेंगे, यह धाप देखिये।

इस के इलावा एक मेम्बर ने कहा कि टैक्स एरियर 700 करोड़ रुपये का है। अगर धाप उस को वसूल करने के लिये कोई प्रोविजन करते, तो मैं विरोध न करना बल्कि मैं उसको सपोर्ट करता। यह जो टैक्स है, यह वांछता छोटा सा है लेकिन इस में यह लिखा हुआ है :

"Interest means interest on loans and advances made in India and includes commitment charges on unutilised portion of any credit sanctioned for being availed of in India."

यानी जो कज देगे, उस पर इन्टरेस्ट लेते हैं उस पर धाप टैक्स लगायेंगे। इन्टरेस्ट

के ऊपर धाप टैक्स लगाएँ यह बात मेरी मेरी समझ में नहीं आती है। धाप दूसरा कोई टैक्स लगाएँ, तो मैं सोच सकता हूँ, लेकिन इस टैक्स का मैं विरोध करता हूँ धाप अगर 11 परसेन्ट या साढ़े 12 परसेन्ट कोई इन्टरेस्ट लेता है, तो उसमें से 7 परसेन्ट वापस ले लेते हैं। इसका मतलब क्या होता ?

कोभापरेटिव बैंक जो कर्जा देगा, उस पर भी धाप ने टैक्स लगाया है। यह तो बरीबों पर पड़ेगा क्योंकि जिले जिले में कोभापरेटिव बैंक है जो अपने बैंक से जर्ज़ हुई ह।

इसलिये मैं इस का विरोध करता

SHRI VISHWANATH PRATAP SINGH (Phulpur): Mr. Deputy-Speaker, Sir, the present Bill seeks to have an impact, monetary as well as fiscal. To quote from the Statement of Objects and Reasons:

"The tax is expected to have both fiscal and monetary impact in as much as it will serve the purpose of raising the cost of borrowed funds and supplementing government revenues."

This awareness of raising the cost of capital supply is welcome, though it has come late and perhaps not with its fullest impact.

This country has been uncritically supplying cheap capital for quite a long. This policy has led not only to speculative stockpiling of commodities, but also to the discouraging of savings in the form of bank deposits, increased demand of capital on financial institutions, and discouraging the raising of equity capital in preference to loan capital. It has also eaten into the foreign reserves of the country by encouraging export of commodities on credit and their import on cash basis. We should see this problem in the back-

drop of inflation. If the inflation rate is about 30 per cent and our banks give loan at ten per cent then in fact our banks are doling out money at the negative rate of interest of 20 per cent and that too, not to the weaker sections of the society, not the small businessman but to large and organised business houses which can play one bank against the other and get the lowest rates of interest for their investments.

There was a talk that the accounts of forty scheduled banks will be examined on this account. The talk has now toned down to a whisper and perhaps, in time, will be hushed into silence. I would like to know in clear and unequivocal terms the views of the hon'ble Minister on this.

So far as the qualitative control of credit is concerned, the present situation makes a nonsense of all policy. We have been financing the purchase of private cars while the purchase of pumping sets for irrigation and agriculture was put in abeyance. It is time when we have to match our credit policy to our national priorities and sternly differentiate between the core and non-core sectors. Why should we go on subsidising the scarce resource capital to the non-core sector? Let the advocates of the free market face the free market of capital supply. Why should we subsidise it? In fact, I think the dose of remedy administered is a little weak, a stronger dose should be administered. Why should not, in the non-core sector, our bank rate equal the market rate? I would submit that the interest on the long-term loans, if raised from 9 to 15 per cent, it would effectively curb the borrowing. If you compare the figures of last year and this year,

after the introduction of such measures, you will see that there has not been much reduction in the bank loans advanced.

There is a vast domain of our economy which is beyond the manipulations of our monetary and budgetary controls and that is the domain which just does not register in the tax returns. In this respect, I have only one submission and with it I will end my submissions, and that is, make tax returns public documents. Any person paying a nominal fee should be entitled to get a certified copy of the tax returns of any other person. Sin and secrecy go together. Every crime requires cover. The present law, by making tax returns a secret document, provides the necessary cover to perpetrate and perpetuate economic crimes. Tear off this legal shroud, let everybody see who pretends to be what before the tax authorities. If exposure is a powerful social weapon, why should we refrain from using it? The greatest inhibitor of sin is public gaze. Let a thousand eyes judge and many a accounts will be set right.

