

that the State Governments are encouraged to undertake such an activity.

My only submission is that, at this stage, the doubts which have been raised by the hon. Members are really due to some misunderstanding on their part and I am quite sure that after the Bill is received back from the Select Committee, properly examined, the House would wholeheartedly support it.

Mr. Deputy-Speaker: The question is:

"That the Bill to provide for regulating the quality of certain seeds for sale, and for matters connected therewith, as passed by Rajya Sabha, be referred to a Select Committee consisting of 30 members, namely: Shri R. Achuthan, Shri Maganti Akineedu, Shri Parashottamdas Haribhai Bheel, Shri Brij Raj Singh, Shrimati Jyotsna Chanda, Shri N. T. Das, Shri M. L. Dwivedi, Shri Gajraj Singh Rao, Shri R. Muthu Gounder, Shri Badshah Gupta, Shri Hari Vishnu Kamath, Shri Kisan Veer, Shri Jiyalal Mandal, Shrimati Shashank Manjari, Shri Mohan Nayak, Shri Sarjoo Pandey, Shri S. K. Paramasivan, Shri Man Singh P. Patel, Shri Deorao S. Patil, Shri Kishen Pattnayak, Shri Pratap Singh, Shri H. C. Linga Reddy, Shri S. C. Samanta, Dr. Sarojini Mahishi, Shri Annasaheb Shinde, Shri Ku. Sivappraghassan, Shri Sivamurthi Swami, Shri Shiva Datt Upadhyaya, Shri Manikya Lal Varma and Shri C. Subramaniam, with instructions to report by the first day of the next session."

The motion was adopted.

14.28 hrs.

UNIT TRUST OF INDIA (AMENDMENT) BILL

The Minister of State in the Ministry of Finance (Shri B. R. Bhagat): I

beg to move:

"That the Bill to amend the Unit Trust of India Act, 1963, be taken into consideration."

The House I think, will not expect me to make a long speech. I would like to give briefly a resume of the work done by the Unit Trust.

The Trust was established in February 1964 and the sale of unit certificates commenced on the 1st July, 1964. The initial response was very encouraging and although there has been a reduction since then in the net sales of unit certificates, the Trust has been able to mobilise savings to the extent of nearly twenty crores of rupees upto the end of December, 1965, and serves about 1,34,000 investors, many of whom are individuals in the upper and middle income groups, who might not normally have invested their funds in shares or other securities. The initial dividend which the Trust has declared, namely 6.1% corresponding to a taxable income of 7.62% on the investment has not been unattractive. If it is not as high as some of the investors might have expected or desired, we should, I think, remember that, in the first year of the Trust's existence, there was necessarily a time-lag between the sale of units and the investment of funds and the Trust was not able, in consequence, to realise or to distribute a full year's income. In the current and succeeding years, we expect that the Trust will be in a position to increase its dividend.

14.30 hrs.

If the Unit Trust is to attract new investors and to make a further effort to create or mobilise savings, a mere increase in the dividend which is to be distributed might not be adequate. In the existing conditions in our country, the Trust has necessarily to compete with several other organisations and it has also to take into account the marked increase in the interest rates all round since it was establish-

[Shri B. R. Bhagat]

ed. If the Trust is to obtain additional resources at this stage, without reducing savings in any other form, it should try to cater to the preferences and needs of particular classes of persons. It should offer them facilities and opportunities, which are not otherwise available, so that there may be an inducement for them to add to their existing savings.

The Unit Trust is now permitted under the law to offer only one kind of unit. It is required to pool all its income for distribution to the unit-holders and to distribute virtually all this income, and in any event not less than 90 per cent. thereof, to the beneficiaries. We were aware, Sir, when the Bill to establish this new organisation was originally drafted, that these provisions were likely to prove to be somewhat rigid and that the diversification of the schemes under which unit certificates could be purchased from the Trust was desirable. We considered it desirable, however, that this question should be reviewed in the light of the actual experience in regard to the working of a single or common unit scheme, before the necessary amendments were introduced. Now that we have acquired this experience and examined the position in some detail, we have come forward with certain specific proposals, which we hope will enhance the usefulness of the Trust and its ability to serve the investing public.

