

# LOK SABHA DEBATES

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## LOK SABHA

Friday, September 11, 1981/Bhadra  
20, 1903 (SAKA)

The Lok Sabha met at  
Eleven of the Clock

[MR. SPEAKER in the Chair]

### ORAL ANSWERS TO QUESTIONS

#### Rust for New Share Issues in Indian Capital Market

\*391. SHRI JAGDISH TYTLER :  
Will the Minister of FINANCE be  
pleased to state:

(a) whether it is a fact that the  
Indian Capital Market is witnessing  
a rush for new share issues which  
are being subscribed by small pri-  
vate investors;

(b) whether there is a sort of spurt  
of agricultural surplus moving into  
industrial investment; and

(c) if so, the steps contemplated  
by Government to further strengthen  
this link?

THE MINISTER OF FINANCE  
(SHRI R. VENKATARAMAN): (a)  
to (c). A statement is placed on the  
Table of the House.

#### Statement

(a) Yes Sir. It is true that the  
capital market of the country is pre-  
sently witnessing buoyancy. During  
the year 1980-81, 192 companies  
raised Rs. 55.92 crores by way of  
equity, Rs. 1.80 crores by way of  
preference shares and Rs. 35.40 cro-  
res by way of debentures i.e. a total  
of Rs. 93.12 crores as against Rs.

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47.94 crores, Rs. 0.40 crore and  
Rs. 7.00 crores i.e. a total of Rs. 55.34  
crores raised by 127 companies in the  
previous year. The public offer in  
1980-81 was oversubscribed in aggre-  
gate terms 5.22 times while the pub-  
lic offer in 1979-80 was oversub-  
scribed 6.93 times. The trend has  
continued in the current financial  
year also. During the period, April  
to June, 1981, the total public offer  
of Rs. 82.77 crores by 54 companies  
was oversubscribed by 5.73 times as  
against the oversubscription of 4.07  
times in respect of the total public  
offer of Rs. 9.82 crores by 46 com-  
panies in the corresponding period of  
the previous year.

There are some broad indicators  
that popular issues are being subscrib-  
ed substantially by small private in-  
vestors. For example, in 1980-81, out  
of 187 equity issues, 30 issues were  
oversubscribed more than two times.  
Out of a total of 13.35 lakhs applicants  
for these 30 issues, applicants who  
applied for shares of the face value  
of Rs. 500 were 6.97 lakhs constitut-  
ing 52.2 per cent of the total number  
of applicants. They were allotted  
shares worth Rs. 6.29 crores amount-  
ing to 27.4 per cent of the total  
public offer of Rs. 22.97 crores.

(b) It is generally felt that a size-  
able portion of the savings of the  
agricultural community is moving  
into industrial investment. As allot-  
ment of industrial securities is not  
related to the occupation of the appli-  
cant, it is not possible to give any  
precise information in the matter.  
However, in the case of Gujarat  
Narmada Valley Fertilizer Company  
Ltd., out of a total equity issue of  
Rs. 43.61 crores, agriculturists and co-  
operative societies were allotted  
shares worth Rs. 10.12 crores.

(c) The Government has under consideration various measures to augment the flow of agricultural surplus into industrial investment such as opening of new Stock Exchanges at certain selected centres, licensing dealers in securities in mofussil areas under the regulatory provisions of the Securities Contracts (Regulation) Act, 1956, making dividend warrants either payable or collectable at par in any bank at any centre in the country and broadcasting the daily quotations of selected securities which are at present done only by the Bombay and Ahmedabad stations of the All India Radio also by the Calcutta, Delhi, Madras, Bangalore, Hyderabad, Indore and Cochin stations where recognised Stock Exchanges are situated.