*SHRI J. MATHA GOWDER (Nilgiris): Mr. Deputy Speaker, Sir, I rise to express my views on the Interest-Tax Bill which is under discussion. This Bill seeks to levy 7 per cent tax on the interest income of the Scheduled Banks.

I was deeply hurt to hear the hon. Finance Minister stating in his introductory speech that the 14 State Cooperative Banks have also been brought under the purview of the proposed tax. The State Co-operative Bank gives loans and advances to the District Co-operative Banks which in turn extend credit facilities to the agriculturists. After Indepen-

dence, the Co-operative Bank rescued the peasants from the clutches of money-lenders who were charging usurious interests. With the incorporation of State Co-operative Banks also within the purview of this Bill, the credit facilities extended by these Banks will become costly for the agriculturists.

I am a Director of the Tamil Nadu State Co-operative Bank. The annual interest income of Tamil Nadu State Co-operative Bank is of the order of Rs. 3.76 crores on which the Bank will have to pay Rs. 26.32 lakhs as tax. Naturally, the Bank will not be in a position to bear this heavy burden and it will try to pass on this burden to the agriculturists. Ultimately the impact of this Bill is going to be felt by the agriculturists at the other end. They will have to pay more interest on the loans being given by the Co-operative Banks. The effect of this Bill is that the credit facilities being given to the agriculturists have now become costly.

Clause 28 of the Bill envisages that the Reserve Bank can exempt any scheduled bank from the purview of this Bill. Perhaps the Government themselves have realised the need for exempting the State Co-operative Banks, though not now but at a later date. The All-India State Co-operative Banks Federation have passed a unanimous resolution demanding that the State Co-operative Banks should be exempted under this Clause. It is not enough for the hon. Minister of Finance to say that under Clause 28 the Reserve Bank has been empowered to exempt these Banks. I request him that he should in his reply to the debate categorically say that the State Co-operative Banks have been exempted from the purview

of the proposed tax. He has to do this if he wants the co-operative credit movement to survive in our country.

The Government will be able to realise this amount which they expect from the interest-tax by taking stringent steps to recover the income-tax arrears. Simultaneously, they should also try to realise the outstanding advances from the large business houses. As on 29th June 1973, the outstanding advances from 393 companies belonging to big business houses like Tatas, Birlas, Martin Burn, Mafatlal, Bangur, etc. to the 14 nationalised banks is of the order of Rs. 186.10 crores. This shows very clearly that the big monopoly houses have been getting massive credit facilities from the nationalised banks. At the same time, you find that the outstanding advances from small industrial units numbering 80,547 as on 29-6-73 is of the order of Rs. 364.92 crores—Rs. 186.10 crores outstanding from 393 companies belonging to big industrial houses and Rs. 364.92 crores outstanding from 80,547 small industrial units. When capital is so scarce for the small industrial units, massive credits are being appropriated by big industrial houses. We have established Industrial Co-operative Banks also which extend loans and advances to the small scale industry.

The loans being given to the agriculturists will not even be 10 per cent of what they get. When we hear every day that the big monopoly houses are indulging in many malpractices like evasion of income tax, maintenance of duplicate account books etc. for this purpose—the raids which are being conducted these days have revealed this—it is strange that they should be given hundreds of crores of rupees as loans and advances. The State Co-operative Banks

are keeping straight forward accounts. They have no other dealings except giving loans and taking interest on them. If the Government take adequate steps to recover the income tax arrears from these big industrial houses, and also recover the outstanding advances from them, there will be no need to levy 7 per cent tax on the interest-income of the State Cooperative Banks.

Before I end, I would once reiterate that the hon. Finance Minister should, in his reply to the debate, announce the exemption of State cooperative Banks from the purview of this legislation and not leave it to the Reserve Bank of India as envisaged in the Bill. If that is not done, the agriculturists of the country will be hard hit, as the State Cooperative Banks will pass on this tax burden by increasing the rate of interest on the loans given to them.

With these words, I conclude.

SHRI NATWARLAL PATEL (Mehsana): Mr. Deputy Speaker, Sir, I am supporting this Bill but with one request to the hon. Finance Minister. I belong to the cooperative movement and I am cooperator. As I am a cooperator I am a little bit worried about this tax specially imposed over the earnings of interest **say from scheduled cooperative banks.** Sir, you know the present situation of the cooperative banks in the country. I have received letters from very many cooperators from different States and they are also worried about this point.