Although these proposals have been explained in detail in the notes on clauses, I might refer to them very briefly for the convenience of hon. Members. We proposed to continue the present unit scheme and to retain all the existing provisions relating to it, but we also propose to authorise the Trust to formulate as and when this is possible, other schemes intended for the benefit of persons who may be interested in securing an element of protection in the form of insurance or in the appreciation of the capital attributable to their subscriptions or

the reinvestment of the income which they may be currently earning. The new schemes will also cater to the needs of those who may be interested in any particular choice of investments or in maximising their current income from these investments.

For enabling it to build up a portfolio of investments appropriate to these new schemes, the Trust will be authorised to borrow from the Reserve Bank or from the commercial banks against the ordinary industrial shares which may be in its possession, a facility which is not now available to the Trust. After an initial portfolio of selected or suitable scrips has been built up, the Trust will be in a position to place in the market the units in relation to that portfolio at appropriate prices, as other organisations now do in the United Kingdom or the United States. The Trust will not be required mandatorily to distribute ninety per cent or more of the income attributable to the investments underlying the units under these subsequent schemes. It will have a wide measure of discretion in regard to this matter and will be able to take into account the unit-holders' needs and preferences.

I referred to the fact that the Trust would be able to offer to the investors a degree of protection assuring them of the fulfilment of their intended plan of investment over a period of time, by providing for the insurance of their lives.

श्री श्रीकार लाल बेरवा (कोटा) :
अध्य महोदय, हाउस में क्वोरम नहीं है।

Mr. Deputy-Speaker: There is no quorum. The hon. Minister may resume his seat for a while. The bell is being rung . . .

Now, there is quorum. The hon. Minister may now resume his speech.

Shri B. E. Bhagat: I referred to the fact that the Trust would be able to offer to the investors a degree of protection assuring them of the fulfilment of their intended plan of investment over a period of time, by providing for the insurance of their lives. As this facility is basically of the nature of endowment insurance with a life cover, the Trust will act, as far as this particular scheme is concerned, in close collaboration with the Life Insurance Corporation. The insurance cover will in fact be provided by the Life Insurance Corporation. We expect that the Life Insurance Corporation and the Unit Trust between themselves will be able to evolve a new scheme which will reach a class of investors who may be looking for benefits which neither the LIC nor the Trust by itself is now in a position to offer.

Apart from offering various benefits under several unit schemes, the Trust will also be enabled under the law to prepare plans for the accumulation of savings in easy instalments. This is intended to attract those who may not find it possible to invest substantial lump sum amounts of money in unit certificates, or who for any reason may not be able to make up their minds, pending the accumulation of their savings, about investment in units under any particular scheme. If, as we hope, these savings accumulation plans are popularised by the Trust, by means of intensive promotional campaigns, undertaken in consultation with the Savings Mobilisation Board, the results, by way of an accretion to the funds and resources of the Trust, may well be worth the time or money, which may be spent in this effort.

The Bill provides also for certain other minor amendments such as provision for the creation of reserve funds, built up from special contributions from the Reserve Bank or otherwise and variation in the prices of units, for reasons not connected with the fluctuation in the value of the underlying investments, in case this is

temporarily necessary. These are purely non-controversial and I shall not detain the House by explaining the justification for these amendments.

The creation of the Unit Trust of India was widely welcomed when the Bill was first brought forward before the House, and in comparison with the experience of other similar organisations when they were first started abroad, the results achieved so far have not been unsatisfactory. By attracting a class of investors who might not otherwise have invested their savings in stocks or shares, by acting as a public trustee on their behalf and by diverting a substantial volume of additional funds for investment in the capital markets in which the Trust has exercised a stabilising influence, this new organisation has abundantly justified itself and it has fulfilled the hopes with which it was established. If the results have not been more spectacular than they are, this is due to a number of extraneous factors and to certain difficulties which we hope will be temporary.

The trust has inevitably been hampered by the fact that the capital market has not been buoyant and foreign exchange and other shortages have affected the rate of development of industry and business during the period for which it has been in existence. On a long-range view of the possibilities, however, we have every hope that the Unit Trust, which provides today a vital service to a new and emerging class of investors, will have a major and healthy role to play in assisting our economic growth and development.