**SHRI JAGDISH TYTLER:** The agricultural surplus which is lately being invested in industries, is a very good trend; and I think the hon. Minister should take steps to strengthen this and also see that it is established. I would like to ask my first supplementary: whether Government has noted the enthusiasm demonstrated by small scale investors in the purchase of shares in the stock market, thereby underlining the buoyancy that the capital market is enjoying at present, and if this movement is indicative of the change that is taking place in the industrial and agricultural scenes of this country—and the reason, if any, for these changes?

**SHRI R. VENKATARAMAN:** After the presentation of a Budget, people look to the stock market to see whether the budget is welcomed or not. I suppose the reverse can now be looked at. The buoyancy of the stock market may be indicative that the economy is sound.

So far as investment by the small investor is concerned, I am happy to give him some information: out of the large number of shares which have been subscribed last year, 52 per cent has been subscribed to by

persons applying for Rs. 500/-. It shows that a large number of small investors are now coming forward to buy shares in the market. The total number of applicants were of the order of about 6.97 lakhs. And out of this, 52.2 per cent were persons who applied for Rs. 500/-. I think the trend is good. It shows diversion of investible resources to industries from the comparatively prosperous agricultural sector.

**SHRI JAGDISH TYTLER:** May I know from the hon. Minister the details about the investments made by the rich agriculturists and overseas Indians in the stock market recently? This is as well concerning the agricultural surplus moving into the industry. In view of the position that this phenomenon of agricultural surplus moving into the industry investment being something new in this country, what measures are under contemplation by the Government for encouraging this trend and strengthening and establishing this trend in the country?

**SHRI R. VENKATARAMAN:** Investment in the stock market is based on the hope of the investors to secure an adequate return on his investment and on a continuous basis. Secondly investors in the stock market hope for capital appreciation. If these two are assured, then he is likely to invest in the stock market. If the agriculturists think that there will be capital appreciation, he will go into this field. I cannot give the figure of how much this investment is by the rich agriculturists, but to the extent we see that there is some tendency on the part of agriculturists to invest in the shares, there is a shift in the investment towards investment in industry.

**SHRI INDRAJIT GUPTA:** The hon. Minister has said that the buoyancy of the share market is an evidence of the fact that the economy is on a sound footing. May I know from him (a) whether this is not

a fact that his buoyancy of the share market is really not an indication of the soundness of the economy but an indication of the high profitability of the private sector despite inflationary conditions. It is the point I had mentioned a few days ago that inflationary conditions are helping the earning of a very high profit. Is this not a proof of that? (b) If it is true that there is a rich agriculturist sector—though he says he cannot identify it; I think it can be identified—since the figures given here in reply to this question show that there is obviously a rich, affluent agriculturist section which is now able to transfer surplus resources to industry, then why is he not doing anything so far to bring this section within the income tax net since he himself is badly in need of resources?

SHRI R. VENKATARAMAN: The first question is a matter of inference. I have drawn the inference from the buoyancy in the stock market that the economy is sound, because the investment itself shows that the people hope to get a continued good return and dividend. Otherwise, nobody will invest. Therefore, I feel that this is really an indication of the health of the economy. If the people do not have that faith or that confidence, they will not go into the stock market. This is an inference. You can also draw the other inference that high profitability is due to inflation. Well, it is a matter for judgement. The second point which is asked is why we are not taxing the agricultural income. Actually, the agricultural income is subject to tax by the States; many States levy agricultural income tax. So far as Centre is concerned, the hon. member is aware that agricultural income over a particular amount is added on to the income of the assessee for the purpose of determining the slab rate of taxation.

श्री दिलीप सिंह भूरिया : अध्यक्ष महोदय, मैं माननीय मंत्री जी को इस बात

के लिये धन्यवाद देना चाहता हूँ जो उन्होंने किसानों के शेयर खरीदने की स्कीम बनायी। मैं जानना चाहता हूँ कि छोटे छोटे किसान जिनका खेती पर गुजारा नहीं होता है तो जो एग्रीकल्चर वेस्ड इंडस्ट्रीज हैं वह उनको कम्पलसरी कर के उसके लिये किसानों को क्या भागीदार बनायेंगे ? ऐसा कानून बनायेंगे क्या ? और अभी तक किसानों ने कितने शेयर खरीदे और कितने किसानों ने पार्टिसिपेट किया ?