I belong to Gujarat and I know the position of my State bank also. According to the statement of the hon. Finance Minister this is a simple Bill but I would request him to make it more simple by exempting cooperative State banks from the purview of this Bill. Ultimately this tax will pass on to district cooperative banks and then it will go to village cooperatives and village cooperatives

would recover this burden from farmers. As my little knowledge says I can request the hon. Finance Minister to look into the matter so that in the interest of the nation at this stage when the country is determined to channelise our distribution system throughout the country through cooperatives, they will be able to play their due role. I think this burden on cooperative banks would be undesirable and I hope the Minister will think over this problem and that he would exempt the state cooperative banks from the purview of this Bill.

16.00 hrs.

SHRI P. M. MEHTA (Bhavnagar): Mr. Deputy-Speaker, Sir, recently, the Government has started taking some measures to revitalise or reshape our economy. Sir, as you are very well aware, the fact, is, there is complete anarchy in the economy of our country. Sir, the measures which have been taken by the Government are contrary to the aims and objectives of these measures themselves. This house recently passed two Bills and these are meant to curb inflation and revitalise the economy. Sir, day by day, prices are sky rocketing. Now, this is also a measure to increase the revenue of the Government. I do not mind if the Government increases revenue through proper constitutional measures. But, this is a measure which will ultimately adversely affect the common man. This will also add to the sufferings of the people. Now, Sir, there is a provision under clause 28 to exempt certain scheduled banks from the provisions of the Bill. Similarly, under this provision, Government could easily exempt the state cooperative banks.

MR. DEPUTY-SPEAKER: That point has been made. You can support it.

SHRI P. M. MEHTA: I would like to bring to the notice of the hon.

[Shri P. M. Mehta]

Minister that cooperative banks is altogether a different aspect. This consists of the primary cooperatives and it is meant for financing their own shareholders and to serve the agricultural economy. If this Bill is made to cover the cooperative banks, ultimately, the farmers will be the worst hit.

MR. DEPUTY-SPEAKER: That point has been made by two other speakers.

SHRI P. M. MEHTA: I want to support and emphasise this point. Therefore, Sir, I would like to appeal to the Finance Minister. He should announce in this House today that Government will exempt the cooperative banks from the purview of this Bill. This should be announced today. That is my point. I wanted to make this point.

THE MINISTER OF FINANCE (SHRI YESHWANTRAO CHAVAN): Mr. Deputy-Speaker, Sir, only two or three points have been made during the course of the discussion on this Bill. One is about cooperative banks, which is the only point made by Members from both the sides. Sir, I have got one or two points for the consideration of the hon. Members who mentioned about cooperative banks. Sir, even today, the non-cooperative banks also are doing agricultural credit work. Nationalised banks are increasing.

SRI C. T. DHANAPANI (Dharpuran): Not satisfactorily.

SHRI YESHWANTRAO CHAVAN: Please listen to me first and then you can make up your mind. I would certainly like to claim as equally as they can claim that they are supporters of the cooperative movement. In my own way. I am also a supporter of the cooperative movement.

The point is that those who support the co-operative movement also will have to be a little discriminatory.

When the co-operative movement says that it is supporting and extending agricultural credit, I think the time has come when they will have to have some differential rate of interest. Suppose they will be required to pay—the example of Tamil Nadu was quoted—Rs. 20 or Rs. 26 lakhs. I would request that they should certainly try to get this additional amount by raised rate of interest from agriculturists, owning more than 5 acres of land. The time has now come for the agricultural sector to make its own contribution to this particular matter. Why should there be not differential rate of interest in this case?

At the present moment, whatever the nationalised banks do, at least they have accepted one principle, that in the case of small or marginal farmers they give credit at a little lesser on lower rate of interest. I do not know if hon. members have cared to know about this.

SHRI NATWARLAL PATEL: That is true. But the interest rate has been increased by 2 per cent by the Reserve Bank.

SHRI YESHWANTRAO CHAVAN: When the entire interest structure is changing, you cannot say it should not be done in a particular sector.

SHRI R. V. BADE: The question is whether he should go to the sow-car or to the co-operative bank. That is the *jhagada*.

SHRI YESHWANTRAO CHAVAN: व झझा पुराना होगी वह पुराना दनिया का बात था रहे है। अब वेग लाइज्ड बैंक भी बढ़ी जा कर रहे है और को-ऑपरेटिव बैंक भी बढ़ी जा कर रहे है।

I did not follow one thing that the Member from Tamil Nadu said. He said that the co-operative banks only have got honest accounts. Does he

mean to say that other banks have dishonest accounts?

SHRI J. MATHA GOWDER: Non-scheduled banks.