With these words, I move this Bill for the consideration of the House.

Mr. Deputy-Speaker: Motion moved:

"That the Bill further to amend the Unit Trust of India Act, 1963, be taken into consideration."

Shri Alvares (Panjim): Mr. Deputy-Speaker, the introduction of this Bill amending the Unit Trust Act, to

[Shri Alvares]

my mind, represents the failure of one more institutional devise of Government. Therefore, it is tragic that at this time when it was necessary to mobilise savings in order to provide investments for small units, Government are departing from a cardinal principle adopted in the Unit Trust Act and are now adopting measures which were not anticipated before.

The failure of the stock market, of the capital market, to provide investments for small industries naturally came up for consideration of Government. After all, the big industries and big businesses do not have to rely so much upon the stock market because the institutional device available to them of underwriters of shares provides the means by which they themselves mop up what the stock market does not take up. The result has been that big business is concentrated among monopolists because after all the shares that are underwritten are again taken up by these people who have floated these very companies.

Therefore, it was not necessary for the Unit Trust to provide for small investors. What was necessary was that the Unit Trust should provide a forum, an agency, whereby small investors who fight shy of the capital market could come forward to a government-sponsored institution and give their small savings for Government thereafter to invest in small industry etc.

Now, it is obvious, if one looks at the Annual Report of the Unit Trust of India, that a large part of the investment, apart from what came as initial capital from the Reserve Bank which amounts to Rs. 5.105 crores,—Rs. 19 crores—was subscribed by the public—subject to correction. Out of these Rs. 19 crores, a large section of investors, are those who do not want to risk their small capital in the

capital market and who want a Government agency to re-invest it for them, that is the Unit Trust, so that they are guaranteed some return for their small investments. The policy should be that Government should concentrate entirely on using the Unit Trust in sponsoring small industry and small business. It is unnecessary for big business to seek the agency of the Unit Trust. After all, big business, as I said, as underwriters of the stock market, which in turn creates monopolies, have the big prestigious financial institutions like the ICICI, IFC, State finance corporations etc. and any big industry that is to be started can be assured of adequate capital or funds for the purpose of developing them. It is the small entrepreneur who needs these funds, and rather than the Unit Trust look to the small man, its investments have been in these big prestigious industries. After all, the purpose was to get small funds to invest in small industry. The Annual Report of the Unit Trust discloses that in aluminium it invested Rs. 56.86 lakhs (2.73 %), in banks they invested 5.78 per cent; in cement, in engineering, in textiles and transport equipment they had invested large sums of money. What is the sense of Unit Trust, which was formed to mobilise small savings to help the small entrepreneur, once again diverting these funds to these big prestigious organisations which are well provided with institutional finance. Therefore, I say that the Unit Trust has failed in its purpose and hence I for one would oppose any extension of the manner in which the Unit Trust would get credit, because after all this is not going to fulfil the original purpose of the Unit Trust.

Time and again attention has been drawn to the failure of so many other similar institutions. May I draw the attention of the House to the Reserve Bank of India Survey

of credit in the rural sector? They have proved that 5 per cent of the major households have taken over 50 per cent of the total credit from the cooperative credit societies in the rural sector. This goes to prove that those who have got more and those who do not have are not protected. May I also refer to a speech of the Deputy Chairman of the Planning Commission and Minister of Planning in which he said that 650 accounts take away the major portion of credit that the banks are able to supply?

If this is the picture of credit, why is it necessary that the Unit Trust should go on investing in these big prestigious industrial concerns which are always provided with finance, which do not supply credit to the other institutions that need it, thus defeating the specific purpose for which the Unit Trust was formed? Unless there is a satisfactory explanation and a guarantee that these small savings are channelled to small industry, which has no other method of finding finance, I oppose the Bill.

Shri B. R. Bhagat: I am sorry the hon. Member has opposed the Bill on a ground which is imaginary.

Shri Alvares: I quoted from the annual report of the Unit Trust.