SHRI R. VENKATARAMAN: If the hon. member wants my advice, I would tell the small farmers not to invest in shares because the stock market is often called not only stocks and shares but shocks and shares: it is full of speculative activities. And therefore, it is not proper for the small farmers to go into this. This is intended really for a person who has capital surplus, who wants to take a certain measure of risk. So far as the small farmer is concerned, we have many agro-based industries and we have also provided several schemes for starting small scale industries which he can take advantage of by investing in those companies and instruments.

SHRI A. K. ROY: The march of agricultural surplus to industry is not a good sign. The best thing should have been ploughing back of this agricultural surplus into agriculture itself. It is nothing but a drain theory, draining from agriculture to industry. In view of that may I know, whether the Finance Ministry has any data about the march of industrial surplus to agriculture?

SHRI R. VENKATARAMAN: Yes, Sir. We have been informed that in order to avoid taxes people are investing in agriculture their surpluses from industries because agriculture is exempt from income-tax of this kind which we levy in other cases. Some people are going from industry to agriculture.

MR. SPEAKER: They are becoming parasites from industry.

Mr. Nadar, Absent. Mr. Putte Gowda, Absent. Mr. Lakkappa.

### Third Airline Service to Raichur

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\*393. SHRI K. LAKKAPPA:

SHRI D. M. PUTTE GOWDA:

Will the Minister of TOURISM AND CIVIL AVIATION be pleased to state:

(a) whether it is under consideration of Government to operate Third Level Services with F-27/HS-748 type aircraft to Raichur and, if so, full details thereof;

(b) whether the desired information has been supplied by the Karnataka Government; and

(c) by what time the services are likely to be operated?

THE MINISTER OF STATE IN THE MINISTRY OF TOURISM AND CIVIL AVIATION (SHRI CHANDU LAL CHANDRAKAR): (a) Raichur is being considered as one of the stations to be connected by third level service as and when third level services are extended

(b) Yes, Sir.

(c) No definite date for commencement of the service can be indicated.

SHRI K. LAKKAPPA: Mr. Speaker, Sir, credit goes to the Civil Aviation Ministry for having taken certain steps for starting the third airline service in strategic areas like Assam and other places. This country needs more airlines in other parts of the country also. So, with this background, I had suggested in meetings several times, that the third airline service linking Raichur through Hyderabad should be implemented this year i.e., at least from November. In view of the facts given in the reply given by the hon. Minister I would like to ask him, when the

desired information has been supplied by Karnataka, and as desired by Karnataka, why has it not been implemented so far? Secondly, I would like to know, like Hyderabad-Raichur, what are the other places to be linked, to create a circular third airline service in Karnataka State and what is the specific time which has been fixed for implementation of this third airline service linking Raichur?

THE MINISTER OF TOURISM AND CIVIL AVIATION (SHRI A. P. SHARMA): The Government has taken in principle a decision to extend this third level air service—it is known as feeder service also—to places other than the North-Eastern region where it is presently operating and Raichur is one of the places where we are intending to extend the service.

AN HON. MEMBER: What are the other places and what are the States?

SHRI A. P. SHARMA: There are number of places. If hon. Members are interested in the names of those places they can also be given. But it all depends on the decision of the Government as to when we are going to introduce this service. The proposal is under consideration of Government and we expect to take a decision very shortly in this respect.

SHRI K. LAKKAPPA: He has not answered the latter part of my question. Only Raichur cannot be linked; there should be a circular line and several districts and other places should have been included in this circular route. I would like to know what are the places which are included in the circular third airline service in Karnataka and what is the time fixed for its implementation. When the required information has been sent to the Ministry why action has not been taken?

SHRI A. P. SHARMA: When it is said that Raichur will be connected by the feeder service, it has to be