SHRI YESHWANTRAO CHAVAN: Non-scheduled banks. Most of this is, really speaking, applicable to the scheduled banks. There may be some individuals who are keeping double accounts.

SHRI SHIVAJI RAO S. DESHMUKH (Parabhan) State Co-operative banks?

SHRI YESHWANTRAO CHAVAN: Who does not say they will not pay? They will have to pay. We want them to pay. I am making this plea to the supporters of the co-operative movement: please go and tell the co-operative movement on your behalf and on my behalf that they must also try and have a differential rate of interest. They should have one rate for the small farmer and another for the non-small farmer. Whatever they will be required to pay additionally by way of tax can certainly be recouped by this way. When the entire interest structure is being changed and we are certainly making money a little costlier, money that is given by way of credit, the co-operative banks cannot claim any sort of exemption in this matter.

This was the only point made. As for Shri Bade, I think he did not understand what this Bill is meant for. He thinks it is meant for the sowcar. It is not.

SHRI NATWARLAL PATEL: So far as co-operative banks are concerned, we have our fixed policy for loaning to farmers and to other co-operative institutions. But so far as scheduled banks are concerned, they have not got a fixed policy in regard to loaning. They may charge something more.

MR. DEPUTY-SPEAKER: As a co-operator, you must co-operate also in this.

The question is,

"That the Bill to impose a special tax on interest in certain cases, be taken into consideration."

The motion was adopted.

Clause 2

*Amendment made**

Page 2,—

for lines 18 and 19 substitute—

'(9) "scheduled, bank" means the State bank of India constituted under the State Bank of India Act, 1955, a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or any other bank, being a bank included in the Second Scheduled to the Reserve Bank of India Act, 1934.' (1)**

(Shri Yeshwantrao Chavan)

23 of 1955

38 of 1959

5 of 1970

**2 of 1934

MR. DEPUTY-SPEAKER: The question is:

"That clause 2, as amended, stand part of the Bill".

The motion was adopted.

Clause 2, as amended, was added to the Bill.

Clauses 3 to 30, clause 1, the Enacting Formula and the Title were added to the Bill.

*Moved with the recommendation of the President.

SHRI YESHWANTRAO CHAVAN:
Sir, I 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.

16.11 hrs.

ESSO (ACQUISITION OF UNDERTAKINGS IN INDIA) AMENDMENT BILL

MR DEPUTY-SPEAKER: Earlier in the day we agreed to amend the order of schedule slightly by taking up item 21 before item 20. This also is a simple Bill which is to extend the time from 180 days to one year

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS (SHRI SHAHNAWAZ KHAN): I beg to move*

"That the Bill to amend the Esso (Acquisition of Undertakings in India) Act, 1974, as passed by Rajya Sabha, be taken into consideration"

I beg to move the motion for consideration and passing of the Esso (Acquisition of Undertakings in India) Amendment Bill, 1974 introduced on the 2nd September, 1974.

As the Hon'ble House is already aware, by the Esso (Acquisition of Undertakings in India) Act, 1974, rights, title and interests of Esso Eastern Inc. in relation to its undertakings in India were acquired by the Central Government. Section 13 of that Act provided that every contract entered into by Esso Eastern Inc. for any service, sale or supply in India shall, unless terminated by

the Central Government within 180 days from the 13th March, 1974 i.e. on the 8th September, 1974, be binding on the Central Government or the Government Company to which the said undertakings may be transferred. That Section also specifies the procedure for the termination of such contracts. In view of the very complex and diverse nature of these contracts and their large numbers, it has not been possible to complete the work of scrutiny of all the contracts undertaken or such further action as is appropriate within the specified limit of 180 days. As such, it has therefore, become necessary to extend the period by a further period of six months so that the total period available for the scrutiny and termination of contracts may be made one year

I would therefore, strongly commend this Bill for adoption by the Hon'ble House

SHRI NOORUL HUDA (Cachar): This Bill is short and seems innocent but I would submit that the Government policy is involved in this Bill. You will remember that the Government agreed to 26 per cent equity share in the company though it is well known that our country had been demanding total nationalisation of the oil industry. Even when Dr. Trigun Sen was the Petroleum Minister there was this demand. The oil industry was in the grip of foreign monopolists and there was a demand that it should be nationalised. Till now the Government had not taken any positive step in that direction. As a result of this hundreds of crores of rupees are allowed to be taken away from this country even to day. For this reason this Bill which seeks to extend the time limit of 180 days to one year will not serve any purpose because it does not strike at the root of the problem.

*Moved with the recommendation of the President.