Shri B. R. Bhagat: He based his speech on an assumption that the Trust was created to promote small sectors. I do not know if this Trust was created only for the small entrepreneurs or small sectors. This was not the assumption in the original Bill. But the fact is that it has drawn small savings. He said that it should be for small savings and small sectors. It has drawn small savings because 80 per cent of the investments are in small savings. If he means that it should attract small savings, that purpose has been served by the Trust. In the very nature of things, one of the essential objectives is, one of the incentives for

mobilising saving, is that it should be able to give a good dividend. If that is conceded, the distribution of the portfolio of investments has to be such that it is spread over a large number of scrips in the stock exchanges so as to make it a good earning. The very fact that in the 9 or 10 months that it has been able to operate, it was able to give a dividend of 6.5 per cent (tax free) and 7.62 per cent (taxable) proves this. So that in the current year or in the coming years there should be a judicious balance of investments catering to a large variety of investment sources so that it will be able to declare a higher dividend. Once that objective is there, it acts as a constraint on the Trust to go and select out the small sectors because they are not quoted on the stock exchange. It will be able to invest only in the public companies, not in the private companies. That way the small sectors will not come in. That is why I say that to oppose the Bill on the ground that the Trust is meant for the small sector is to oppose it on an imaginary ground. Of course, it is a laudable object. We have programmes for small enterprises for which various other agencies are there. It may be necessary to augment the resources of those agencies and also create more agencies. But all the same, I say that the ground of opposition adduced by the hon. Member is not tenable.

As I have already explained, as a result of experience of working, it has been found that because of various other factors, in the recent months the investments to the Unit Trust have not been very good. Although it has succeeded in filling in a role in drawing savings from those persons who otherwise would not save, the more important things is to see that by introducing diversification in various ways we should take care of the other objective. We expect that the Trust will be able in the coming years, in the conditions of the capital market, in the

[Shri B. R. Bhagat]

conditions of the various attractions that other forms of savings provide, to play its effective role.

Mr. Deputy-Speaker: The question is:

"That the Bill further to amend the Unit Trust of India Act, 1963, be taken into consideration."

The motion was adopted.

Clause 2—(Amendment of section 2)

Amendments made:

Page 1, line 13,—

for "1965", substitute "1966" (3)

Page 2, line 5,—

for "1965", substitute "1966" (4)

(Shri B. R. Bhagat)

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 11 were added to the Bill.

Clause 1—(Short Title and Commencement)

Amendment made:

Page 1, line 4,—

for "1965" substitute "1966" (2)

(Shri B. R. Bhagat)

Mr. Deputy-Speaker: The question is:

"That Clause 1, as amended, stand part of the Bill."

The motion was adopted.

Clause 1, as amended, was added to the Bill.

Enacting Formula

Amendment made:

Page 1, line 1,—

for "Sixteenth" substitute—"Seventeenth". (1)

(Shri B. R. Bhagat)

Mr. Deputy-Speaker: The question is:

"That the Enacting Formula, as amended, stand part of the Bill."

The motion was adopted.

The Enacting Formula, as amended, was added to the Bill.

The Title was added to the Bill.

Shri B. R. Bhagat: 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.

Mr. Deputy-Speaker: Shall we take up the adjournment motion? Has he got any objection?

Shri Warlor (Trichur): People will be coming only at 3.

Mr. Deputy-Speaker: We will meet again at 3 O'Clock.

14.55 hrs.

The Lok Sabha then adjourned till Fifteen hours of the Clock.

The Lok Sabha reassembled at three Minutes past Fifteen of the Clock.

MOTION FOR ADJOURNMENT—contd.

KERALA FOOD SITUATION—contd.

श्री प्रकाशचौर शास्त्री : अध्यक्ष जी, मैं प्रस्ताव करता हूँ कि सभा को अन्य कार्य-वाही स्थगित करके केरल में सरकार की असफलताओं से जो खाद्यान्नों के अभाव की स्थिति सामने आई है उस पर विचार किया जाये ।

भारत में पिछले 18 वर्षों से भूखमरी को समाप्त करने की दिशा में पूरा प्रयास सरकार की ओर से नहीं हुआ । उसका परिणाम यह है कि हमारे देश में मरने वालों की संख्या दिन प्रति दिन बढ़ती जा रही है । तीन प्रकार के व्यक्ति हमारे देश में खाद्यान्नों